CONSOLIDATED INTERIM REPORT 2019

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Corporate officers

BOARD OF DIRECTORS [1]

Chairwoman	Maria Bianca Farina
Chief Executive Officer	Matteo Del Fante [2]
Director	Vladimiro Ceci [3]
Director	Laura Furlan
Director	Guido Maria Nola
Director	Maria Cristina Vismara [3]
Director	Gianluigi Baccolini

GENERAL MANAGER Maurizio Cappiello

BOARD OF STATUTORY AUDITORS [1]

Chairman	Marco Fazzini
Auditor	Marco De Iapinis
Auditor	Maria Giovanna Basile [4]
Alternate	Massimo Porfiri

1. The Board of Directors and the Board of Statutory Auditors were appointed by the shareholders at the General Meeting held on 19 June 2017 and will serve for three-year terms of office, until approval of the financial statements for 2019.
2. Matteo Del Fante's appointment as a Director, following his co-option on to the Board of Directors subject to the prior approval of the Board of Statutory Auditors at the meeting held on 26 July 2017, was confirmed by the shareholder resolution of 20 December 2017; in accordance with the provisions of art. 2386 of the Italian Civil Code, his term of office will expire at the same time as that of the other members of the Board of Directors in office, and therefore on the date of the Annual General Meeting called to approve the financial statements for 2019. The Board of Directors also appointed Mr Del Fante as Chief Executive Officer.
3. The appointments of Maria Cristina Vismara and Vladimiro Ceci, following their co-option on to the Board of Directors subject to the prior approval of the Board of Statutory Auditors at the meeting held on 26 February 2019, to replace Antonio Nervi and Dario Frigerio following their resignations, were confirmed by the shareholder resolution of 30 April 2019; in accordance with the provisions of art. 2386 of the Italian Civil Code, their term of office will expire at the same time as that of the other members of the Board of Directors in office, and therefore on the date of the Annual General Meeting called to approve the financial statements for 2019.
4. In accordance with art. 2401 of the Italian Civil Code, the Alternate Auditor, Maria Giovanna Basile, became a Standing Auditor of the Company following the resignation, submitted on 21 May of this year, of Barbara Zanardi.

SUPERVISORY BOARD[5]

Chairman	Francesco Alfonso
Member	Franco Cornacchia
Member	Marianna Calise

INDEPENDENT AUDITORS [6]

BDO Italia SpA

INTERNAL AUDIT AND RELATED PARTY TRANSACTIONS COMMITTEE [7]

Chairman	Vladimiro Ceci
Member	Maria Cristina Vismara
Member	Gianluigi Baccolini

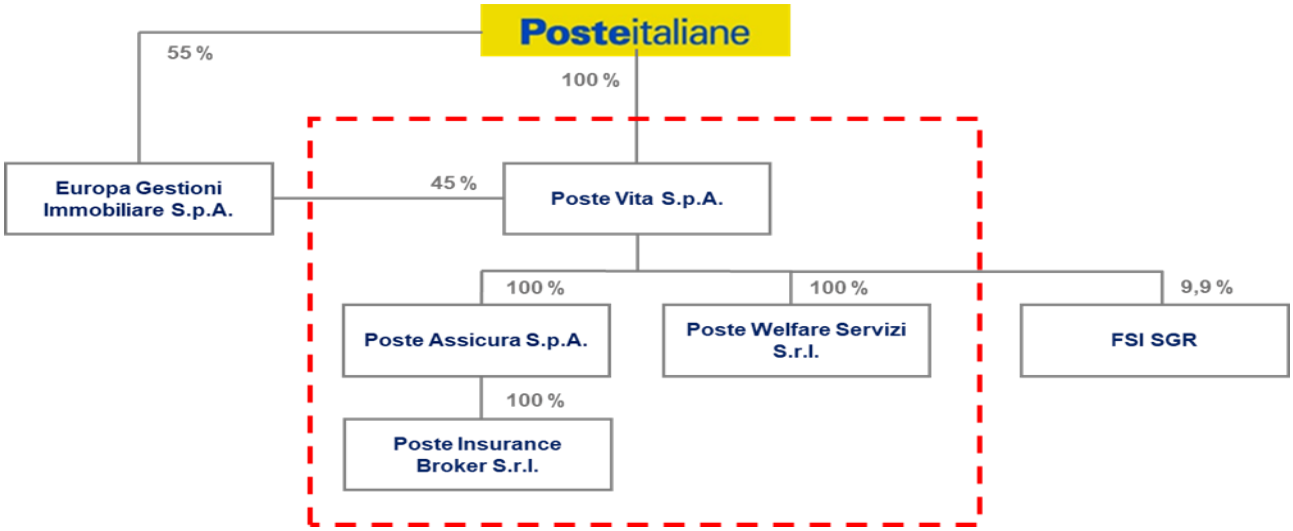
REMUNERATION COMMITTEE [7]

Chairman	Guido Maria Nola
Member	Maria Cristina Vismara
Member	Gianluigi Baccolini

5. The Supervisory Board, appointed by the Board of Directors at their meeting of 30 July 2018, has a three-year term of office that will expire on the date of approval of the financial statements for 2020.
6. Appointment approved by the shareholders at the General Meeting of 29 April 2014.
7. The Board of Directors appointed new Committee members on 26 February 2019 following the resignations of Dario Frigerio and Antonio Nervi.

Group structure

The Poste Vita Group's current structure and its scope of consolidation are briefly described below:



The Poste Vita Group operates in the life and non-life insurance sectors, and has a leading position in the life sector and a growth strategy in the non-life sector.

The scope of consolidation includes the subsidiary, Poste Assicura SpA, an insurance company founded in 2010 to provide non-life insurance, excluding motor insurance, and a wholly owned subsidiary of the Parent Company, Poste Vita, and Poste Welfare Servizi Srl, a company that primarily provides its customers with administrative, technical and software assistance relating to the management of health funds and data acquisition and validation. The latter company is also a wholly owned subsidiary of Poste Vita. In addition, on 12 April 2019, the Group established Poste Insurance Broker Srl (a wholly owned subsidiary of Poste Assicura SpA), which operates in distribution and as an insurance and reinsurance broker, as provided for in its articles of association.

Poste Assicura SpA and Poste Welfare Servizi Srl engage in transactions with the Parent Company, Poste Vita, under specific service contracts, drawn up and regulated on an arm's length basis.

The Parent Company also holds a non-controlling interest in Europa Gestioni Immobiliari SpA (EGI). This is primarily a real estate company tasked with the management and development of Poste Italiane's properties no longer used in operations.

This investment is not accounted for on a line-by-line basis, but using the equity method, as described more fully below.

Finally, the Parent Company, Poste Vita, holds a 9.9% interest in FSI SGR (acquired from Cassa Depositi e Prestiti in the fourth quarter of 2016). The Company does not exercise either de iure or de facto control, whether on an individual or joint basis, or as a connected party with Cassa Depositi e Prestiti and/or other shareholders of FSI SGR.

This investment is measured at fair value through profit or loss, as required by IFRS 9.

EXECUTIVE SUMMARY

In keeping with the strategic objectives set out in the business plan, during the period, the Poste Vita Insurance Group primarily focused its efforts on:

- strengthening its leadership in the life market for traditional and pension products, whilst also developing its Class III business;
- achieving growth in the protection and welfare segment.

RECLASSIFIED INCOME STATEMENT (€m)

for the six months ended 30 June	2019			2018		
	Non-life business	Life business	Total	Non-life business	Life business	Total
Net premium revenue	**93.7**	**10,032.7**	**10,126.4**	**61.7**	**8,813.8**	**8,875.5**
Gross premium revenue	*108.3*	*10,039.6*	*10,147.9*	*81.6*	*8,820.5*	*8,902.1*
Outward reinsurance premiums	*(14.6)*	*(6.9)*	*(21.5)*	*(19.9)*	*(6.7)*	*(26.5)*
Fee and commission income		**14.6**	**14.6**		8.7	8.7
Net finance income from assets related to traditional products	**2.5**	**2,987.5**	**2,990.0**	**2.1**	**901.6**	**903.7**
Income	*2.9*	*1,447.9*	*1,450.8*	*2.1*	*1,415.9*	*1,418.0*
Realised gains and losses	*(0.4)*	*9.4*	*9.0*	*0.0*	*155.3*	*155.3*
Unrealised gains and losses	*(0.0)*	*1,530.2*	*1,530.2*	*0.0*	*(669.6)*	*(669.6)*
Net finance income from assets related to index- and unit-linked products		**148.2**	**148.2**		(18.4)	(18.4)
Net change in technical provisions	**(27.1)**	**(12,463.0)**	**(12,490.1)**	**(14.4)**	**(9,071.4)**	**(9,085.9)**
Claims paid	*(24.8)*	*(7,632.5)*	*(7,657.3)*	*(17.5)*	*(3,956.9)*	*(3,974.4)*
Change in technical provisions	*(4.4)*	*(4,836.4)*	*(4,840.8)*	*(5.6)*	*(5,118.3)*	*(5,123.9)*
Share attributable to reinsurers	*2.1*	*5.9*	*8.0*	*8.6*	*3.9*	*12.4*
Investment management expenses	**(0.3)**	**(21.1)**	**(21.4)**	(0.2)	(22.3)	(22.5)
Acquisition and administration costs	**(30.8)**	**(278.6)**	**(309.4)**	(20.2)	(265.5)	(285.8)
Net commissions and other acquisition costs	*(17.8)*	*(236.9)*	*(254.7)*	*(9.3)*	*(223.7)*	*(233.0)*
Operating costs	*(13.0)*	*(41.7)*	*(54.7)*	*(10.9)*	*(41.8)*	*(52.7)*
Other revenues/(costs), net	**3.7**	**(13.6)**	**(9.9)**	3.8	(17.4)	(13.7)
GROSS OPERATING PROFIT	**41.8**	**406.7**	**448.4**	**32.7**	**329.1**	**361.8**
Net finance income from investment of free capital		44.6	44.6		43.4	43.4
Interest expense on subordinated debt		(32.4)	(32.4)		(15.1)	(15.1)
PROFIT BEFORE TAX	**41.8**	**418.9**	**460.6**	**32.7**	**357.4**	**390.1**
Income tax expense	(11.9)	(128.8)	(140.7)	(9.3)	(128.8)	(138.1)
NET PROFIT	**29.9**	**290.1**	**319.9**	**23.4**	**228.6**	**251.9**

The **Life business** generated gross premium revenue of €10.0 billion, up €1.2 billion (14%) on the same period of the previous year (€8.8 billion) and with a rebalancing of gross premium revenue towards more flexible products. The performance was driven by the contribution from Multiclass products, which generated premium revenue of €3.4 billion (including 29% invested in Class III products), compared with €0.3 billion in the first six months of 2018.

Total **claims paid** amount to €7.6 billion, marking a significant increase compared with the amount recorded at the end of the first half of 2018 (€4.0 billion). This reflects the growth in expirations (up from €1.5 billion to the current €4.9 billion), almost entirely attributable to Class I with-profits policies. In terms of surrenders, the figure of €1.9 billion is slightly up (8.4%) on the matching amount for 2018, whilst the surrender rate has remained stable at 3.1%.

Net premium revenue of €2.4 billion remained positive (€4.9 billion in the same period of the previous year), contributing to the growth in assets under management, in line with the stated aim of consolidating market leadership.

While the contribution of the **Non-life business** to the Group's results is still limited, sales in this area performed satisfactorily, with **total premium revenue** for the period of approximately €133.3 million, up 38% on the same period of 2018 (€96.4 million). Growth was driven by all the types of policy: i) credit protection (CPI) policies (up 12%; ii) Property and Personal up 19%, thanks also to the launch of the *Posta Protezione Casa 360* product, which has introduced cover for guarantees linked to natural disasters, and iii) Welfare, where revenue is up from €14.3 million at the end of the first half of 2018 to the current €42.3 million, driven by both the launch of the health care fund for the Poste Italiane Group's employees in April 2018 and new distribution agreements with corporate customers (Employee Benefits).

The period witnessed a 27% increase in **claims expenses** (up from €23.0 million to the current €29.2 million). This primarily reflects an increase in claims on Medical insurance policies, above all due to the rate of increase in the frequency of claims, which outstripped the reduction in the average cost resulting from the introduction of the health care fund for employees (from the second quarter of 2018).

In terms of **investments** during the period, the investment policy continues to be marked by the utmost prudence, based on the guidelines established by the Board of Directors. As a result, the portfolio is primarily invested in government securities and corporate bonds, with an overall exposure that represents around 76% of the entire portfolio. The rest of the portfolio is primarily invested in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. Returns on investments linked to separately managed accounts registered good performances, with returns of 3.16% for *PostaPensione* accounts and 2.36% for *PostaValorePiù* accounts. Total financial investments rose €9.0 billion (7.1%) during the period from €126.7 billion at the end of 2018 to the current €135.7 billion.

The notable improvement in the financial markets in the first six months of 2019 was reflected in an overall increase in unrealised gains, which are up from €2.0 billion at the beginning of the year to the current €7.8 billion. The gains almost entirely regard investment included in separately managed accounts and are, therefore, reflected in Deferred Policyholder Liability (DPL) provisions.

The investment of **"free capital"** generated net finance income of approximately €44.6 million, up €1.2 million on the figure for the same period of 2018 and primarily reflecting ordinary items.

As a result of the above operating and financial performance, **technical provisions** for the Life business's direct Italian portfolio, including DPL provisions, amount to €133.9 billion, up on the €125.0 billion of the end of 2018. Technical provisions for the Non-life business, before the portion ceded to reinsurers, amount to €212.8 million at the end of the period, an increase of 16% compared with the figure for the end of 2018 (€183.4 million), reflecting the growth in business.

Operating costs at the end of the first half total approximately €54.7 million, slightly up on the €52.7 million of the same period of 2018. These costs primarily regard personnel expenses, commercial expenses, the cost of IT services and the cost of professional and consulting services supporting the business. As a proportion of premium revenue and provisions, operating costs remain in line with best market practices at 0.5% and 0.1%, respectively. This is in line with the figure for 30 June 2018.

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This performance has resulted in **EBITDA** for the period of €460.6 million, an increase of approximately 18% compared with the €390.1 million of the same period of 2018. After tax, which in the period benefitted from a different presentation of the accounting impact[1] of the non-deductible change in Life technical provisions (a change classified as temporary rather than permanent, as in the first half of 2018), **net profit for the period** amounts to €319.9 million, marking an improvement of approximately €68 million compared with the €251.9 million of the same period of 2018.

[1] In 2018, the Parent Company, Poste Vita, completed system testing prior to release of the algorithm for use in calculating deferred tax assets on the non-deductible movement in technical provisions resulting from the application of paragraph 1-*bis* of art. 111 of the Consolidated Law on Income Tax, introduced in 2010, which provides for a partial exemption from taxation of the movement in mathematical provisions relating to Class I (excluding those for *PostaPensione* accounts) and Class V policies.

Key performance indicators

A summary of the principal KPIs is shown below:

(€m)

PRINCIPAL FINANCIAL KPIs	30 June 2019	31 December 2018	Increase/(decrease)	
Equity	4,287.6	3,951.3	336.3	8.5%
Technical provisions	134,073.9	125,146.1	8,927.8	7.1%
Financial investments*	136,550.1	128,226.3	8,323.8	6.5%
Solvency II ratio	241.7%	211.2%	30.5%	
Workforce	552	553	-1	

PRINCIPAL OPERATIONAL KPIs	30 June 2019	30 June 2018	Increase/(decrease)	
Gross premium revenue	10,147.9	8,902.1	1,245.8	14.0%
EBIT	448.4	361.8	86.6	23.9%
Net profit	319.9	251.9	68.0	27.0%
ROE**	15.6%	15.8%	-0.2%	-0.2%
Surrender ratio	3.1%	3.1%	0.0%	
Operating costs / Earned premiums	0.5%	0.6%	-0.1	
Operating costs / Provisions	0.1%	0.1%	0.0	

*** Including cash**

**** Calculated as the ratio of annualised net profit for the period to average of equity for the current year and equity for the previous year net of the FVTOCI reserve.**

ECONOMIC AND MARKET ENVIRONMENT

The slowdown in the world economy appears to have stabilised in the second quarter of 2019, although there are no clear signs of renewed economic growth. Globally, macroeconomic data continues to disappoint, whilst confidence in the economy continues to suffer from a weak manufacturing sector, as the prospects for economic growth remain subject to downside risks, such as the potential intensification of protectionist pressures with effects on a global scale, the possibility that the Chinese economy will slow more than expected and the impact and timing of negotiations between the UK and the European Union.

Inflation appears to be moderate and under control in both advanced and emerging economies, reflecting a reduction in economic activity and a weakening oil price.

Against this backdrop, the central banks of the leading advanced economies have signalled their intention to proceed with their easy, expansionary approach. The process of returning monetary policy to normal in the USA and in the Eurozone has been delayed.

The US economy has entered its tenth consecutive year of growth. 2018 recorded growth of 2.9%, thanks primarily to fiscal stimulus, resulting from tax reforms, and the Federal Reserve's monetary policy. There are clear signs of a slowdown in the first six months of 2019, especially in the manufacturing sector, although this does not appear to be sufficient to put the current phase of economic expansion at risk. The fundamentals remain solid and the real economy is not showing signs of overheating: there is full employment, wages are rising, consumer confidence is high and inflation is under control. The Federal Reserve's recent macroeconomic projections also point to an expansion of the economy, though less robust than before. Despite this, the potential impact of the trade war on economic growth and the decline in inflation expectations have led the Federal Reserve to modify its monetary policy bias, as it was no longer deemed appropriate for the domestic economic outlook.

The most recent economic indicators indicate that Eurozone economic growth remained modest in the second quarter of the year (probably in line with the trend of 1.2% in the first quarter). Inflation, which at the end of summer 2018 had exceeded the ECB's target, driven by the higher oil price, stood at 1.2% in June 2019. Consumer price inflation reflects the weakness of core inflation, in turn negatively influenced by reduced internal demand, reflecting a downturn in economic sentiment and the inability of job creation, for structural reasons, to have a significant impact on wages.

The growth outlook for the Eurozone remains subject to downside risks, reflecting concerns over global trade and weakening business confidence, especially regarding exports. This cyclical weakness is in turn reflected in a reduction in inflation expectations, despite the absence of the risk of de-anchoring from the target and of deflation. At its June meeting, the ECB revised its forward guidance, stating that interest rates would be unchanged through to mid-2020 and that it was ready to make adjustments to all the tools at its disposal. The ECB's revised forward guidance aims to reassure the financial markets on the fact that monetary policy will remain extremely easy for some time to come, against a backdrop of heightened uncertainty at both international and domestic level, which means that macroeconomic estimates remain subject to downside risks.

According to the most recent data, economic activity in Italy has seen moderate growth compared with the last two quarters of 2018, despite the fact that confidence in the manufacturing sector continues to be negatively affected by overseas orders and the level of output. In terms of the public finances, the EU Commission has decided not to open infraction proceedings, given an improvement in the expected structural deficit this year and the related benefits, in terms of reduced interest expense, of the decline in rate differentials.

As regards emerging economies, real Chinese GDP continues to slow despite the expansionary policies of the country's fiscal and monetary authorities, which have intensified efforts to support domestic demand. The Russian and Brazilian economies have continued to rebound. Economic growth remains solid in India, although the pace of growth has eased compared with recent quarters.

Financial market trends

The global economic slowdown, reduced inflation expectations and the resulting policy easing by central banks in the advanced economies have, in the second quarter of 2019, helped to flatten core government bond yield curves within a context of high implicit volatility. The yields on ten-year government bonds have fallen sharply in both the US (down from 2.4% to 2.0%) and in Germany (down from -0.07% to -0.32%). In the specific case of the USA, at the end of June, the curve was inverted in the section between 10-year and 3-month yields (-32 bps).

In the same period, the yield on 10-year Italian Treasury Notes (BTPs) fell from 2.5% to 2.1%, in line with a gradual improvement in the perception of political risk, thanks to both the climate of dialogue between the European Commission and the government regarding the public finances, and improved market liquidity. The spread on ten-year treasury notes in Italy and Germany has fallen to around 242 bps.

Yields on euro-denominated investment grade corporate bonds remain at historic lows. The average yield on BBB-rated investment grade issues in the second quarter of 2019 fell to 0.9% from 1.3% in March. The reduction reflects declines in both swap rates and in credit risk.

Despite the global economic slowdown, optimism surrounding the China-US trade talks and decisions on monetary policy by central banks have supported equity markets in both the advanced and emerging economies, against a backdrop of low implicit volatility. At the end of the second quarter of 2019, compared with the beginning of the year, the MSCI World was up approximately 16%, the S&P 500 around 17%, the Eurostoxx 50 approximately 16% and emerging economy stocks were up around 9%.

Finally, on the foreign exchange markets, the euro rose from approximately US$1.12 to around US$ 1.14 over the quarter in question.

Life insurance market

Based on the available official data in the first six months of 2019**, new business for Life insurance policies** stood at €43.6 billion (up by a modest 0.7% on the previous first half). If new Life business

reported by EU undertakings is taken into account, the figure rises to €48.8 billion, down (4.7%) compared with the same period of 2018.

In terms of insurance class, Class I premiums amount to €31.9 billion at the end of June, an increase of 16.8% compared with the same period of the previous year. Class III products, on the other hand, recorded a 27.5% reduction in premiums to €11 billion compared with the same period of 2018. Inflows from capitalisation products were marginal at €0.7 billion, declining 13.4%. Sales of long-term care products (Class IV) performed well, with premium revenue, albeit modest, rising by approximately 62% compared with the same period of 2018 to approximately €14.2 million.

New business relating to open-end individual pension plans is, on the other hand, down, declining to just €53 million in the first half of this year, a reduction of 10% compared with the figure for the same period of 2018.

Nuova produzione individuale vita per ramo di attività giugno 2019 *(migliaia di euro)*

RAMO/PRODOTTO	Premi nel mese	Distrib. (%)	Var. (%) 19/18	N° polizze da inizio anno	Premi da inizio anno	Distrib. (%)	Var. (%) 19/18
Vita - ramo I	4.542.238	69,8%	14,9%	1.365.475	31.850.382	73,1%	16,8%
Capitalizzazioni - ramo V	94.684	1,5%	3,0%	2.021	698.462	1,6%	-13,4%
Linked - ramo III	1.862.359	28,6%	-34,2%	261.942	10.981.176	25,2%	-27,5%
- di cui: unit-linked	*1.862.359*	*28,6%*	*-34,2%*	*261.942*	*10.981.176*	*25,2%*	*-27,5%*
- di cui: index-linked	-	*0,0%*	*n.d.*	-	-	*0,0%*	*n.d.*
Malattia – ramo IV	3.033	0,0%	63,7%	22.610	14.181	0,0%	62,2%
Fondi pens. aperti – ramo VI	7.189	0,1%	-15,8%	29.901	53.323	0,1%	-10,3%
Imprese italiane-extra UE	**6.509.503**	**100,0%**	**-5,4%**	**1.681.949**	**43.597.524**	**100,0%**	**0,7%**
Imprese UE	**1.376.799**		**10,5%**		**5.170.018**		**-34,6%**
Totale	**7.886.302**		**-3,0%**		**48.767.542**		**-4,7%**

With regard to **distribution channel**, around 70% of new business in the first half of 2019 was obtained through banks and post offices, with premium revenue of €30.3 billion down just 1.4% on the same period of 2018. In terms of agents as a whole, the volume of new business amounts to €6.6 billion at the end of June, consolidating growth of almost 10% compared with the same period of 2018 and accounting for 15% of total premiums.

The volume of new business obtained through authorised financial advisors was €6.4 billion, slightly up (0.7%) on the figure for the same period of the previous year and accounting for 14.7% of total premiums.

Nuova produzione vita per canale distributivo giugno 2019 *(migliaia di euro)*

CANALE DISTRIBUTIVO	Premi nel mese	Distrib. (%)	Var. (%) 19/18	Premi da inizio anno	Distrib. (%)	Var. (%) 19/18
Sportelli bancari e postali	4.360.186	67,0%	-6,9%	30.258.903	69,4%	-1,4%
Agenti	881.283	13,5%	19,9%	4.637.922	10,6%	5,8%
Agenzie in economia	287.902	4,4%	9,7%	1.928.246	4,4%	21,2%
Consulenti finanziari abilitati	926.575	14,2%	-21,0%	6.387.040	14,7%	0,7%
Altre forme (inclusi Broker)	53.557	0,8%	82,0%	385.413	0,9%	43,9%
Imprese italiane-extra UE	**6.509.503**	**100,0%**	**-5,4%**	**43.597.524**	**100,0%**	**0,7%**

N.B.: sono inclusi anche i premi unici aggiuntivi

Single premiums continued to be the preferred form of payment for policyholders, representing 94.4% of total premiums written and 63.9% of policies by number.

Ripartizione % per tipologia di premio e per canale distributivo
(Da inizio anno)

		RIPARTIZIONE PREMI PER CANALE					
TIPOLOGIA DI PREMIO	N° polizze/ adesioni	Sportelli bancari e postali	Agenti	Agenzie in econom.	Consul. finanziari abilitati	Altre forme (inclusi Broker)	Totale
Annui	**16,0%**	0,3%	2,0%	2,2%	0,2%	0,9%	**0,5%**
Unici	**63,9%**	95,0%	88,2%	87,0%	99,1%	75,3%	**94,4%**
Ricorrenti	**20,2%**	4,7%	9,8%	10,8%	0,8%	23,8%	**5,1%**
Totale	**100,0%**	100,0%	100,0%	100,0%	100,0%	100,0%	**100,0%**

Non-life insurance market

Based on the available official data (source: ANIA), **total direct Italian premiums in the Non-life insurance market**, thus including policies sold by Italian and overseas undertakings, amounted to €9.4 billion at the end of the first quarter of 2019, up 4% compared with the same period of 2018. This marks the largest quarterly increase in the last two years. The performance benefitted from both growth in premium revenue from other Non-life classes (up 6.1% on the same period of the previous year) and growth in vehicle insurance, which rose 0.8% compared with the first quarter of the previous year, with premiums amounting to €3.5 billion. Land vehicle hull premiums also rose, with premiums revenue up 4.9% compared with the same period of 2018 to €0.8 billion.

Other classes, which benefitted from the economic upturn and an increasingly innovative offering from insurance companies, recorded growth of 6.1% compared with the same period of 2018. This performance, the best for the last 15 years, is linked to premium revenue and growth in the “Medical” class, with premiums amounting to €0.8 billion and growth of 16.5%, in the “Other property” class, with premiums of €0.8 billion and growth of 10.6%, in the “Accident” class, with premiums of €0.9 billion and growth of 5.9%, in the “Financial Loss” class, with premiums of €0.2 billion and growth of 8.3% and in the “Assistance” class, with premiums of €0.2 billion, an increase of 10.4% compared with the same period of the previous year.

PREMI PORTAFOGLIO DIRETTO AL I TRIMESTRE 2019

Valori in milioni di euro

Rami	PREMI ITA ed EXTRA UE**	QUOTA MERCATO ITA ed EXTRA UE	PREMI UE***	QUOTA MERCATO UE	PREMI TOTALI	VAR.* % PREMI ITA ed EXTRA UE	VAR.* % PREMI UE	VAR.* % PREMI TOTALI
	al I trim. 2019	*al I trim. 2019*	*al I trim. 2019*	*al I trim. 2019*	*al I trim. 2019*	*2019/2018*	*2019/2018*	*2019/2018*
R.C. Autoveicoli terrestri	3.279	94,9%	175	5,1%	3.454	0,4%	7,2%	0,8%
Corpi di veicoli terrestri	775	92,0%	67	8,0%	842	5,1%	2,7%	4,9%
Totale settore Auto	**4.054**	**94,4%**	**242**	**5,6%**	**4.296**	**1,3%**	**5,9%**	**1,5%**
Infortuni	799	85,9%	131	14,1%	930	6,6%	1,7%	5,9%
Malattia	803	95,6%	37	4,4%	840	16,7%	11,1%	16,5%
Corpi di veicoli ferroviari	1	88,4%	0	11,6%	2	-24,9%	-21,0%	-24,4%
Corpi di veicoli aerei	2	72,4%	1	27,6%	3	73,5%	-54,3%	-2,1%
Corpi veicoli marittimi	49	81,4%	11	18,6%	60	-9,2%	-25,2%	-12,7%
Merci trasportate	45	53,4%	39	46,6%	84	-3,4%	-12,4%	-7,8%
Incendio ed elementi naturali	525	86,3%	83	13,7%	608	3,1%	26,1%	5,7%
Altri danni ai beni	650	86,3%	103	13,7%	753	13,1%	-3,1%	10,6%
R.C. Aeromobili	3	64,1%	1	35,9%	4	-12,0%	-17,0%	-13,8%
R.C. Veicoli marittimi	3	90,8%	0	9,2%	3	7,7%	-38,0%	0,9%
R.C. Generale	698	68,2%	325	31,8%	1.023	2,9%	-9,5%	-1,4%
Credito	19	12,0%	136	88,0%	154	4,6%	2,0%	2,4%
Cauzione	99	76,5%	30	23,5%	129	3,7%	8,2%	4,7%
Perdite pecuniarie	155	75,5%	50	24,5%	206	9,0%	6,1%	8,3%
Tutela Legale	97	86,0%	16	14,0%	113	5,9%	7,1%	6,0%
Assistenza	196	90,3%	21	9,7%	217	10,6%	8,4%	10,4%
Totale altri rami danni	**4.142**	**80,8%**	**986**	**19,2%**	**5.128**	**8,1%**	**-1,5%**	**6,1%**
Totale rami danni	**8.196**	**87,0%**	**1.228**	**13,0%**	**9.423**	**4,6%**	**-0,1%**	**4,0%**

* *Le variazioni % sono calcolate a perimetro di imprese omogeneo.*

** *Per imprese italiane ed extra-UE si intendono le imprese nazionali e le rappresentanze in Italia di imprese non facenti parte dello Spazio Economico Europeo e operanti in regime di stabilimento.*

*** *Per imprese UE si intendono le rappresentanze in Italia di imprese aventi sede legale in paesi facenti parte dello Spazio Economico Europeo e operanti in regime di stabilimento; i dati si riferiscono alle sole imprese che hanno partecipato alla rilevazione.*

In terms of **distribution channel**, as regards policies sold by Italian and overseas undertakings, agents continue to lead the way with a market share of 73.9%, slightly down on the figure for the end of the first quarter of 2018 (75.2%). Brokers represent the second most popular channel for Non-life products, with a market share of 8.7%, whilst the market share of banks and post offices is up compared with the same period of 2018 at 7.7% (6.4% in the first quarter of 2018). This growth reflects their involvement in the distribution of Credit and Financial Loss policies.

Direct sales (in-house agents, telephone and online sales) account for a 9.4% share at the end of the first quarter of 2019, in line with the figure for the end of the first quarter of 2018 (9.3%). The remaining 0.3% refers to policies sold by qualified financial advisors.

DISTRIBUZIONE % PREMI PORTAFOGLIO DIRETTO AL I TRIMESTRE 2019 (imprese italiane e rappresentanze imprese extra-UE)

Rami	Agenti	Broker (esclusi Preventivatori)	Sportelli bancari	Consulenti finanziari abilitati	Vendita diretta				Preventivatori
					Direzione-Agenzie in economia	Vendita telefonica	Internet (inclusi preventivatori)	Totale	
R.C. Autoveicoli terrestri	84,6	3,7	2,9	0,0	0,5	1,6	6,6	100,0	3,1
Corpi veicoli terrestri	73,9	12,9	5,7	0,2	1,4	1,3	4,6	100,0	1,6
Totale settore Auto	**82,6**	**5,4**	**3,4**	**0,0**	**0,7**	**1,6**	**6,2**	**100,0**	**2,8**
Infortuni	70,5	6,3	14,3	0,6	6,0	0,9	1,4	100,0	0,5
Malattia	31,9	19,5	15,5	1,2	31,7	0,1	0,1	100,0	0,0
Corpi veicoli ferroviari	67,6	22,0	0,0	0,0	10,5	0,0	0,0	100,0	0,0
Corpi veicoli aerei	5,6	86,2	0,0	0,0	8,2	0,0	0,0	100,0	0,0
Corpi veicoli marittimi	13,5	86,5	0,0	0,0	0,1	0,0	0,0	100,0	0,0
Merci trasportate	54,3	42,0	0,6	0,0	3,1	0,0	0,0	100,0	0,0
Incendio ed elementi naturali	74,3	10,3	11,1	0,3	3,6	0,2	0,2	100,0	0,0
Altri danni ai beni	82,8	9,5	6,0	0,1	1,3	0,1	0,2	100,0	0,0
R.C. Aeromobili	9,2	87,2	0,0	0,0	3,6	0,0	0,0	100,0	0,0
R.C. Veicoli marittimi	94,3	4,5	0,3	0,0	0,2	0,5	0,2	100,0	0,0
R.C. Generale	81,7	9,0	5,7	0,1	3,2	0,1	0,1	100,0	0,0
Credito	34,3	23,2	23,0	0,0	19,5	0,0	0,0	100,0	0,0
Cauzione	80,1	15,3	0,1	0,0	4,5	0,0	0,0	100,0	0,0
Perdite pecuniarie	32,0	8,1	53,1	0,4	4,7	0,7	0,9	100,0	0,2
Tutela legale	76,0	5,3	11,4	0,1	1,1	1,7	4,5	100,0	1,6
Assistenza	75,1	3,7	10,0	0,3	3,0	2,2	5,7	100,0	2,0
Totale altri rami danni	**65,4**	**12,0**	**11,9**	**0,5**	**9,1**	**0,4**	**0,8**	**100,0**	**0,3**
Totale danni	**73,9**	**8,7**	**7,7**	**0,2**	**4,9**	**1,0**	**3,5**	**100,0**	**1,5**

I Preventivatori Online sono registrati all'interno del RUI (Registro Unico Intermediari) nella sezione B dei Broker.

In terms of **EU undertakings**, brokers and agents represented the main distribution channels, with shares of 48.9% and 36.8%, respectively. Agents represent the most used channel in the Vehicle Insurance segment, with a share of 59.6%, whilst brokers have the largest share with regard to other classes (57.0%).

DISTRIBUZIONE % PREMI PORTAFOGLIO DIRETTO AL I TRIMESTRE 2019 (rappresentanze imprese UE)

Rami	Agenti	Broker	Sportelli bancari	Consulenti finanziari abilitati	Vendita diretta	Totale
Totale settore Auto	59,6	16,0	8,6	4,7	11,1	100,0
Totale altri rami danni	31,2	57,0	7,4	-	4,4	100,0
Totale danni	**36,8**	**48,9**	**7,6**	**0,9**	**5,7**	**100,0**

Valori percentuali

OPERATING REVIEW

Premium revenue, net of outward reinsurance premiums, amounts to approximately €10,126.4 million for the first half of 2019, up 14.1% compared with the €8,875.5 million of the same period of 2018. The table below breaks down net premium revenue by type of business compared with the first half of 2018.

(€m)

Premium revenue for the six months ended 30 June	**2019**	**2018**	**Increase/(decrease)**	
Class I	8,931.6	8,333.1	598.5	7.2%
Class III	1,044.2	416.3	627.9	150.8%
Class IV	6.5	15.4	(8.9)	(57.7%)
Class V	57.3	55.7	1.6	2.8%
Gross "Life" premium revenue	10,039.6	8,820.5	1,219.1	13.8%
Outward reinsurance premiums	(6.9)	(6.7)	(0.3)	3.9%
Net "Life" premium revenue	***10,032.7***	***8,813.8***	**1,218.8**	**13.8%**
Non-life premiums	133.3	96.4	36.9	38.2%
Outward reinsurance premiums	(14.6)	(20.0)	5.4	(26.9%)
Change in premium reserve	(24.9)	(14.8)	(10.1)	68.1%
Change in share of premium reserve attributable to reinsurers	0.0	0.1	(0.1)	(94.3%)
Net "Non-life" premium revenue	***93.7***	***61.7***	32.1	**52.0%**
Total net premium revenue for the period	**10,126.4**	**8,875.5**	**1,250.9**	**14.1%**

Life business

As noted earlier, Life business operations generated **gross premium revenue** of €10 billion in the first half of 2019, up €1.2 billion (13.8%) on the same period of 2018 (€8.8 billion), with a rebalancing towards more flexible products. The performance was driven by the contribution from Multiclass products, which generated premium revenue of €3.4 billion (including 29% invested in Class III products), compared with €0.3 billion in the first six months of 2018.

The following table shows a summary of premium revenue for the period by class, net of outward reinsurance premiums, amounting to €10,032.7 million (€8,813.8 million in the first half of 2018).

(€m)

New business for the six months ended 30 June	**2019**	**2018**	**Increase/(decrease)**	
Class I	***8,931.6***	***8,333.1***	***598.5***	***7.2%***
Class III	1,044.2	416.3	627.9	150.8%
Class IV	6.5	15.4	(8.9)	(57.7%)
Class V	57.3	55.7	1.6	2.8%
Gross "Life" premium revenue	10,039.6	8,820.5	1,219.1	13.8%
Outward reinsurance premiums	***-6.9***	***-6.7***	(0.3)	**3.9%**
Net "Life" premium revenue	**10,032.7**	**8,813.8**	**1,218.8**	**13.8%**

The following table shows a breakdown of gross premium revenue for the Life business:

(€m)

Breakdown of gross premium revenue for the Life business for the six months ended 30 June	2019	2018	Increase/(decrease)	
Regular premiums	**899.4**	**1,039.7**	**(140.4)**	**(13.5%)**
- of which first year	113.62	182.4	(68.8)	(37.7%)
- of which subsequent years	785.76	857.3	(71.6)	-8.3%
Single premiums	9,140.2	7,780.8	1,359.4	17.5%
Total	**10,039.6**	**8,820.5**	**1,219.1**	**13.8%**

Non-life business

The Group has continued with specific commercial initiatives aimed at revisiting the Non-life offering to make it more flexible and better able to respond to the needs of its target market.

This involved a review of CPI products, reducing the excess payable in the event of permanent disability, and initial work on the restyling of "Accident" products. In this latter regard, the Company has modified its *PosteProtezione Infortuni* product, with the market launch of its new *Poste Infortuni* product, which has simplified the products in terms of the structure of the guarantees offered and price variables. It has also revisited the *PosteProtezione Infortuni Senior Più* product, replacing it with the new *Poste Infortuni Senior* product that offers higher amounts of compensation.

Sales of "Goods and Property Protection" policies generated a 19% increase in premium revenue, reflecting the launch, on 25 June 2018, of the new *Poste Casa 360* product, which has introduced cover for guarantees linked to natural disasters and which was promoted in early 2019 via a number of commercial initiatives.

Growth in sales of collective "Welfare" products continued during the period, with inflows up approximately €28.0 million compared with the same period of 2018. As part of this line of business, from April 2018, the Group has begun to offer a health care fund for the Poste Italiane Group's employees.

From the second half of 2018, the Group has also expanded its Non-life offering with the addition of new credit protection products (offered by BancoPosta). In this regard, premium revenue from sales of "Payment Protection" insurance is up 12% on the same period of 2018.

As a result of the above, gross premium revenue for the Non-life business amounts to approximately €133.3 million for the first half of 2019, an increase of 38% compared with the same period of the previous year.

(€m)

Gross premium revenue for the six months ended 30 June	2019	% share	2018	% share	Increase/ (decrease)	% inc./(dec.)
Goods and property	21.8	16%	18.3	19%	3,497.6	19%
Personal insurance	43.0	32%	40.5	42%	2,494.4	6%
Credit protection	26.2	20%	23.3	24%	2,862.7	12%
Welfare and other management	42.3	32%	14.3	15%	28,008.9	197%
Total	**133.3**	**100%**	**96.4**	**100%**	**36,864.0**	**38%**

The following table shows the distribution of gross Non-life premium revenue by line of business, showing: i) the pre-eminence of "Medical" (38%) and "Accident" (33%) classes in terms of total premium revenue: ii) a 119% increase in sales of "Medical" insurance during the period, reflecting

the previously mentioned growth in products relating to Employee Benefits, and iii) growth in "Financial Loss" and "Fire and Other Natural Events" products, due, as noted previously, to growth in premium revenue from "Payment Protection" products.

(€m)

Gross premium revenue for the six months ended 30 June	2019	% share	2018	% share	Increase/ (decrease)	% inc./(dec.)
Accident	44.0	33%	39.0	40%	5.0	13%
Medical	50.6	38%	23.1	24%	27.5	119%
Fire and Natural Disaster	5.0	4%	3.1	3%	1.9	62%
Other Damage to Property	5.3	4%	4.6	5%	0.6	14%
General Liability	9.4	7%	8.7	9%	0.7	8%
Financial Loss	12.6	9%	11.2	12%	1.5	13%
Legal Expenses	1.5	1%	1.5	2%	(0.0)	-1%
Assistance	4.9	4%	5.3	6%	(0.4)	-7%
Total	**133.3**	**100%**	**96.4**	**100%**	**36.9**	**38%**

Payments and change in technical provisions

Claims paid during the first half of 2019 total €7,657.3 million, compared with €3,974.4 million in the same period of the previous year, as shown below:

(€m)

Payments in the six months ended 30 June		2019	2018	Increase/(decrease)	
Non-life business					
Claims paid		23.6	14.9	8.7	58.1%
Costs of settling claims		1.2	2.5	(1.3)	-52.3%
Total Non-life claims paid		**24.8**	**17.5**	**7.3**	**42.0%**
Life business					
Amounts paid		**7,626.2**	**3,951.3**	**3,674.9**	**93.0%**
of which:	*Surrenders*	1,873.6	1,728.2	145.4	8.4%
	Maturities	4,935.8	1,454.8	3,481.0	239.3%
	Claims	816.8	768.3	48.5	6.3%
Costs of settling claims		6.3	5.7	0.7	11.7%
Total Life claims paid		**7,632.5**	**3,956.9**	**3,675.5**	**92.9%**
Total		**7,657.3**	**3,974.4**	**3,682.9**	**92.7%**

Total claims paid on Non-life policies amount to €24.8 million, including settlement and direct costs of €1.2 million, up 42% on the figure for the same period of 2018 (€17.5 million). This reflects the growth in premium revenue and above all in the Welfare segment.

Total claims paid on Life policies amount to €7,632.5 million, significantly up on the figure for the same period of 2018 (€3,956.9 million). This reflects an increase in expirations, up from €1,454.8 million to the current €4,935.8 million, almost entirely attributable to Class I with-profits policies. In terms of surrenders, the figure of €1.9 billion is slightly up (8.4%) on the matching amount for 2018, whilst the surrender rate has remained stable at 3.1%.

The **change in technical provisions,** totalling €4,840.8 million, is down compared with the €5,123.9 million of 30 June 2018. This primarily reflects a matching increase in insurance liabilities, reflecting the above-mentioned operating performance. The decrease in mathematical provisions for class I, IV and V products, compared with the figure for the same period of 2018, primarily reflects the

increase in expirations during the period. The figure also reflects the increase in Deferred Policyholder Liability (DPL) provisions, amounting to €1,552.8 million (a reduction of €673.4 million at 30 June 2018), linked to the measurement of securities included in separately managed accounts and classified as FVTPL and reflecting the notable improvement in the financial markets. The increase of €329.1 million in mathematical provisions for Class III policies during the period, compared with a reduction of €312.4 million in the same period of 2018, primarily reflects the positive impact of financial market volatility and net inflows. In addition, the change in Non-life technical provisions amounts to €4.4 million, compared with €5.6 million in the first six months of 2018.

(€m)

Change in technical provisions in the six months ended 30 June	**2019**	**2018**	**Increase/(decrease)**	
Non-life technical provisions	**4.4**	**5.6**	**(1.2)**	**(21.2%)**
Mathematical provisions for Class I, IV and V	2,953.7	6,097.6	(3,143.8)	(51.6%)
Mathematical provisions Class III	329.1	(312.4)	641.4	(205.3%)
DPL provisions	1,552.8	(673.4)	2,226.2	(330.6%)
Other technical provisions	0.9	6.5	(5.7)	(86.5%)
Total Life technical provisions	**4,836.4**	**5,118.3**	**(281.9)**	**(5.5%)**
Total	**4,840.8**	**5,123.9**	**(283.1)**	**(5.5%)**

With reference to policies ceded to reinsurers, claims paid in the period under review, inclusive of the change in technical provisions, amount to €8.0 million, a reduction compared with the €12.4 million of the same period of 2018. This reflects the reinsurance policy adopted by the Group in the Non-Life segment, increasingly based on a non-proportional approach.

(€m)

Claims expenses attributable to reinsurers in the six months ended 30 June	**2019**	**2018**	**Increase/(decrease)**	
Non-life business				
Claims paid	5.1	4.3	0.8	17.9%
Settlement costs	0.1	0.2	(0.1)	-33.3%
Total Non-life insurance claims paid	**5.2**	**4.5**	**0.7**	**16.1%**
Change in technical provisions	-3.1	4.1	(7.2)	(176.8%)
Total non-life insurance	**2.1**	**8.6**	**(6.5)**	**-75.9%**
Life business				
Claims paid	4.4	3.3	1.0	31.2%
Settlement costs	0.0	0.0	(0.0)	0.0%
Total Life insurance claims paid	**4.4**	**3.3**	**1.0**	**31.1%**
Change in technical provisions	1.6	0.5	1.0	197.1%
Total life insurance	**5.9**	**3.9**	**2.1**	**53.8%**
Total	**8.0**	**12.4**	**(4.4)**	**(35.7%)**

Technical provisions

As a result of the above operating and financial performance, technical provisions amount to €134,073.9 million, up 7.1% on the €125,146.1 million of the end of 2018. The provisions are allocated as follows:

(€m)

Technical provisions at 30 June	2019	2018	Increase/(decrease)	
Non-life classes:				
Premium reserve	108.2	83.3	24.9	30.0%
Outstanding claims provisions	104.5	100.0	4.5	4.5%
Other technical provisions	0.1	0.1	(0.1)	(56.9%)
Total non-life classes	**212.8**	**183.4**	**29.4**	**16.0%**
Life classes:				
Mathematical provisions	122,359.2	119,416.3	2,942.9	2.5%
Technical provisions for class III products	2,981.2	2,652.1	329.1	12.4%
Outstanding claims provisions	735.0	780.2	(45.2)	(5.8%)
DPL provisions	7,677.5	2,006.7	5,670.8	282.6%
Other technical provisions	108.4	107.5	0.9	0.8%
Total life classes	**133,861.1**	**124,962.7**	**8,898.4**	**7.1%**
Total	**134,073.9**	**125,146.1**	**8,927.8**	**7.1%**

Non-life technical provisions, before provisions ceded to reinsurers, amount to €212.8 million at the end of the period (€183.4 million at the end of 2018), and consist of: the premium reserve of €108.2 million, outstanding claims provisions of €104.5 million and other provisions of €0.1 million, at 30 June 2019 relating solely to the ageing reserve. Outstanding claims provisions for claims incurred but not reported (IBNR) amount to €20.5 million. Changes in the premium reserve reflect the growth in premium revenue.

Provisions for the Life classes amount to €134,861.1 million (€124,962.7 million at the end of 2018). These provisions are made to meet all of the Company's obligations and include mathematical provisions (€122,359.2 million), provisions for unit- and index-linked products (€2,981.2 million), outstanding claims provisions (€735.0 million), deferred policyholder liability (DPL) provisions made under the shadow accounting method, totalling €7,677.5 million, and other technical provisions (€108.4 million). The latter includes provisions for future expenses, totalling €105.1 million, provisions for supplementary insurance premiums, totalling €3.1 million, and provisions for with-profits policies, amounting to €0.2 million.

Deferred Policyholder Liability (DPL) provisions, amounting to €7,677.5 million at 30 June 2019, are up compared with the €2,006.7 million of the end of 2018. This reflects net fair value gains on the financial instruments covering the insurance liabilities linked to separately managed accounts, as a result of the notable improvement in the financial markets.

In this regard, it should be noted that for products whose revaluation is linked to the returns on separately managed accounts, the financial component of technical provisions is determined on the basis of realised income and expenses, as established by the applicable Italian accounting standards, without considering unrealised gains and losses. This generates a timing mismatch between liabilities and the assets designed to back them, which are recognised at fair value, in accordance with IFRS 9. In order, therefore, to report assets and liabilities intended to match each other in a consistent manner, the Company has, as in previous years, adopted the "shadow accounting" method introduced by IFRS 4.

Contracts classified as "insurance contracts" and those classified as "financial instruments with a discretionary participation feature", for which use is made of the same recognition and measurement

criteria as in Italian GAAP, were subjected to the LAT - Liability Adequacy Test required by paragraph 15 of IFRS 4. The test was conducted by taking into account the present value of future cash flows, obtained by projecting the expected cash flows generated by the existing portfolio as of period end, based on adequate assumptions underlying expiration causes (death, termination, surrender, reduction) and expense trends.

The outcome of this test revealed that the technical provisions recorded in the financial statements at the end of the period were fully adequate.

Distribution

The Poste Vita Group distributes its products through the post offices of the parent, Poste Italiane SpA – BancoPosta RFC, duly registered under letter D in the single register of insurance intermediaries as per ISVAP Regulation 5 of 16 October 2006. Poste Italiane SpA's sales network consists of around 13,000 post offices throughout the country. Insurance contracts are signed in the post offices by qualified and suitably trained personnel. Training activity for personnel in charge of product sales is conducted according to regulatory guidelines.

Professional training programmes focused both on new products and on general technical-insurance aspects (classroom or eLearning). These courses were accompanied by training in asset management (specific behavioural training), savings protection and training in provision of the guided consultancy service.

Total commissions paid for distribution, collection and portfolio maintenance services – paid under a specific agreement with the insurance broker, BancoPosta RFC – Poste Italiane SpA, amount to approximately €252.4 million. On an accruals basis, the amount for the period totals €255.3 million, reflecting the amortisation of prepaid commissions. The Group also sells its collective policies through brokers, to which it paid commissions of €4.7 million during the period.

Reinsurance strategy

Life business

The effects of existing treaties relating to Term Life Insurance policies and reinsurance coverage with regard to LTC (Long-Term Care) and CPI insurance continued during the period.

Premiums ceded to reinsurers amount to €6.9 million (€6.7 million at 30 June 2018) and include €5.2 million for Class I products and a remaining €1.7 million for Class IV products. The share of claims expenses attributable to reinsurers, after the change in mathematical provisions ceded (€0.2 million), amounts to €5.9 million (€3.9 million in the same period of 2018). As a result of this, **the balance of ceded policies**, including commissions received from reinsurers amounting to €1.5 million (€0.8 million in the first half of 2018), amounts to a profit of €0.5 million, compared with a loss of €2.0 million for the same period of 2018.

Non-life business

In terms of the **Non-life business**, the reinsurance strategy adopted by the Poste Vita Group is increasingly based on a non-proportional approach, enabling the Group:

- to mitigate risks, stabilising the variable nature of operating results and ensuring the technical equilibrium of the portfolio;
- to reduce the risks resulting from major exposures;
- to strengthen its financial position, where possible and/or necessary, to optimise costs in terms of the allocation and optimization of capital.

The reinsurance structure applied is based on the following:

- the adoption of a non-proportional excess-of-loss treaty per risk and/or event for retail products in the Accident, Fire, Other Damage to Property and General Liability insurance classes to protect against large losses, including catastrophe risk (e.g. earthquakes). Quota share treaties continue to be valid in relation to the principal risks insured prior to 2013. These arrangements provide risk attaching coverage, with the excess-of-loss treaty covering the retained share;
- the adoption of a non-proportional excess-of-loss treaty per risk and/or event for corporate Accident policies, with a specific General liability section, to protect against large losses;
- the use of a non-proportional stop loss treaty for the main Medical insurance risks (retail and corporate), including the Credit Protection segment, to mitigate against particularly negative technical results;
- the use of a proportional treaty based on commercial premiums, on a loss occurring basis and with reinsurance commissions paid to the Company, for the medical risks associated with the health fund for the personnel of companies belonging to the Poste Italiane Group;
- the use for specific risks, associated with highly specialised policies such as Professional Liability Insurance, of a quota share treaty where a high proportion of the risk is ceded and with retrocession of a flat commission;
- the proportional cession of the risks associated with Legal Expenses policies. The reinsurance structure has a quota share basis, with retrocession of a flat commission and profit sharing on a loss occurring basis;
- the proportional cession of the risks associated with Assistance policies. The reinsurance structure has a quota share basis, with retrocession of a flat commission and profit sharing on a loss occurring basis;
- the use of optional and/or special acceptance reinsurance treaties, primarily in cases where the risk is not covered by the existing reinsurance treaty. This approach applies particularly to risks that do not meet the qualitative and quantitative criteria provided for in existing reinsurance treaties, but which Poste Assicura is normally willing to insure against, primarily corporate accident or medical policies. The entity of the risk retained by Poste Assicura and the most appropriate reinsurance structure are decided on, from time to time, based on the nature of the risk involved.

In view of the above reinsurance strategy and the operating performance, the degree of retained risk, in relation to the Poste Vita Group's remaining exposure to claims following cessions to reinsurers, is equal to 93% (63% in the same period of 2018).

The ratio of ceded premiums at the end of the period to gross premiums written is 11%, a reduction on the figure for 30 June 2018 (21%).

Accrued premiums ceded to reinsurers amount to €14.6 million (€19.9 million at 30 June 2018). Reinsured claims, after technical provisions, amount to €2.1 million (€8.6 million in the same period of 2018). As a result, the **balance of ceded policies**, after also taking into account commissions of €3.7 million received from reinsurers (€7.8 million in the first half of 2018) amounts to a loss of €8.8 million, which is worse than the loss of €3.5 million recorded in the same period of 2018. This reflects the significant increase in premium revenue and the above reinsurance policy.

Complaints

The Parent Company, Poste Vita, received 553 new complaints during the first half of 2019, down from the figure of 650 received in the same period of 2018. The average time taken to respond to complaints in the first half of 2019 was around 15 days (13 days in the same period of 2018).

The Parent Company, Poste Vita, received 187 complaints regarding its Personal Injury Protection (PIP) product in the first half of 2019. The average time taken to respond to complaints during the period was around 11 days (14 days in the first half of 2018).

The subsidiary, Poste Assicura, received 560 new complaints in the same period, marking a decline compared with the same period of 2018 (when the figure was 570) despite the increase in business. The average time taken to respond to complaints in the first half of 2019 was around 12 days, down from 17 days in the first half of 2018 and well within the 45-day time limit set by IVASS.

FINANCIAL POSITION

Financial investments

Financial investments amount to €135,677.6 million at 30 June 2019, marking an increase compared with the €126,652.2 million of the end of 2018 and reflecting the positive operating performance and financial market trends.

(€m)

	At 30 June 2019	31 December 2018	Increase/(decrease)	
Investments in associates	107.1	107.0	0.2	0.2%
Financial assets measured at amortised cost	1,746.9	1,584.1	162.8	10.3%
Financial assets at fair value through OCI	100,372.9	95,147.3	5,225.6	5.5%
Financial assets at fair value through profit or loss	33,450.6	29,813.8	3,636.8	12.2%
Total financial investments	**135,677.6**	**126,652.2**	**9,025.4**	**7.1%**

Investments of €107.1 million refer to the shareholding in the associate, EGI, which is accounted for using the equity method. The company, which is owned by Poste Vita SpA and Poste Italiane SpA with 45% and 55% equity interests, respectively, operates primarily in real estate and is tasked with the management and development of the parent's non-operating properties.

The figures for the first half of 2019 show that the company has equity of €238.1 million and made a net profit of approximately €0.4 million, down on the €0.7 million reported for the same period of 2018.

The increase of €0.1 million during the period is due to revaluation of the investment to take account of the Company's share of the associate's net profit for the period.

Financial assets measured at amortised cost, bring financial assets held to collect the contractual cash flows represented solely payments of principal and interest, amount to €1,746.9 million at the end of the period (up 10.3% compared with the end of 2018) and primarily regard the Company's free capital.

(€m)

		At 30 June 2019	31 December 2018	Increase/(decrease)	
Equity instruments		-			
Debt securities		1,498.3	1,467.5	30.8	2.1%
of which:	government bonds	1,479.1	1,448.4	30.8	2.1%
	corporate bonds	19.1	19.1	0.0	0.2%
UCITS units		-	-		
Receivables		248.7	116.7	132.0	113.1%
Total		**1,746.9**	**1,584.1**	**162.8**	**10.3%**

Receivables included in this category (amounting to €248.7 million at the end of the first half of 2019) primarily regard: i) €228.1 million (€78.8 million at 31 December 2018) representing the balance on the intercompany current account with the parent, ii) €12.1 million (€19.5 million at the end of 2018) in accrued coupon interest yet to be collected at the end of the period, and iii) commission income from the management of internal funds totalling €8.4 million (€6.0 million at the end of 2018). The impairment at 30 June 2019 regards loans and receivables measured at amortised cost, recognised as a direct adjustment to the carrying amounts of these assets, amounting to €147 thousand (€51 thousand at 31 December 2018).

Financial assets measured at FVTOCI amount to approximately €100,372.9 million (€95,147.3 million at 31 December 2018) and relate to securities allocated to separately managed accounts (approximately €98,780.3 million) and a residual portion attributable to the Company's free capital (approximately €1,592.6 million).

(€m)

		At 30 June 2019	31 December 2018	Increase/(decrease)	
Equity instruments					
Debt securities		100,372.9	95,147.3	5,225.6	5.5%
of which:	*government bonds*	83,360.1	79,288.6	4,071.5	5.1%
	corporate bonds	17,012.8	15,858.7	1,154.1	7.3%
UCITS units					
Total		**100,372.9**	**95,147.3**	**5,225.6**	**5.5%**

The notable improvement in the financial markets in the period has been reflected in an increase in the fair value reserve for these instruments, which amounts to €7,323.4 million in net potential gains (€3,156.6 million at the end of 2018), including: i) €7,302.0 million attributable to policyholders through the shadow accounting mechanism, as they relate to financial instruments included in separately managed accounts, and ii) €21.4 million relating to net losses on FVOCI financial assets included in the Company's free capital and, therefore, attributable to a specific equity reserve (equal to €15.1 million, net of the related taxation).

Financial assets at fair value through profit or loss (FVTPL) amount to approximately €33,450.6 million (€29,813.8 million at 31 December 2018) and primarily regard:

- investments included in the Company's separately managed accounts, amounting to €30,580.4 million, of which: i) €27.5 billion invested in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type; ii) €2.4 billion in callable bonds; and iii) €0.7 billion in real estate funds;
- financial instruments backing unit- and index-linked policies, totalling €2,869.0 million;
- financial instruments included in the Company's free capital, totalling €1.2 million and relating to listed bonds.

The composition of the FVTPL portfolio is shown below, indicating and increase in investments in UCITS units as a result of new investments in multi-asset, harmonised open-end funds of the UCITS type and the above-mentioned positive market trends.

(€m)

		At 30 June 2019	. December 2018	Increase/(decrease)	
Equity instruments		161.7	166.3	(4.5)	-2.7%
Debt securities		1,096.8	1,592.3	(495.5)	(31.1%)
of which:	*government bonds*	56.7	824.4	(767.8)	(93.1%)
	corporate bonds	1,040.2	767.9	272.3	35.5%
UCITS units		32,192.1	27,951.5	4,240.5	15.2%
Derivatives			44.5	(44.5)	(100.0%)
Receivables			59.2	(59.2)	(100.0%)
Total		**33,450.6**	**29,813.8**	**3,636.8**	**12.2%**

As shown in the above table, the notable improvement in the financial markets compared with the June 2018 was resulted in the recognition of total net unrealised gains of €1,654.7 million (relating almost entirely to multi-asset, harmonised open-end funds of the UCITS type), compared with €689.9

million in net unrealised losses in the same period of 2018. These include: i) €1,530.2 million in net gains on investments included in separately managed accounts and therefore entirely attributable to policyholders through the shadow accounting mechanism; ii) €123.4 million in net gains relating to assets backing unit and index-linked products, which are therefore largely offset by the corresponding revaluation of provisions; and iii) net gains of €1.1 million on securities included in the Company's free capital.

(€m)

	At 30 June 2019	At 30 June 2018	
Income/expenses on FVTPL	**Net gains/losses**	**Net gains/losses**	**Increase/ (decrease)**
Separately managed accounts	1,530.2	(669.6)	2,199.8
Assets backing unit-/index-linked policies	123.4	(20.2)	143.6
Free capital	1.1	(0.1)	1.2
Total	**1,654.7**	**(689.9)**	**2,344.6**

The Company has elected to exercise the option granted by IFRS 9 and account for **derivative instruments** in accordance with IAS 39.

Regarding derivative transactions, at 30 June 2019, the derivative instruments held primarily consist of forward sales of fair value hedges of ten-year Italian Treasury Notes (BTPs) included in separately managed accounts, having a nominal value of €1,457.5 million. These derivatives registered fair value losses during the period and are therefore accounted for in “Financial liabilities at fair value through profit or loss”, amounting to approximately €25.2 million (€0.2 million at the end of 2018). These losses are entirely attributable to policyholders through the shadow accounting mechanism, as they refer to investments included in separately managed accounts.

At 30 June 2019, tests of the effectiveness of these instruments were in the range from 80 to 125%, as required by IAS 39.

The warrants purchased to hedge the indexed component of certain Class III products in portfolio at the end of 2018, having a total nominal value of €798.7 million and a fair value of €44.6 million all expired in the first six months of 2019.

(€m)

Derivative/Warrant	At 30 June 2019				At 31 December 2018			
	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses
Fwd 15 Mar 2019					3.0	(0.2)		(0.2)
Fwd 05 Nov 19 106.38 BTPS 4.75 09/01/21 PD	297.5	(3.0)		(3.0)				
Fwd 07 Oct 19 99,766 BTPS 1.85 05/15/24 PD	295.0	(6.9)		(6.9)				
Fwd 07 Oct 19 99.8 BTPS 1.85 05/15/24 PD	300.0	(7.0)		(7.0)				
Fwd 12 Nov 19 110.036 BTPS 5.5 09/01/22 PD	265.0	(5.8)		(5.8)				
Fwd 18 Nov 19 106.368 BTPS 4.75 09/01/21 PD	300.0	(2.5)		(2.5)				
Total hedging derivatives	**1,457.5**	**(25.2)**	**0.0**	**(25.2)**	**3.0**	**(0.2)**	**-**	**(0.2)**
Titanium							7.97	
Arco							1.65	
Prisma							1.55	
6Speciale								
6Aavanti								
6Sereno					173.2	11.8		(5.8)
Primula					175.8	10.5		(6.4)
Top5					224.1	10.0		(8.2)
Top5 edizione II					225.6	12.3		(10.5)
Total warrants					**804.7**	**44.3**	**11.2**	**(31.2)**
Total	**1,457.5**	**(25.2)**	**0.0**	**(25.2)**	**807.7**	**44.2**	**11.2**	**(31.4)**

Receivables included in this category at the end of 2018 amounted to €59.2 million and regarded subscriptions and capital calls on mutual funds for which the corresponding units had not yet been issued.

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The composition of the bond portfolio according to issuing country is in line with the situation in 2017, being marked by a strong prevalence of Italian issuers, accounting for 66.2% of the total.

€m

Country	FVTPL	FVTOCI	Amortised cost	TOTAL	% weight
AUSTRALIA	38	342	-	381	0.3%
AUSTRIA	-	73	-	73	0.1%
BELGIUM	10	375	-	385	0.3%
CAYMAN	-	3	-	3	0.0%
CANADA	0	79	-	79	0.1%
DENMARK	2	128	-	130	0.1%
FINLAND	14	182	-	196	0.1%
FRANCE	369	3,018	4	3,391	2.5%
GERMANY	281	780	-	1,061	0.8%
JAPAN	5	130	-	135	0.1%
IRELAND	806	295	-	1,101	0.8%
ISLE OF MAN	-	9	-	9	0.0%
ITALY	**3,678**	**84,366**	**1,484**	**89,529**	**66.2%**
LUXEMBOURG	27,307	402	-	27,709	20.5%
MEXICO	-	56	-	56	0.0%
NORWAY	-	32	-	32	0.0%
NEW ZEALAND	-	3	-	3	0.0%
NETHERLANDS	126	2,185	2	2,313	1.7%
PORTUGAL	1	66	-	67	0.0%
UK	494	1,675	-	2,169	1.6%
CZECH REPUBLIC	-	61	-	61	0.0%
SLOVAKIA	-	3	-	3	0.0%
SUPRANATIONAL	-	29	-	29	0.0%
SPAIN	76	3,176	8	3,261	2.4%
SWEDEN	10	463	-	473	0.3%
SWITZERLAND	1	223	-	224	0.2%
USA	231	2,219	-	2,450	1.8%
Total	**33,451**	**100,373**	**1,498**	**135,322**	**100%**

The distribution of the securities portfolio at 30 June 2019 by duration class is shown below, indicating that the portfolio is heavily weighted towards securities with durations of over 30 years:

€m

Remaining duration	FVTPL	FVTOCI	Amortised cost	TOTAL
up to 1	174	7,024	94	7,292
from 1 to 3	500	12,922	229	13,651
from 3 to 5	313	21,961	187	22,461
from 5 to 7	491	12,692	222	13,405
from 7 to 10	1,272	12,501	340	14,113
from 10 to 15	336	14,021	383	14,740
from 15 to 20	886	6,223	23	7,132
from 20 to 30	86	10,267	20	10,373
over 30	29,393	2,761	-	32,154
Total	**33,451**	**100,373**	**1,498**	**135,322**

Returns on Poste Vita's separately managed accounts, in the specific period under review (from 1 January 2019 to 30 June 2019), are as follows:

Separately managed accounts	Gross return	Average invested capital
	% rate	€m
Posta Valore Più	2.36%	114,630.1
Posta Pensione	3.16%	7,194.2

EQUITY AND SOLVENCY MARGIN

Equity amounts to €4,287.6 million at 30 June 2019, an increase of €336.3 million compared with the end of 2018. The increase over the period primarily reflects: i) net profit for the period of €319.9 million and ii) the increase in the valuation reserve for assets classified as FVTOCI (after ECLs), totalling €16.6 million. Changes in equity during the period are shown below:

Equity

(€000)	At 31 December 2018	Appropriation of net profit for 2018	ECL reserve	FVTOCI reserve	Other gains and losses recognised directly through equity	Net profit for first half of 2019	At 30 June 2019
Share capital	**1,216,608**						**1,216,608**
Revenue reserves and other equity reserves:	**1,732,649**	**1,003,488**			**42**	**-**	**2,736,179**
Legal reserve	142,260	29,045					171,305
Extraordinary reserve	648						648
Organisation fund	2,582						2,582
Negative goodwill	426						426
Other reserves	8						8
Retained earnings	**1,586,725**	**974,443**			**42**		**2,561,210**
of which Retained earnings	1,590,164	658,870			42		2,249,075
of which Reserve established pursuant to Regulation 43		312,135					312,135
of which FTA reserve	(3,439)	3,439					(0)
Reserve for FVTOCI financial assets	**(1,382)**		**(117)**	**16,614**			**15,115**
of which AFS/FVTOCI reserve	(2,331)			16,614			14,283
of which ECL reserve	948		(117)				831
Other gains and losses recognised directly through equity	**(52)**				**(189)**		**(241)**
Net profit	**1,003,488**	**(1,003,488)**				**319,934**	**319,934**
Total	**3,951,311**	**0**	**(117)**	**16,614**	**(147)**	**319,934**	**4,287,596**

In addition, the subordinated debt issued by the parent Company, Poste Vita, amounts to €250 million at 30 June 2019 (€999.4 million at the end of 2018). This consists solely of loan notes placed with the parent and having an undefined maturity.

The reduction with respect to the end of 2018 is due to repayment, in May 2019, of the subordinated bonds listed on the Luxembourg Stock Exchange and issued by Poste Vita in 2014.

All the debt pays a market rate of return and is governed by article 45, section IV, sub-section III of Legislative Decree 209 of 7 September 2005, as amended. The debt qualifies in full for inclusion in the solvency margin and is measured at amortised cost.

With regard to the Poste Vita Insurance Group's **solvency margin** at 30 June 2019, own funds qualifying for inclusion total €8,679 million, an increase of €420 million compared with the €8,259 million at the end of 2018.

In addition, capital requirements declined during the period, falling by approximately €319 million (from €3,910 million at the end of 2018 to €3,591 million at 30 June 2019).

As a result of the above trends, the Group's solvency ratio has increased by approximately 31 percentage points compared with 31 December 2018 (up from 211.2% at the end of 2018 to the current 241.7%), remaining above the regulatory requirement.

The increase in the solvency ratio with respect to 31 December 2018 is primarily due to the positive technical performance in the first six months of the year, and to financial market trends that have resulted in an increase of approximately €8,985 million in the value of the Poste Vita Group's portfolio compared with the end of 2018. In addition, the inclusion of Ancillary Own Funds has resulted in an increase of approximately €796 million in own funds qualifying for inclusion in Tier 2 capital. At the same time, the reduction in the Volatility Adjustment and the EIOPA risk-free rate curve, components of the discount rate applied to the best estimate liability, has led to an increase of €9,753 million in

the Solvency II reserves compared with the end of 2018. This growth has outstripped the increase in the Poste Vita Group's financial assets, resulting in a reduction of approximately €209 million in Solvency II Equity, compared with the end of December 2018.

In terms of the capital requirement, the decline in the spread (7 basis points lower than at the end of 2018) and the reduction in the EIOPA rate curve have resulted in a decrease of approximately €319 million in the SCR compared with 31 December 2018. This relates above all to market risk and technical risk, which have declined as a result of the mitigating effect of the increase in gains on the financial instruments held by the Group.

OPERATING RESULTS

The reclassified income statement by type of business for the six months ended 30 June 2019 is shown below, compared with the same period of 2018:

Life business

RECLASSIFIED INCOME STATEMENT				(€m)
for the six months ended 30 June	Life business			
	2019	2018	Increase/(decrease)	
Net premium revenue	**10,032.7**	**8,813.8**	**1,218.8**	**14%**
Gross premium revenue	*10,039.6*	*8,820.5*	*1,219.1*	*14%*
Outward reinsurance premiums	*(6.9)*	*(6.7)*	*(0.3)*	*4%*
Fee and commission income	**14.6**	**8.7**	**5.9**	**68%**
Net finance income from assets related to traditional products	**2,987.5**	**901.6**	**2,085.8**	**231%**
Income	*1,447.9*	*1,415.9*	*32.0*	*2%*
Realised gains and losses	*9.4*	*155.3*	*(145.9)*	*-94%*
Unrealised gains and losses	*1,530.2*	*(669.6)*	*2,199.8*	*-329%*
Net finance income from assets related to index- and unit-linked products	**148.2**	**(18.4)**	**166.7**	**-905%**
Net change in technical provisions	**(12,463.0)**	**(9,071.4)**	**(3,391.6)**	**37%**
Claims paid	*(7,632.5)*	*(3,956.9)*	*(3,675.5)*	*93%*
Change in technical provisions	*(4,836.4)*	*(5,118.3)*	*281.9*	*-6%*
Share attributable to reinsurers	*5.9*	*3.9*	*2.1*	*54%*
Investment management expenses	**(21.1)**	**(22.3)**	**1.2**	**-5%**
Acquisition and administrative costs	**(278.6)**	**(265.5)**	**(13.1)**	**5%**
Net commissions and other acquisition costs	*(236.9)*	*(223.7)*	*(13.2)*	*6%*
Operating costs	*(41.7)*	*(41.8)*	*0.1*	*0%*
Other revenues/(costs), net	**(13.6)**	**(17.4)**	**3.8**	**-22%**
GROSS OPERATING PROFIT	**406.7**	**329.1**	**77.5**	**24%**
Net finance income from investment of free capital	44.6	43.4	1.2	3%
Interest expense on subordinated debt	(32.4)	(15.1)	(17.3)	114%
PROFIT BEFORE TAX	**418.9**	**357.4**	**61.5**	**17%**
Income tax expense	**(128.8)**	(128.8)	0.0	0%
NET PROFIT	**290.1**	**228.6**	**61.5**	**27%**

Premium revenue for the first half of 2019, net of outward reinsurance premiums, amounts to €10,032.7 million, up 14% compared with the €8,813.8 million of the same period of 2018.

In terms of income from investments, **net finance income from securities related to traditional products** in the period totals €2,987.5 million, up €2,085.8 million compared with the figure for the same period of 2018. This primarily reflects the notable improvement in the financial markets, which resulted in net unrealised gains of €1,530.2 million, compared with net unrealized losses of €669.6 million in the same period of 2018. These are, however, net gains on investments included in separately managed accounts and therefore entirely attributable to policyholders through the shadow accounting mechanism.

As a result of the positive impact of financial market volatility and the increase in volumes registered during the first half, **investments linked to index- and unit-linked products** produced net finance

income of approximately €148.2 million in the first half of 2019, compared with net finance costs of €18.4 million for the same period of 2018. This amount is almost entirely matched by a corresponding change in technical provisions.

Fee and commission income from the management of internal funds linked to unit-linked products amounts to €14.6 million, up €5.9 million compared with the figure for the same period of 2018 (€8.7 million) as a result of the increase in assets under management.

Claims paid to customers during the period amount to approximately €7,632.5 million (€3,956.9 million in the same period of 2018), including: i) expirations of €4,935.8 million, up €3,481.0 million compared with the €1,454.8 million of the same period of 2018, almost entirely due to expirations of Class I with-profits products; ii) the payment of claims, totalling €816.8 million, slightly up compared with the same period of 2018 (€768.3 million); iii) surrenders of €1,873.6 million, slightly up on the figure for the same period of 2018, and representing a 3.1% share of initial provisions, in line with the same period of 2018 and well below the market figure of 7%, and iv) settlement costs of €6.3 million (€5.7 million at the end of June 2019).

As a result of the above operating performance, the matching **change in technical provisions for the life business** amounts to €4,836.4 million at the end of the first half of 2019, compared with €5,118.3 million in the same period of 2018.

After taking into account the above claims paid and the portion ceded to reinsurers, amounting to €5.9 million, the **net change in technical provisions** amounts to €12,463.0 million at the end of the period, compared with €9,071.4 million at the end of the same period of 2018.

Total **commissions** paid for distribution, collection and portfolio maintenance services amount to approximately €235.5 million. On an accruals basis, the amount for the period totals €238.4 million (€224.5 million in the first half of 2018), reflecting the amortisation of prepaid commissions on the sale of pension products and continuing to account for around 2.3% of earned premiums. This is in decline despite the growth in premium revenue with respect to the figure for the same period of 2018 (2.5%), reflecting different portfolio mix. After the commissions received from reinsurers, the figure is €236.9 million compared with €223.7 million recognised in the first half of 2018.

Operating costs amounted to approximately €41.7 million for the first half of 2019, in line with the figure for the first half of 2018. This means that operating costs have remained at around 0.5% of earned premiums and 0.1% of provisions, figures in line with those for the first six months of 2018.

Other costs, net amount to €13.6 million (other costs, net of €17.4 million in the first half of 2018) and primarily regard: i) the reversal of premiums for previous years, totalling €11.8 million, and ii) losses on the disposal of intangible assets, totalling €1.1 million.

The above performance has resulted in **EBITDA** for the period of €406.7 million, compared with €329.1 million for the same period of 2018.

As noted above, the **investment of free capital generated net finance income** of €44.6 million, slightly up on the figure for the same period of 2018 (€43.4 million) and primarily in the form of ordinary income.

€m

Income from free capital in the six months ended 30 June	2019	2018	Increase/ (decrease)
Ordinary income	38.3	38.7	(0.4)
Realised gains/losses	5.2	4.8	0.4
Unrealised gains/losses	1.1	(0.1)	1.2
Total	**44.6**	**43.4**	**1.2**

Interest expense amounts to €32.4 million for the first half of 2019 (€15.1 million in the same period of 2018) and primarily regards: i) €3.4 million in interest paid during the period on subordinated loan notes subscribed for by the parent; ii) €8.9 million in interest paid to the subscribers of subordinated bonds issued by the Company and maturing at the end of May 2019, and iii) €19.5 million in commission expense payable to the parent, Poste Italiane, on ancillary own funds, in view of the commitment letter signed on 15 November 2018.

As a result, **pre-tax profit for the period** amounts to €418.9 million, up €61.5 million on the figure for the first half of 2018 (€357.4 million). After tax, which in the period benefitted from a different presentation of the accounting impact of the non-deductible change in Life technical provisions, as described in full above, **net profit** for the period amounts to €290.1 million (€228,6 million for the same period of 2018).

Non-life business

RECLASSIFIED INCOME STATEMENT				(€m)
for the six months ended 30 June	Non-life business			
	2019	2018	Increase/(decrease)	
Net premium revenue	**93.7**	**61.7**	**32.1**	**52%**
Gross premium revenue	*108.3*	*81.6*	*26.8*	*33%*
Outward reinsurance premiums	*(14.6)*	*(19.9)*	*5.3*	*-27%*
Fee and commission income	**0.0**	**0.0**		
Net financial income from assets related to traditional products	**2.5**	**2.1**	**0.4**	**19%**
Net change in technical provisions	**(27.1)**	**(14.4)**	**(12.7)**	**88%**
Claims paid	*(24.8)*	*(17.5)*	*(7.3)*	*42%*
Change in technical provisions	*(4.4)*	*(5.6)*	*1.2*	*-21%*
Share attributable to reinsurers	*2.1*	*8.6*	*(6.5)*	*-76%*
Investment management expenses	**(0.3)**	**(0.2)**	**(0.1)**	**76%**
Acquisition and administrative costs	**(30.8)**	**(20.2)**	**(10.5)**	**52%**
Net commissions and other acquisition costs	*(17.8)*	*(9.3)*	*(8.5)*	*91%*
Operating costs	*(13.0)*	*(10.9)*	*(2.0)*	*19%*
Other revenues/(costs), net	**3.7**	**3.8**	**(0.0)**	**0%**
PROFIT BEFORE TAX	**41.8**	**32.7**	**9.1**	**28%**
Income tax expense	(11.9)	(9.3)	(2.6)	28%
NET PROFIT	**29.9**	**23.4**	**6.5**	**28%**

Gross premium revenue in the Non-life business, generated by policies sold in the period under review, totals approximately €108.3 million (up 33% on the same period of 2018). After outward reinsurance premiums, **net premium revenue** amounts to approximately €93.7 million, compared with €61.7 million for the same period of 2018.

During the period, **claims expenses**, inclusive of settlement costs and direct costs, amounted to €24.8 million, compared with €17.5 million in the first half of 2018. The **change in technical provisions**, inclusive of provisions for late lodgements, totals €4.4 million for the period, compared with €5.6 million for the same period of 2018.

Considering the reinsurers' share of €2.1 million, the **net change in technical provisions** amounts to €27.1 million at the end of the period, compared with €14.4 million at the end of the same period of 2018.

Commissions paid for distribution and collection activities amount to approximately €21.6 million. After commissions received from reinsurers, commissions amount to €17.8 million, up on the €9.3 million of the first half of 2018 as a result of the growth in premium revenue.

Operating costs amount to approximately €13 million, the increase primarily due to the greater costs incurred in order to support growth initiatives, mainly regarding the Flexible Benefits and Management Check-up projects. This figure compares with €10.9 million for the first half of 2018 and primarily regards personnel expenses, commercial expenses, the cost of IT services and the cost of professional and consulting services. As a proportion of premium revenue, operating costs are down from 13.4% in the first half of 2018 to the current 12%.

Net finance income, resulting from a prudent policy that aims to safeguard the Group's financial strength, amounts to €2.5 million. This is up on the figure for the same period of 2018 (€2.1 million), almost entirely attributable to ordinary items.

Other revenues, net of €3.7 million at the end of the period (€3.8 million in the first half of 2018), primarily consist of: i) revenue from ordinary activities, totalling €4.9 million, generated by the subsidiary, Poste Welfare Servizi, during the period; ii) the reversal of commissions for previous years, amounting to €1.2 million, and iii) the reversal of premium revenue for previous years, amounting to a cost of €2.3 million.

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This performance has resulted in **EBITDA for the period** of €41.8 million, up on the €32.7 million of the first half of 2018. After tax, **net profit** of €29.9 million is up from €23.4 million for the first half of 2018.

ORGANISATION OF THE POSTE VITA GROUP

Corporate governance

This paragraph also represents the Report on Corporate Governance required by art. 123-*bis* of Legislative Decree 58/1998 (the Consolidated Law on Finance), as for as it extends to information required under paragraph 2, sub-paragraph b.

The governance model adopted by the Parent Company, Poste Vita, is “traditional”, i.e. characterised by the traditional dichotomy between the Board of Directors and the Board of Statutory Auditors.

The Board of Directors, elected by the General Meeting of shareholders held on 19 June 2017, has a term of office of three years, which will expire on the date of approval of the financial statements for the year ended 31 December 2019. The Board has seven members, two of which are independent.

The Board of Directors, as described above, meets periodically to review and adopt resolutions on strategy, operations, results, and proposals regarding the operational structure, strategic transactions and any other obligations under current industry legislation. The Board represents the Company’s highest governance body and has full authority in managing the Company in the pursuit and implementation of its corporate object, exercising this authority though the functions, duties and responsibilities assigned to it by the statutory and regulatory requirements in force and by the articles of association.

The Board of Directors has ultimate responsibility for the corporate governance system, defines the related strategic guidelines and ensures its ongoing completeness, functionality and effectiveness, including with regard to outsourced activities. In order to ensure that the corporate governance system is fit for the purposes of guaranteeing the efficiency and effectiveness of business processes, the Board is also responsible for identifying, assessing, predicting, managing and controlling risk exposures, in keeping with the Company’s strategic guidelines and risk appetite, including over the medium to long term. It is responsible for the timely reporting of information about the Company and for the reliability and integrity of accounting and operating information, for safeguarding the Company’s assets in the medium to long term and the Company’s compliance with the legislation in force, directives and internal procedures.

The Board of Directors of the Parent Company, Poste Vita, as the ultimate Italian parent company of a group regulated by IVASS, fulfils the duties and tasks assigned to it with regard to corporate governance, both at individual and Group level. It also takes the steps required of companies subject to art. 210 *ter*, paragraph 2 of the *Codice delle Assicurazioni Private* (the Private Insurance Code) in order to implement instructions from IVASS in order to ensure the stability and efficiency of the Group’s operations.

The Chairwoman has the role of guiding and overseeing the work of the Board of Directors. In addition to the authority provided for by law and in the articles of association with regard to the activities of corporate bodies and legal representation of the Company, including the power to sign

on the Company's behalf and to represent it before the courts and every other authority, at its meeting of 19 June 2017, the Board of Directors, on the authority of the Company's shareholders, assigned the Chairwoman authority over Internal Control and Government Relations.

The Board of Directors has also, in accordance with art. 2381 of the Italian Civil Code, granted the Chief Executive Officer all the powers necessary for the administration of the Company, unless otherwise provided for by law, the Company's articles of association and the resolution appointing him to the position. The Chief Executive Officer is also the Company's legal representative within the scope of the authority delegated to him.

On 19 June 2017, the Board of Directors appointed the General Manager and vested him with the relevant authority in the form of a notarised deed. Later, at the meeting held on 26 July 2017, it was decided to create a General Manager's Office to which, at the date of preparation of this document, the following functions report: Welfare and Innovation, Marketing, Sales Support and Customer Care, the Insurance Office and Information Systems.

Finally, as part of the process of complying with IVASS Regulation 38/2018, the Board of Directors approved a resolution on 21 June of this year, establishing specific Board Committees. Committee members are non-executive Directors and are tasked with providing analysis, advice and recommendations with a view to boosting the Board's efficiency and effectiveness and enabling decisions to be taken in areas of the business where the risk of conflicts of interest is high.

Specifically, the Board of Directors is supported by the following committees:

(a) the Internal Audit and Related Party Transactions Committee;

(b) the Remuneration Committee.

In line with the instructions in IVASS's Letter to the Market dated 5 July 2018 and in application of the proportionality principle set out therein, these committees carry out their duties and functions at the level of both the Company as an individual insurance company, and at the level of the Company as the ultimate Italian parent company of a group and, therefore, at Group level.

The composition, responsibilities, powers and activities of each Committee are governed by a specific Regulations, approved by the Board of Directors.

As a result of the above, the current Internal Audit and Related Party Transactions Committee and Remuneration Committee, both established on 27 January 2015 and operating solely on an individual basis, have been superseded and replaced by the "new" single Internal Audit, Risk and Related Party Transactions Committee (in line with the new name required by the Regulations) and the "new" single Remuneration Committee.

The Board of Statutory Auditors, elected by the General Meeting of shareholders held on 19 June 2017, is made up of 3 standing members and 2 alternates. Pursuant to art. 2401 of the Italian Civil Code, following the resignation of one of the standing members, their place was taken by one of the alternates.

Pursuant to art. 2403 of the Italian Civil Code, the Board of Statutory Auditors monitors compliance with the law and the articles of association and with good practices and, in particular, the adequacy of the organizational, administrative and accounting structure adopted by the Company and its functionality.

The audit activities required by articles 14 and 16 of Legislative Decree 39/2010 are carried out by BDO Italia SpA, an auditing firm entered in the register of auditors held by the Ministry of the Economy and Finance.

The Group also has a system of technical and behavioural policies and procedures designed to ensure consistent corporate governance through the coordinated management of the decision-making process regarding aspects, issues and activities of interest and/or of strategic importance, or that might give rise to significant risks for its assets. The governance system is further enhanced by a series of committees with the role of guiding and controlling corporate policies on strategic issues.

Lastly, to ensure compliance with the more advanced governance models and in accordance with the Company's articles of association, a manager responsible for financial reporting has been appointed.

Internal control system

Within the Poste Vita Group's corporate governance system, the Internal Control System and the Risk Management System represent a set of tools, organisational structures, corporate rules and regulations designed to ensure sound and correct business practices, in line with the Group's objectives. To be effective, the system of controls must be integrated and this presupposes that its components are coordinated with each other and interdependent and that the system itself, as a whole, is in turn integrated into the Group's overall organizational, management and accounting structure. In keeping with these principles, the Parent Company, Poste Vita, has adopted a corporate governance model in line with the Group's. This model operates at Company level on the basis of the roles assumed by the persons involved in internal controls and risk management and in proportion to the nature, entity and complexity of the Company.

The model provides for "levels of control" organised, in general, as follows:

- **Governance:** defines, implements, maintains and monitors the Corporate Governance System (and, within this context, the Internal Control System and the Risk Management System). It consists of the Board of Directors (with appropriate support provided by the Board Committees described in greater detail below) and senior management. In particular:
  - the Board of Directors guarantees and has ultimate responsibility for the Corporate Governance System, not only drawing up the related guidelines, but also monitoring the results and ensuring the system's ongoing completeness, functionality and efficacy, including in relation to outsourced activities, in line with the relevant statutory requirements;
  - senior management is responsible for implementing, maintaining and monitoring the Corporate Governance System and for promoting an approach to internal controls in accordance

with the guidelines drawn up by the Board of Directors and in line with the relevant statutory requirements.

- **First level of control:** identifies, assesses, manages and monitors the risks for which it is responsible, and for which it devises and implements specific initiatives designed to ensure that transactions are conducted in a proper manner. It consists of the controls that the Company's individual business and staff units (Operating Units) conduct on their processes as an integral part of every business process. The Operating Units, therefore, have primary responsibility for the internal control and risk management process (as established by the Board of Directors and senior management), as they are required, in the course of their daily activities, to identify, measure, assess, monitor, mitigate and report on the risks resulting from the Company's ordinary activities in conformity with the risk management process and the applicable internal procedures.
- **Second level of control:** monitors the Company's risk exposures, proposes guidelines for the related control systems and assesses whether or not such systems are fit for purpose in order to ensure the efficiency and effectiveness of transactions, adequate risk control, prudent conduct of the business, the reliability of information and compliance with statutory and regulatory requirements and with internal procedures. The functions responsible for these controls are autonomous, independent and separate from operating units, and assist in drawing up risk governance policies and the risk management process. In particular:
  - the **Risk Management function** is tasked with controlling and maintaining the risk management system as a whole, helping to guarantee that the system is effective, also through the provision of support to the Company's Board of Directors and senior management during its design and implementation;
  - the **Compliance function** is responsible for continuously identifying the applicable statutory requirements and assessing their impact on processes and procedures. In this regard, it assesses whether or not the organisational measures adopted are fit for the purpose of preventing non-compliance risk and proposes organisational and procedural changes designed to ensure adequate risk oversight;
  - **the Actuarial department** contributes to the application of the Risk Management System through the attribution of specific coordination, management and control responsibilities on technical provisions, the assessment of underwriting policies and reinsurance treaties;
  - the **Anti-money Laundering function** continuously monitors the Company's exposure to money laundering and the financing of terrorism and assists the Board of Directors in designing policies for managing this risk.
- **Third level of control:** provides independent assurance on the operational adequacy and effectiveness of first and second-level control and, in general, of the Corporate Governance System. In this context, the Internal Auditing function is responsible for monitoring and assessing the effectiveness and efficiency of the Internal Control System and additional components of the Corporate Governance System and the need for its revision (including through the provisions of assistance and advice to the Company's other functions).

This organisational model aims to ensure the presence of effective and efficient business processes, the control of current and future risks, the regular nature and functionality of reporting procedures, reliable and complete information and protection of the Group's assets over the medium and long term.

The model also includes, with specific regard to the Parent Company, Poste Vita, the Board Committees (the Remuneration Committee and the Internal Audit and Related Party Transactions Committee), in addition to other entities tasked with the conduct of controls such as, for example, the manager responsible for financial reporting, appointed in accordance with Law 262/2005, the 231 Supervisory Board, the person in charge of reporting suspect transactions, etc.

The internal control system also consists of a set of rules, procedures and organisational units designed to prevent or minimize the impact of unexpected events and to enable the achievement of strategic and operational objectives (effectiveness and efficiency of operations and protection of corporate assets), compliance with laws and regulations, and accurate and transparent internal information. It is a widespread system applied throughout the Group and is progressively upgraded.

In this context, the Internal Auditing function carries out its activities in such a way as to maintain its independence and impartiality, in line with the guidelines provided by the Board of Directors. This enables it to audit the Company and the Group – including by examining the results of checks carried out on individual Group companies – in order to oversee the propriety of processes and the effectiveness and efficiency of organisational procedures, the regularity and functionality of information flows, the adequacy and reliability of information systems, the ability of administrative and accounting processes to operate correctly and keep reliable accounting records, and the effectiveness of controls on outsourced activities. It also carries out checks, using an integrated approach, for the Supervisory Board of the Parent Company, Poste Vita, set up in compliance with Legislative Decree 231/01.

This function uses a systematic and risk-based approach, taking into account the nature, entity and complexity of current and future risks and the specific importance of the various Group companies in terms of their impact on the Group's risk profile, based also on whether or not they are under the Parent Company's control. It also promotes initiatives designed to achieve ongoing improvements to control, risk management and corporate governance systems, and contributes to the dissemination of ethical values and principles throughout the Group, without assuming management responsibilities.

A Risk Management function has also been established to develop risk measurement methods and propose action plans to mitigate the risks to which the Company is exposed. The Risk Management function is also responsible for developing a risk assessment system and a system to measure regulatory capital according to specifications under definition at EU level (Solvency II). Risk Management also supports the Board in assessing, through stress tests, the consistency between the risks undertaken by the firm, the risk appetite defined by the Board of Directors and its current and prospective regulatory capital.

The Compliance function is responsible for ensuring that the organisation and its procedures are capable of preventing the risk of incurring legal or administrative sanctions, losses or reputational damage as a result of the violation of laws, regulations, supervisory instructions or internal regulations.

The Actuarial Department reports to the Risk Officer and is required, as part of its role, to apply the risk management system.

As regards matters governed by Legislative Decree 231/01, Poste Vita has adopted a Compliance Programme with the objective of preventing the perpetration of the different types of offence contemplated by the law, and has appointed a Supervisory Board.

Adoption of the 231 Compliance Programme and the rules of conduct contained therein combine with the "Poste Italiane Group's Code of Ethics" adopted by the companies in the Group, in keeping with similar code put in place by the parent, Poste Italiane.

Organizational structure and personnel

In keeping with the previous year, with a view to exploiting potential synergies within the Poste Italiane Group, and with the aim of ensuring an increasingly effective response to the needs of the business and the Group's principal market, during the year, the Parent Company, Poste Vita, began the process of redesigning and streamlining its operating model in order to boost efficiency. This has resulted in the partial centralisation of anti-money laundering activities within the Parent Company, following on from adoption of the same solution for Communication, Commercial (in relation to technical support for sales force training activities) and Procurement (in relation to purchases of goods and services).

The Parent Company, Poste Vita, continues to carry out certain activities for the subsidiary, Poste Assicura, relating to administration, IT systems, marketing and internal controls (internal auditing, compliance and risk management), and staff functions (human resources, legal affairs and administration, etc.), and for the subsidiary, Poste Welfare Servizi, regarding legal and corporate affairs, commercial and marketing, human resources/organisation/privacy, procurement and general services and administrative and tax advice.

The Poste Vita Insurance Group directly employs a total of 552 people at 30 June 2019, compared with 553 at the end of 2018.

Workforce breakdown	At 30 June 2019	At 31 December 2018	Increase/ (decrease)
Executives	35	35	0
Middle managers	229	206	24
Operational staff	279	308	-29
Personnel on fixed-term contracts	9	4	5
Direct employees	**552**	**553**	**-1**

The programme launched in previous years, designed to exploit existing expertise within the Poste Italiane Group with the aim of encouraging internal mobility, continued in the first half. New staff, hired primarily through internal selection processes within the Poste Italiane Group (job posting), were recruited, on the one hand, to provide support for the business and existing development projects, partly with a view to strengthening technical and specialist expertise, and, on the other, in order to boost governance and control activities.

In addition, the Poste Vita Group's staff and management training initiatives in the first half of 2019 again not only aimed to update and develop the technical skills of its staff, but also to enrich the Group's human capital.

In this sense, as in the previous year, during the first half of 2019, the group invested heavily in training and development relating to training in compliance matters and specialist technical training in order to develop expertise in the area of "data analytics" to support decision-making. Specifically, approximately 10 hours of training was provided to each member of staff.

Finally, in keeping with previous years, the Group collaborated with the Corporate University in relation to participation in training courses or workshops designed to develop technical skills of shared interest (e.g. relating to Information Technology or Legal Affairs) and managerial expertise, including through the use of innovative forms of training (e.g. hackathons, *Ascoltiamoci Reload* and mentoring).

RELATIONS WITH THE PARENT AND OTHER POSTE ITALIANE GROUP COMPANIES

The Parent Company, Poste Vita, is wholly owned by Poste Italiane SpA, which directs and coordinates the Group.

Transactions with the parent, Poste Italiane SpA, which owns all the shares outstanding, are governed by written agreements and conducted on an arm's length basis. They primarily regard:

- the sale and distribution of insurance products at post offices and related activities;
- post office current accounts;
- the secondment of personnel to and from the parent;
- support in organising the business and in the recruitment and management of personnel;
- the pick-up, packaging and shipping of ordinary mail;
- call centre services;
- Term Life Insurance policies.

Furthermore, at 30 June 2019, subordinated loan notes, totalling €250 million (€250 million at 31 December 2018), issued by the Company, have been subscribed for by the parent. The notes provide a market rate of return reflecting the Company's creditworthiness. In November 2018, the Company entered into a refinancing agreement with the parent, Poste Italiane, for inclusion in its AOFs (ancillary own funds), formalised with Poste Italiane's signature of a Commitment Letter with a five-year term, committing the parent to subscribe for ordinary shares to be issued in future by Poste Vita.

The Parent Company, Poste Vita, also provides services to its subsidiary, Poste Assicura SpA. The transactions are all conducted on an arm's length basis, are governed by service agreements and regard:

- the secondment of personnel from and to the subsidiary;
- activities involved in operational organisation and use of the equipment necessary to carry out the activities;
- operational procedures relating to compliance with occupational health and safety regulations;
- operation and management of data protection procedures;
- operational marketing and communication, the development and operation of IT systems and accounting;
- the centralisation of internal control (internal auditing, compliance and risk management), actuarial procedures, human resources and organisation, legal and corporate affairs, management planning and control, investment and treasury, tax, training and network support;
- Term Life Insurance policies.

In addition, Poste Vita conducts transactions with the subsidiary, Poste Welfare Servizi, primarily in relation to: i) the secondment of personnel; ii) the provision of services; iii) centralised administrative and tax management, legal and corporate affairs, commercial and marketing, human resources/organisation/privacy, procurement and general services, and iv) the sub-let of office space.

In addition to the relationship with the parent, Poste Italiane, and the subsidiaries, Poste Assicura and Poste Welfare Servizi, the Company also maintains operational relations with other Poste Italiane Group companies, with regard to:

- management of the Company's free capital and a portion of the investments included in the portfolio for separately managed accounts (Bancoposta Fondi SGR);
- printing, enveloping and mail delivery through information systems; management of incoming mail, the dematerialization and filing of printed documentation (Postel);
- mobile telephone services (Postepay);
- advice on obligations pertaining to occupational health and safety (Poste Tutela);
- Term Life Insurance policies (Postel, EGI, Postepay, Poste Tributi, Mistral Air and Bancoposta Fondi SGR);
- the supply of electricity (EGI).

These transactions are also conducted on an arm's length basis.

OTHER INFORMATION

Information on own shares and/or the parent's shares held, purchased or sold during the period

Poste Vita Insurance Group companies do not own and have not traded in their own or the parent's shares.

Related party transactions

In addition to other companies in the Poste Italiane Group, whose relationships have already been described in the previous paragraph, according to the provisions of IAS 24.9, related parties include the MEF (the Ministry of the Economy and Finance), Cassa Depositi e Prestiti SpA, entities controlled by the MEF and key management personnel. The Government and public bodies different from the MEF and from the bodies controlled by the Ministry are not considered related parties; furthermore, transactions involving financial assets and liabilities represented by financial instruments are not considered related party transactions, with the exception of those issued by companies in the Cassa Depositi e Prestiti group.

At 30 June 2019, the Poste Vita Group holds bonds issued by Cassa Depositi e Prestiti with a total fair value of €1,622.4 million, acquired under market conditions. In addition, during the fourth quarter of 2016, the Parent Company, Poste Vita, acquired a 9.9% interest in FSI SGR from Cassa Depositi e Prestiti. The Company does not exercise either *de iure* or *de facto* control, whether on an individual or joint basis, or as a connected party with CDP and/or other shareholders of FSI SGR.

Research and development activities

During the period, the Poste Vita Insurance Group did not incur any research and development expenses, except for costs related to new products and those relating to the capitalised direct costs incurred in relation to internal software development.

Legal disputes

Pending civil actions involving the Parent Company, Poste Vita, primarily regard issues directly or indirectly connected to insurance contracts.

Most of the disputes involving the Company regard issues surrounding so-called "dormant policies", whilst the remaining disputes generally regard problems relating to i) the inability to settle claims due to a lack of documentation, disputes between life policy beneficiaries and problems regarding the payment of claims.

There has been an ongoing increase in the number of bankruptcy proceedings involving employers who have failed to make voluntary and mandatory payments of contributions (for *TFR*, or post-employment benefits) for members of the *PostaPrevidenza Valore* individual pension plan. The proceedings have been brought by the Parent Company, Poste Vita, in order to recover the amounts due, whilst covering the related expenses.

Lastly, there have been a growing number of enforcement procedures involving the Company as garnishee-defendant, including in relation to amounts payable to policyholders.

Criminal proceedings involving the Company, Poste Vita, mostly regard alleged offences relating in general to the falsification of insurance documents by third parties and, in any event, by persons not employed by the Company.

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Disputes involving the subsidiary, Poste Assicura, primarily regard contested claims on Home, Accident and Condominium policies. They primarily regard cases where the claim is not covered by the policy and claims for amounts in excess of the estimate value of the damage incurred.

The likely outcome of disputes is taken into account in calculating outstanding claims provisions.

Criminal proceedings mostly regard alleged offences relating in general to the falsification of insurance documents by third parties and, in any event, by persons not employed by the company.

In addition, Poste Assicura has received a number of recurring claims on accident and home/householder insurance policies where fraud is suspected. The company is taking the appropriate initiatives.

Two proceedings not relating to insurance policies have been initiated in 2019.

The first, relating to protection of Poste Assicura's trade name and brought jointly with Poste Italiane and other Group companies, came to a favourable conclusion with a court order dated 17 April 2019.

The second, which is still pending, was brought before Lazio Regional Administrative Court, challenging the decision to exclude Poste Assicura and other co-insurers from a call for tenders to provide accident insurance over the three-year period 2019-2021 (amounting to a value of approximately €7 million).

Principal proceedings pending and relations with the authorities

a) IVASS

At 30 June 2019, there are no pending proceedings initiated by the regulator (IVASS).

b) Bank of Italy – Financial Intelligence Unit (*UIF*)

The Bank of Italy's Financial Intelligence Unit (*UIF*) conducted a number of inspections of the Company in 2015 and 2016, in relation to money laundering prevention as per art. 47 and art. 53, paragraph 4, of Legislative Decree 231 of 2007. On 8 July 2016, the UIF sent Poste Vita a notice of assessment and violation, alleging the Company's failure to promptly report suspect transactions (regarding transactions relating to a single policy) pursuant to art. 41 of Legislative Decree 231/2007.

At the end of the related procedure, on 29 May 2019, the Ministry of the Economy and Finance notified the Parent Company, Poste Vita, that it was imposing an administrative fine of €101,400, equal to 10% of the amount involved in the violation.

After due consideration, the Company has appealed the above fine.

Tax disputes

With regard to the disputes relating to VAT for the 2004, 2005 and 2006 tax years, currently pending before the Supreme Court of Cassation, the Parent Company, Poste Vita, bearing in mind the Court's by now consistent approach with regard to such matters, decided to take advantage of the option granted by Law Decree 119 of 23 October 2018. This involved settlement of the existing disputes in return for concessions via the payment of a sum amounting to €348,740.70, equal to 15% of the total penalties imposed in relation to the three alleged violations. The decision to take advantage of the option granted by the above Law Decree 119/2018 is supported by the recent decision to take part in the Cooperative Compliance regime set up by the tax authorities in accordance with Law Decree 128 of 5 August 2015.

Considering that the decision to turn down the request for a settlement may be notified to the Company at any time up to 31 July 2020 and that the case will be discharged if a request for a hearing is not presented by 31 December 2020, the Company has deemed it appropriate to continue to reflect the likely outcome to the dispute in determining provisions for risks and charges, after deducting the above payment.

Regulatory developments

Regulatory developments during the period or prior to the date of presentation of this report, having an impact, or that might have an impact, on the Poste Vita Group's business and/or on the sector in which it operates are as follows:

- On 19 February 2019, IVASS issued Regulation 44 – This Regulation contains measures implementing Legislative Decree 231 of 21 November 2007, as amended by Legislative Decree 90 of 25 May 2017 implementing Directive (EU) 2015/849, concerning the organisation, procedures, internal controls and customer due diligence, and taking into account the Joint Guidelines of the European Supervisory Authorities on simplified and enhanced customer due diligence and the factors to be considered when assessing the money laundering and financing of terrorism risks associated with ongoing relationships and occasional transactions.
- Letter to the Market dated 1 April 2019 - This Letter to the Market from IVASS called attention to the changes introduced by Law Decree 119 of 23 October 2018 (converted into Law 136 of 17 December 2018), which amended Presidential Decree 116/2007 of 22 June 2017 concerning dormant accounts and insurance policies. In detail: i) paragraph 1-*bis* of art. 3 of the Presidential Decree, as amended, requires insurance undertakings operating in Italy to use the open database established by the Italian tax authorities to check, by 31 December of each year, whether or not the holders of life or accident policies have died; ii) where the holder's death is ascertained, undertakings must start the settlement process, including a search for the beneficiary not expressly indicated in the policy, and iii) by 31 March of the year following the one in which the check was carried out, undertakings must report to IVASS on any payments made to such beneficiaries. The first round of checks must be conducted by 31 December 2019.

International accounting standards

IFRS 16 - *Leases*, adopted with Regulation (EU) no. 1986/2017. The Company has adopted accounting standard IFRS 16 from 1 January 2019. The new standard intends to improve the accounting treatment of lease contracts, giving a basis for users of financial statements to assess the effect that leases have on the financial position, operating performance and cash flows of an entity**.** These provisions entail a substantial revision of the current accounting treatment of lease contracts by lessees, introducing for lessors a unified model for the different types of lease (finance and operating).

The main provisions for the lessee's financial statements include:

a) for the contracts in scope, the lessee recognises a right-of-use asset in its statement of financial position (in the same way as an owned asset) and a financial liability;
b) at the commencement date, the lessee will recognise the financial liability for an amount equal to the present value of the periodic contractual payments for the lease in return for the right to use the asset;
c) at the end of the reporting periods after the commencement date, and throughout the term of the lease contract, the asset is amortised systematically, while the financial liability increases by the amount of interest accrued, as calculated on the basis of the internal rate indicated in the lease contract;
d) when a lease payment is made, the liability is reduced by the amount of the payment.

The scope of the standard does not include short-term contracts (for up to 12 months) and low-value contracts (where the underlying asset does not exceed US$5,000). For these contracts, the lessor may elect not to apply IFRS 16, and to continue with the current accounting treatment.

Amendments to IFRS 9 - *Financial Instruments - Prepayment Features with Negative Compensation*. Certain financial assets with negative compensation may be measured at amortised cost. These assets, which include certain loans and debt instruments, would otherwise be measured at fair value through profit or loss (FVTPL). Negative compensation exists when the contractual terms allow for early repayment of the instrument ahead of the contractual maturity date, but the amount of the early repayment may be lower than the value of unpaid principal and interest. In any event, to qualify for measurement at amortised cost, the negative compensation must be "reasonable" in respect of early repayment. An example of such reasonable compensation is an amount that reflects the impact of movements in the applicable interest rate. In addition, in measuring at amortised cost, the asset must be held within a Hold to Collect business model.

Amendments to IAS 19: *Employee Benefits - Plan Amendment, Curtailment or Settlement***.** following an amendment, curtailment or settlement of a defined benefit plan, the entity must apply updated assumptions when remeasuring its net defined benefit liability or asset. It must use these updated assumptions when measuring the current service cost and net interest for the remainder of the relevant period.

Amendments to IAS 12 – *Income Taxes*: an entity must recognise the income tax consequences of dividends in other comprehensive income or in equity, depending on where the entity originally accounted for the transactions that gave rise to the distributable profit.

Amendments to IAS 23 - *Borrowing Costs*: an entity shall determine the amount of borrowing costs eligible for capitalisation, excluding from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset, until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*. An entity shall apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied, including long-term interests that are substantially part of the net investment those associates and joint ventures.

IFRIC 23 - *Uncertainty over Income Tax Treatments*. An entity must consider if it is likely that the relevant tax authority will accept each tax treatment, or group of tax treatments, it uses or expects to use in its tax filings. If the entity concludes that it is likely that a particular tax treatment will be accepted, the entity must determine its taxable income (tax loss), tax bases, unused tax losses, unused tax credits or tax rates in line with the tax treatment included in its tax filings. If the entity concludes that it is not likely that a particular tax treatment will be accepted, the entity must use the most likely amount or value resulting from application of the tax treatment in determining its taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on whichever approach provides better predictions of the resolution of the uncertainty.

IFRS 3 – *Business Combinations*: an entity shall remeasure its previous interest in a joint operation when it obtains control of the business.

IFRS 11 - *Joint Arrangements*: an entity shall not remeasure its previous interest in a joint operation when it obtains joint control of the business.

The potential impact on the Company's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being evaluated and assessed.

New tax legislation

Law 145 of 30 December 2018 (the "2019 Budget Law"): among the various measures, the Budget Law has introduced an initial version of the new form of tax relief (so-called "mini-IRES") to come into effect from the 2019 tax year. This provides for a 9-percentage point reduction in IRES (corporation tax) to 15%, applied to an amount calculated as the lower of revenue reserves other than those that are undistributable, and the sum of investment in new fixed assets used in operations and the cost of personnel hired on a fixed-term and permanent basis. As a result of the introduction of this relief, again with effect from the 2019 tax year, the relief provided by *ACE* (*Aiuto alla crescita economica*), a form of relief introduced by art. 1 of Law Decree 201/2011) has been abolished as it is incompatible with the so-called mini-IRES, which also applies to the reinvestment of earnings.
The 2019 Budget Law has also introduced changes to payments on account of tax on insurance premiums, raising the rates to be paid in accordance with art. 9, paragraph 1-*bis* of Law 1216 of 1961 to 85% for 2019, 90% for 2020 and 100% from 2021.

Law Decree 34 of 30 April 2019 (the Growth Decree): among the various measures, the Decree has replaced the mini-IRES relief introduced by the 2019 Budget Law with a new incentive designed to provide a simpler form of corporate income tax for the purposes of IRES compared with the previous arrangements. It continues to provide relief on earnings not distributed by companies.
The new form of relief provides that, with effect from the 2019 tax year, a company's declared profit shall be taxed at a reduced rate (i) up to the amount of "*revenue reserves other than those that are undistributable*", and (ii) within the limits of the increase in equity registered at the end of the relevant reporting period compared with equity at the end of the reporting period prior to the one in which the relief came into effect (that is, the year ended 31 December 2018). As was broadly the case with the abolished *ACE* (*Aiuto alla crescita economica*) relief, this is a flat-rate mechanism that enables retained earnings to be computed only to the extent that, compared with the figure for 2018, there has been an increase in equity, totally regardless of either the reasons for the changes in equity or the specific use to which the undistributed earnings have been put within the organisation.
In the 2019 tax year and for the following three years, the reduced rates of IRES applied to taxable income qualifying for the above relief are 22.50%, 21.50%, 21% and 20.50%, respectively. Once fully effective, from the 2023 tax year, income qualifying for the relief will be taxed for the purposes of IRES at a reduced rate of 20.00%.
At the reporting date for this interim report, the implementing decree has yet to be published. As a result, the Company will assess its potential application, should the related requirements have been met, when determining the tax liability for the year ended 31 December 2019.

Financial risk management – IFRS 7

Information on **financial risk management at 30 June 2019** is provided below, in accordance with the requirements of the new international financial reporting standard, IFRS 7 – *Financial Instruments: Disclosures*.

Financial instruments held by the **Parent Company, Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and index-linked and unit-linked policies. Other investments in financial instruments regard investment of the Company's free capital.

With regard to Traditional life policies, classified under Class I and V, gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns (newly issued policies do not provide for a guaranteed minimum return) and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The Company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and the optimal allocation of financial resources.

Index-linked and unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in Italian government securities and mutual investment funds. In the case of index-linked policies issued, the Company assumes sole liability for solvency risk associated with the instruments in which premiums are invested, in the past providing a guaranteed minimum return only when called for by contract. The Company continuously monitors changes in the risk profile of individual products, focusing especially on the risk linked to the insolvency of issuers.

The investment policies adopted by **the subsidiary, Poste Assicura SpA**, are designed to preserve the company's financial strength, as outlined in the framework resolution approved by the board of directors. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the Non-life business, the assessment does not take into account the above restrictions relating to guarantee minimum returns, but focuses on the management of liquidity in order to meet claims.

Within the above context, balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

The main forms of financial risk to which the Poste Vita Group is exposed at the end of the first half of 2019 are described below:

Price risk

This is the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.

The following analysis relates to financial assets classified as measured at fair value through other comprehensive income ("FVTOCI") or as measured at fair value through profit or loss ("FVTPL"), and certain derivative financial instruments where changes in value are recognised in profit or loss.

The sensitivity analysis at 30 June 2019 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out at 30 June 2019 for the Poste Vita Group are shown in the following table.

		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
€000	Exposure	+vol	-vol	+vol	-vol	+vol	-vol	+vol	-vol
Financial assets									
Financial assets at FVTOCI	-	-	-	-	-	-	-	-	-
APRE00061 - Equity instruments at FVTOCI		-	-	-	-	-	-	-	-
APRE00063 - Other investments at FVTOCI		-	-	-	-	-	-	-	-
APRE00064 - Structured bonds at FVTOCI		-	-	-	-	-	-	-	-
Financial assets at FVTPL	**31,560,373**	**1,203,381**	**(1,203,381)**	**1,202,686**	**(1,202,686)**	**695**	**(695)**	**-**	**-**
APRE00071 - Structured bonds at FVTPL		-	-	-	-	-	-	-	-
APRE00073 - Other investments at FVTPL	31,398,626	1,163,041	(1,163,041)	1,162,346	(1,162,346)	695	(695)	-	-
APRE00074 - Equity instruments at FVTPL	161,747	40,340	(40,340)	40,340	(40,340)	-	-	-	-
Derivative financial instruments		-	-	-	-	-	-	-	-
APRE00113 - FVTPL	-	-	-	-	-	-	-	-	-
PPRE00093 - FVTPL liabilities	-	-	-	-	-	-	-	-	-
Variability at end of period	**31,560,373**	**1,203,381**	**(1,203,381)**	**1,202,686**	**(1,202,686)**	**695**	**(695)**	**-**	**-**

In relation to financial assets recognised at fair value through profit or loss, price risk concerns the following:

- investments in units of mutual investment funds held by Poste Vita SpA, amounting to €31,399 million and including €29,016 million used to cover Class I policies and approximately €2,376 million used to cover Class III policies, with the remainder relating to the investment of free capital;
- equity instruments held by Poste Vita SpA, totalling €162 million and used to cover Class I and III products.

Price risk does not involve fixed income financial instruments (debt securities) as the risk in question is only considered in relation to equity market volatility.

Fair value interest rate risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration.

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The measures of sensitivity shown in the following analysis provide a reference point which is useful in assessing potential changes in fair value in the event of greater movements in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 30 June 2019 for the Poste Vita Group's positions.

	Risk exposure		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
€000	Nominal exposure	Fair value exposure	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
Financial assets	500,000	530,217	- 22,193	22,193	- 22,193	22,193	-	-	-	-
Financial assets at FVTOCI	93,811,953	100,372,860	(6,469,456)	6,461,924	(6,434,212)	6,434,212	-	-	(35,244)	27,712
APRE00062 - Fixed income instruments at FVTOC	93,311,953	99,842,643	(6,447,263)	6,439,731	(6,412,019)	6,412,019	-	-	(35,244)	27,712
APRE00063 - Other investments at FVTOCI	-	-	-	-	-	-	-	-	-	-
APRE00064 - Structured bonds at FVTOCI	500,000	530,217	(22,193)	22,193	(22,193)	22,193	-	-	-	-
Financial assets at FVTPL	1,034,066	1,890,263	(248,187)	248,187	(247,482)	247,482	(653)	653		
APRE00072 - Fixed income instruments at FVTPL	998,825	1,076,200	(34,133)	34,133	(33,428)	33,428	(653)	653		
APRE00071 - Structured bonds at FVTPL	22,000	20,623	(143)	143	(143)	143	-	-	-	-
APRE00073 - Other investments at FVTPL	13,241	793,440	(213,911)	213,911	(213,911)	213,911	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-	-	-
APRE00111 - Cash flow hedges	-	-	-	-	-	-	-	-	-	-
APRE00112 - Fair Value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities	1,457,500	- 25,215	47,584	- 47,584	47,584	- 47,584	-	-	-	-
Derivative liabilities	1,457,500	- 25,215	47,584	- 47,584	47,584	- 47,584	-	-	-	-
PPRE00093 - FVTPL liabilities	1,457,500	- 25,215	47,584	- 47,584	47,584	- 47,584	-	-	-	-
PPRE00091 - Cash flow hedge liabilities	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Variability at end of period	1,957,500	505,002	25,391	(25,391)	25,391	(25,391)	-	-	-	-

In terms of **financial assets recognised at fair value through other comprehensive income**, the risk in question primarily regards:

- fixed income government bonds held by Poste Vita SpA, totalling €83,187 million and almost entirely used to meet contractual obligations to the holders of Class I and V policies linked to separately managed accounts;
- non-government bonds held by Poste Vita SpA, totalling €16,988 million and used mainly to meet obligations towards policyholders in relation to separately managed accounts;

Financial assets at fair value through profit or loss exposed to fair value interest rate risk regard a portion of the fixed income investments of the Parent Company, Poste Vita SpA, amounting to €1,076 million, investments in units of mutual investment funds, totalling €793 million, and bonds issued by CDP SpA with a fair value of €21 million.

In terms of derivative instruments, this type of risk regards forward sales of government securities with a nominal value of €1,458 million, classified as fair value hedges and entered into by the Parent Company, Poste Vita SpA in the period under review.

With respect to Class I and Class V policies sold by the Parent Company, Poste Vita SpA, the duration of the matching assets at 30 June 2019 is 6.74, whilst the duration of the liabilities is 9.57. The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk

This is the risk of a potential fall in the value of bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of yields on government securities has on the fair value of euro zone government and corporate securities, reflecting the market's perception of the credit rating of issuers.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-

free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The spread between Italian BTPs and German Bunds at the end of June was 243 basis points, compared with 250 at 31 December 2018. In the first 15 days of July, the spread fell sharply to register an average of 207 basis points. Movements in Swap rates, on the other hand, meant that the spread between the yield on BTPs and Swaps at 30 June 2019 remained at 193 basis points compared with 31 December 2018.

The performance of the Poste Vita Group's portfolio in the period under review is as follows:

	Risk exposure		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
€000	Nominal exposure	Fair value exposure	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
Financial assets										
Financial assets at FVTOCI	**93,811,953**	**100,372,860**	**(6,789,109)**	**6,789,109**	**(6,738,666)**	**6,738,666**	**-**	**-**	**(50,443)**	**50,443**
APRE00062 - Fixed income instruments at FVTOCI	93,311,953	99,842,643	(6,766,681)	6,766,681	(6,716,238)	6,716,238	-	-	(50,443)	50,443
APRE00063 - Other investments at FVTOCI	-	-	-	-	-	-	-	-	-	-
APRE00064 - Structured bonds at FVTOCI	500,000	530,217	(22,428)	22,428	(22,428)	22,428	-	-	-	-
Financial assets at FVTPL	**1,034,066**	**1,890,263**	**(254,889)**	**254,889**	**(254,184)**	**254,184**	**(653)**	**653**	**(52)**	**52**
APRE00072 - Fixed income instruments at FVTPL	998,825	1,076,200	(39,444)	39,444	(38,739)	38,739	(653)	653	(52)	52
APRE00071 - Structured bonds at FVTPL	22,000	20,623	(1,534)	1,534	(1,534)	1,534	-	-	-	-
APRE00073 - Other investments at FVTPL	13,241	793,440	(213,911)	213,911	(213,911)	213,911	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-	-	-
APRE00111 - Cash flow hedges	-	-	-	-	-	-	-	-	-	-
APRE00112 - Fair Value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	1,457,500	(25,215)	(47,523)	47,523	(47,523)	47,523	-	-	-	-
PPRE00093 - FVTPL liabilities	1,457,500	(25,215)	(47,523)	47,523	(47,523)	47,523	-	-	-	-
PPRE00091 - Cash flow hedge liabilities	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Variability at end of period	**93,388,519**	**102,288,338**	**(6,996,475)**	**6,996,475**	**(6,945,327)**	**6,945,327**	**(653)**	**653**	**(50,495)**	**50,495**

With regard to the Poste Vita Group, the portfolio exposed to this risk amounts to a total fair value of €102,288 million at 30 June 2019, consisting of €100,373 million in financial assets at fair value through other comprehensive income and a remaining €1,890 million in financial assets at fair value through profit or loss.

The sensitivity analysis conducted on the overall portfolio shows that a potential 100 bps increase in the spread would generate a reduction in fair value of approximately €6,996 million. Of this change, €6,945 million would be attributed to deferred liabilities due to policyholders under the shadow accounting mechanism, €0.7 million would be recognised in the Company's profit or loss and €50 million would be taken to the fair value reserve for instruments in which the Company's free capital is invested.

For the purposes of full disclosure, following an increase in the spread of 100 bps, the Poste Vita Group's fixed income instruments measured at amortised cost, which at 30 June 2019 amount to €1,497 million and have a cui fair value of €1,667 million, would be reduced in fair value by approximately €102 million, with the change not reflected in the accounts.

Credit risk

This is the risk of default of one of the counterparties to which there is an exposure, with the exception of equities and units of mutual funds.

Exposure to credit risk

With regard to the financial assets exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the exposure at 30 June 2019, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for

which general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECLs), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Credit risk - Internal ratings

€000

Item	from AAA to AA-			from A+ to BBB-						from BB+ to C						Total			Not rated (carrying amount)	Total carrying amount
	Stage 1			Stage 1			Stage 2			Stage 1			Stage 2							
	Amortised cost before ECLs (GCA)	Fair value	ECL provision	Amortised cost before ECLs (GCA)	Fair value	ECL provision	Amortised cost before ECLs (GCA)	Fair value	ECL provision	Amortised cost before ECLs (GCA)	Fair value	ECL provision	Amortised cost before ECLs (GCA)	Fair value	ECL provision	Amortised cost before ECLs (GCA)	Fair value	ECL provision		
Financial assets at amortised cost																				
Loans				228,085		(140)										228,085		(140)		**227,945**
Receivables				20,718		(7)										20,718		(7)		**20,711**
Fixed income instruments	-		-	1,499,024	-	(744)	-		-	-		-	-		-	1,499,024	-	(744)		**1,498,280**
Other investments				-	-	-										-		-		-
Total	-		-	**1,747,827**	-	**(891)**	-		-	-		-	-		-	**1,747,827**		**(891)**	-	**1,746,936**
Financial assets at FVTOCI																				
Loans																-	-	-		-
Receivables																-	-	-		-
Fixed income instruments	1,754,044	1,915,706	(129)	89,697,286	96,770,836	(42,787)	35,455	36,694	(40)	1,061,075	1,097,500	(5,502)	52,257	51,906	(2,417)	92,600,117	99,872,642	(50,875)		**99,872,642**
Other investments	-	-	-	500,378	500,217	(155)	-	-	-	-	-	-	-	-	-	500,378	500,217	(155)		**500,217**
Total	**1,754,044**	**1,915,706**	**(129)**	**90,197,664**	**97,271,053**	**(42,942)**	**35,455**	**36,694**	**(40)**	**1,061,075**	**1,097,500**	**(5,502)**	**52,257**	**51,906**	**(2,417)**	**93,100,495**	**100,372,859**	**(51,030)**	-	**100,372,859**

The gross carrying amount of financial assets measured at amortised cost is €1,748 million; the financial instruments included in this category are allocated to stage 1 and the associated rating in all cases is between A+ and BBB-; the gross carrying amount includes €1,499 million in fixed income instruments, €21 million in receivables and €229 in loans.

The gross carrying amount of financial assets at fair value through other comprehensive income is €100,373 million; financial instruments amounting to €100,284 million are allocated to stage 1, with the remaining €89 million allocated to stage 2. The ratings associated with these financial assets are primarily between A+ and BBB-.

EVENTS AFTER 30 JUNE 2019

On 23 July 2019, the tax authorities, having completed their checks regarding the Parent Company's claim for a rebate, agreed to refund the sum of €1,980,706.94 in VAT paid by the Company to Banco Posta Fondi SpA on management fees payable for 2013 and 2014.

The right to a refund of this amount arose following resolution 52 of 16 May 2014, in which the tax authorities, at the request of ANIA and with regard to the provision of asset management services for insurance assets, announced its decision that:

- management fees payable in return for the management of assets covering technical reserves relating to unit-linked and index-linked policies would be exempt from VAT;

- management fees payable in return for the management of assets covering cash value investment life insurance policies would be exempt from VAT.

OUTLOOK

In keeping with the first half of 2019 and the strategic plan, the Poste Vita Group will continue to offer its customers an innovative, effective response to their insurance needs in the second half of 2019, combining savings and protection products in simple and highly professional solutions. In the Life segment, the goal is to consolidate our market leadership, backed up by a rebalancing of the offering towards products adding more value (multiclass and unit-linked products) and with risk-return profiles that are still moderate, in keeping with the type of customer served by the Group, but potentially providing more attractive returns on investment. The focus in the Non-life segment will be on continuing to drive growth in the welfare and non-vehicle sectors by exploiting unrealised potential, and on completing preparations for the launch of a vehicle insurance offering for employees.

Rome, 30 September 2019

The Board of Directors

Income statement
for the six months ended 30 June

(€m)

for the six months ended 30 June (€m)		2019	2018
1.1	Net premium revenue	10,126	8,876
1.1.1	Gross premium revenue	10,148	8,902
1.1.2	Outward reinsurance premiums	(22)	(27)
1.2	Fee and commission income	15	9
1.3	Net income (expenses) from financial assets at fair value through profit or loss	1,879	(513)
1.3 bis	Reclassification in accordance with overlay approach	-	0
1.4	Income from investments in subsidiaries, associates and joint ventures	0	0
1.5	Income from other financial instruments and investment property	1,346	1,446
1.5.1	Interest income	1,296	1,275
1.5.2	Other income	-	0
1.5.3	Realised gains	50	165
1.5.4	Unrealised gains	0	6
1.6	Other revenue	7	7
1	**TOTAL REVENUE**	**13,374**	**9,824**
2.1	Net claims expenses	(12,490)	(9,086)
2.1.1	Claims paid and change in technical provisions	(12,498.1)	(9,098)
2.1.2	Share attributable to reinsurers	8.0	12
2.2	Commission expenses	(0)	(0)
2.3	Expenses arising from investments in subsidiaries, associates and joint ventures	-	0
2.4	Expenses arising from other financial instruments and investment property	(75)	(19)
2.4.1	Interest expense	(33)	(15)
2.4.2	Other expenses	(2)	(2)
2.4.3	Realised losses	(29)	(2)
2.4.4	Unrealised losses	(10)	0
2.5	Operating costs	(287)	(279)
2.5.1	Commissions and other acquisition costs	(233)	(225)
2.5.2	Investment management expenses	(21)	(22)
2.5.3	Other administrative expenses	(33)	(33)
2.6	Other costs	(60)	(49)
2	**TOTAL COSTS AND EXPENSES**	**(12,913)**	**(9,434)**
	PROFIT/(LOSS) BEFORE TAX	**461**	**390**
3	Income tax expense	(141)	(138)
	PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	320	252
4	PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	-	0
	CONSOLIDATED NET PROFIT/(LOSS)	**320**	**252**
	of which attributable to owners of the Parent	320	252
	of which attributable to non-controlling interests	-	-