Single Solvency and Financial Condition Report of Poste Vita Group at 31 December 2020

CONTENTS

Document summary and goals

This Solvency and Financial Condition Report constitutes the annual report to the market for the Poste Vita Group, Poste Vita S.p.A. and Poste Assicura S.p.A. for financial year 2020, prepared on the basis of the requirements contained in Chapter XII of Delegated Regulation (EU) 2015/35 and Implementing Regulation (EU) 2015/2452, integrating the provisions of Directive 2009/138/EC, Solvency II. The Group made use of the right granted by the combined provisions of article 216-novies, paragraph 2 of Legislative Decree 209/2005 and article 36, paragraph 1 of IVASS regulation 33 of 6 December 2016. The Report was approved by the Board of Directors of the parent company Poste Vita S.p.A. on 28 April 2021.

This report is also consistent with the provisions of Legislative Decree 209 of 7 September 2005 (Private Insurance Code), subsequently amended by Legislative Decree 74 of 12 May 2015.

Pursuant to IVASS Regulation 42/2018, containing provisions on the external auditing of public disclosures, the document is accompanied by the reports of the independent auditors relative to the following information contained in the Report, relative the Poste Vita Group, the parent company Poste Vita S.p.A. and the subsidiary Poste Assicura S.p.A.:

- Statement of financial position with current values, consisting of the schedules "S.02.01.02 - Statement of Financial Position" and the relative information in section D, "Valuation for solvency purposes";
- Own Funds, consisting of the forms "S.23.01.22 – Own Funds" (exclusive of the Solvency Capital Requirement and Minimum Consolidated Capital Requirement) at the Group level and "S.23.01.01 – Own Funds" at the individual level (excluding the Solvency Capital Requirement and Minimum Capital Requirement) and the relative information in section E.1 "Own Funds".

Pursuant to articles 4, paragraph 1, letter c) and 5, paragraph 1, letter c) of IVASS Regulation 42/2018, the independent auditor reports also contain the checks carried out on the individual and Group Solvency Capital Requirements, with a limited audit, relative to the following sections of the document:

- Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), included in the forms "S.25.01.21 – Solvency capital requirement for companies using the standard formula" (Individual SCR), "S.25.01.22 – Solvency capital requirement for groups using the standard formula" (Group SCR) and "S.28.02.01 – Minimum capital requirement for mixed companies" (Poste Vita S.p.A. MCR) "S.28.01.01 – Minimum capital requirement" (Poste Assicura S.p.A. MCR) and the information contained in section E.2 " – Solvency Capital Requirement and Minimum Capital Requirement".

For 2020, the auditing was carried out by Deloitte & Touche S.p.A., the Group's auditing firm, selected after a single call for tenders issued by Poste Italiane S.p.A., in compliance with the provisions of Regulation (EU) 573 of 16 April 2014 and Italian Legislative Decree 39 of 17 January 2010, as amended by Legislative Decree 135/2016.

Finally, all the Quantitative Reporting Templates required under articles 4 and 5 of Implementing Regulation (EU) 2015/2452 are annexed to this report, respectively for the individual companies and the Poste Vita Group.

The report, intended to provide the market with clear and exhaustive information in the context of Solvency II, is structured as follows:

- Section A provides information on the Group's business, its structure and the results of underwriting and investment during the year for the Group and the individual companies.
- Section B provides an overview of the governance system, including the requirements for the administration and control bodies, as well as a description of the Control Functions of the Group and the individual companies.
- Section C analyses the risks to which the Poste Vita Group is exposed and the relative methods used to measure them, indicating the main techniques used to attenuate risk and the results of stress tests.
- Section D illustrates the methods used to measure assets and liabilities for Solvency II purposes (including BEL and Risk Margin), with respect to the Local GAAP.
- Section E is focussed on the Group's solvency position and provides information on the composition and classification of own funds and individual sub-risk modules of the Solvency Capital Requirement (SCR).

In compliance with the Recommendation issued by EIOPA on 20 March 2020, implemented by IVASS with a communication dated 30 March 2020, this report contains information on the effects of the Covid-19 coronavirus in section A.5.

In this report, numbers indicating monetary amounts are indicated, if not otherwise stated, in thousands of euros, the functional currency of the Poste Vita Group. Therefore, there may be discrepancies in the final digit when adding values, due to rounding.

This report was published on the Poste Vita Group website www.postevita.poste.it.

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 continuing the growth of more profitable products (Multi-class);
- achieving growth in the protection and welfare segment;
- continuing to develop an integrated and modular range of products for the P&C sector:

Gross revenue for the **Life Sector** at the end of 2020 came to a total of € 16.7 billion, down by 6% with respect to the 2019 figure (although this was a major recovery when considering the decrease of 24.1% recorded during the first half), mainly due to the spread of the Covid-19 pandemic in our country starting in March, which led to limits on citizen movement and the partial closure of postal offices, especially during the initial part of the year, slowing production. The percentage remains significant with respect to total revenue relative to more profitable products. In particular, premiums for the Multi-class product came to € 5.7 billion at 31 December 2020, representing 34% of total revenue (substantially in line with the amount recorded during the same period in 2019, 35.3%).

Claims outflows amounted to € 11 billion, down with respect to the € 13.9 billion in 2019, mainly due to a reduction in maturities (which went from € 8.9 billion at the end of 2019 to the current € 6.1 billion). With reference to surrenders, the figure (equal to € 3.2 billion) fell by € 0.3 billion with respect to the figure in 2019, while frequency with respect to initial provisions at 2.5%, a notable improvement with respect to the same period of 2019 (2.8%).
In relation to this, **net revenue** at the end of the period was positive for € 5.6 billion, contributing to growth in assets under management, an increase with respect to the 2019 figure (€ 3.9 billion), thanks to favourable performance of the cited maturities.

In terms of investment management, **net finance income on securities related to traditional products** achieved during the year was positive at € 3,365.5 million, even if this was a 32% decrease with respect to the result in the same period of 2019 of € 4,939.7 million, due to the less favourable situation on the financial markets, although still a decisive recovery when compared with the 74% decrease recorded during the first half. This gave rise to the registration during the period of net gains of € 625.8 million against net gains of € 1,886.1 million in 2019. These are, however, net gains on investments included in Separately Managed Accounts and therefore almost entirely attributable to policyholders through the shadow accounting method.

With regards to **investments hedging unit-linked products**, total finance income achieved during the period was positive for € 141.9 million, although this was a decrease with respect to the € 256 million recorded at the end of 2019 due to the effects of the health emergency in progress, which affected the results, especially during the first part of 2020. This amount is reflected almost entirely in the measurement of the correlated technical provisions.

In the **non-life segment**, sales results achieved **new business** of € 239.6 million, substantially in line with respect to the figure for the same period of 2019 (€ 240.2 million), despite the negative effects associated with the Covid-19 emergency which slowed revenues starting in March. Net of the change in the provision for fractions of premiums, these premiums came to € 236.5 million and were up with respect to the € 222.5 million in 2019, due to a significant reduction in the premium provision following the decrease in gross premiums recognised in the CPI segment (mortgages and loans) which call for payment of a single premium.

During the same period, **claims expenses** came to € 110.9 million compared to € 68 million during the same period of 2019, mainly due to growth of Illness business in the Corporate area. Against this trend, the comprehensive loss ratio was 46.9%, compared to 30.6% in 2019.

The above performance resulted in **EBITDA** of € 1,024.6 million, substantially in line with the € 1,026.9 million recognised in the same period of 2019. Taking associated taxes into account, which during the period benefited from lower IRES and IRAP taxes for € 57.6 million, after application of the subsidised Patent Box tax regime, **net profit for the period** increased, going from € 729.8 million at the end of 2019 to the current € 781.2 million.

A summary of the principal KPIs is shown below:

(€m)

PRINCIPAL FINANCIAL KPIs	31/12/2020	31/12/2019	Increase/(decrease)	
Equity	5.272,7	4.438,5	834,1	18,8%
Solvency SII ratio	299,3%	311,7%	(12,4%)	
Dividends distributed	285,0	237,80	47,2	
Technical provisions for insurance business	153.794,7	140.260,7	13.534,1	9,6%
Financial Investments*	157.022,8	143.204,2	13.818,6	9,6%
Workforce	483	550	(66,9)	

PRINCIPAL OPERATIONAL KPIs	31/12/2020	31/12/2019	Increase/(decrease)	
Gross premium revenue	16.897,6	17.954,5	(1.056,9)	(5,9%)
EBIT	982,0	997,2	(15,2)	(1,5%)
Net Profit	781,2	729,8	51,4	7,0%
ROE**	16,3%	17,5%	(1,2%)	(1,2%)
Impact of costs on reserves	80,3%	173,7%	(93,4%)	
Return PostaValorePiù	2,2%	2,4%	(0,2%)	
Return PostaPensione	2,8%	3,1%	(0,3%)	
Surrender ration on initial reserves	2,5%	2,8%	(0,3%)	
Operating costs / Premiums	0,7%	0,7%	0,0	
Operating costs / Provisions	0,1%	0,1%	(0,0)	
Impact of costs on premiums	0,7%	0,08%	0,0	

* Including cash and cash equivalents

** Calculated as the ratio between the net result for the period and the half sum of equity for the current year and equity for the previous year net of the FVOCI reserve.

With regard to the main **Solvency II indicators**, the Insurance Group's solvency position at 31 December 2020 shows qualifying own funds of € 11,194 million, down by € 270 million with respect to the € 11,469 million at the end of 2019. On the other hand, 2020 saw an increase in total capital requirements of around € 61 million (from € 3,679 million at the end of 2019 to € 3,740 million at 31 December 2020). These led to a decrease in the Solvency Ratio with respect to 31.12.2019, going from 312% to 299% in December 2020.

(€k)

Principal Solvency II KPIs	31/12/20	31/12/2019	Delta
SCR-eligible own funds	11.193.573	11.468.565	(274.992)
MCR-eligible own funds	9.580.778	9.889.028	(308.249)
Solvency Capital Requirement (SCR)	3.740.340	3.679.275	61.065
Minimum Capital Requirement (MCR)	1.714.345	1.686.942	27.402
Solvency Ratio	299,27%	311,71%	(12,44%)
Ratio between eligible own funds (EOF) and MCR	558,86%	586,21%	(27,35%)

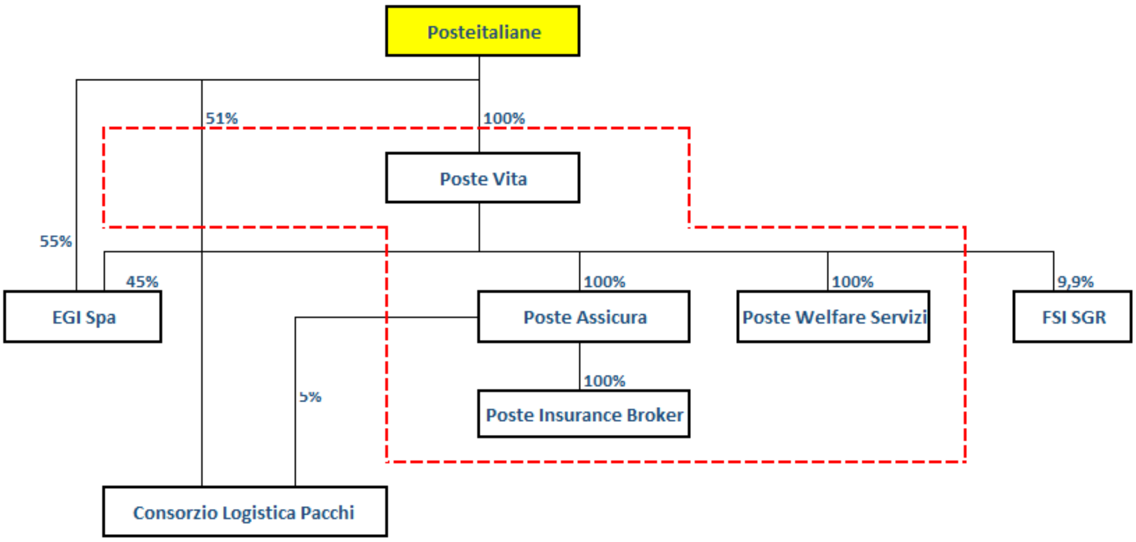
The decrease in SCR provisions was determined, for the most part, by an increase in the value of the Solvency II Technical Provisions, which was raised slightly by the increase in financial assets and the forecast distribution in 2021 of around 429 million in dividends which, consequently, are deducted from the amount of qualifying own funds.

With reference to the Capital Requirement, note an increase of around € 61 million with respect to 31 December 2019, mainly due to the increase in SCRs for market and counterparty risk.

This increase was not offset by the decrease in the capital requirement for operating risk and in the SCR for life underwriting risk, on which the reduction in the value of surrenders had a positive effect.

A – BUSINESS AND PERFORMANCE

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



The Poste Vita Insurance Group operates mainly 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 S.p.A, 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 Healthcare Funds and data acquisition and validation. The latter company is also a wholly-owned subsidiary of Poste Vita. In addition, Poste Insurance Broker Srl (a wholly-owned subsidiary of Poste Assicura S.p.A) was incorporated on 12 April 2019 and has been engaged in insurance brokerage activities since December 2019, in accordance with its bylaws.

Poste Assicura S.p.A., Poste Welfare Servizi Srl and Poste Insurance Broker Srl have relations with the Parent Company, Poste Vita, which are governed by specific service contracts, written and regulated at market conditions.

Additionally, Poste Vita holds a non-controlling interest in Europa Gestioni Immobiliari S.p.A (EGI), while mainly operates in the real estate sector, managing and developing Poste Italiane real estate assets no longer used in operations. This investment is not consolidated on a line by line basis but measured using the equity method.

On 30 June 2020, Poste Assicura S.p.A. acquired 5% of the share capital of "Consorzio Logistica Pacchi S.c.p.a." as a minority interest. The company mainly provides sorting, tracking and delivery services for the Poste Italiane S.p.A. packages service. This investment is measured at cost.

Lastly, the Parent Company, Poste Vita, holds a 9.9% interest in FSI SGR share capital (acquired from Cassa Depositi e Prestiti during the fourth quarter of 2016), which is not a controlling interest either in law or in fact, either individually or jointly, nor is it linked to Cassa Depositi e Prestiti and/or other shareholders of FSI SGR.

This investment is measured at fair value through profit or loss in accordance with IFRS 9.

Performance of Poste Vita Group Subsidiaries and Associates

With regards to the subsidiary **Poste Assicura S.p.A.**, new business at the end of 2020 amounted to € 239.6 million, substantially in line with respect to the figure for the same period of 2019 (€ 240.2 million), despite the negative effects associated with the Covid-19 emergency which slowed revenues starting in March.

During the same period, claims expenses came to € 113.6 million compared to € 72.7 million during the same period of 2019, mainly due to growth of Illness business in the Corporate area.

Operating costs at the end of the reference period came to around € 28.7 million (€ 26.6 million during the same period in 2019), mainly relative to personnel expense, advertising/publicity costs, IT services costs and consulting/professional services.

Due to the aforementioned trends, gross profit for the period comes to € 52.9 million, compared to € 71.7 million in 2019. Considering the tax load, the Company ended the period with net profit of € 37.3 million, down by € 12.6 million with respect to the € 49.9 million recorded during the same period in 2019.

With reference to the **subsidiary Poste Welfare Servizi S.r.l.**, note that during the period it achieved revenues of € 13.8 million, up with respect to the € 13.5 million seen at the end of 2019 (€ +0.3 million).

Relative to organisational aspects, during the period projects aimed at supporting business development continued. In relation to this, total costs came to € 10.5 million, up by € 1.7 million with reference to 2019 and mainly for personnel expense and costs for services.

In relation to the above trends, gross profit for the period ending at 31 December 2020 comes to € 3.3 million, a € -1.4 million decrease with respect to the € 4.7 million recorded in 2019. Considering the tax load, which in the previous period had benefited from application of the Patent Box subsidised tax regime, leading to € 0.2 million less in taxes, net profit for the period ending at 31 December 2020 is € 2.4 million, down by € 1.1 million compared to 2019, when the amount was € 3.5 million.

Relative to the new company **Poste Insurance Broker S.r.l.** (100% controlled by Poste Assicura S.p.A.), it was established on 12 April 2019. The Company only began operating in December 2019, placing standardised insurance policies aimed at a limited group of Poste Italiane Group customers, specially identified for an initial pilot phase involving Poste Italiane Group employees and pensioners, as well as their family members. Distribution was extended to the general market during the first quarter of 2021. At the end of the period the Company recorded a loss of € 126.3 thousand, before tax effects, mainly due to the accrued portion of costs for auditing of the financial statements and fees due to the Sole Auditor and Sole Director.

After the associated deferred taxes, the Company ended the period with a net loss of € 96 thousand.

Additionally, **Europa Gestioni Immobiliare S.p.A.**, Poste Vita SpA and Poste Italiane SpA with 45% and 55% equity interests, respectively, operates primarily in the real estate sector for the management and development of real estate assets no longer used by the Parent Company. The amounts for 2020 show equity of € 238.7 million and net profit for the year of € 0.3 million, down with respect to the figure reported in the corresponding period of 2019 of € 0.8 million.

Finally, on 30 June 2020 Poste Assicura S.p.A. acquired 5% of the share capital of **Consorzio Logistica Pacchi S.c.p.a**. from SDA Express Courier S.p.A. for the agreed upon price of € 36.9 thousand. The Consortium mainly offers instrumental sorting, tracking and delivery services for the Packages services which the ultimate parent Poste Italiane S.p.A. has undertaken to provide. Additionally, the Consortium is responsible for air transport services for postal items and newspapers (night star network) between national airports with a transfer hub at Rome Fiumicino and for air transport services for postal items for services carried out on Saturdays and on days before holidays. The Company ended the present period with equity of € 787.9 thousand.

Qualitative and quantitative information on significant infragroup operations

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

Relations with the ultimate 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 subscription of a subordinate loan (€ 257,375 thousand) by Poste Italiane S.p.A.;
- bank deposits of approximately € 658,763 thousand;
- acquisition commissions of € 434,886 thousand.
- Commissions totalling € 39,890 thousand, connected to Ancillary Own Funds made available by Poste Italiane S.p.A.

With reference to the subsidiary Poste Assicura S.p.A., the main relations with Poste Italiane refer mainly to:

- bank deposits of approximately € 16,582 thousand;
- trade payables of € 12,430 thousand;
- acquisition commissions of € 33,971 thousand;
- outsourcing of IT services for € 9,673 thousand.

Finally, Poste Vita S.p.A. and Poste Assicura S.p.A. have significant infragroup relations mainly relative to secondment of personnel from and to the subsidiary, centralisation of marketing, operating and communications functions. Poste Assicura has significant infragroup relations with Consorzio Logistica Pacchi S.c.p.a. and Poste Welfare Servizi S.r.l. respectively for receivables generated during the period and the settlement of claims.

For more information, please see Chapter C.6.

A.1 Business

The parent company **Poste Vita S.p.A**., a joint stock company with a sole shareholder, is an Italian insurance company with its registered offices in Viale Beethoven no. 11 – 00144 Rome, Italy, tax ID, VAT, and Rome Companies Register registration no. 07066630638, REA no. 934547.

Poste Vita S.p.A. is authorised to carry out insurance and reinsurance business based on the ISVAP provisions 1144 of 12/03/1999, 1735 of 20/11/2000, 2462 of 14/09/2006 and 2987 of 27/06/2012 and is registered in Section I of the Insurance Companies Register under no. 1.00133. The company is the head of the “Poste Vita Insurance Group”, registered in the Insurance Groups Register under no. 043.

The subsidiary **Poste Assicura S.p.A**., a joint stock company with a sole shareholder, is an Italian insurance company with its registered offices in Viale Beethoven no. 11 – 00144 Rome, Italy, tax ID, VAT, and Rome Companies Register registration no. 07140521001, REA no. 1013058.
Poste Assicura S.p.A. is authorised to carry out insurance business based on ISVAP provision 2788 of 25/03/2010 and is registered in Section I of the Insurance Companies Register under no. 1.00174. Additionally, with provision file no. 251398/20 of 24 December 2020, IVASS authorised Poste Assicura, pursuant to article 15 of Legislative Decree 209/2005, to expand its insurance business to Class 14 “Credit”, limited to financial loss risk deriving from insolvency. The Companies Register maintained by the authorities was updated on the same date.
The company is part of the “Poste Vita Insurance Group”, registered in the Insurance Groups Register under no. 053 and is also subject to supervision by IVASS the Italian Institute for the Supervision of Insurance.

Poste Vita S.p.A. and Poste Assicura S.p.A. are subject to supervision by IVASS, the Italian Institute for the Supervision of Insurance.

For the parent company **Poste Vita S.p.A**., the ordinary Shareholders’ Meeting, which met on 28 November 2019, approved the early consensual termination of the engagement of BDO Italia S.p.A. to audit the accounts for the years 2014-2022, effective from the date the Shareholders’ Meeting approved the Company’s financial statements at 31 December 2019 and, at the same time, engaged Deloitte & Touche SpA to audit the consolidated and individual financial statements of Poste Vita, the Group Auditor selected following a single tender launched by Poste Italiane S.p.A. in compliance with the provisions of Regulation (EU) 573 of 16 April 2014 and Legislative Decree 39 of 17 January 2010, as amended by Legislative Decree 135/2016.

Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona, 25, share capital € 10,328,220.00, fully paid in, VAT no. IT03049560166, Tax ID and Milan Monza Brianza Lodi Companies Register no. 03049560166, REA Milan 1720239, is registered in the Register of Auditors under 132587, with the Ministerial Decree of 15/03/2013, Official Journal 26 of 2/4/2013.

For the subsidiary **Poste Assicura S.p.A**., on 28 November 2019 the Shareholders' Meeting resolved to engage the same company Deloitte & Touche S.p.A. to audit it's accounts for each year of the nine year period from 2020 - 2028.

The parent company **Poste Vita S.p.A.** is fully held by Poste Italiane S.p.A., a company which issues securities listed on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A., with registered offices in Viale Europa, 190, 00144 – Rome, Italy, tax ID and Rome Companies Register no. 97103880585, REA registration no. 842633 and VAT no. 01114601006. Poste Vita S.p.A, the parent company of the Poste Vita Insurance Group, is a member of the Poste Italiane Group and is subject to management and coordination by Poste Italiane S.p.A.

Poste Vita S.p.A. is an insurance company specialised in life products and authorised to operate in the following insurance sectors:

<u>Life business</u>:
- Class I - Life insurance;
- Class III – Life insurance linked to investment funds;
- Class IV – Sickness and disability;
- Class V – Tontines;
- Class VI – Management of group pension funds.

<u>Non-life business:</u>
- Class I – Accident;
- Class II – Illness.

The parent company Poste Vita S.p.A mainly distributes its own products through Poste Italiane S.p.A.- Patrimonio BancoPosta, an insurance broker registered in section D of the RUI which, in addition to placement, also provides training to its sales agents with support from the Company, carrying out its business in Italy.

The subsidiary **Poste Assicura S.p.A.** is an insurance company specialised in non-life products and authorised (since March 2010) to operate in the following insurance sectors:
- Class I – Accident;
- Class II – Illness;.
- Class VIII – Fire and Natural Forces;
- Class IX – Other Damage to Property;
- Class XIII – General Liability;
- Class XVI – Miscellaneous Financial Loss;
- Class XVII – Legal Expenses;
- Class XVIII – Assistance.

Additionally, as anticipated, with provision file no. 251398/20 of 24 December 2020, IVASS authorised Poste Assicura, pursuant to article 15 of Legislative Decree 209/2005, to expand its

insurance business to Class 14 “Credit”, limited to financial loss risk deriving from insolvency. The Companies Register maintained by the authorities was updated on the same date.
Poste Assicura S.p.A. carries out its business in Italy and mainly distributes its own insurance products through Poste Italiane S.p.A.- Patrimonio BancoPosta, which, in addition to placement, provides training to sales agents with the support of the company.

Significant events during the reporting period

On 17 June 2020 the Poste Vita Board of Directors resolved to centralise within the ultimate parent Poste Italiane the administrative/accounting activities of the companies in the Poste Vita Group.
In the context of this centralisation, on 24 July 2020 the Board of Directors of the subsidiary Poste Assicura resolved, effective as of 1 September 2020, to partially terminate the pre-existing outsourcing of administrative/accounting activities to the parent company Poste Vita, consequently entrusting these activities to the new supplier Poste Italiane.
On 28 July 2020 the Poste Vita Board of Directors resolved to entrust Poste Italiane with the centralised treasury service (Cash Pooling).
This operation, although with the appropriate specifications/differentiations, was also approved by the administrative bodies of the other companies in the Poste Vita Group. Specifically, the Board of Directors of the subsidiary Poste Assicura S.p.A. approved the operation on 15 December 2020.
On 10 December 2020, the Poste Vita Board of Directors, having received a favourable opinion from the Internal Control and Risks and Related Party Transactions Committee, resolved to outsource of Poste Vita human resources management and organisation activities to Poste Italiane S.p.A. In line with this resolution the Poste Assicura Board of Directors resolved to outsource human resources management and organisation activities to Poste Italiane S.p.A.
In addition to the above, note that at 30 June 2020 the subsidiary Poste Assicura S.p.A. acquired a 5% interest in the share capital of Consorzio Logistica Pacchi S.c.p.a.
Additionally, as already noted in the Poste Vita Group’s Solvency and Financial Condition Report of the previous year, recall that on 6 December 2019 the Poste Vita S.p.A. Board of Directors, after receiving a favourable opinion fro the Internal Control and Related Party Transactions Committee, approved the disposal of the IT business unit and the outsourcing of IT systems development and management to Poste Italiane S.p.A., effective as of 1 March 2020.
This same implementation process, although with the appropriate specifications/differentiations, was also followed by the other companies in the Poste Vita Group. Specifically, the Board of Directors of Poste Assicura S.p.A. approved the operation on 10 December.
On 26 February 2020, the deadline for any observations from the Authority having expired, the deeds transferring the business units of each of the relevant companies were signed, effective as of 1 March 2020.

Organisational structure of the Poste Vita S.p.A. Group

Poste Vita S.p.A. is 100% controlled by Poste Italiane S.p.A. and

- as the parent company of the Poste Vita Insurance Group, fully controls the insurance company Poste Assicura S. p. A. with registered office in Italy;

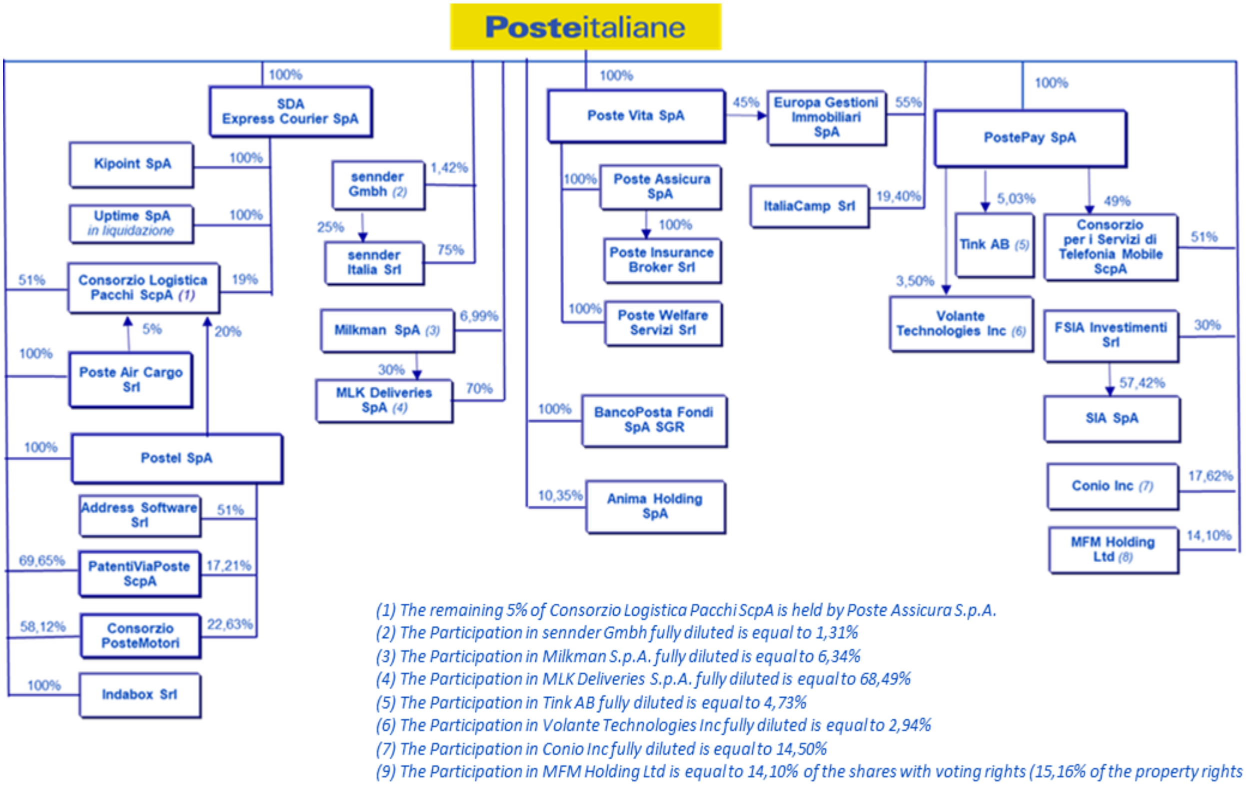
- holds 45% of the share capital of Europa Gestioni Immobiliari S.p.A. – the remaining 55% of which is held by Poste Italiane - which has its registered office in Italy and manages and develops non-instrumental real estate transferred to it by Poste Italiane in 2001;
- holds a fully controlling interest in Poste Welfare Servizi S.r.l, with registered office in Italy, which manages services and settlements on the account, among others, of private healthcare funds for additional assistance and designs, develops and maintains management software products and provides professional IT services;

Additionally, for the sake of completeness, note that Poste Vita holds an interest, unqualified and not controlling, equal to 9.9% of the share capital of FSI Società di Gestione del Risparmio S.p.A., abbreviated as FSI S.G.R. S.p.A., with its registered offices in Italy, a company that promotes and manages investment funds pursuant to Legislative Decree 58 of 24 February 1998, as amended (Comprehensive Financial Intermediation Law), and the relative implementation provisions.

The subsidiary Poste Assicura S.p.A. is 100% held by Poste Vita S.p.A. and, as of the date this document was prepared, holds in turn, (i) a fully controlling interest in Poste Insurance Broker S.r.l., with registered office in Italy, providing insurance distribution and brokering and (ii) an interest equal to 5% of the share capital of Consorzio Logistica Pacchi S.c.p.a. which mainly provides sorting, tracking and delivery services relative to the Packages service, which the ultimate parent Poste Italiane S.p.A. has undertaken to carry out, as well as air transport services for postal items and newspapers (night star network) between national airports with a transfer hub at Rome Fiumicino and for air transport services for postal items for services carried out on Saturdays and on days before holidays.

Below is the organisational structure deemed significant for the Poste Italiane Group as at 31 December 2020:

MAIN DIRECT AND INDIRECT POSTE ITALIANE INTERESTS AT 31 DECEMBER 2020



Without prejudice to the above, in terms of infragroup relations, note that on the basis of the Poste Vita Guidelines to Infragroup Transactions (prepared pursuant to IVASS regulation 30 of 26 October 2016):

a) in line with the guidance provided by the Supervisory Authorities, the Ministry of Economy and Finance and its subsidiaries and investees which in turn are not controlled or invested in by Poste Vita do not fall within the scope of infragroup counterparties;
b) for the purposes of the above Guidelines, Cassa Depositi e Prestiti S.p.A. and the companies subject to its management and coordination are included within the scope of Poste Vita infragroup counterparties, on a voluntary basis, based on the 35% stake Cassa Depositi e Prestiti S.p.A. holds in the share capital of Poste Italiane;
c) in line with that implemented within the Single Perimeter of Poste Italiane Related Parties and Associated Parties at 31 December 2020, Anima Holding and its subsidiaries are at present, for the purposes of the above Guidelines, infragroup counterparties.

Finally, note that the same scope of consolidation was used in preparing the consolidated financial statements and the Solvency II document.

A.2 Underwriting Performance

The results below are found in QRT S.05.01.02, detailing information on premiums, claims and expenses at the level of the Lines of Business (LoB) defined in Delegated Regulation (EU) 2015/35, adopting Italian GAAP standards for the preparation of financial statements.

Underwriting Performance – Poste Vita S.p.A.
During 2020 the parent company followed business guidelines and priorities already established the previous year. In particular, it focussed on strengthening its leadership in the life market.

Premium revenue amounted to € 16.7 billion in 2020, showing an increase of 6.0% with respect to the final figure for 2019. Results by LoB are shown below.

(€k)

Line of Business	31/12/2020	31/12/2019	Delta
Insurance with profit participation	15,903,132	15,696,911	1.3%
Index-linked and unit-linked insurance	680,871	1,938,823	(64.9%)
Other life insurance	67,516	85,059	(20.6%)
Health insurance (direct business)	9,532	11,282	(15.5%)
Total	**16,661,051**	**17,732,075**	**(6.0%)**

2020 saw a decrease in pure risk products (-20.6% with respect to 2019) and in Unit-linked products (-64.9% compared to 2019). At the same time illness products declined (-15.5% compared to 2019) while a slight increase was recorded in savings products (+1.3% with respect to 2019).
Relative to premium revenue associated with the Unit-linked sector, note that the new products sold allow policyholders to select the component destined for the "linked" portion after signing the policy. Therefore, accounting rules classify the entire premium relative to the Insurance with Profit Participation LoB. When considering the target portion of this component, Unit revenue volumes would account for 12% of total premiums, an increase with respect to the 10.9% in the previous year, rather than a decline.

Claims expense for insurance benefits prior to outward reinsurance came to € 11.0 billion in 2020, compared to € 13.8 billion recognised in the same period in 2019, detailed in the table below:

(€k)

Line of Business	31/12/2020	31/12/2019	Delta
Insurance with profit participation	10,881,631	12,921,948	(15.8%)
Index-linked and unit-linked insurance	123,969	894,245	(86.1%)
Other life insurance	25,156	29,579	(15.0%)
Health insurance (direct business)	3,113	3,137	(0.8%)
Total	**11,033,870**	**13,848,909**	**(20.3%)**

The trend for these expenses in 2020 saw a significant decrease (-15.0% compared to 2019) for pure risk and savings products (-15.8% with respect to 2019).
A slight decrease was also seen in claims expense for illness products (-0.8% with respect to 2019), accompanied by a substantial decrease in expense for Unit-linked products (-86.1%).

Total expenses incurred by LoB in 2020, again with reference to the data in QRT S.05.01, net of the reinsurance portion are shown below and remain in line with the figure at the end of 2019.

(€k)

Line of Business	31/12/2020	31/12/2019	Delta
Insurance with profit participation	435,529	424,005	2.7%
Index-linked and unit-linked insurance	16,440	33,753	(51.3%)
Other life insurance	18,810	24,901	(24.5%)
Health insurance (direct business)	710	(820)	(186.6%)
Total	**471,490**	**481,839**	**(2.1%)**

In particular, details by type of expense are provided in the following table:

(€k)

Line of Business	31/12/2020	31/12/2019	Delta
Administrative expenses	49,736	56,886	(12.6%)
Investment management expenses	47,742	39,935	19.5%
Claims management expenses	9,452	8,389	12.7%
Acquisition expenses	340,649	363,553	(6.3%)
Overhead expenses	23,911	13,076	82.9%
Total	**471,490**	**481,839**	**(2.1%)**

Details on substantial techniques used to attenuate risk

With an eye to prudential management of the company and risk, as in previous years, the Company has decided to make use of a reinsurance policy with regards to life insurance again in 2021. In particular, it has opted to make use of Treaty Reinsurance.

This type of reinsurance includes both “proportional” and “non proportional”. The selection of one or the other technique is made after considering the characteristics of the portfolio in terms of size and the homogeneity of the amounts insured.
A sufficiently wide and homogeneous risk portfolio again in 2021 allowed Poste Vita, as in 2020, to not sign proportional “quota share” treaties in the Retail market.
On the other hand, the specificity of the Corporate portfolio requires flexibility in terms of possible reinsurance choices based on the risk insured. The substantial homogeneity of amounts insured in individual collective contracts has frequently allowed the Company to move autonomously in sectors, such as group term life and disability, where the availability of the Company’s own technical bases lets it control risk within well-known sectors, measured with confidence intervals also used to construct the technical bases themselves. Nonetheless, to mitigate risk associated with group term life and disability guarantees and, specifically, to reduce casual oscillations that may be caused by claims with very high capital amounts in relation to the expected margins in the collective policies portfolio, after appropriate stress analysis the Company decided to maintain a proportional treaty. In 2021, thanks to discounts applied by the reinsurer on premium rates for the previous surplus treaty, the transfer of a portion of insured capital was introduced, maintaining the surplus portion of the transfer, aimed at transferring insured capital amounts which exceed, for individuals insured under collective policies, € 300 thousand.
The Company’s experience with group critical illness and long-term care (LTC) products (limited technical bases and underwriting know-how) does not allow it to always act autonomously. Nonetheless, given the decrease in the volume of premiums acquired, it was not deemed expedient to renew the previously signed treaties, at least at present. The Company will continue to monitor new portfolio acquisitions and associated risk, carrying out new reinsurance needs analysis, to ensure new treaties are signed when necessary.

Treaty Reinsurance
At present, the following treaties are in effect for Poste Vita:

1. ***Catastrophe Term Life Treaty***: for Term Life products (Retail market) and Group products (which include, for some policies, Permanent Disability coverage), the Company has signed a Catastrophe treaty for simultaneous coverage of multiple deaths linked to a single catastrophic event, effective as of 1 January 2021 and with a one year duration. The treaty was signed with Swiss Re Europe S.A;
2. ***Quota Share plus Excess Treaty***: for Group Term Life products (which include Permanent Disability coverage), a reinsurance treaty has also been signed with a quota share portion (10%) and an excess portion, in which 10% of capital less than € 300 thousand (layer) is transferred as a risk premium and 100% of the amounts of capital insured exceeding the “layer”, with a profit sharing clause in favour of the Cedent equal to 50% of the profit. The treaty takes effect on 1 January 2021 and has no established expiration. Either party can withdraw from the contract by 30 September of each year. The treaty was signed with Swiss Re Europe S.A.

As a consequence of the above, in terms of the extent and homogeneity of the portfolio, in January 2016 a proportional treaty signed with Swiss Re Europe S.A. for Term Life (Retail Market) was terminated in January 2016. This treaty called for the transfer of premiums and

claims equal to 50% of insured capital up to € 100 thousand and 100% of higher amounts. As these are policies with an annual premium, we continue to transfer premiums from policies signed prior to the termination of the treaty.
At the end of 2017, reinsurance treaties for mortgage and loan CPI with a single premium were terminated, relative to which the reinsurer will continue to participate for claims and returns of premiums not enjoyed in the case of early repayment. Additionally, treaties regarding retail LTC and death benefits for the Da Grande product were not renewed for which we will continue to cede the recurring premiums for policies signed prior to the termination of the treaties.

Facultative Reinsurance
Generally speaking, this type of reinsurance makes it possible to reinsure special risks not covered through other treaties, reinsuring sums and amounts that exceed the limits established in existing treaties, reducing exposure in special areas in which the insurer is already excessively exposed.

The guidelines for facultative contracts are similar to the general guidelines used for treaty reinsurance. More specifically, the facultative reinsurance policy is equally intended to find balance for the corporate portfolio through prudential segmenting of risks, with the ultimate goal of stabilising medium-term profit.

During 2020, Poste Vita did not make use of facultative reinsurance.

A necessary condition for working with Poste Vita in the various reinsurance areas is the assignment of a rating of no less than A- by one of the main international ratings agencies.

Impact of risk attenuation techniques
Reinsurance is a fundamental tool for managing and mitigating risk and for optimising capital requirements.
The initial result is obtained by transferring risk to the reinsurer, generating a reduction in required risk capital for the cedent Company.
Capital requirements are optimised thanks to “result stabilisation”. This is achieved because using reinsurance minimises discrepancies due to higher claim frequency or catastrophes, limiting exposure to individual risks and reducing the claims to which a portfolio is subject during the underwriting period.
These results can be identified through careful analysis of Premiums collected and ceded. The impact of reinsurance must be evaluated for each line of business.
Analysis carried out on the two lines of business currently reinsured showed a decrease in Poste Vita’s margin after reinsurance for Health Insurance (67% to 64%). This is due to the lag in the payment of claims paid directly with respect to that recovered from the insurer through the expired treaty on collective LTC policies. In fact, while the Company will continue to pay monthly amounts on LTC claims until the policyholder is alive, with the treaty that ended in April 2019 the reinsurer, estimating the future rates of return and profit sharing to be returned to the Company, settled the same, ending the commitments it had taken on with regards to Poste Vita.
Relative to the “Other Life Insurance” segment, the higher margin after reinsurance (63% to 66%) confirms the quality of the decision to make use of reinsurance for pure risk products (taking into account the fact that this evaluation also includes the retail portfolio, which involves a run-off treaty since December 2017).

Efficacy of risk attenuation techniques

To verify the efficacy of reinsurance techniques the Company periodically performs analysis to evaluate profitability and necessity.

This analysis is based on statistical and probabilistic models based on the business in question. For example, relative to reinsurance for individual and collective class I policies statistical simulations are carried out to obtain projections of premiums collected and benefits paid, to assess profitability both before and after reinsurance.

Through this analysis, the Company constantly assesses the amount of capital to be ceded, if any.

Analysis performed in 2017 on the retail treaties still in effect led the Company to decide not to renew the expiring treaties (Postapersona SemprePresente LTC and the death benefit for the Postafuturo Da Grande product) and to withdraw from those involving tacit annual renewal (Postaprotezione loans and mortgages CPI).

In fact, as indicated by the simulations, for CPI the Company was ceding profits and premiums in an amount greater than required to mitigate the risks.

For 2021, it was deemed expedient to continue to not cede the new portfolio. This decision was made after observing the decrease in amounts ceded relative to the run-off portfolio during 2020.

In the case of LTC policies, a more recently commercialised product, for which the Company had decided to sign a reinsurance treaty as it lacked proprietary demographic statistics, a simulation of product performance for the next 40 years was used to determine the efficacy of the reinsurance, using morbidity rates provided by the reinsurer. Lacking additional historical data on LTC claims, it was decided to use as the hypothesised duration for payment of claims that taken from the mortality tables for persons with disabilities, again provided by Swiss Re. A simulation was also done to compare claim trends, hypothesising that the Company will pay claims for at least ten years on average to each policyholder (an even more prudent hypothesis for Poste Vita).

The results for both simulations indicated that, even in forty years, without any ceding to reinsurance the Poste Vita margin would still remain positive, thanks to the excellent pricing schedule defined internally by the Company.

This led to the decision to not renew the treaty, which was also supported by the fact that the portfolio has not increased over the last few years.

On the other hand, for the collective portfolio, after the withdrawal by the reinsurer Swiss Re for the surplus treaty, renegotiation of contractual conditions began. The reinsurer's new offer calls for 100% of insured capital exceeding € 300 thousand to be ceded, for individuals insured under collective term life and term life+disability policies, and a 10% share of all capital insured of less than € 300 thousand. Swiss Re simultaneously offered the Company a discount on reinsurance premium rates with respect to the current treaty, respectively 27% for term life coverage and 57% for disability.

Analysis of reinsurance requirements was done which through suitable stress tests confirmed the need to make use of proportional reinsurance.

Underwriting Performance – Assicura S.p.A.

At 31 December 2020, gross premium revenue for the Company amounted to around € 239.6 million (in line with the same period the previous year) and can be broken down, in terms of segment, as seen in the table below:

Gross premium revenue	31/12/2020	Impact %	31/12/2019	Impact %	Delta	Delta %
Goods, property and personal protection line	128,635	54%	125,671	52%	2,964	2.4%
Credit protection line	27,523	11%	48,530	20%	(21,007)	(43.3%)
Welfare and other management	83,448	35%	66,014	27%	17,434	26.4%
Total	**239,606**	**100%**	**240,215**	**100%**	**(609)**	**(0.3%)**

Note that premium volumes relative to the Asset & Personal & Modular line benefited from a 2.4% increase with respect to the previous year, mainly due to the introduction of a new modular offer which replaced the existing product range. This new offer allows customers to freely choose between individual models and policies that make up various protection lines. They can also adjust insurance coverage based on changes in their requirements over time. The Credit Protection line saw 43% reduction with respect to the previous year due to the halt in production seen following events associated with the Covid-19 pandemic. Also note pleasing growth in Employee Benefits business, relative to collective death and permanent disability and health insurance contracts.

The table below shows the distribution of premiums by Line of Business. It can be seen that the Medical Expenses (40.3%) and Income Protection (35.5%) Lines of Business predominate with respect to total premiums. This, as noted previously, is due to development of Employee Benefits business. Note that the reduction in premiums mainly attributable to the Miscellaneous and Income Protection Lines of Business was offset by the increase in volumes from the Medical Expenses and Fire and Other Damage Lines of Business.

(€k)

Line of Business	31/12/2020	Dist. %	31/12/2019	Dist. %	Delta	Delta %
1. Medical expense insurance	96,625	40.3%	84,482	35.2%	12,143	14.4%
2. Income protection	85,075	35.5%	90,245	37.6%	(5,170)	(5.7%)
3. Workers' compensation						
7. Fire and other damage	21,906	9.1%	18,344	7.6%	3,562	19.4%
8. General liability	19,959	8.3%	19,664	8.2%	295	1.5%
10. Legal expenses	2,778	1.2%	2,805	1.2%	(26)	(0.9%)
11. Assistance	216	0.1%	264	0.1%	(48)	(18.3%)
12. Miscellaneous	13,046	5.4%	24,412	10.2%	(11,365)	(46.6%)
Total	**239,606**	**100.0%**	**240,215**	**100.0%**	**(609)**	**(0.3%)**

Commissions totalling around € 38.4 million were paid for distribution and collection activities which, combined with other acquisition costs, determine the amount of the item “Acquisition expenses” of around € 50.4 million, a 4.9% increase with respect to the same period in 2019. This effect is attributable, above all, to an increase in acquisition costs.

(€k)

Line of Business	31/12/2020	31/12/2019	Delta	Delta %
1. Medical expense insurance	11,377	8,795	2,582	29.4%
2. Income protection	22,793	21,436	1,357	6.3%
3. Workers' compensation				
7. Fire and other damage	4,819	3,798	1,020	26.9%
8. General liability	4,719	4,050	669	16.5%
10. Legal expenses	639	557	83	14.9%
11. Assistance	27	24	4	15.9%
12. Miscellaneous	6,005	9,352	(3,348)	(35.8%)
Total	**50,379**	**48,012**	**2,367**	**4.9%**

During 2020, the Company presented its new modular offer to the market, replacing the existing range of products.

The new offer radically changes the old logic used for the catalogue of products, based on a single offer which can be tailored and adjusted based on individual requirements. A customer can choose freely from the individual modules and policies that make up the various protection lines. The modularity which distinguishes the offer also makes it possible to adjust coverage over time. If a customer’s needs change the can add to or replace their insurance coverage.

The Company has also revised the offer of CPIs linked to loans. In particular, to create better value for customers and enrich the offerings available for the basic product, the deductible for permanent disability was reduced.

In the light of the global health emergency caused by Covid-19, the Company implemented a series of projects, including extending Covid-19 coverage to employees and to all existing and new health policyholders.

During the fourth quarter of 2020, based on indications provided in the Relaunch Italy Decree (Law 77 of 17 July 2020), which contained a series of measures regarding health, labour and economic support and social policies intended to assist the economic recovery after the pandemic, the Company created a product to protect professional certifiers from potential losses deriving from requests for compensation due to involuntary errors during certification activities. In fact, the new decree allows taxpayers to obtain a tax credit equal to 110% of remodelling work done, provided it falls within the scope of allowed work and is certified by a technician holding a specific civil liability policy. This new product was placed on a dedicated platform and will work with the website of the adhering professional organisations.

Relative to the Corporate segment, during 2020 the Company continued with its consolidation policy, stipulating collective contracts with death, permanent disability and health coverage for employees of large and medium companies and those in the public sector. Among the largest, we note insurance coverage provided to the employees of the Boston Consulting Group, Deutsche Bank, and the Lottomatica Group.

In terms of insurance coverage for the public sector, the Company (either as a delegate or a co-insurer) was awarded the following tenders: Cassa Depositi e Prestiti, Infocamere, Università degli Studi di Padova.

All guarantees have been provided in compliance with the National Labour Contract (CCNL) for the sector and/or the Supplemental Company Contract (CIA) and/or the call for tender/specifications.

Claim Trends

Relative to claim trends, claim expense, including costs for settling claims, amounted to around € 113.6 million, compared to 72.7 million in 2019. This increase (€ +40.9 million), accompanied by a lower increase in premiums accrued with respect to December 2019 (€ +14.3 million), translated into a claim to premium ratio for the year of 48.6%, up by around 15.7 percentage points with respect to the value seen in December 2019 (32.9%). Below are details by Line of Business:

	31/12/20		31/12/19	
Line of Business	**Claim expense**	**Claim ratio (EC+EP) / Premiums accrued**	**Claim expense**	**Claim ratio (EC+EP) / Premiums accrued**
1 Medical expenses	78,861	82.9%	51,096	62.1%
2 Income protection	20,183	24.4%	14,545	18.0%
3 Workers' compensation	-	0.0%	-	0.0%
7 Fire and other damage	5,075	29.2%	2,631	16.4%
8 General Liab	49,92	25.5%	542	2.8%
10 Legal expenses	506	18.7%	287	10.3%
11 Assistance	42	18.4%	10	3.4%
12 Miscellaneous	3,974	24.8%	3,582	19.0%
Total	**113,632**	**48.6%**	**72,697**	**32.9%**

Note that the 17.5 percentage point increase in the claim to premium ratio suffered from a greater impact in terms of premium revenue for Collective business (29% in 2019, 34% in 2020), in which claim levels are structurally higher than those seen in the Retail segment.

Details on substantial techniques used to attenuate risk

The 2020 reinsurance strategy involved the establishment of non-proportional structures, per risk and per event (e.g. base structures) to cover all the risks conserved by Poste Assicura (Retail and Corporate) relative to its Income Protection Insurance, Medical Expense Insurance, Fire and Other Damage to Property Insurance and General Liability Insurance guarantees:

- for all the risks conserved in the portfolio, relative to the Income Protection Insurance and Medical Expense Insurance, the reinsurance policy provides Excess of Loss coverage, per risk and per event, with the aim of protecting the Company from any peak exposures, with a risk/event priority of € 200 thousand at 100% and a capacity up to € 50 million. For the main Income Protection Insurance risks underwritten prior to 2013 and credit protection risk underwritten prior to 2018, the Legacy quota share treaties are still valid in run-off, with risk attaching coverage and 50% ceded. For the new Retail Illness risks, coverage is proportional at

50%, with fixed commissions and profit sharing. For these cases, the Excess of Loss treaty covers the portion conserved with a € 100 thousand priority on the amount conserved;

- for all risks conserved relative to Fire and Other Damage to Property and General Liability Insurance guarantees, the reinsurance policy uses Excess of Loss coverage per risk and event to protect the Company from peak exposures, with a € 200 thousand priority at 100% (with the exception of the catastrophe component: € 1 million priority per event) with a capacity of up to € 80 million for the Fire and Other Damage to Property insurance in relation to catastrophic earthquake guarantees.

Risks relative to the Legal Expenses line of business were handled for 2020 with a quota share treaty on a Loss Occurring basis, with fixed reinsurance commissions to Poste Assicura and profit sharing at the end of the year.

For all risks that do not meet the qualitative and quantitative criteria provided for in existing reinsurance treaties, but which however fall within Poste Assicura underwriting philosophy, facultative reinsurance is used. More specifically, for Poste Italiane Fund risks, coverage is proportional with ceding of 50% and a scalar reinsurance commission.

For specific risks, as these involve highly specialised coverage, a proportional reinsurance approach is used. To that end, for the Travel line proportional coverage at 50% was maintained, with pure premium ceding.

The reinsurance structure described above is effective in terms of attenuating risk and the results obtained are consistent with expectations.

A.3 Investment Performance

Investment Performance – Poste Vita S.p.A. Insurance Group

The financial assets of the Poste Vita Group amounted to a total of € 156,064,238 thousand at 31 December 2020, a € 14,028,070 thousand increase with respect to 2019, thanks to the recovery of financial markets due, for the most part, to a significant reduction in the spread (around 50 bps) and the positive net revenue recorded during the period.
Financial assets were measured at fair value making use of prices listed on active markets when available and, when not, determining fair value with alternative methods. Below is a schedule showing the composition of financial assets at 31 December 2020 with a comparison with the figures at the end of 2019:

(€k)

	31/12/2020	31/12/2019	Delta
Equities	6,857	9,117	(2,260)
Government Bonds	97,179,771	87,198,857	9,980,914
Corporate Bonds	19,664,961	17,726,492	1,938,469
Structured notes	586,162	583,469	2,692
Collateralised securities		75,544	(75,544)
Collective Investments Undertakings	33,794,738	32,704,229	1,090,509
Assets held for index-linked and unit-linked	4,831,750	3,738,461	1,093,290
Total	**156,064,238**	**142,036,168**	**14,028,070**

During the period, these investments generated an overall positive result of around € 9,616,972 thousand, mainly due to the aforementioned financial trends seen during the period that gave rise to the registration of unrealised net gains totalling € 6,995,581 thousand. Additionally, note the recognition of ordinary income totalling € 2,698,016 thousand.

(€k)

	31/12/2020			
	Net gains and losses	Interest /Dividends	Net Unrealised Gains	Total
Equities	(15,249)	4,127	4,444	(6,678)
Government Bonds	(38,911)	1,946,763	6,126,904	8,034,756
Corporate Bonds	10,523	430,164	24,353	465,041
Structured notes		15,838	2,832	18,669
Collateralised securities	501			501
Collective Investments Undertakings	(33,489)	301,124	846,882	1,114,518
Forwards			(9,832)	(9,832)
Total	**(76,626)**	**2,698,016**	**6,995,581**	**9,616,972**

Investment Performance – Poste Vita S.p.A.

The composition of the Group's medium/long-term investment policy derives from a strategic investment policy aimed at optimising the risk/return profile, with the goal of strengthening and stabilising future performance while maintaining a risk profile in line with that established in the Risk Appetite Framework (RAF). Poste Vita S.p.A. intends to continuously maintain an adequate level of quality in its portfolio, in particular due to the level of diversification in its assets, together with the use of appropriate selection criteria, ensuring appropriate levels of liquidity, security and profitability, while also guaranteeing continuous availability of assets sufficient to cover its liabilities.

The parent company portfolio continues to mainly invest in government bonds and corporate bonds, which represent 74.8% of total portfolio exposure.

Financial assets using Solvency II values, net of equity investments, come to a total of € 155,610,220 thousand at 31 December 2020, a € 13,954,277 thousand increase with respect to 2019, due to the effect of positive net revenue during the period and favourable trends on financial markets during the period, compared to 2019, mainly connected to a significant reduction in the ten year spread (around 50 bps) between the Italian and German government bonds. Financial assets were measured at fair value making use of prices listed on active markets when available and, when not, determining fair value in line with that established in the

Group's Fair Value Policy, which will be discussed further in paragraph D.4 - Alternative Valuation Methods.

Below is a schedule showing the composition of financial assets at 31 December 2020, equity investments excluded, with a comparison with the figures indicated in the Italian GAAP financial statements and the amounts at the end of 2019:

(€k)

	31/12/2020			31/12/2019		
	Solvency II value	Statutory accounts value	Delta	Solvency II value	Statutory accounts value	Delta
Equities	6,857	6,857		9,117	9,117	
Government Bonds	96,777,843	80,534,307	16,243,535	86,848,899	76,412,521	10,436,379
Corporate Bonds	19,612,870	18,646,741	966,130	17,696,224	16,774,320	921,903
Structured notes	586,162	546,912	39,250	583,469	545,119	38,350
Collateralised securities				75,544	52,200	23,344
Collective Investments Undertakings	33,794,738	32,208,264	1,586,473	32,704,229	31,781,270	922,958
Assets held for index-linked and unit-linked contracts	4,831,750	4,831,750		3,738,461	3,738,461	
Total	**155,610,220**	**136,774,831**	**18,835,388**	**141,655,942**	**129,313,008**	**12,342,934**

A decrease was seen in investments in Shares, equal to € 6,857 thousand at 31 December 2020, due to impairment recorded during the period in question.

Government bonds, totalling € 96,777,843 thousand (€ 86,848,899 thousand at 31 December 2019), mainly refer to listed fixed income bonds issued by European governments, of which around 98% issued by the Italian government.

Corporate bonds total € 19,612,870 thousand (€ 17,696,224 thousand at the end of 2019) and mainly refer to listed fixed income bonds issued by major European companies.

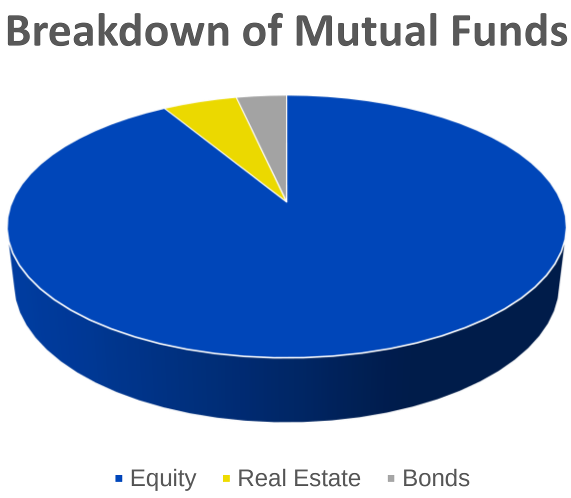
Structured bonds, totalling € 586,162 thousand at the end of the period, refer to Cassa Depositi e Prestiti private placements (Constant Maturity Swaps).

Collateralised securities were present at the end of 2019 and referred to a zero coupon bond maturing on 10/2/2020, guaranteed through collateralisation of government and financial bonds with the same maturity.

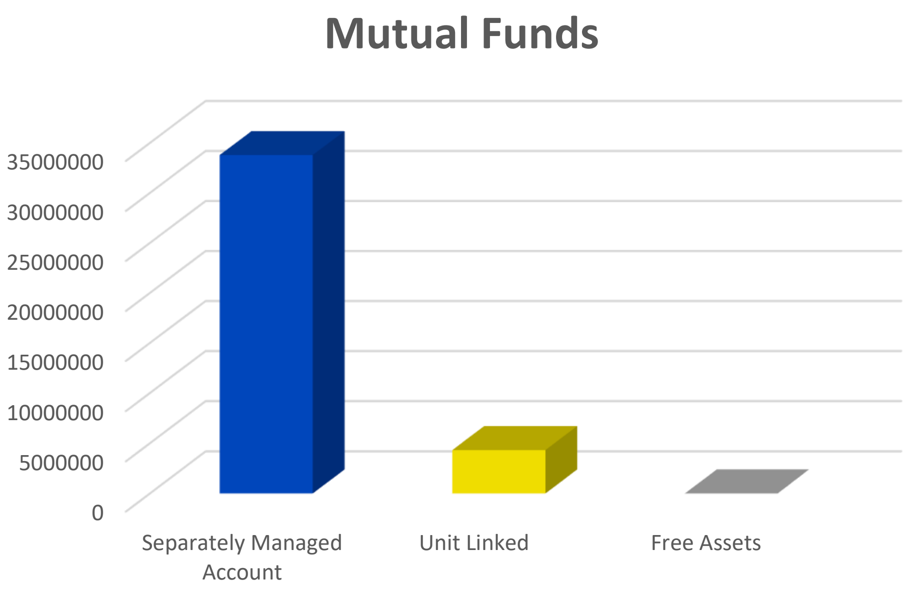
Relative to mutual investment funds, totalling € 33,794,738 thousand at the end of the period (€ 32,704,229 thousand at 31 December 2019), their impact on the parent company's entire portfolio went from 23% to the current 22%. Additionally, in line strategic asset allocation, investments continued in real-estate funds (retail and office), mainly in Europe.

More specifically, the total for mutual investment funds held by the parent company at 31.12.2020, including the Class D component, amounted to € 38,114,645 thousand.

At the end of the period, investments mainly in stock-based mutual funds amounted to € 34,830,288 thousand, units of real estate mutual investment funds amounted to € 1,959,032 thousand and investments in bond-based mutual funds came to € 1,325,325 thousand (nominal value of € 18,363 thousand).



Mutual investment funds refer to Separately Managed Accounts for around € 33,788,771 thousand, while € 4,319,907 thousand refers to Class III unit-linked products and the remaining portion of € 5,967 thousand is included in the Company's free capital.



Within this item, the amount of € 31,369,453 thousand refers to unconsolidated structured entities, while € 6,745,192 thousand refers to funds which are not part of unconsolidated structured entities, for the most part alternative investment funds.
The parent company Poste Vita holds a stake in excess of 50% for each structured entity. The parent company Poste Vita's interests in these funds were not subject to consolidation as it does not meet the "control" requirements of IFRS 10, but nonetheless fall under the scope of IFRS 12 as they are unconsolidated structured entities. The purpose of these investments made by the parent company is to diversify the financial instruments portfolio used to cover Class I products (Separately Managed Accounts), with the objective of mitigating exposure to Italian government bonds and corporate bonds denominated in euros.
Relative to financial instruments acquired to cover Unit-Linked policies, these are measured at the value on the last trading day of the year and at the end of the year in question amounted to

€ 4,831,750 thousand (€ 3,738,461 thousand on 31 December 2019). This growth is mainly due to positive net revenue recorded during the year.

Finally, note that at the end of 2020 Poste Vita had five forward sale transactions designated as fair value hedges for the Government Bond "BTPS 0.85%" to preserve latent capital gains in government securities in the Posta ValorePiù Separately Managed Account, classified in the Current segment, following unexpected changes In interest rates and/or credit risk. These Forward Sales reach maturity in the second quarter of 2021.

These derivatives, with a total nominal value of € 1,260,000 thousand, saw a negative fair value change of € 9,832 thousand during the year and are included among the liabilities in the Market Value Balance Sheet (Paragraph D.3).

The table below shows the change in the fair value of financial assets during 2020, net of derivatives and including equity investments:

(€k)

	Solvency II value 2019	Purchases and Sales 2020	Net Unrealized Gains 2020	P/M Amortised Cost 2020	Solvency II value 2020
Equities & Partecipations	350,150	(343)	58,069		407,876
Government Bonds	86,848,899	3,662,487	6,111,391	155,066	96,777,843
Corporate Bonds	17,696,224	1,909,439	18,649	(11,441)	19,612,870
Structured Notes	583,469	(174)	2,832	34	586,162
Collateralised securities	75,544	(75,544)			0
Collective investments undertaking	32,704,229	451,679	638,830		33,794,738
Assets held for index - linked contacts	3,738,461	874,391	218,899		4,831,750
Total	**141,996,975**	**6,821,936**	**7,048,669**	**143,659**	**156,011,238**

During the period, these investments generated a positive result of around € 9,616,972 thousand, mainly due to the financial trends seen during the period that gave rise to the registration of unrealised net gains totalling € 7,038,837 thousand, and ordinary income of € 2,691,194 thousand.

(€k)

	31/12/2020			
	Net gains and losses	Interest /Dividends	Net Unrealised Gains	Total
Equities	(15,249)	4,127	64,285	53,163
Government Bonds	(38,539)	1,940,370	6,111,209	8,013,040
Corporate Bonds	10,676	429,735	23,461	463,873
Structured notes		15,838	2,832	18,669
Collateralised securities	501			501
Collective Investments Undertakings	(33,489)	301,124	846,882	1,114,518
Forwards			(9,832)	(9,832)
Total	**(76,101)**	**2,691,194**	**7,038,837**	**9,653,930**

Equity investments held by the parent company at 31 December 2020 amount to € 401,019 thousand and refer, as indicated above:

- to Poste Assicura S.p.A. for € 277,720 thousand, a 100% controlled subsidiary operating in the non-life segment, excluding vehicle insurance;
- to Europa Gestioni Immobiliare S.p.a., for € 107,401 thousand, held by Poste Vita and Poste Italiane S.p.A. with 45% and 55% equity interests, respectively, operates primarily in the real estate sector for the management and development of real estate assets no longer used by Poste Italiane S.p.A.

- to Poste Welfare Servizi S.r.l for € 15,898 thousand, an equity investment fully acquired on 4 November 2015, in order to strengthen the Insurance Group's individual and collective offerings in the Health sector.

Finally, note that for the purposes of preparing the Poste Vita Group Consolidated Financial Statements, the carrying amount of the equity investments held by the parent company Poste Vita in the subsidiaries Poste Assicura and Poste Welfare Servizi were eliminated against the corresponding portion of shareholders' equity against line-by-line inclusion of the assets and liabilities of the subsidiaries.

Investment Performance – Poste Assicura S.p.A.

With reference to investment policies, in compliance with the framework resolution on investments approved by the Board of Directors, an asset management policy was maintained that features a prudent approach intended to preserve the solidity of the company's equity. In relation to the stated investment policies and current market situation, asset allocation has not changed substantially in terms of country risk, with a portfolio almost entirely invested in Italian government bonds.

The financial portfolio, measured at fair value, with the exception of equity investments, amounts to € 454,019 thousand at the end of 2020, up by € 73,793 thousand with respect to the figure recognised at the end of 2019 (€ 380,226 thousand), mainly due to revenue (net of claims and expenses) recorded during the period and, secondarily, due to favourable trends on the financial markets mainly a significant reduction in the ten-year spread between the Italian and German government bonds (around 50 bps).

Assets invested by Poste Assicura S.p.A. at 31 December 2020 show a Solvency value of € 454,019 thousand, an increase of € 39,317 thousand with respect to the statutory figure, broken down as follows:

(€k)

	31/12/2020			31/12/2019		
	Solvency II value	Statutory accounts value	Delta	Solvency II value	Statutory accounts value	Delta
Government Bonds	401,928	364,023	37,905	349,958	326,740	23,218
Corporate Bonds	52,091	50,678	1,413	30,268	29,635	633
Total	**454,019**	**414,701**	**39,317**	**380,226**	**356,375**	**23,851**

At 31 December 2020, the Subsidiary held 100% of the share capital of Poste Insurance Broker S.r.l., which recorded a loss of € 96 thousand, net of tax effects, mainly due to the accrued portion of costs for auditing of the financial statements and fees due to the Sole Auditor and Sole Director. Additionally, Poste Assicura S.p.A. holds 5% of the share capital of Consorzio Logistica Pacchi S.c.p.a, acquired on 30 June 2020. The relative Shareholders' Equity value was € 787.9 thousand at 31 December 2020.

The table below shows the change in the fair value of financial assets during 2020:

(€k)

	Solvency II value 2019	Purchases and Sales 2020	Net Unrealized Gains 2020	P/M Amortised Cost 2020	Solvency II value 2020
Government Bonds	349,958	36,198	15,694	78	401,928
Corporate Bonds	30,268	20,931	891	1	52,091
Equity	561	37	(94)		504
Totale	**380,787**	**57,165**	**16,492**	**79**	**454,523**

During the period, these investments generated financial income of € 22,789 thousand, mainly due to net unrealised gains of € 16,492 thousand and, secondarily, ordinary amounts accrued on securities for € 26,822 thousand, as shown in the table below:

(€k)

	31/12/2020			
	Net gains and losses	Interest / Dividends	Unrealized gains and losses	Total
Government Bonds	(372)	6,393	15,694	21,716
Corporate Bonds	(153)	428	891	1,167
Equities			(94)	(94)
Totale	(525)	6,822	16,492	22,789

Note that the Equities category contains only equity investments held by the Subsidiary.

Additionally, pursuant to article 124 sexies of the Consolidated Finance Law (TUF), as referenced in **article 5 of IVASS Regulation 46 of 2020**, note that it is held appropriate to differentiate the description of the share investment strategy and agreements with asset managers, on the basis of the type of portfolio - either Separately Managed Accounts or Internal Insurance Fund.

<u>Share investment strategy and agreements with asset managers for Separately Managed Accounts portfolios</u>

The Poste Vita Group's investment strategy, aimed at stabilising performance combined with a low risk profile, is defined in the context of an integrated asset and liability management process (Asset Liability Management – "ALM"), aimed at determining the medium/long-term composition of the investment portfolio. The medium/long-term composition derives from a strategic asset allocation process (Strategic Asset Allocation – "SAA") which identifies the target weights assigned to various asset classes. The Poste Vita Group's ALM and SAA processes are centred around the "*prudent person principle*", ensuring the continuous maintenance of an adequate level of quality and diversification within the portfolio, together with appropriate levels of liquidity, security and profitability.

In terms of the portfolios associated with Poste Vita S.p.A. Separately Managed Accounts, note that the current investment strategy calls for the acquisition of mainly bonds and, in any case does not allow for direct investment in share-based securities.

That being established, there is a single security listed on a regulated market present in the portfolio, not entrusted to external management and acquired in the past during an IPO with an eye to a long-term investment, with a residual overall value with respect to the total asset portfolio.

Asset management agreements, made with both Poste Vita Group and third party asset managers, do not allow for direct management of share-based securities. Management agreements are constructed to align with the profile and duration of the insurance company's liabilities, most of which are long-term. More specifically, agreements are based on a standard which requires the asset manager to provide their services within the context of a specific mandate, which contains objectives and specific investment guidelines deriving from the SAA process and which are periodically revised by the Poste Vita Group.

Share investment strategy and agreements with asset managers for Internal Insurance Fund portfolios

With regards to Internal Insurance Funds ("Internal Funds"), the strategic investment policy is determined at the time they are established, as indicated in the regulations for each Internal Fund.

Management of Internal Funds is outsourced to delegated managers, on the basis of a specific mandate which requires the manager to follow the regulation for each Internal Fund.

The stock investment strategy is carried out through investments in UCITS, for the majority of Internal Funds.

At the time this report was prepared, only one of the Company's Internal Funds invests directly in stocks. More specifically, this is the Internal Fund known as Poste Vita Soluzione Italia which is associated with the unit-linked product known as Postevita Soluzione Italia (the "Product"). Note that this Internal Fund calls for, among other things, direct investments in companies with shares listed on a regulated Italian market or a regulated market in another European Union member state. In fact, the Product is intended to serve as a long-term savings plan (PIR).

The scope of the Internal Fund is, in particular, that of creating capital growth, mainly investing in the Italian business system, with a medium/long-term view.

With respect to that required in IVASS Regulation 46 in relation to information regarding management agreements, note first of all that the management mandate between the Company and the delegated manager calls for the investment strategy to be aligned with the characteristics of the liabilities, in that it requires compliance with the Internal Fund regulation mentioned above, also included with the Product documentation, which represents the Company's commitment with respect to investors/policyholders.

No incentive is established for the asset manager to guide their decisions on the basis of the long and medium-term financial and non-financial results of the companies invested in. However, compliance with the regulatory requirements established to classify the product as "PIR Compliant" is necessary.

Additionally, no variable remuneration on the basis of management results is called for. Instead, measurement and monitoring parameters relative to the manager's actions are indicated, to verify compliance with the investment guidelines contained in the management agreement.

Finally, there is no pre-set portfolio rotation value, in that this was not held to be a useful parameter for the investment strategy of the Internal Fund in question.

Finally, note that the agreement with the manager lasts for two years, renewed tacitly every two years. The Company can withdraw from the contact at any time following methods in line with sector regulations.

A.4 Performance of other activities

With reference to organisational aspects, operating costs[1] at the Group level totalled around € 118 million at the end of the period, down slightly with respect to the € 121.8 million recorded during the same period of 2019. Operating costs mainly relate to personnel expenses, commercial costs, costs for IT services and costs for professional services/consulting to support the business.

[1] Overheads allocated to acquisition costs and administrative expenses.

With reference to the parent company **Poste Vita S.p.A,** during the period operating costs, net of infragroup cancellations, came to a total of € 86,460 thousand, compared to € 91,405 thousand recognised in 2019. Operating costs mainly refer to sales/advertising expense, IT services expenses, consulting/professional services and personnel expense.

Relative to the subsidiary **Poste Assicura S.p.A**, as in previous years projects aimed at supporting business development continued and to ensure continuous functional/infrastructure improvement of the most important business support systems. Operating costs net of infragroup cancellations came to € 21,816 thousand at 31 December 2020, essentially in line with the € 21,568 thousand recorded during the same period in 2019. These costs mainly refer to personnel expense, sales/advertising expense, IT services expense and consulting/professional services.

With reference to the subsidiary **Poste Welfare Servizi S.r.l**., projects continued during the year to develop new initiatives relative to Flexible Benefits for the Poste Group. In relation to this, operating costs net of infragroup cancellations totalled € 9,636 thousand, up with respect to the figure recognised for the same period of 2019 (€ 8,772 thousand) and mainly referring to personnel expense, costs for services, costs for IT services and specialist support and amortisation/depreciation.

With reference to the subsidiary **Poste Insurance Broker S.r.l**, operating costs at the end of the period totalled € 112 thousand, up with respect to the € 51 thousand recorded in the same period of 2019 and mainly refer: i) for € 29 thousand to the fee due to the independent auditors for auditing of these financial statements; ii) € 25 thousand in fees due to the Sole Auditor; iii) € 31 thousand in commissions due to Poste Italiane SpA and iv) € 14 thousand for the cost incurred to sign the obligatory professional civil liability policy.

Finally, with reference to extraordinary operations, the parent company **Poste Vita S.p.A**. recorded extraordinary income of € 24,855 thousand (€ 2,083 thousand in 2019), almost exclusively due to:

- realised gains on securities in the non-current segment for € 1,181 thousand;
- € 21,799 thousand in contingent assets deriving from greater costs allocated at the end of the previous year and almost entirely relative to current taxes linked to the tax benefit achieved after application of the Patent Box subsidised tax regime
- € 1,869 thousand relative to gains deriving from the sale of the IT business unit to the parent company Poste Italiane S.p.A., as better illustrated in paragraph “A.5 - Other Information”.

In terms of extraordinary expense, the figure in 2020 was 993 (€ 2,863 thousand in 2019) and mainly refers to contingent liabilities deriving from greater costs not recognised at the end of the previous year for € 986 thousand.

The subsidiary **Poste Assicura S.p.A** recorded extraordinary income during the year for € 874 thousand (compared to € 100 thousand for 2019), of which € 665 thousand relative to greater costs allocated the previous year. The remaining € 209 thousand is relative to gains deriving from the sale of the IT business unit to the parent company Poste Italiane S.p.A., as better illustrated in paragraph “A.5 - Other Information”. At the same time, extraordinary expense fell (from € 730 thousand in 2019 to € 556 thousand in 2020), referring entirely to contingent liabilities relative to costs not allocated the previous year.

Pursuant to article 9, paragraph 1 of Delegated Regulation EU 2015/35, specifically with regards to application of accounting standard IFRS 16 - Leasing, in effect as of 1 January 2019, note the following economic effects for the parent company **Poste Vita S.p.A**.:

- straight line amortisation of assets which are the subject of leasing contracts, equal to € 3,433 thousand at the end of the period;
- the recognition, at the time periodic rent is paid, of financial expense calculated using the internal contract rate, falling under the scope of the stated standard, with a corresponding reduction in the financial liability in an amount equal to € 329 thousand at the end of the period.

The economic effects deriving from application of IFRS 16 relative to the Subsidiary **Poste Assicura S.p.A.** are illustrated below:

- systematic amortisation of assets which are the subject of leasing contracts, equal to € 206 thousand at the end of the period (€ 57 thousand net of infragroup cancellations, made for the purposes of preparing the Consolidated Financial Statements, relative to sublease contracts for company offices signed with the parent company Poste Vita S.p.A);
- the recognition, at the time periodic rent is paid, of financial expense calculated using the internal contract rate, falling under the scope of the stated standard, with a corresponding reduction in the financial liability in an amount equal to € 1.2 thousand at the end of the period (€ 0.6 thousand net of of infragroup cancellations, made for the purposes of preparing the Consolidated Financial Statements, relative to sublease contracts for company offices signed with the parent company Poste Vita S.p.A.).

Economic effects deriving from application of the stated standard relative to the subsidiary **Poste Welfare Servizi S.r.l.** are illustrated below:

- systematic amortisation of assets which are the subject of leasing contracts, equal to € 345 thousand at the end of the period (€ 51 thousand net of infragroup cancellations, made for the purposes of preparing the Consolidated Financial Statements, relative to sublease contracts for company offices signed with the parent company Poste Vita S.p.A);
- the recognition, at the time periodic rent is paid, of financial expense calculated using the internal contract rate, falling under the scope of the stated standard, with a corresponding reduction in the financial liability in an amount equal to € 60 thousand at the end of the period (€ 6 thousand net of of infragroup cancellations, made for the purposes of preparing the Consolidated Financial Statements, relative to sublease contracts for company offices signed with the parent company Poste Vita S.p.A.).

A.5 Other Information

Significant events after year-end

The spread of Covid-19 has continued, although to a lesser extent, in the initial part of 2021 and the Poste Vita Group continues to adopt measures to preserve and protect collective health, while also guaranteeing the regular execution of business.

In line with Poste Italiane Group guidance, it was considered of particular importance to safeguard employee health, making use, on the one hand, of flexible forms of work (smart working) and, on the other, in relation to segments incompatible with smart working, supplying all necessary equipment to perform the operating activities safely (e.g. social distancing, use of protective masks, etc.).

At present, in the context of a clear general uncertainty about the duration of the epidemic and its economic effects, having made the necessary assessments on the basis of the information available, the Poste Vita Group has considered that this event does not have an impact on the financial data shown in this report, which therefore does not require modifications.

The Group will continue to monitor developments on a daily basis in order to promptly assess the potential effects on its operations and adopt any necessary measures.

Note that after the Board meeting on 10 December 2020, the Board of Directors of the parent company Poste Vita resolved to appoint Andrea Novelli as the General Manager of Poste Vita, in addition to his position as the Chief Executive Officer of the parent company Poste Vita, effective as of 11 January 2021.

Additionally, on 15 December 2020, after the resignation of Paolo Martello from his position as Director and Chairman of the Poste Vita Board of Directors, the Board of Directors appointed Director and Chairman of the Board of Directors Director Vladimiro Ceci and also appointed, pursuant to article 2386, paragraph 1 of the Civil Code, Monica Biccari as a member of the Board of Directors until the next Shareholders' Meeting, which will be called on to ratify the appointment.

At the same Board meeting, Monica Biccari was appointed to replace the resigned Vladimiro Ceci as the Chairperson of Internal Control and Risk and Related Party Transactions Committee.

Also note that on 26 January 2021 the Board of Directors of the parent company Poste Vita and of the subsidiary Poste Assicura approved their respective budgets for 2021.

Also note that on 17 March 2021 the Board of Directors of the parent company Poste Vita and of the subsidiary Poste Assicura approved their respective business plans.

Related party transactions

Related parties, in addition to the Poste Italiane Group companies whose transactions are described in the previous paragraph, include, in accordance with IAS 24 (paragraph 9), the MEF, Cassa Depositi e Prestiti SpA, the entities under the control of the MEF and the Company's Key Management Personnel. The State and public entities other than the MEF and its subsidiaries are not considered related parties; moreover, transactions with related parties do not include those generated by financial assets and liabilities represented by financial instruments, with the exception of those issued by companies belonging to the Cassa Depositi e Prestiti Group.

In particular, note that at 31 December 2020 the Poste Vita Group held bonds issued by Cassa Depositi e Prestiti through a private placement for a total market value of € 561.8 million, acquired at market conditions.

With reference to Poste Vita S.p.A., note that the parent company holds 9.9% of the share capital of FSI SGR, as a non-controlling interest both in law and fact, nor is an associated company of CDP and/or other shareholders of FSI SGR.

Research and Development Activities

The Poste Vita Insurance Group did not incur any research and development costs during the period, with the exception of costs relating to the definition of new products and those relating to the capitalisation of direct costs incurred for the development of internally produced software.

Legal disputes

Pending civil lawsuits against the Parent Company, Poste Vita, primarily relate to issues directly or indirectly underlying insurance contracts.

With regards to the disputes established relative to Poste Vita, most refer to problems inherent to dormant policies, while the remaining disputes, in general, concern issues relating to non-payment of policies due to incomplete liquidation practice, conflicts between beneficiaries in succession or issues relating to liquidations.

There has also been a constant increase in bankruptcy proceedings against employers for non-payment of voluntary and compulsory contributions (TFR) in favour of members of the "Postaprevidenza Valore" Individual Pension Plan and in relation to which Poste Vita was set up in order to proceed with the recovery of the related sums, incurring the related costs.

Lastly, there is a growing number of enforcement procedures involving the Company as a third party foreclosed also in relation to sums due to policyholders.

Criminal proceedings begun by the parent company Poste Vita, as a general rule, involve cases of crime integrated by unlawful conduct generically referred to falsification of insurance documentation carried out by third parties and in any case by persons not employed by the Company.

We note here several cases of fraud which occurred in 2019 and 2020 involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the Company, as a result of which insurance payments were made to parties found not to be legitimate for a total value of € 2.3 million. For the purposes of this report, the Company has already reactivated a large portion of these positions, for a total of € 1.3 million, consequently releasing the same amount within the provision previously allocated.

Finally, another recent series of frauds identified in the area of Palermo should be noted. It was discovered after certain checks carried out by the Palermo Questura in regards to several requests for liquidation of term life insurance policies with claims that all featured similar suspicious aspects. The Company has filed a complaint.

The disputes initiated against the subsidiary Poste Assicura S.p.A. to date mainly concern disputes for the settlement of insurance benefits relating in most cases to Household, Accident and Condominium Policies and mostly concerning reasons for the non-operational nature of the insurance guarantee and financial claims exceeding the estimated value of the damage suffered, as well as claims deemed dubious.

The probable outcomes of disputes were taken into account when determining the claims provision.

The positions of a criminal nature concern, as a general rule, cases of crime integrated by unlawful conduct generically referred to falsification of insurance documentation carried out by third parties and in any case by persons not employed by the Company.

In addition, there have been a number of serial claims involving fraud relating to accident and home-family policies, for which the Company has already taken appropriate action. A recent series of suspected false claims identified in the areas of Locri, Matera and Barcellona Pozzo di Gotto should also be noted, relative to which the Company has taken action, filing an official complaint with the judicial authorities.

Finally, note the appeal filed with the Council of State by Poste Assicura, together with its co-insurers AXA and HDI, regarding the call for tender issued by the Italian Red Cross to provide insurance coverage for “volunteer personnel accidents” between 2019-2021 (the amount of the tender presented by the temporary association of Poste Assicura/AXA/HDI was around € 7 million), was resolved with a ruling in favour, with full payment of court costs.

More specifically, the Council of State judges, accepting the arguments put forward in the favour of the Company, recognised the ambiguity and lack of clarity in the tender documents issued by the Italian Red Cross Association, accepting Poste Assicura’s requests in the context of the temporary association.

Based on this, the Italian Red Cross, as the issuer of the tender, should have immediately carried out an emergency investigation in favour of the Company and its co-insurers AXA and HDI.

Therefore, given that the above ruling by the Council of State was not spontaneously complied with, the Company and its co-insurers have requested a enforcement judgement in order to ensure the provisions in question are carried out.

Principal proceedings pending and relations with the Authorities

a) IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

On 19 February 2020, IVASS presented the parent company Poste Vita S.p.A. with three notifications of penalties regarding an asserted delay in the liquidation of life policies. The Company filed its defensive briefs, for which the deadline for filing, set at 60 days following notification, was suspended between 23 February and 15 April 2020 and then further extended to 15 May 2020 due to the implementation of Law Decree 23 of 8 April 2020, published in Official Journal 94 of 8 April 2020.

Subsequently, on 25 August 2020, IVASS presented Poste Vita with an additional notification of penalties again regarding an asserted delay in the liquidation of life policies. The Company filed its defensive briefs by the deadline.

With the exception of the above, these two proceedings are the only pending ones as at 31 December 2020.

Also note that on 14 December 2020 IVASS began an ordinary audit on corporate governance, investment management and control and financial risk evaluation, still under way.

Additionally, on 1 March 2021 IVASS began an ordinary audit regarding anti-money laundering activities, still under way.

With reference to the subsidiary Poste Assicura S.p.A., on 25 August 2020, IVASS presented the subsidiary Poste Assicura S.p.A. with a notification of penalties regarding an asserted delay in the response to a complaint. The Company filed its defensive briefs by the deadline. Based on the above, this is the sole pending proceeding as at 31 December 2020.

The Bank of Italy's Financial Intelligence Unit (UIF) conducted a number of inspections of the Company in 2015 and 2016, in relation to anti-money laundering as per art. 47 and art. 53, paragraph 4, of Legislative Decree 231 of 2007. On 8 July 2016, the UIF sent the Parent Company, 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 no. 231/2007.

As a result of the related proceedings on 29 May 2019, the Ministry of the Economy and Finance notified the Company of a decree by which it ordered Poste Vita to pay a fine of €101,400, equal to 10% of the amount of the violation.

The Parent Company, Poste Vita, carried out its assessment of the case and filed opposition to said decree within the terms of the law. The proceeding is still pending as of the date of this report.

Tax disputes

With regard to VAT disputes relating to 2004, 2005 and 2006 pending before the Court of Cassation, the Parent Company, Poste Vita, taking into account of the Supreme Court's now consolidated approach to VAT of services connected with the delegation clause and in line with the conduct shared within the Ania Association by the other insurance companies with regard to disputes involving similar claims, has decided to take advantage of the power granted by Law Decree no. 119 of 23 October 2018, to proceed with the settlement of outstanding disputes by means of the payment in May 2019 of a sum of €348,740.70, or 15% of the total amount of the penalties imposed in the three different disputes.

The assessment of adhering to the faculty granted by the cited Law Decree 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree 128 of 5 August 2015 (Cooperative Compliance).

Given that as of the deadline of 31 July 2020 (the deadline established under paragraph 12 of article 6 of Law Decree 119/2918) the Company had not received a rejection from the tax authorities, the disputes can be considered to have been successfully settled. Hence the Company released the funds allocated to the provision for risks (around € 2.3 million).

Dispute with INPS

By message no. 3635 of 8 October 2019, INPS extended the application of the regulation on contributions for the loan of the family allowance (CUAF) to workers of Poste Group companies registered with the special fund ex Ipost.

In the aforementioned message, the social security agency also requested that the obligation to pay contributions be retroactively applied for the previous periods not prescribed, and more specifically from September 2014 to September 2019.

That being established, during the course of the present year the Poste Vita Group honoured the amounts due to INPS for the entire period with reference to the subsidiary Poste Assicura and the parent company Poste Vita (with the exception of € 0.6 million yet to be paid to INPS for fines and interest due on the delayed payment relative to the contribution in arrears for January 2016-September 2019). Hence it released the relative provision which had been established at 31 December 2019 (€ 4.4 million). With reference to the same issue, an allocation of € 0.4 million was made during the current period by the subsidiary Poste Welfare Servizi.

Adhesion to Cooperative Compliance

In December 2019, the Parent Company, Poste Vita, was notified of the measure for admission to cooperative compliance with the tax authorities provided for by the Delegation Law for the reform of the Italian tax system (Law 23/2014) and introduced in Italy by Legislative Decree no. 128/2015.

This scheme is aimed at promoting forms of communication and cooperation based on transparency, cooperation and mutual trust between taxpayers with specific requirements and the tax authorities, and aims to promote the prevention and resolution of tax disputes by introducing ex ante control with positive impacts on the taxpayer’s level of compliance and needs for legal certainty and stability. To this end, the Company has adopted a tax risk control system, which is part of the corporate governance system of internal control.

Poste Vita is the first Insurance Company in Italy to adhere to this cooperation. Admission shall take effect, both for direct tax and VAT purposes, from the 2018 tax period.

Disposal of a business unit

On 6 December 2019, the Board of Directors of the Parent Company, Poste Vita, and of the subsidiaries, Poste Assicura and Poste Welfare Servizi, on 10 and 11 December 2019, respectively, in a logic of increased efficiency and higher service level, approved the outsourcing of information systems management activities to the Parent Company, Poste Italiane, with effect from 1 March 2020, through the sale of the related business units, including personnel, hardware and software assets and related contracts. To that end, note that on 26 February 2020, the deed of sale was signed for a total of € 38.7 million against property, plant and equipment and intangible assets transferred for a carrying amount, net of the relative provision, totalling € 36.7 million. The difference of € 2 million was recognised in shareholders' equity, as better illustrated above.

With reference to the accounting treatment, note that the disposal of the IT business unit, as it involved a company from the same Group, from an IAS/IFRS perspective was seen as a business combination under common control. Given that ISFR 3 does not apply to business combination under common control operations, the document OPI 1 Revised was considered (accounting treatment of business operations under common control in annual financial statements for transfer and disposal) and document OPI 2 Revised (accounting treatment of mergers in annual financial statements), issued by Assirevi relative to the IFRS. Given that the IFRS do not specifically deal with these infragroup operations, it was held necessary to follow the indications found in IAS 8, which establish that the accounting treatment of business combinations under common control should reflect the economic substance of the same, regardless of their legal form. In particular, the general standard applied for recognising the business combination under common control operations was "continuity of value".

Outsourcing of administrative/accounting activities

On 1 September 2020 the partial outsourcing of administrative/accounting activities in favour of the ultimate parent Poste Italiane S.p.A. took effect, resolved by the Poste Vita Board of Directors on 17 June 2020.

Recall that the efficacy of this operation was subordinate to receiving authorisation from IVASS to outsource essential activities. This was obtained through silence/assent on 25 August 2020, 60 days after the request had been presented.

Additionally, note that after the partial outsourcing of administrative/accounting activities from the parent company Poste Vita S.p.A. to the ultimate parent Poste Italiane S.p.A. on 1 September 2020, management of administrative/accounting services for the subsidiaries Poste Assicura and Poste Welfare Servizi was transferred to Poste Italiane S.p.A. Previously it had been provided by Poste Vita.

Exemption from the preparation of the Non-Financial Statement

The Directors of the Parent Company, Poste Vita, have availed themselves of the exemption from preparing the non-financial statement pursuant to art. 6, paragraph 1 (art. 6, paragraph 2) of Legislative Decree no. 254 of 30 December 2016.

Patent Box - Signing of the ruling with tax authorities

Article 1, paragraphs 37-45 of Law 190 of 23 December 2014 ("2015 Stability Law") introduced a tax subsidy to our legislation, to be used on an optional basis and known as the "Patent Box", which consists in excluding from comprehensive income a portion of income deriving from the use of certain intangible assets, initially including trademarks, with the aim of incentivising the placement in Italy of intangible assets currently held abroad by Italian or foreign companies, as well as incentivising the keeping of intangible assets in Italy, preventing their transfer abroad and favouring investments in research and development. Entities receiving business income which have the right to economically make use of intangible assets (including trademarks for options exercised by 31 December 2016) can make use of the optional Patent Box regime, on the condition that they carry out research and development (R&D) activities, also through research contracts signed with “third-party independent” companies.

The provisions to implement the regulations governing this optional regime were issued on 30 July 2015 in a Ministerial Decree of the Ministry of Economic Development, in concert with the Ministry of Economy and Finance, for which notification of publication, on the Ministry of Economic Development’s institutional website, was provided in the Official Journal 244 of 20 October 2015. Income which can be included is identified in different ways based on the method of use for the asset. In the case of indirect use, income consists of the fees deriving from the concession to use the intangible assets, net of correlated costs. Differently, in the case of direct use of the asset (such as the Poste Vita and Poste Assicura brands), it is necessary to identify the economic contribution deriving from the same which algebraically serves to create business income, for each intangible asset. To that end a preventive negotiation process must be established with the tax authorities (Ruling), providing proposals regarding the criteria to be used to determine the economic contribution beforehand.

The parent company Poste Vita and the subsidiary Poste Assicura exercised this option with reference to investments made in the company brand, respectively on 24 December and 28 December 2015 (hence in effect as of the 2015 tax period), using the methods established in the provisions issued by the Director of the Revenue Agency on 10 November 2015, no. 144042. When exercised, the option remains valid for five tax periods, that is through the 2019 period inclusive, both for IRES and IRAP.

On 27 October 2020 and 2 December 2020 the tax authorities informed Poste Vita and Poste Assicura respectively that the investigation had been completed, with an initial proposal to sign the Ruling, identifying an implicit royalty rate deriving from use of the brand of 0.48%, to be applied to a perimeter of company revenues representing gross premium revenue for the year, adjusted to exclude any premiums involved in reinsurance and any premiums linked to insurance contracts signed with other Group companies and relative employees. The same net royalty rate also serves as the “driver” to be used when determining the portion of changes or decreases to the Company’s before tax profit to determine income taxable for IRES and IRAP purposes linked to the brand. We also note that this is the same methodology applied for the entire insurance sector.

All that being established, in the ruling subsequently signed with the tax authorities on 16 December 2020, for 2015 an economic contribution deriving from use of the brand in 2015 was set at € 79.7 million, corresponding to lower current IRES and IRAP taxes of € 8.2 million, while for the subsidiary Poste Assicura, on 22 December 2020 an economic contribution deriving from use of the brand in 2015 was set at € 182 thousand, corresponding to lower current IRES and IRAP taxes of € 19 thousand.

This same method of determining the economic contribution was replicated for the years 2016 to 2019, hence leading to an overall benefit in terms of lower IRES and IRAP taxes relative to the Patent Box of € 57.4 million for the parent company Poste Vita and € 0.2 million for the subsidiary Poste Assicura.

Sales network

To place its products, the Poste Vita Group makes use of the Post Offices of the ultimate parent Poste Italiane S.p.A. - Sole shareholder company- BancoPosta Ring-Fenced capital, duly registered under letter D of the single register of insurance brokers, pursuant to ISVAP Regulation 5 of 16 October 2006. The sales network of Poste Italiane SpA 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 regulations.

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

The Parent Company, Poste Italiane S.p.A., received a total of €330.3 million in commissions for distribution and collection, recognised on an accruals basis for €335.2 million (€380 million in 2019), reflecting the amortisation of pre-counted commissions paid for the placement of pension policies.

The Poste Vita Group avails itself of brokers to sell collective policies, to which it paid sales commissions of € 4.4 million during the period (€ 6.1 million at 31 December 2019). Additionally, during 2020, the parent was paid maintenance commissions totalling € 133.7 million (€ 96.5 million in 2019).

B – SYSTEM OF GOVERNANCE

B.1. General Information on the System of Governance

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

The **Board of Directors of Poste Vita S.p.A.**, as the Italian ultimate parent (USCI)[2] of a group subject to IVASS supervision, and the **Board of Directors of Poste Assicura S.p.A.** (hereafter, also the “Boards of Directors”), hold the widest powers for the ordinary and extraordinary management of their respective companies, without limitations, with the power to carry out all the actions that it considers necessary and useful for the achievement of the corporate purpose, with the exception of those that by law are reserved expressly for the Shareholders’ Meeting.

These bodies meet periodically (generally at least once per month) to review and adopt resolutions on strategy, operations, results, and proposals regarding the operational structure, strategic transactions and any other obligations under current industry regulations. They therefore represent the central element for defining the Group’s strategic objectives and for guidance on the policies necessary to achieve them.

With reference to the internal control and risk management system, the Boards of Directors of each Company are the entities ultimately responsible for the system, and they must ensure it is always complete, functional and effective.

To that end, each Board, among other things, carries out the following tasks falling under the areas of responsibility (consistent with reference regulations and the By-Laws):

- approves the organisational macro-structure and the assignment of tasks and responsibilities to operating units, monitoring their adequacy over time so as to promptly adjust them to changes in strategic objectives, operations and the context in which the company operates, informing the Supervisory Authorities of any significant changes made to the organisational structure, as well as the internal or external causes that made the changes necessary. In this context, each Board is responsible, among other things, for:
    - establishing the Key Functions and defining their responsibilities, tasks, operating methods and the nature and frequency of their reporting to the Corporate Bodies and other relevant functions, consistent with the Group and Individual Company’s “Guidelines on the Internal Control and Risk Management System”;
    - appointing and dismissing the Heads of the Key Functions, consistent with the requirements established under internal and external regulations (including, among other things, assessment of whether the requirements necessary for the position are met);

[2] The Board of Directors of Poste Vita, as the Ultimate Controlling Agent (UCA) of a group subject to supervision by IVASS, carries out the tasks and functions assigned to it with regard to corporate governance at both individual and Group level; it also adopts, with regard to the companies referred to in art. 210-ter, paragraph 2, of the Private Insurance Code, the measures for the implementation of the instructions given by IVASS in the interests of the stable and efficient management of the Group.

- ensuring: i) the adoption and formalisation of adequate decision-making processes, ii) appropriate separation of functions is implemented and iii) that tasks and responsibilities are adequately assigned, distinct and coordinated in line with company policies and reflected in the descriptions of tasks and responsibilities. In this context, they ensure that all relevant positions are assigned and that unnecessary overlapping is avoided;
- approving the "Guidelines on the Internal Control and Risk Management System," to be disseminated to all relevant structures;
- approving, consistent with regulatory requirements and monitoring adequacy over time, the system used to delegate powers and responsibilities, establishing tools to verify the use of delegated powers (with the consequent possibility to establish adequate measures, when the decision is made to give themselves delegated powers);
- ensuring appropriate and continuous dialogue between all Board Committees, Senior Management and the Key Functions, also through proactive steps to guarantee efficacy;
- representing to the Authorities, with the context of the reporting required under the law and regulations in effect, the reasons that make the Company's organisational structure able to guarantee the completeness, functioning and efficacy of the corporate governance system;

- specifically with reference to the Corporate Governance System, they are also responsible for:
  - defining directives, reviewing them at least once per year and monitoring adaptation to changes in company operations and external conditions; in this context, they approve the company policies identified under the regulations, ensuring consistency between these and the Company's strategy, as well as with Group policies;
  - promoting a culture of integrity within internal control, such as to raise overall staff awareness of the importance and utility of internal control to protect against risks;
  - approving the policy to identify and measure the requirements for positions, in terms of ethics, professionalism and independence, in line with that established under the reference regulations and assessing, at least once per year, the existence of these requirements relative to the persons identified in the policy, as well as for the Administrative Body as a whole;
  - ensuring, through appropriate measures, continuous professional training for employees and members of the Administrative Bodies of the Companies, preparing specific training/informational plans;
  - carrying out, at least once per year, a self-assessment regarding the size, composition and effective functioning of the Administrative Body of each Company, as a whole, in line with current regulations;
  - ensuring an internal review, at least once per year, of the Corporate Governance Systems of the Companies, in line with current regulations, verifying the alignment of these systems with strategic objectives, risk appetite and risk ceilings established, and receiving the results of this review, highlighting any corrective measures taken;

- specifically with reference to the Risk Management System (hereafter, also "RMS"), each Board of Directors is responsible for:
    - establishing the Risk Appetite Framework (RAF); in this context they: 1) define, on the basis of relevant assessments (including ORSA), the company's risk appetite consistent with it's overall solvency requirements, 2) identifies the type of risk it wants to take on and 3) establishes risk appetite limits in a consistent manner, to be reviewed at least annually to ensure efficacy over time;
    - approving strategies (also for the medium/long-term), the Risk Management Policy and, consistent with the above, the underwriting, reservation and reinsurance policies, as well as the policy for managing operating risk;
    - approving, for most of the sources of risk identified, the Contingency Plan, to guarantee regular and continuous company operations, to be reviewed annually and made available to personnel in accordance with regulations;
    - defining ORSA directives, including the relative Policy and the criteria and methods used to assess risk, especially the most significant risks;
    - approving the results of periodic ORSA evaluations, sending them to Senior Management together with the relevant conclusions;
    - carrying out all tasks required under the regulations if an internal model or specific parameters are used to determine the Solvency Capital Requirement;
- defining, when appropriate, the directives and criteria for the circulation and collection of data and information needed for Group supervision, as well as internal control directives to ensure the completeness and timeliness of the relative information flows;
- ensuring the tasks required relative to the Group's Reporting Policy are carried out (regarding reporting to be provided to IVASS and the public);
- defining and periodically revising the Remuneration Policy, to be approved by the Shareholders' Meeting, with the responsibility for ensuring it is applied in line with the requirements under the law;
- approving the policy on outsourcing and selection of suppliers, defining the strategy and relative strategies for the duration of the same;
- approving the Capital Management Policy and the Medium-Term Capital Management Plan, in line with regulatory requirements;
- approving the Strategic ICT Plan, including corporate cyber security, in line with regulatory requirements;
- receiving specific flows of information to verify that Senior Management implements the internal control and risk management system in accordance with directives and that it evaluates the functionality and adequacy of the same;
- requesting that any significant problems identified are promptly reported (by Senior Management, the Key Functions or personnel in general), with the aim of issuing directives for the adoption of corrective measures, to be subsequently assessed for effectiveness, and identifying and special events or circumstances that require immediate action by Senior Management.

In terms of the way work is done, note that each Board of Directors is informed and involved in all significant decisions in terms of risk assumption and management. This occurs not only with reference to financial risk (investments), but also with regards to stress test results, the (financial and technical) risks deriving from the features of insurance products and, in any case, relative to all the most significant operations in which each Company is involved, taking into account their volumes and operating characteristics, including strategic and reputational risk.

Additionally, the Boards of Directors receive specific flows of information from the Key Functions and Line Functions/Staff to verify that Senior Management properly implements the Internal Control and Risk Management System in accordance with directives and that it evaluates the functionality and adequacy of the same.

Based on the results of the self-assessment process regarding its own complexity/riskiness, as required under the applicable regulations (Letter to the Market of 5 July 2018), **Poste Vita S.p.A**., after renewing its company bodies, identified the applicability of a “Reinforced” corporate governance system, adopted both as a Company and as the USCI of the Poste Vita Group, while **Poste Assicura S.p.A**., also after renewing its company bodies, deemed an “Ordinary” corporate governance system to be appropriate, while also deciding to voluntarily adopt certain corporate governance mechanisms typical of a “Reinforced” system.

In line with the results of this process and in the context of adjusting to IVASS Regulation 38/2018, the **Board of Directors of Poste Vita S.p.A.** hence established specific internal committees, composed of non-executive directors, with investigative, consultative and propositional tasks, in order to increase the efficiency and effectiveness of its work and to facilitate decision-making in areas of operations where there is a high risk of conflict of interest.

Specifically, the **Board** of Directors of Poste Vita S.p.A. is supported by the following Committees:

- **Internal Control and Risks and Related Party Transactions Committee** which, as will be detailed below, as a Group Committee also carries out its responsibilities relative to internal control and risk management for the subsidiary Poste Assicura**;**
- **Remuneration Committee.**

The aforementioned Committees, in line with the indications of the letter to the market of IVASS dated 5 July 2018 and in application of the principle of proportionality therein, carry out the tasks and functions assigned to them both at Company level as an insurance company on an individual basis and at Company level as the Ultimate Controlling Agent (UCA) and, therefore, at Group level.

The composition, the tasks entrusted to them, the powers and the functioning of each Committee are governed by specific Regulations, approved by the Board of Directors.

That being said, the **Remuneration Committee** is responsible for providing consultation and proposals in the context of defining the Remuneration Policies adopted by the Company and giving proposals on fees for each of the Directors with special roles. It also verifies the congruence of the overall remuneration structure and the proportionality of remuneration for executive directors with respect to significant employees of the Company, taking into account the risk profile of the same. Additionally, the Committee (i) periodically submits the remuneration policies for examination, to guarantee their adequacy also in the case of changes in company operations or the market context in which it works, (ii) identifies potential conflicts of interest and the measures adopted to manage them, (iii) ascertains whether the conditions for incentive payments to significant employees have been met and (iv) provides information to the Board of Directors regarding the effective functioning of the remuneration policies.

The **Internal Control and Risks and Related Party Transactions** Committee is responsible for assisting the Administrative Body in determining guidelines for the internal control system and identifying and managing the main company risks, with the periodic assessment of its adequacy and functioning and in identifying and managing the main company risks. Relative to its area of competence and interest, the Committee also provides proposals to the Board of Directors to suggest and promote possible changes and additions to the Internal Control and Risk Management System deemed necessary or expedient. Finally, without prejudice to the aspects assigned to the Remuneration Committee, the Committee has specific responsibilities with regards to related party transactions (as defined in accounting standard IAS 24).
To that end, note that as of 17 June 2020, with regards to internal control and risk management, the subsidiary Poste Assicura S.p.A. makes use of the Group's Internal Control and Risks and Related Party Transactions Committee, established within the parent company Poste Vita. Therefore, the Regulations for this Committee were amended to extend the scope of its activities to allow it, in its role as a Group Committee, to carry out its responsibilities also with regards to the subsidiary in question.

Relative to Poste Assicura S.p.A., the Company's Board of Directors has established, in line with the results of the process and in line with the rights granted under the IVASS Letter of 5 July 2018 to companies adopting an "ordinary" governance mode:

i) **that remuneration tasks are exercised by the Board of Directors as a plenum.** With this view and consistent with the described organisational choice, the Board of Directors consequently:

- provides consultation and proposals in the context of defining the Remuneration Policies and gives proposals on fees for each of the directors with special roles;
- periodically reviews the Remuneration Policies to guarantee adequacy also in the case of changes to company operations or in the market context in which it works, as well as to ensure effective functioning;
- verifies the congruence of the overall remuneration structure and the proportionality of remuneration for executive directors with respect to significant employees of the Company, taking into account the risk profile of the same;
- identifies potential conflicts of interest and measures adopted to manage them;
- ascertains whether the conditions for inventive payments to significant employees have been met.

ii) **relative to internal control and risk management, to make use of the Group's Internal Control and Risks and Related Party Transactions Committee, established within the Italian ultimate parent (Poste Vita),** as it, in line with the indications provided by the Board of Directors of the parent company Poste Vita, is suitable to adequately monitor the subsidiary's specific risk profile.
More specifically, the Committee in question is responsible for assisting the Administrative Body in determining guidelines for the internal control system and identifying and managing the main

company risks, with the periodic assessment of its adequacy and functioning and in identifying and managing the main company risks.
Relative to its area of competence and interest, the Committee also provides proposals to the Board of Directors to suggest and promote possible changes and additions to the Internal Control and Risk Management System deemed necessary or expedient.
Finally, the Committee is assigned specific tasks relative to related party transactions (as defined in accounting standard IAS 24), better identified in the Single Scope of Related Parties and Associated Entities of the ultimate parent Poste Italiane S.p.A..

The **Board of Statutory Auditors of each of the Companies in the Poste Vita Insurance Group** monitors compliance with the law and the By-laws and with good practices and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its functionality.
To that end, for each Company they carry out the following tasks, among other things:

- at the beginning of its term, acquires information about the company's organisational structure and examines the work of the Independent Auditors to evaluate the internal control system and administrative/accounting system;
- verifies the appropriateness of delegations, as well as adequacy of the organisational structure, with special attention paid to separation of responsibilities in tasks and functions;
- assesses the efficiency and efficacy of the Corporate Governance System, especially with regards to the work of the Internal Audit function, for which it also verifies the existence of the necessary autonomy, independence and functioning;
- maintains appropriate connections with the Internal Audit function;
- monitors prompt exchanging of significant data and information with the Independent Auditors to carry out their tasks, also examining the periodic reports of the Company;
- informs the Board of Directors of each Company of any anomalies or weaknesses in the organisational structure and Corporate Governance System, indicating and promoting appropriate corrective measures;
- plans and carries out, also in coordination with the Independent Auditors, periodic audit's aimed at ascertaining whether issues/anomalies identified have been resolved and if, with respect to that determined at the beginning of the term, any changes have occurred in the Company's operations such as to require an adjustment in the organisational structure and/or Corporate Governance System;
- keeps adequate evidence of the observations and proposals made and of subsequent verification activities regarding implementation of any corrective measures;
- validates the report on the completion of the procedure to select the Independent Auditors, presenting it to the Board of Directors with the relevant recommendation.

The Board of Statutory Auditors of Poste Vita S.p.A. and the Board of Statutory Auditors of Poste Assicura S.p.A. also report any problems identified in the system to Senior Management of the relative Companies, subsequently verifying whether the initiatives adopted have eliminated the problems in question.

Key Functions:

- **Risk Management**: responsible for guaranteeing development of risk management methodologies and identifying, assessing, measuring and monitoring all relevant risks, monitoring their consistency with the risk appetite defined and helping to define and implement actions to mitigate the same; monitors capital adequacy levels with respect to risk taken on; provides the necessary informational flows to senior management and company bodies;
- **Actuarial Function**: responsible for carrying out second level controls on technical provisions and on the underwriting and reinsurance policies required under sector regulations, providing the necessary informational flows to senior management and the company bodies;
- **Compliance**: responsible for ensuring, in the context of the reference regulatory framework, second level compliance controls, assessing prevention measures adopted, to ensure adequate protection against non-compliance risk, working with the relevant structures to identify the relative migration actions; assesses the operational and management adequacy of process and procedures to develop and distribute insurance products, to guarantee necessary transparency relative to customers; works with relevant structures to identify the relative mitigation actions, providing adequate support to operating structures and providing the necessary informational flows to senior management and company bodies; provides specialised support to the Supervisory Board 231 in assessing compliance profiles pursuant to Legislative Decree 231/01; guarantees supervision and monitoring of the Poste Vita Integrated Quality and Anti-Corruption Management System;
- **Internal Auditing**: responsible for monitoring and evaluating the efficacy, efficiency and adequacy of the Internal Control System as well as additional components of the Corporate Governance System, through independent and objective assurance activities, using a systematic and risk-based professional approach. The Function guarantees communications with the relevant Fraud Management and Security Intelligence functions in Poste Italiane, providing support for anti-fraud investigations and research carried out by the ultimate parent. The Function periodically reports to the Board of Directors, control bodies and senior management on the results of its work, providing information on assessments and findings, also immediately reporting on any situations of particular gravity identified in the context of audits performed.

Information on remuneration policies and practices relative to the Administrative Body

Note that during the meetings in March 2020, the remuneration policies for 2020 for the individual Companies were approved by their respective Boards of Directors. These policies establish, for each unequivocally identifiable person (executive and non-executive directors, General Manager, Heads of Internal Audit Functions) and for other key strategic employees identified using specific reference parameters (“risk takers”), a series of remuneration mechanisms functional to healthy and prudent risk management. More specifically, the policy in question establishes that the remuneration of the above individuals may consist of 3 components:

- Fixed remuneration: this reflects the complexity of the position and the responsibilities assigned to it, reflecting the abilities required for each position;

- Short-term variable remuneration: intended to award the performance effectively achieved in relation to assigned objectives and results achieved during the year in question, based on indicators correlated with risk and the achievement of effective and lasting results;
- Long-term variable remuneration: intended to focus attention on long-term factors for success, connecting incentives to performance effectively achieved over a period of multiple years.

That being established, these remuneration policies, with the aim of promoting health and effective risk management, discouraging the taking on of risk which exceeds the limits tolerated, call for:

- a balance between fixed remuneration and short and long-term variable remuneration, based on appropriate quantitative constraints;
- threshold parameters for the distribution of bonuses commensurate with performance and the level of risk to which the Company is exposed (the latter determined with regards to the Solvency II regulations);
- objectives, assigned to the above individuals, which include measurements of performance which adequately incorporate risk, including prospective, associated with the results achieved by the Company and the correlated charges, taking into due account the different roles and responsibilities of the individuals in question within the company.
- mechanisms to defer the distribution of bonuses accrued;
- for sums paid in the case of an early termination of the relationship with Directors or key management personnel (“golden parachutes”), the determining of maximum limits and situations which exclude the payment of the stated sums, consistent with the principle of healthy and prudential risk management;
- the application of mechanisms to correct incentives, both for components already accrued but not yet paid (“malus”) and for the entire component already paid (“claw-back” systems) to take into account the trends over time in the risk taken on by the Company and the long-term duration of results achieved.

With reference to “long-term variable remuneration”, this is provided through the assignment to beneficiaries of rights to receive units representing the value of Poste Italiane stock (“phantom stock”), at the end of a vesting period. The amount of phantom stock assigned to beneficiaries at the end of the vesting period is linked to performance conditions over a three year period.
Relative to supplemental pension or pre-pension schemes, note that for the members of the Administrative, Directive or Supervisory bodies, no specific programmes or benefits are established while, with reference to the heads of the Key Functions, as Company directors, these positions benefit from the supplementary pension schemes called for in the reference national labour contracts (CCNL).

Significant transactions during the reference period with shareholders, individuals with significant influence over the company and with members of the Administrative, Directive or Supervisory bodies.

On 17 June 2020 the Poste Vita Board of Directors resolved to centralise within the ultimate parent Poste Italiane the administrative/accounting activities of the companies in the Poste Vita Group.
In the context of this centralisation, on 24 July 2020 the Board of Directors of the subsidiary Poste Assicura resolved, effective as of 1 September 2020, to partially terminate the pre-existing outsourcing of administrative/accounting activities to the parent company Poste Vita, consequently entrusting these activities to the new supplier Poste Italiane.
On 28 July 2020 the Poste Vita Board of Directors resolved to entrust Poste Italiane with the centralised treasury service (Cash Pooling).
This operation, although with the appropriate specifications/differentiations, was also approved by the administrative bodies of the other companies in the Poste Vita Group. Specifically, the Board of Directors of the subsidiary Poste Assicura S.p.A. approved the operation on 15 December 2020.
On 10 December 2020, the Poste Vita Board of Directors, having received a favourable opinion from the Internal Control and Risks and Related Party Transactions Committee, resolved to outsource of Poste Vita human resources management and organisation activities to Poste Italiane S.p.A. In line with this resolution the Poste Assicura Board of Directors resolved to outsource human resources management and organisation activities to Poste Italiane S.p.A.
In addition to the above, note that at 30 June 2020 the subsidiary Poste Assicura S.p.A. acquired a 5% interest in the share capital of Consorzio Logistica Pacchi S.c.p.a.
Additionally, as already noted in the Poste Vita Group’s Solvency and Financial Condition Report of the previous year, recall that on 6 December 2019 the Poste Vita S.p.A. Board of Directors, after receiving a favourable opinion from the Internal Control and Related Party Transactions Committee, approved the disposal of the IT business unit and the outsourcing of IT systems development and management to Poste Italiane S.p.A., effective as of 1 March 2020.
This same implementation process, although with the appropriate specifications/differentiations, was also followed by the other companies in the Poste Vita Group. Specifically, the Board of Directors of Poste Assicura S.p.A. approved the operation on 10 December 2020.
On 26 February 2020, the deadline for any observations from the Authority having expired, the deeds transferring the business units of each of the relevant companies were signed, effective as of 1 March 2020.

With the exception of that represented in paragraph A.1 with reference to transactions with the ultimate parent Poste Italiane S.p.A., no other substantial transactions were carried out during the reference period.

Methods used to guarantee Key Functions the necessary powers, resources and functional independence from operating areas and units

Consistent with that established in the individual Guidelines for the Key Functions (resulting from the internal audit functions), each function in question is established as a specific organisational unit, different to and independent from the other Key Functions and Operating Functions, without any authority and/or responsibility over the activities examined, ensuring compliance with the requirements established under applicable regulations. These functions operate in compliance with the organisational principles established under the regulations, as

well as with the policies, procedures and principles of the Companies, cooperating with the Board of Statutory Auditors, the Independent Auditors, the Supervisory Body (required by Legislative Decree 231/01) and each other.
Each Key Function must be able to depend, including through the use of external specialists, on resources who are quantitatively and qualitatively able to carry out the tasks assigned to the function, with an appropriate and adequate level of professionalism, while also guaranteeing continuous professional development.
Personnel involved in the work of the Key Function for whatever reason, must:

- base their professional work on the criteria of independence, authority and separation, to as to be able to classify their choices as "*super partes*";
- abstain from undertaking any actions that could generate conflicts of interest or prejudice the ability of carrying out their task in an impartial manner.

To carry out their tasks, each Key Function must be guarantee fee and independent access to the company structures and databases of the Companies, to obtain pertinent information/data such as management data or information of any other kind.

Methods used to achieve coordination of the Administrative and Control Bodies, and the Risk Management, Compliance, Internal Audit and Actuarial Functions
Definition of methods to achieve coordination and cooperation between the control bodies supports the overall functioning of the Internal Control and Risk Management System (hereafter, also ICRMS), as well as a clear and consistent representation of the risks to which the Companies are exposed to senior management and company bodies.

To that end, through ICRMS guidelines, the parent company has established the following main opportunities for coordination and cooperation between the control bodies (implemented, among other ways, through the exchange of specific informational flows):

- cooperation and, when possible and expedient, coordination when identifying and updating individual annual activity plans, to guarantee adequate monitoring of the main risks to which the Companies are exposed and to allow, when possible, synergistic work as well as the identification and effective management of overlapping areas, avoiding redundancies and diseconomies;
- periodic updates on risk assessment/measurement and on the adequacy of controls, through exchanges of information on the results of individual activity and assessments of weaknesses in the internal control and risk management system. In this context, the sharing of possible corrective actions makes it possible to avoid redundancies and inefficiencies, creating synergies by responding to the needs identified by the various Key Functions and/or other functions and individuals responsible for corporate control, better calibrating control efforts.

In addition to the above, if one of the above Functions identifies, in the context of their own work, significant information relative to the responsibilities of another Key Function, it is established that the former should promptly inform the latter.

Methods by which the Key Functions inform and support the Administration and Control Bodies

To ensure the Administrative Body is always kept up to date, the ICRMS Guidelines call for specific information flows between the Bodies/Key Functions and the Board of Directors, mainly with regards to the proposed annual plans, the results of activities and prompt reporting on any situations of particular gravity identified.

Methods through which the internal control and risk management system and reporting procedures are consistently implemented in all Group companies

To ensure that the internal control and risk management system and reporting procedures are consistently implemented in all companies falling within the Group, consistent with the principles established in the reference regulations, Poste Vita S.p.A. (hereafter, "Poste Vita"), in exercising the powers and responsibilities granted to it under the regulations[3] as the Ultimate Italian Parent (hereafter "USCI") of a group subject to IVASS supervision, the Poste Vita Group (hereafter, the "Group"), has defined the Guidelines for the Poste Vita Group Internal Control and Risk Management System. These Guidelines apply to the Poste Vita Group as a whole and to the individual companies of which it consists, including Poste Assicura S.p.A.

The ICRMS Guidelines define the tools, organisational structures, norms and rules intended to allow for healthy and proper business management, consistent with company objectives. In this context, the parent company Poste Vita S.p.A has established a structured Group level governance model implemented operationally in the subsidiaries, including Poste Assicura, based on the role of the entities involved in internal control and risk management.

This organisational model aims to ensure, at the Group level, effective and efficient business processes, control over current and future risks, constant reporting between "control levels", and reliable and complete information, while protecting assets over the medium and long term.

The internal control and risk management systems of the Group and the Companies are implemented through a series of documents prepared at the level of the Group and of the individual Company.

Relative to Group level documents, we note the main ones listed here below, approved by the Board of Directors of the parent company and the subsidiary:

- Guidelines on the Internal Control and Risk Management System;
- Internal Audit Function Guidelines;
- Risk Management Function Guidelines;
- Compliance Function Guidelines;
- Actuarial Function Guidelines;
- Guidelines for Outsourcing and Supplier Choice;
- Guidelines on Assessing Possession of Necessary Requirements for a Position;
- Risk Management Guidelines;
- Risk Appetite Framework;
- Guidelines on Reporting to Regulatory Authorities;
- Guidelines for the Own Risk and Solvency Assessment (ORSA);

[3] Refer, in particular, to the "power to guide" companies within the group and the responsibility to implement provisions regarding the group's corporate governance system, pursuant to Title XV of Legislative Decree 209 of 7 September 2005 (Private Insurance Code) and to IVASS regulation 22/2016, regarding Group supervision.

- Capital Management Guidelines;
- Guidelines for Handling Privileged Information;
- Internal Dealing Guidelines;
- Whistleblowing Guidelines;
- Data Quality Management Guidelines;
- Risk Concentration Guidelines;
- Policy on Activities Outsourced to the Parent Company Poste Vita;
- Guidelines on Infragroup Operations;
- Guidelines on Measuring Assets and Liabilities other than Technical Provisions.

Additionally, consistent with that defined by the parent company Poste Vita S.p.A., the individual Companies prepare specific documents, taking into account their own size and nature, for example:

- Guidelines on the Internal Control and Risk Management System;
- Internal Audit Function Guidelines;
- Risk Management Function Guidelines;
- Compliance Function Guidelines;
- Actuarial Function Guidelines;
- Guidelines on Assessing Possession of Necessary Requirements for a Position;
- Complaint Management Guidelines;
- Conflict of Interest Management Guidelines;
- Organisational Model pursuant to Legislative Decree 231/2001;
- the Investment Guidelines, approved with the Framework Resolution, pursuant to IVASS regulation 24/2016;

as well as other corporate documents that make up the procedural corpus for the Companies and which pertain to the system of controls that help guarantee implementation of corporate directives and verify compliance with the same (e.g. investment limit control procedures, procedures on outsourcing and supplier selection, procedures intended to regulate administrative accounting flows and, more generally, reporting procedures).
In particular, in the context of documents prepared at the “individual company” level, consistent with those defined by the parent company Poste Vita S.p.A., specific processes and procedures have been established in compliance with the requirements of the Solvency II Directive. The main ones include:

- Product Development and Launch process;
- Reinsurance Management process;
- Risk Management process;
- Administration, Provisions Management and Budget process.

The parent company also ensures an adequate exchange of information with the Subsidiary to optimise the activities carried out, adopting a consistent methodological approach within the Insurance Group.

Governance System Self-Assessment Process pursuant to IVASS Letter to the Market of 5 July 2018

In consideration of the requirement for supervised companies to provide themselves with a corporate governance system that is "*proportional to the nature, size and complexity of the business*" and, therefore, to its risk profile, the Letter to the Market of 5 July 2018 (hereafter, the "Letter"), establishes that the Italian Ultimate Parent Companies must adopt, as a minimum, an "ordinary" governance system and, in any case, not one of a lesser lever than the Italian subsidiaries.

In this context, the Companies of the Poste Vita Group have carried out the self-assessment processes, regarding their own complexity/riskiness, to identify the governance model to adopt after analysing the dimensions of the Companies, the complexity parameters and additional aspects identified in the Letter.

Following the analysis:

- **Poste Vita** assessed and confirmed as adequate a "**reinforced**" governance model. The reinforced governance model continues to appear appropriate for Poste Vita based on its dimensions. It is also proportionate to its nature, size and the complexity of its business, as well as its risk profile.
- **Poste Assicura** assessed as appropriate a switch from the "simplified" model to the "**ordinary**" governance model, given that this is proportionate to the nature, size and complexity of its business, as well as its risk profile. Additionally, considering the governance structures present in Poste Assicura and those within the Insurance Group, in addition to adopting the aspects associated with the "ordinary" regime, the Company also decided to keep, on a voluntary basis, certain more detailed and stringent organisational aspects typical of the "reinforced" model, also making use of the governance structures implemented by Poste Vita as the USCI (e.g. the establishment within Poste Vita of Key Functions established as specific and separate organisational units).

Consequently, the USCI Poste Vita adopted a "**reinforced**" governance model.

B.2 Fit and Proper Requirements

In 2015, the parent company Poste Vita S.p.A. adopted a policy intended to guarantee possession of fit and proper requirements by those guiding the company and those carrying out other key activities or functions (hereafter, the "Guideline"), periodically updating it in line with current sector regulations.

In 2020, as the Insurance Company which is the USCI in a group subject to IVASS supervision, in line with IVASS Regulation 38 of 3 July 2018, Poste Vita updated its policy, creating a document which defines this policy for both itself and the Poste Vita Group. When this policy was updated, it was reclassified as a Guideline, in compliance with the provisions of the Corporate Regulatory System.

Among other things, the Guideline creates a list of people who carry out key activities or functions within the company, taking into account the risk profile and organisation of Poste Vita, also in its role as the USCI.

In particular, the Recipients of the Guideline are:

- the members of the Board of Directors, the Chairman, Chief Executive Officer and the General Manager;
- the members of the Board of Statutory Auditors;
- the Heads of the Key Functions and the Anti-Money Laundering Function and, in the case these latter are outsourced within the Group or externally, the Heads of the Key Functions and Anti-Money Laundering Function within the supplier;
- Individuals providing Key Functions, including the highest level personnel and staff of the Key Functions and the Anti-Money Laundering Function.

More specifically, the following are Key Functions: Internal Audit, Compliance, Risk Management and Actuarial.
Additional recipients of the Guideline are:

- Whistle-blowers;
- Those providing essential or important activities or functions within the Company other than the key functions and staff responsible for carrying out essential or important functions;
- in the case essential or important activities or functions are outsourced within the Group or externally, those responsible for monitoring the outsourced functions or activities, those responsible for the outsourced function or activity within the supplier and the staff responsible for carrying out the outsourced activities within the supplier;
- the Head of the Risk Office; the Financial Reporting Manager; the Corporate Distribution Manger; members of the Supervisory Board.

The Guideline also applies to other relevant personnel identified by the Company pursuant to article 2, paragraph 1, letter m) of IVASS regulation 38/2018, consisting of key management personnel and other categories of personnel whose activities may have a significant impact on the company’s risk profile, as formalised in the Guidelines on the Internal Control and Risk Management System.

As anticipated above, the Company has adopted a company policy intended to ensure that the people managing the company or who provide other key activities or functions hold the necessary requirements of ability and ethics, as well as independence, taking into account the risk profile and organisation of Poste Vita, also in its role as USCI.
In this light, the Guideline adopted by the Company also establishes the principles it follows in assessing possession of the aforementioned fit and proper requirements, as well as the procedures adopted to that end, in line with that established in the reference regulations.
In particular, the Guideline describes:

- requirements for positions in terms of professionalism and ethics identified for the Recipients of the Guideline, as well as independence and compatibility with the position pursuant to Law Decree 201/2011 (Save Italy Decree), when applicable;
- the procedure used to assess the requirements of individual Recipients and for reporting to the Supervisory Authority;
- documents useful for assessing the aforementioned fit and proper requirements;

- the rules based on which the Guideline is reviewed with the aim of continuously ensuring compliance after any changes in the regulatory context and the organisational structure of the Company.

Specifically, definition of criteria used to verify the possession of the requirements of professionalism and ethics is based, in general terms on the provisions of article 3 of Ministerial Decree 220.2011. With reference to the Heads of Key Functions, as well as those providing Key Functions, as for the other Recipients the professional requirements have been outlined in the Guideline, taking into account the specific categories of the Recipients and the years of experience these must have in their respective areas of competence, without prejudice to specific regulatory provisions applicable on the basis of the position held and/or level of responsibility.

In identifying the regulations with regards to ethical requirements, the Company decided to apply to all the Recipients of the Guideline the requirements under articles 4 and 5 of Ministerial Decree 220/2011, without prejudice to the Private Insurance Code with reference to the Corporate Distribution Manager. For the Heads of Key Functions, as well as for certain specific categories of Recipients identified in the Guideline, in addition to the aforementioned requirements, article 16 of the Company By-Laws applies, known as the “Ethics Clause”.

Note that verification of the initial and continued existence of fit and proper requirements for positions to which the Guideline applies is carried out by the Board of Directors, based on a (non-binding) opinion issued by the Internal Control and Risks and Related Party Transactions Committee, in the following cases:

- at the time Recipients of the Guideline are appointed;
- when there is a reason to presume that one or more of the fit and proper requirements relative to Recipients no longer exist (also through notification made by the Recipients themselves or other informed individuals, for whom anonymity is guaranteed);
- with reference specifically to professional profiles where due to the expiration, resignation or revocation of the position of one or more members, it can be presumed that as a whole the Board of Directors does not possess adequate technical skills as established under current sector regulations;
- periodically, on an annual basis.

The Board of Directors is responsible for resolving on the existence of fit and proper requirements relative to the Recipients and making all the most expedient relative decisions, calling, when necessary the Shareholders’ Meeting for all determinations to that end, as well as verifying that the Administrative Body, based on that established under article 5, paragraph 2, letter l) of IVASS regulation 38/2008, possesses adequate technical skills, in particular with regards to the matters indicated by the Supervisory Authority and which involve insurance and financial markets, governance systems, financial and actuarial analysis, the regulatory framework, commercial strategies and business models.

To that end, the Board also makes use of the self-assessment carried out annually pursuant to article 5, paragraph 2, letter z of IVASS regulation 38/2018.

It is understood that the Recipients who have not demonstrated they hold the fit and proper requirements for their position established in the Guideline after the verification may, in compliance with the provisions of the regulations in effect and the company By-Laws, be subject to suspension and/or termination from their position. These sanctions may also apply, taking into account the seriousness of the violation and non-compliance in question, in cases of false

declarations and/or production of incomplete or false documents, without prejudice to the appropriate reporting under the law, also in the case of false declarations.
Without prejudice to the cases of termination established under the relevant regulations, with reference to Heads of Key Functions, as well as the General Manager, Head of Anti-Money Laundering, the Suspect Transactions Reporting Manager, those providing essential or important activities or functions and other relevant personnel, if one of the cases envisaged under article 16 of the By-Laws occurs during their time in the position, the Board of Directors shall verify at their first useful meeting whether or not there are grounds to resolve with regards to the relevant individual remaining in their position. Resolutions to approve the continuation of the individual in their position must be adequately motivated with regards to the pre-eminent interests of the Company relative to the same.
Based on the decision made by the Board of Directors after completion of the verifications, an appropriate communication is made within thirty days to the interested party(ies) and if necessary to the relevant authorities, if the requirements for such exist or it is necessary based on the regulatory provisions.

B.3 Risk Management System, including the Own Risk and Solvency Assessment

The Solvency II Directive requires that insurance companies and groups provide themselves with effective governance systems that allow for health and prudent management of assets, proportional to the nature, extent and complexity of current and prospective risks, and establishes the main requirements for the same. This system involves the entire business process with the aim of allow the Group and Group Companies to optimise their risk/return profiles, by generating profit and maintaining an adequate level of regular and regulatory capital, simultaneously guaranteeing shareholder and policyholder expectations.
The Poste Vita Group has prepared a Risk Management System in line with that defined in its own Policies and consistent with the provisions of IVASS Regulation 38/2020.
More specifically, in addition to promoting ethical values, promoting a risk culture that includes all employees, the Group guarantees integration of risk management throughout business through:

- the Risk Appetite Framework and the mechanisms which monitor the coherence of the Framework and the effective risk profile, by defining specific operating limits;
- the process for measuring current and prospective risk and solvency, aligned with and integrated by the main decision-making process, especially the strategic plan process;
- the coherence of business initiatives regarding development of new products and their impacts on the risk profile, through the use of risk adjusted measurement metrics.

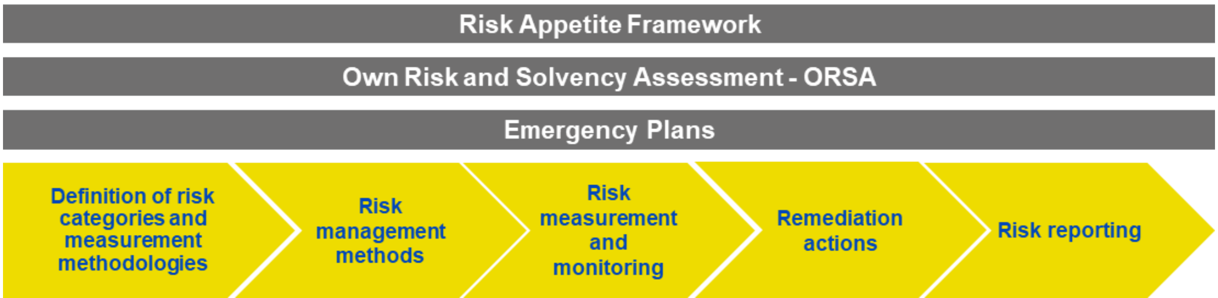
In the context of the investment policy pursuant to IVASS Regulation 24/2016, the Poste Vita Group takes on risk based on the following principles:

- consistent with strategic business objectives, the risk appetite and the need to identify, measure, monitor and manage risks linked to each activity, taking into account the Prudent Person Principle, pursuant to article 132 of the Solvency II Directive.

- Relative to concentration risks, risks are taken on also in line with investment policies;
- investment in complex assets and derivatives is done based on investment guidelines, approved by the Board of Directors with a Framework Resolution pursuant to IVASS Regulation 24/2016 and the specific processes defined by the Poste Vita Group;
- The Poste Vita Group prefers counterparts with greater credit standing and optimises it investment decisions by taking risk/return trade-offs into account.

The Risk Management System (hereafter, RMS) is intended to guarantee risk-based decision making processes that comply with the national and European standards of reference.
This System consists of a combination of strategies, processes and procedures needed to identify, measure, assess, monitor, manage and report the risks to which the Group and the individual Companies are exposed, on a continuous basis.

RMS processes



In particular, this System calls for strategic processes functional to the definition and assessment of the reference framework in which operational processes fall.
Strategic processes include:

- creation of the Risk Appetite Framework (RAF);
- execution of the Own Risks and Solvency Assessment (ORSA);
- creation of Emergency Plans.

Below are the phases of the process which represents the RMS:

Definition of risk categories and measurement methods
This phase serves to identify, recognise and record the risks to which the Group and Group Companies are exposed over the short and medium/long-term and to define measurement methods as a function of the nature, extent and complexity of the risks inherent to the activities carried out. The process of defining risk categories includes, in addition to risks already or potentially existing with regards to business, risk deriving from new business.

Risk Management Methods
This involves all the activities that lead to the acceptance, transfer, mitigation or elimination of risks with regards both to existing business and risk deriving from new business.

Risk measurement and monitoring
This phase serves to determine the economic and capital impact of quantifiable risks and to determine the relevance of non-quantifiable risks.
It aims to guide the relative decisions regarding the assumption, acceptance, elimination, transfer and mitigation of the risks.

Corrective actions
In line with that carried out in the previous phase, if operating limits are exceeded and/or the risk profile is not consistent with that outlined in the Risk Appetite Framework, this phase is intended to identify possible corrective actions which could be taken. To that end, in the case of the above circumstances, the following activities are carried out:

- identification of corrective actions;
- assessment of the efficacy of the corrective actions identified;
- activation of the authorisation procedure;
- implementation of the actions and monitoring.

Risk reporting
Finally, the Poste Vita Group and the Group Companies have adopted an integrated risk reporting system intended to provide information about the risk profile and the key points useful for guaranteeing strategic objectives are met. In particular, internal risk reporting for the Group and the Group Companies is aimed at communicating relevant information for strategic-decision making, at various corporate levels, and supporting operational risk management.
Activities relative to the preparation of external reports mainly involve reports going to the Supervisory Authority, Ratings Agencies and the market.
Each process within the Risk Management System maintains consistence between the type of risks taken on and the overall skills and resources available for managing them.
As established under article 36-septies of the Private Insurance Code, the Group applied volatility adjustments on the measurement date, preparing the analysis required for adoption of the same.
Consistent with article 30-bis of the Private Insurance Code, with an eye to integrated asset and liability management, the Group prepared analysis to evaluate:

- the sensitivity of technical provisions and eligible own funds to the hypotheses underlying volatility adjustment calculations;
- the effects felt by eligible own funds after a forced sale of assets;
- the impact of reducing the volatility adjustment to zero.

In the case that reducing the volatility adjustment to zero means the Solvency Capital Requirement is not complied with, the Group has prepared a list of measure to apply to restore the level of eligible own funds to cover the Solvency Capital Requirement or reduce the risk profile, so as to again comply with the Solvency Capital Requirement.
As established by the Supervisory Authority, the Group has also prepared, in the context of risk management, a liquidity plan with incoming and outgoing cash flow projections relative to assets and liabilities subject to the application of volatility adjustments. Asset Liability Management (ALM) assessments involve the simultaneous dismantling of the asset and liability portfolios to determine all the inflows and outflows generated by the policies portfolio (liabilities) and the financial instrument portfolio (assets) in a “Real World” scenario over a period of five years.

This analysis is done using closed, open and 50% production conditions with respect to that forecast by the Group. The purpose of the analysis is to verify the availability of liquidity sufficient to comply with obligations, even under stress, without selling illiquid assets.

In calculating the solvency requirement for spread and counterparty risk, based on the Solvency II Standard Formula, the Poste Vita Group and the Group Companies use a single rating value for assessing credit standing, which synthesises the credit ratings assigned for a single issue or issuers by the main ratings agencies (Moody's, Standard & Poor's and Fitch), using the second best criteria.
They are also based on the various investment limits described previously, defined by the Board of Directors and senior management and involving, for example, maximum percentages for sub-investment grade securities and maximum exposure to individual issuers.

Risk management system strategic processes

The **Risk Appetite Framework (RAF)** plays a central role in the strategy adopted by the Poste Vita Group for taking on and managing risks, in order to achieve business objectives.
The reference structure for defining the Poste Vita Group risk appetite involves the following levels and must guarantee coherence between strategic objectives and capital adequacy requirements.
The Risk Appetite Framework was developed in line with the objectives and strategies of the Group and the Group Companies as defined in the Strategic Plan.
The Risk Appetite Framework is also structured around the operating limits used to define the risk management system for the amounts which are managed by the operating functions, intended to guarantee that risk exposure is consistent with the defined risk appetite.

Risk appetite is defined along the following levels:

- **Risk Appetite**
  this is the target risk level, established based on the development of the Company's risk profile in the first year of the strategic plan;
- **Soft Limit and Risk Tolerance**
  these are solvency thresholds determined by analysing the results of stress tests and sensitivity analysis, among other things, and respectively refer to the alert level and maximum risk level accepted by the Group and the individual Companies;
  - **Risk Capacity** represents the capacity of the Group and the individual Companies to take on risk in relation to available capital and the rules used to determine capital requirements.

Additionally, for certain specific measurement areas, target levels have been established which, in the context of monitoring, are compared with the effective Risk Profile of the Group and the individual Companies on the measurement date.
The RAF is approved by the Board of Directors at least annually and is monitored, at least quarterly. Reports are approved by the Board.

Emergency Plans are plans prepared by the Group during non-critical times with the aim of defining the methods the business could use to handle crisis situations. In particular, Poste Vita S.p.A. has a:

- **Operating Contingency Plan**: intended to implement direct actions to ensure continuity in Group and individual Company processes in the case that one or more situations defined beforehand degenerate into crises or disasters;
- **Emergency Business Plan**: this serves to manage impacts deriving from negative events linked to scenarios to which the Group and individual Companies may be vulnerable, which could compromise their ability to continue providing services to customers and, at the same time, the capital and financial solidity of the company.

Additionally, as the USCI and consistent with the provisions contained in article 83 of IVASS regulation 38/2018, Poste Vita has provided the Group with a Reinforced Emergency Plan that governs management of crisis situations and provides strategies to restore ordinary working conditions, identifying the operating methods, roles and responsibilities for the main Corporate Bodies and company functions involved in the crisis management process and actions to re-establish regular operating conditions.

Own Risks and Solvency Assessment (ORSA) is a process intended to assess the risk profile and solvency of the Group and the individual Companies both currently and prospectively, in line with the time horizon of the Strategic Plan. The ORSA and the Capital Management processes together constitute the “risk-based decision making process” used to determine the Group’s strategic decisions. The ORSA is a cyclical process that involves defining processes used to define risk appetite, to prepare the Strategic Plan and the Strategic Asset Allocation process linked to the same and Capital Management, as well as the Own Risks and Solvency Assessment itself.

Visual representation of the risk-based decision making process

Risk-based decision-making process	Business	Owner
Definition of risk appetite (RAF) 1	• Definition of risk appetite • Definition of risk preference • Definition of tolerance limits (and operating limits)	• Board of Directors upon proposal of the Chief Executive Officer, with the support of the Risk Office and Financial Office Function
Proposal Strategic Plan and Capital Management Plan 2	• Drafting the Strategic Plan proposal • Drafting the Capital Management Plan proposal • Drafting the Strategic Asset Allocation proposal	• Board of Directors upon proposal of Financial Office • Investment Office
ORSA Ratings 3	• Current and prospective assessment of the risk profile in the baseline scenario and under stress assumptions	• Risk Office
Verification with the Risk Appetite Framework 4	• Checking the consistency of ORSA results with the Risk Appetite Framework	• Risk Office
Drafting of the ORSA Report and approval 5	• Drafting of the Report documentation ORSA • Approval of the Report	• Risk Office • Board of Directors
Risk Profile Monitoring 6	• Monitoring of risk profile and liquidity needs (Level I and Level II)	• Operating Functions by competence profile • Risk Office

1. Definition of risk appetite (RAF)

The Risk Appetite Framework (RAF) is the tool through which the Group and Group Companies define their risk appetite, in line with strategic objectives, capital adequacy constraints and economic performance.

Consistent with the business objectives outlined in the Strategic Plan and Risk Management Policy, the Risk Office, with the assistance of other relevant company functions, defines Risk Appetite, including the Soft Limit, Risk Tolerance and Risk Capacity (as described in the “Risk Appetite Framework” paragraph).

2. Proposed Strategic Plan, Capital Management Plan

The second phase of the process calls for creating the proposed Strategic Plan and Capital Management Plan, which is done by the company functions responsible for the Managing Planning and Control and Capital Management processes, consistent with the Risk Appetite Framework and the limits contained therein.

Relative to the Strategic Plan, the planning process includes defining strategic objectives, outlining these objectives in strategic initiatives and creating economic and financial projections linked to business objectives.

The Capital Management Plan includes forecasts for the classification and issuing of own funds, as well as for distribution of dividends.

Based on that established in the Group’s Capital Management Plan, the function responsible for Capital Management governs the issuing of own funds, ensuring that capital requirements are satisfied at the time of issuing.

To that end, the following assessments are envisaged:

- quantification of capital requirements with respect to that identified when the Capital Management Plan was finalised, simultaneously informing Senior Management of the amount identified;
- verification of the type of instrument identified with respect to market conditions;
- selection of the most appropriate instrument to cover the requirements, in cooperation with other relevant functions;
- definition of an implementation schedule relative to the selected instrument.

After the analysis referred to in the previous points, the function responsible for Capital Management prepares a technical report which establishes that the instrument identified, in addition to having clear and unequivocal terms and conditions, also satisfies the requirements of the applicable capital regime and can be classified based on the characteristics and levels identified in articles 69 and subsequent of Delegated Regulation (EU) 35/2015.

With reference to the authorisation process, Senior Management examines the above technical report and proposes the details and execution methods as identified for the operation to the Board of Directors.

Authorisation is then requested from the Supervisory Authority following the schedules established in the Regulations.

For the purposes of completing the issue, Senior Management makes use of the function responsible for Capital Management which acts in coordination with the relevant functions of the ultimate parent Poste Italiane.

In addition to the above, in the case of ancillary own funds, the following steps are taken:

- identification of elements for classification of Ancillary Own Funds Tier 2 or Tier 3;
- definition of schedules and methods used to present the request for approval of ancillary own funds to the Supervisory Authority;
- calculation of ancillary own funds in Tier 2 or Tier 3 based on the characteristics of the operation, after approval from the Supervisory Authority;
- verification of contracts, which must include, among other things, an absence of constraints on call requests and irrevocability, and a lack of elements which create obstacles to making calls;
- implementation of procedures to guarantee the call is made promptly when necessary;
- preparation of the request for IVASS authorisation based on the regulatory instructions found in IVASS Regulation 13/2015, with follow up relative to the authorisation procedure.

3. ORSA

The ORSA, for which the Board of Directors is ultimately responsible, is coordinated by the Risk Office with the support of the Actuarial Function and the Operating Functions and is prepared using a process appropriate for the organisation system and consistent with the risk management system of the Group and the Group Companies. The assessment process, detailed below, must be appropriate for the purposes described above, without prejudice in any case to the principle of proportionality.

3.a Frequency and schedule

The ORSA is carried out at least once per year (regular ORSA), using 31 December of the previous year as the reference date.

The regular ORSA and activities to prepare the relative documents are begun after the end of the year in question and completed by the deadlines established by the Supervisory Authority.
The Group's Board of Directors, without prejudice to the regulatory authorisation steps required, may make use of the right to request a different reference date for analysis, provided that this analysis provides information that is more consistent with strategic planning.
Frequency of measurements may be increased (non-regular ORSA) in the case of circumstances that could significantly change the risk profile of the Group or the Group Companies, or in consideration of the centrality of the ORSA process in making strategic decisions. This latter possibility may arise in relation to schedules for defining the Strategic Plan if there is a temporal mismatch between the schedule of assessments established by the Supervisory Authority relative to the Group's internal planning cycle. Significant changes to the risk profile may derive from internal factors (e.g. acquisitions, mergers and disposals, changes in investment, pricing or reservation policies, the introduction of new business) or external factors (e.g. financial crises, real estate crises, catastrophic events that exceed reinsurance protection, failure of public institutions, significant regulatory changes).

3.b Identification of risks to be considered in the ORSA
In ORSAs, the Risk Office takes into consideration all the risks represented in the taxonomy established in the Risk Management Policy. This taxonomy consists of current and any emerging risks, whether measurable or not. Special attention is also paid to risks deriving from the introduction of new business or new products. Additionally, the Group and the Group Companies take into account any risks deriving from outsourced essential or important activities, as well as all indirect risks which any risk could generate.
Below are the risk categories identified in the taxonomy:
- life underwriting risk;
- non-life underwriting risk;
- life/health underwriting risk;
- non-life/health underwriting risk;
- market risk;
- counterparty default risk;
- strategic risk;
- reputation risk;
- regulatory non-compliance risk;
- money-laundering risk;
- lack of diversification and/or concentration risk;
- risks associated with Group membership;
- intangible assets risk;
- liquidity risk;
- environmental and social risk;
- operational risk.

Of these, the following are risks not entirely included when calculating the solvency capital requirement:
- strategic risk;
- reputation risk;
- regulatory non-compliance risk;
- lack of diversification and/or concentration risk;

- risks associated with Group membership;
- intangible assets risk;
- liquidity risk;
- environmental and social risk.

3.c Risk assessment methods

The process of measuring/assessing risks is intended to determine the economic impact of the same or, for risks which cannot be measured, to determine their significance, as well as to guide relative decisions regarding taking on, accepting, eliminating, transferring and mitigating risk.

Prospective risk measurement is done using the Standard Formula.

The Companies of the Poste Vita Group assess, at least once per year and any time there are circumstances which could significantly change the risk profile, the risks to which they are exposed both currently and prospectively, basing the measurements on the Own Risk and Solvency Assessment (ORSA) principles.

Analysis of the adequacy of the Standard Formulas is done considering all the hypotheses established under the reference Regulations and determining their alignment with the Company's specific situation.

Quantitative assessments may be added to by qualitative assessments that describe organisational safeguards and processes used to manage and mitigate particular types of risk. When necessary, risks are also analysed using special unfavourable scenarios defined in respect of the criteria established in the Stress and Scenario Testing Framework approved by the Board of Directors. The methods established are applied for the entire period considered in strategic planning and are sent, together with the results of the evaluations, to the Board of Directors which, after appropriate dialogue, gives its approval.

3.d Methods used to carry out ORSA analysis

ORSA analysis is done in respect of the following principles:

- methods identified, assumptions and parameters adopted are shared, adequately documented and subject to review at least once per year;
- any simplifications made use of must be adequately justified and documented;
- the results of the models used for decision-making purposes must be assessed taking into account the assumptions, parameters and simplifications used;
- the results of the models must include adequate controls and be subject to verification by expert company personnel, possibly assisted by external individuals;
- the results of the qualitative and quantitative analysis are appropriately documented and shared with the Board of Directors.

3.e Data collection

Input data used for current and prospective risk and solvency assessment satisfy the requirements governed in the Group's Data Quality Management Guidelines, in order to guarantee complete and up to date information.

3.f Identification of significant risks

Identification of significant risks requires the collection of information needed to identify, recognise and register the risks to which the Group and the Group Companies are exposed

over the short and medium/long-term, for which consequences could compromise the ability to achieve strategic objectives and/or impact solvency. In particular, this process calls for a qualitative and quantitative evaluation of gross exposure to risk and an assessment of tools used to mitigate risk. The combined assessment of both these aspects makes it possible to identify significant risks. The results are formalised in a Risk-Map.
The Risk Office carries out stress tests on significant risks.

3.g Stress Test Analysis
For the most significant risks, the Risk Office carries out a sufficiently broad series of stress tests or scenario analysis to evaluate and quantify losses relative to Own Funds and the ability to comply with solvency requirements, after the occurrence of hypothetical adverse situations.
The stress hypotheses or scenarios are applied using measurement methods in line with that established in the Stress and Scenario Testing Framework and are approved by the Board of Directors.

3.h Current and prospective assessment of the Solvency II Balance Sheet and Own Funds
Based on the indications found in the Strategic Plan, the Risk Office projects the Solvency II Balance Sheet and determines Own Funds, with classification in the relative Tiers. The Actuarial Function provides assistance in ascertaining respect with requirements relative to calculating technical provisions and in identifying potential risks deriving from uncertainties connected to this calculation.
Based on the results of the assessments, including those involving stress conditions, the Risk Office assesses the capital adequacy of each individual Company based on the Solvency Ratio, as well as its ability to comply with the capital requirements for the entire planning period, hence ascertaining the sustainability of the underlying Strategic Plan and Capital Management. If the results of these tests are negative, the decision making process is repeated using a risk-based lens.

4. Verification with the Risk Appetite Framework
In this context, the Risk Office verifies the consistency of the ORSA results with respect to the risk appetite and limits established in the RAF. If the results of these tests are negative, the decision making process is repeated using a risk-based lens. More specifically, a revision of the Risk Appetite and/or the hypotheses underlying the Strategic and Capital Management Plan is evaluated.

5. Preparation and approval of the ORSA Report
The Risk Office reports on the results of the own risk and solvency assessment in internal documents, to be used by the Board of Directors, and in the periodic report submitted to the Supervisory Authority (Regular Supervisory Report – RSR), in line with that established in the reference Regulations and the standards dictated by the company Reporting Policy.
After approval by the Board of Directors, the results of the assessments are communicated to Senior Management and the relevant structures, together with the relative conclusions.
Evidence that makes it possible to reconstruct the ORSA process is kept, ensuring that the evaluations and information on which the process is based can be traced, in line with that established in the reference Regulation.
Further documentation may be called for by the operating functions involved in the process.

6 Risk profile monitoring
Monitoring of the capital adequacy of the Companies, after approval of the Strategic Plan, Capital Management Plan and ORSA by the Board of Directors, is intended to ensure that the risk profile, approved risk tolerance levels and overall solvency requirements are constantly balanced, while also maintaining the ability to comply with solvency requirements.
In particular, the following are monitored:
• discrepancies relative to objectives established in the Risk Appetite Framework and the relative risk tolerance limits;
• the composition of capital in terms of classification in Tiers and coverage, in line with that established in the Risk Appetite Framework;
• potential significant changes in the risk profile with respect to expectations, with possible consequent effects on calculating future solvency capital requirements (SCR) and minimum capital requirements (MCR);
• uncertainties and potential risks associated with requirements relative to calculation of technical provisions.

The monitoring in question is carried out by the Operating Functions and the Key Functions on the basis of the roles and responsibilities defined in the Risk Management Policy.

B.4 Internal Control System

Poste Vita, as the Italian Ultimate Parent Company of the Poste Vita Group, in exercising management and coordination falling to it as the parent company of the Poste Vita Insurance Group, has identified a Group level governance model that is operationally detailed by the subsidiaries, including Poste Assicura, based on the role taken on by the entities involved in internal control and risk management.
This organisational model aims to ensure, at the Group level, effective and efficient business processes, control over current and future risks, constant reporting between “control levels”, and reliable and complete information, while protecting assets over the medium and long term.
The precise structure of this model (and the cited “control levels), with reference, in particular, to:

- the tasks and responsibilities of the Corporate Bodies, Board Committees and the Risk Management, Compliance, Actuarial and Internal Audit functions and the relative information flows, as well as
- the connections between functions and bodies assigned control tasks, pursuant to that established in the reference regulations,

is the subject of the “*Guidelines on the Internal Control and Risk Management System”* for Poste Vita, the Group and Poste Assicura, issued by their respective Boards of Directors.

As is known, the Solvency II regulations require insurance companies and groups subject to IVASS supervision to provide themselves with a corporate governance system in line with applicable regulatory provisions. In this context, the Insurance Companies and Italian Ultimate Parents (hereafter, “USCI”) establish their respective key functions, including the Compliance Function, proportional to the nature, extent and complexity of the risks inherent to the company and/or group’s business.

Based on this regulatory framework:

- the Board of Directors of Poste Vita S.p.A. (hereafter “Poste Vita” or “USCI”), an insurance company which is also the USCI of a group subject to supervision by IVASS (hereafter, the “Group”), established the Compliance Function for the Company and the Group, establishing that the latter is exercised by the organisational structure which provides the activities envisaged for the same Function within Poste Vita, with the same Head;
- the Board of Directors of Poste Assicura S.p.A. (hereafter “Poste Assicura”) has established the Company’s Compliance Function as a specific organisational unit and has appointed the relative Head.

In both cases, the Compliance Function is established as an independent function essentially intended to determine whether the organisation and its internal procedures are adequate to prevent non-compliance risks and which participates, in the context of its own activities and specifically with reference to the risk it monitors, in the overall risk management system of the Companies and the Group as a second level control function, cooperating with the Board of Statutory Auditors, the Independent Auditors, the Supervisory Body (required by Legislative Decree 231/01) and the other key functions.

The Heads of Functions appointed by the respective Administrative Bodies (of Poste Vita and the Group on one hand and Poste Assicura on the other) satisfy the requirements for their position in terms of ethics and professionalism as established in the relevant company policies.

Additionally, each Function operates in respect of the organisational principles in the regulations and in respect of the company and Group policies, procedures and principles. In this context, the Compliance Function Guidelines are of particular importance, approved by the Board of Directors for the two Companies and by the USCI at least annually, as part of the review of corporate governance system directives, with the aim of describing and governing:

- the activities of the Compliance Function relative to the internal control and risk management system of Poste Vita, the Group and Poste Assicura, in relation to managing non-compliance risks;
- defining the responsibilities, tasks and operating methods for the Compliance Function as well as the characteristics of reports sent to Company Bodies and other relevant functions consistent, among other things, with that established in the Guidelines on the Internal Control and Risk Management System for the Company.

Also note that in compliance with the current regulatory situation, the Administrative Body of Poste Assicura has decided to outsource the Compliance Function to the parent company Poste Vita.

This being established, the activities carried out by the Compliance Function can essentially be classified among the following macro-areas:

<u>Analysis of new regulations and evaluation of adjustments to company processes:</u> In the context of researching and interpreting regulations applicable to the company, the Compliance Function works with other company functions to identify impacts on the organisation and company processes. To that end, the Compliance Function monitors international, EU and national regulations (including secondary regulations) which govern insurance business as well as

developments in the same over time. Individual provisions are then analysed in the light of the concrete operations of the Companies and/or the Group, to identify the processes, procedures and functions affected, as well as any deadlines for any specific adjustments required. Consultation with the Administrative Bodies of the Companies and the USCI is also called for, in compliance with legislative, regulatory and administrative provisions adopted.

Verification of compliance with transparency requirements and of proper behaviour relative to policyholders: the purpose of these activities is to assess the adequacy of organisational measures adopted by the Companies in this context, as well as to verify documentation for insurance products and initiatives aimed at customers prior to release on the market. The main areas of action are precontractual and contractual transparency, communications during contract validity, sales network training activities and advertising initiatives.

Verification of organisational measures: the main objective of this work is to investigate the status of organisational measures adopted by the Companies and the Group (especially policies and procedures) to protect against non-compliance risk. Any issues identified and corrective actions held to be useful are then shared with the relevant company functions. An action plan is then agreed upon and implementation of the same is monitored over time.

Second level controls: in this context, the Function carries out after the fact verifications to determine the status of company safeguards relative to specific non-compliance risks, as well as to verify whether the business functions involved in a given area take compliance aspects into due consideration, understanding and implementing operating and control protocols intended to limit these risks.

Ongoing controls: Additionally, the Compliance Function carries out continuous monitoring activities, relative to particular issues or areas in which another control safeguard is present (e.g. privacy), or when this is expressly called for in internal or external regulations (e.g. remuneration).

With reference to the above, the Compliance Function works on the basis of Activity Plans which identify the projects it intends to carry out relative to regulatory non-compliance each year (also taking into account issues identified by previous checks and new risk that may derive from the development of products or innovative projects), consistent with the principles established under the regulations on corporate governance systems for insurance companies and that in the Compliance Guideline. The Activity Plan, which is submitted to the Administrative Body of each Company and USCI, also defines the frequency with which controls are carried out and takes the deadlines dictated by national and European regulations into due account.

B.5 Internal Audit Function

Poste Vita, which is also the “Italian Ultimate Parent” (hereafter, “USCI”) for the Poste Vita Group (hereafter, the “Group”) subject to supervision by IVASS, is required (under article 215-bis of the Private Insurance Code and article 70 of IVASS regulation 38/2018) to provide the group with a corporate governance system, adequate to the structure, business model and the nature, extent and complexity of group and individual investee and subsidiary risks, which allows for health and prudent management of the group and takes into account the interests of the companies within it, as well as the methods through which these interests contribute to the

shared long-term objectives of the group, also in terms of capital protection. In this context, the administrative body of Poste Vita is also the administrative body of the USCI, the guarantor and the entity which is ultimately responsible for the Group's Corporate Governance System and for definition of its directives.
That being established, as the insurance company which is also the USCI, Poste Vita has established the Group's internal audit function (see article 91 of IVASS regulation 38/2018), assigning roles and responsibilities to the organisational structure that provides the same activities within Poste Vita. The head of the Group's internal audit function and the head of Poste Vita's internal audit function is the same person.
The Group's Internal Audit Function provides third level controls, in the context of the Group's Corporate Governance System, on the Internal Control System and other components of the corporate governance system, the directives of which are defined by the Administrative Body of the USCI.
Also note that the Poste Vita Internal Audit function, due to outsourcing of Poste Assicura Key Functions to the parent company Poste Vita, also provides audits for Poste Assicura. To that end, pursuant to the reference regulations, the reference person for audit activities outsourced to Poste Vita by Poste Assicura has been identified, who reports directly to the Head of the Internal Audit function.
The Function helps the Companies and the Group to pursue their objectives, through independent and objective assurance activity, intended to assess and monitor the efficacy, efficiency and adequacy of the internal control system and additional components of the corporate governance system, as well as any needed changes, including through support and consulting provided to the company functions of the Companies and the Group. It carries out its activities in such a way as to preserve its independence and impartiality, in order to verify for the Companies and the Group - including through analysis of the results of the checks carried out within the individual Group companies - the correctness 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 compliance of administrative-accounting processes with criteria of correctness and regular accounting, the effectiveness of controls on outsourced activities.
The activities of the function, in terms of individual companies, are carried out on the basis of annual and multi-year plans. These vary based on the assurance objectives of the internal control system and those of additional corporate governance components. The Audit Plans for the companies are prepared using a risk-based methodological approach, also taking into account issues previously identified and new risks, expected business development and innovation and the non-binding methodologies established by Poste Italiane. With reference to the Poste Vita Group, the Group's audit plan is determined, taking into account the specific relevance of the individual entities which it is comprised of in terms of their impact on the Group's risk profile and considering the risk analysis and audit activities carried out by the subsidiaries, balancing Group level audit objectives with those of the individual subsidiaries. Planning also calls for analysing informational flows received from the key functions of the Poste Vita Group and from other functions and entities responsible for Group control, as well as from other investee companies. In line with the Poste Italiane Internal Audit guidelines, it also takes into account any requests for additions made by the Poste Italiane Internal Audit function, for the purposes of establishing the Poste Italiane Group Audit Plan.

The Function carries out its activities with a systematic and risk-based professional approach, taking into account the nature, extent and complexity of current and prospective risks and the specific relevance of the Group companies in terms of their impact on the Group's risk profile and whether or note there is a control relation. The function also carries out verification activities, with an integrated methodological approach, pursuant to Legislative Decree 231/01 for the Supervisory Boards of Poste Vita and Poste Assicura.
It promotes initiatives designed to achieve ongoing improvements to control, risk management and corporate governance systems, including through the provision of support, and contributes to the dissemination of ethical values and principles throughout the Group, without assuming management responsibilities.
It establishes organic connections with all the other key functions of the Companies and the Group, as well as with other functions and entities responsible for corporate control.

The Function is independent and autonomous, has no decision-making authority and/or responsibility relative to the areas audited and/or personnel involved in the same, and has not operating tasks.
The Function answers to the Administrative Body, which defines its powers and tasks.
The Head is not in charge of operating functions and does not hierarchically answer to individuals responsible for the same. Their position is appointed and revoked by the Board of Directors of Poste Vita (based on an opinion from the Group's Internal Control and Risks and Related Party Transactions Committee) and satisfies the requirements for the position relative to ethics, professionalism and independence established in the Guidelines on Assessing Possession of Necessary Requirements for a Position.
The Head and the employees of the Function (hereafter, also "auditors") carry out their work autonomously and independently, basing their evaluations and professional and behavioural style on principles of objectivity. Additionally, beyond that established in the Conflict of Interest Management Guideline, the Head and the auditors abstain from undertaking any activity that could generate conflicts of interest or prejudice the possibility of carrying out their work impartially and with the requirement to provide notification of potential conflicts. In this light, the employees of the function do not have any operational responsibilities and those coming from internal operating functions do not carry out any auditing of activities or functions in which they previously had authority or responsibilities, if a reasonable period of time has not passed (at least a year). In case of a potential conflict of interest for the Head, they must promptly inform the Chairman or Administrative Body, while in the case of a potential conflict of interest for an auditor, they must promptly inform the Head of the Function.
The Head promotes continuous improvement in the quality of the Function's work, which must be adequate, in terms of human, technological and financial resources, to the nature, extent and complexity of the risks inherent to the business of the Company and the Group.
The Head and the auditors must possess appropriate abilities, knowledge and specialised skills, guaranteeing constant professional development.

B.6 Actuarial Function

The Actuarial Function is a specific organisational unit which reports to the Risk Office, without prejudice to the independence and autonomy of the Function in its reporting to the Company Bodies in its relevant area, in line with sector regulations.
Reference regulations assign the Actuarial Function tasks of a strictly insurance nature, hence the scope of activities for the Group Function is circumscribed to the insurance companies Poste Vita (the parent company) and the subsidiary Poste Assicura.
In this context, by carrying out specific tasks relative to technical provisions, underwriting policies and reinsurance agreements in compliance with regulatory requirements, the Actuarial Function contributes to the application of the Risk Management System within the Companies and the Group.
Through the tasks assigned to it, the Actuarial Function carries out second level controls autonomously and objectively, in respect of the primary and secondary regulations for the sector and internal Group regulations.
The Function has human and technological resources able to guarantee continuous execution of verifications, analysis and other necessary actions relative to it's area of responsibility. Members of the Actuarial Function and the Head in particular have the knowledge and experience to comply with regulatory requirements.
To allow for execution of the tasks for which they are responsible Actuarial Function employees have free access to company pertinent company data and information.
The Function carries out its work for the companies as individuals and the Group as a whole when appropriate, in line with that established in the reference regulations and the operating methods described in the Actuarial Function Policy of the Group and Company.
The work of the Function can be classified into the following macro-areas:

- Technical provisions - in this area, the main tasks involve:
    - sufficiency of Local GAAP technical provisions for the Poste Vita separate financial statements;
    - coordination, data quality, backtesting and assessments relative to the adequacy of the methods, hypotheses and models underlying calculation of Solvency II technical provisions;
    - verifying coherence between the amounts of technical provisions calculated based on local standards and using Solvency II criteria;
- Underwriting - Opinion on the overall underwriting policy;
- Reinsurance - Opinion on the adequacy of reinsurance agreements;
- Risk management system - contribution to risk modelling underlying calculation of capital requirements and ORSA evaluations.

The Actuarial Function prepares a written report at least once a year for the Board of Directors of the Group and the Company which summarises, in line with the activity plan approved by each Administrative Body, the tasks carried out and the relative results, areas for improvement and any recommendations, as well as the status and implementation time for existing corrective actions. This is without prejudice to the requirement to provide immediate notification of issues of particular gravity using the established methods.
Additionally, the Actuarial Function, as a Key Function, is part of the annual review process for the Group and Company's Corporate Governance System for the areas of relevance.

B.7 Outsourcing

The Guidelines for Outsourcing and Supplier Choice for the Poste Vita Insurance Group define a series of criteria intended to guide Companies in selecting the most appropriate supplier to entrust with an outsourced activity. These criteria are listed below:

a) selection of a supplier must, when possible in terms of market availability, occur through comparison of three or more suppliers; additionally, in the case Key Functions are outsourced, suppliers must necessarily have their registered office within the European Economic Area[4] (EEA);

b) selection of a supplier must take into consideration the following indicators, to be evaluated using solely objective, documentable and transparent criteria:

- ownership and organisational structure;
- professionalism and specific skills for provision of the required service;
- economic and financial capacity and size;
- the adoption by the supplier of a code of ethics and organisational model pursuant to Legislative Decree 231.01;
- other indicators useful to testify to the ethics of the supplier (possibly identified by the Companies and specific to the supplier's business);
- independence of the supplier;
- with reference in particular to outsourcing of essential or important functions or activities, the presence of adequate plans to deal with emergency situations or interruptions to operations and, when deemed necessary by the Company, procedures to verify back-up devices;

c) selection of a supplier must call for the acquisition of specified documents from the supplier, to be gathered during the selection phase:

- Chamber of Commerce certificate demonstrating the company has registered with the Companies Register and REA, with anti-Mafia phrasing and margin note testifying that the company in question is not subject to any bankruptcy proceedings, or equivalent documentation in the case of a foreign supplier;
- the most recently approved financial statements;
- any provisions authorising them to carry out their business issued by the relevant supervisory authorities;
- information regarding the methods adopted by the supplier to guarantee there are no explicit or potential conflicts of interest that could risk satisfaction of the Company's needs;
- other documents useful for assessing and selecting the supplier.

Additionally, only with reference to suppliers outside of the Poste Italiane Group[5], at least the following additional documents are also required:

[4] In cases in which the potential supplier falls within the category of infragroup entities or is a Related Party, the above comparison may not occur on the condition that internal documentation notes, at the least, the reason awarding the contract to the potential supplier is to be considered advantageous for the Company (e.g. potential operating and business synergy, rapidity of the operating management set up process, special economic conditions, etc.) and that the quality of the service can be considered satisfactory.

[5] For suppliers within the Poste Italiane Group no additional documentation beyond the standard set is required in that this additional information is already known to the Company.

- company organisational chart and, more generally, information about the organisational structure;
- group structure when applicable or a self-declaration that the company is not a member of any group.

In order to assess the expediency of outsourcing functions or activities, the Companies take the following factors into consideration:

- the strategic importance of the activities to be outsourced;
- company know-how regarding the activities to be outsourced;
- the cost/benefit ratio of outsourcing;
- risk deriving from outsourcing.

Further, to determine whether an outsourced activity is “essential or important”, also to activate the relevant authorisation process for outsourcing, Companies deem “essential” or “important” functions or activities which if not performed or performed improperly are able to seriously compromise: (a) the company’s ability to maintain authorisation to operating in the insurance sector or (b) its financial results, the stability of the company and/or the continuity and quality of services provided to policyholders.

That being established, all the assets or functions linked to the following cases are, by definition, considered “essential or important”:

- insurance product design, with relative setting of tariffs;
- investment management;
- claims management;
- complaints management;
- company data filing;
- regular and constant accounting support;
- Information and Telecommunication Technology (ICT) services.

Additionally, for the purposes of the above assessment, the following factors are also taken into consideration:

- respect for the commitments taken on relative to policyholders: evaluation of whether non or improper execution of the function or activity is potentially able to seriously prejudice the Company’s ability to comply with contractual commitments to policyholders;
- reputational risk: evaluation of whether non or improper execution of the function or activity is potentially able to damage the company’s image and increase conflict with customers, consequently generating non-renewals (due to loss of customers), capital losses (due, for example, to increased disputes) and an increase in costs (due, for example, to advertising campaigns to improve the company’s image).

Finally, to continuously monitor the quality offered by the supplier providing the outsourced activities, Companies adopt specific organisational and contractual safeguards to constantly monitor the outsourced activities and take prompt action in the case suppliers do not comply with the commitments made.

Below is a summary of essential or important activities outsourced by Poste Vita and Poste Assicura at 31.12.2020, with an indication of the jurisdiction in which the suppliers are located and whether or note they are a member of the Group.

Poste Vita S.p.A. - List of essential or important outsourced activities as at 31/12/2020

Outsourced activities	Jurisdiction	Intercompany
Management of Poste Vita Soluzione Italia Internal Insurance Fund	Italy	No
Management of Poste Vita Soluzione Equilibrio Internal Insurance Fund	Italy	No
Management of Poste Vita Soluzione Flessibile Internal Insurance Fund	Italy	No
Separately Managed Account Posta Valore Più	Italy	No
Management of Poste Vita Gestione Bilanciata Internal Insurance Fund	Italy	Yes
Management of Poste Vita Soluzione Multipla Internal Insurance Fund	Italy	Yes
Management of Poste Vita Previdenza Flessibile Internal Insurance Fund	Italy	Yes
Separately Managed Account Posta Pensione	Italy	Yes
Free Capital Management	Italy	Yes
Separately Managed Account Posta Valore Più	Italy	Yes
Management of Poste Vita Soluzione Sostenibile Internal Insurance Fund	Italy	Yes
Separately Managed Account Posta Valore Più	France	No
Management of Poste Vita Flessibile Trend Internal Insurance Fund	Luxembourg	No
Management of Poste Vita Moderato Internal Insurance Fund	Luxembourg	No
Management of Poste Vita Equilibrato Internal Insurance Fund	Luxembourg	No
Management of Poste Vita Dinamico Internal Insurance Fund	Luxembourg	No
Separately Managed Account Posta Valore Più	Germany	No
Management of Poste Vita Strategia Diversificata Internal Insurance Fund	United Kingdom	No
Separately Managed Account Posta Valore Più	Italy	No
Call Center services management	Italy	Yes
Management of goods and services procurement	Italy	Yes
IT Systems management	Italy	Yes
Partial outsourcing of administrative/accounting activities	Italy	Yes
Mail room and document management service	Italy	Yes
Portfolio management	Italy	Yes
Settlement management	Italy	Yes
Partial outsourcing of the Anti-Money Laundering function	Italy	Yes

Poste Assicura S.p.A. - List of essential or important outsourced activities as at 31/12/2020		
Outsourced activities	**Jurisdiction**	**Intercompany**
Services for claim settlement management - collective insurance products	Italy	No
Services for claim settlement management - retail insurance products	Italy	No
Management of Restricted Assets	Italy	Yes
Services for claim settlement management - retail insurance products	Italy	No
Services for claim settlement management - collective insurance products	Italy	No
Management of goods and services procurement	Italy	Yes
Call Center services management	Italy	Yes
IT Systems management	Italy	Yes
Management of administrative/accounting activities	Italy	Yes
Parent company responsible for management planning and control, equity and investment management, operational marketing, training and sales support for the Poste Italiane network, treasury management, administrative/accounting and fiscal requirement management, regulatory reporting management, human resources and organisational management, legal affairs, corporate management and activities assigned to the function responsible for distribution controls.	Italy	Yes
Outsourcing of fundamental functions	Italy	Yes
Services for claim settlement management - collective insurance products	Italy	Yes
Mail room and document management service	Italy	Yes
Services for claim settlement management - retail insurance products	Italy	No

B.8 Other Information

The Companies of the Poste Vita Insurance Group carry out an annual review of the corporate governance system, both as individual companies and as the Italian Ultimate Parent (USCI).
This process, carried out on the basis of Group methodological guidelines, calls for a research stage in which standard analytical questionnaires are filled out by the company bodies and the relevant company functions relative to the various areas investigated. This is accompanied by document analysis.
All the areas of the Poste Vita S.p.A. corporate governance system are reviewed, both in its role as an individual Company and in its position as the USCI relative to the subsidiary Poste Assicura S.p.A.
The review also considers follow-up relative to corrective actions approved the previous year and the self-assessment carried out by the Administrative Bodies of the Companies, pursuant to article 5, paragraph 2, letter z) of IVASS regulation 38/2018.
The overall assessment based on the analytical results of the above questionnaires is brought to the attention of the relative Boards of Directors, accompanied by specific Corrective Plans, when areas for improvement are identified.

Relative to financial year 2020, the Companies in the Insurance Group believe that the adequacy of the corporate governance system is generally satisfactory and the organisational structure is appropriate to guarantee the completeness, functionality and efficacy with reference to the results of the analysis, indicating the proper functioning of: (i) the Company Bodies (Board of Directors, Board of Statutory Auditors) and Senior Management; (ii) the organisational structure, in terms of form, human resources, informational flows, outsourcing processes and management control; (iii) process relative to the remuneration and incentive systems; (iv) the process to plan and implement strategies; (v) the governance and control structure for the Key Functions and the Anti-Money Laundering Function; (vi) the company IT System; (vii) follow-up on corrective actions approved in the previous year being reviewed; (viii) Poste Vita's position as the USCI.

The review process identified specific areas to implement refinements with reference to optimising organisational measures and strengthening control safeguards, in particular with reference to core business processes (e.g. outsourced processes and, solely with reference to Poste Vita, investments).

At 31 December 2020 there was not additional relevant information with regards to the Governance System.

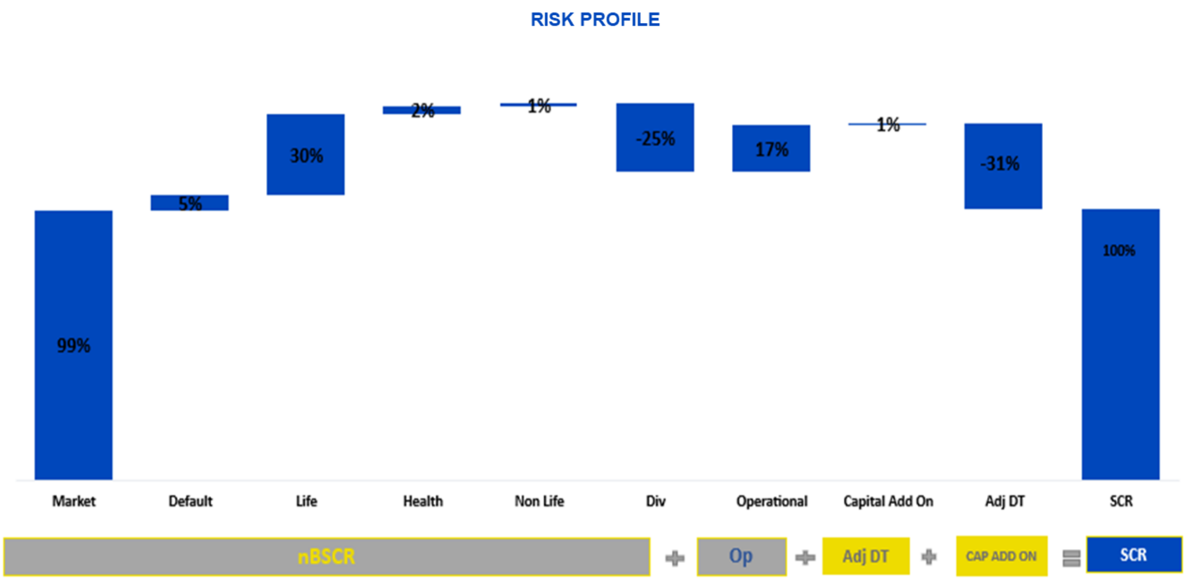
C – RISK PROFILE

Current risk profile

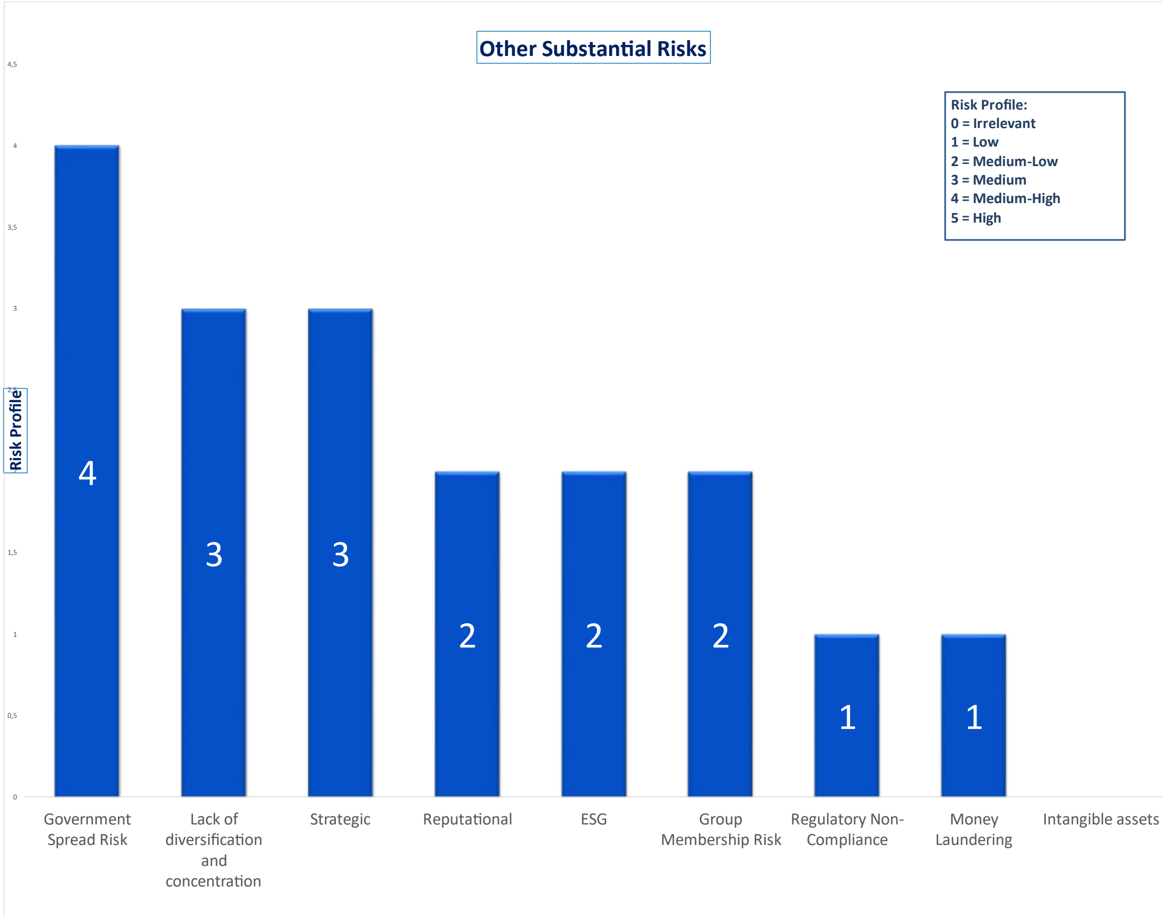
In the context of its Risk Management System, the Poste Vita Group has identified the following categories of risk:

- life, non-life and health underwriting risk;
- market risk;
- credit risk;
- liquidity risk;
- operational risk;
- other substantial risks.
- liquidity risk;

Within the “other substantial risks” category, the Poste Vita Group has identified: strategic risk, reputation risk, regulatory non-compliance risk, money-laundering risk, lack of diversification and/or concentration risk, government spread risk, risks associated with Group membership, ESG risk and intangible assets risk.
The Group and the Companies of the Group measure underwriting, market, credit and operational risk using Standard Formula metrics, considered appropriate in the light of the adequacy analysis carried out.
Below is the Poste Vita Group’s risk profile at 31 December 2020, determined using the Standard Formula, in which the percentage weights of the individual risk areas are determined with respect to the total capital requirement, not considering the effect of diversification (Div) and the deferred tax absorption capacity (Adj DT), but taking technical provision absorption capacity into account.



The biggest risks for the Group are market risk, life underwriting risk, operational risk and counterparty risk, while the risks associated with health underwriting and non-life underwriting are still marginal.
Below is a qualitative and quantitative evaluation of the other substantial risks.



Prospective risk profile

During the planning period no substantial changes are expected in the risk profile of the Group and the individual Companies.
In particular, market risk and life underwriting risk will continue to prevail, while credit and health and non-life underwriting risks will remain stable over all, with a slight upward trend for the latter two.
Nonetheless, in order to reduce its capital requirements, the parent company will work to increase the placement of multi-class products and both Companies will work to further diversify their securities portfolios.
Relative to the subsidiary Poste Assicura S.p.A., given the nature of the business and the expected growth, it is held that the risk profile will grow in relation to the increase in turnover, but will remain substantially stable in terms of composition in future years, therefore confirming the prevalence of underwriting risk with respect to the remaining risks.

C.1 Underwriting Risk

In order to support strategic and business goals such as profitability and the quality of risks taken on, the Group and the Companies of the Group have defined an underwriting policy which calls for the following during the risk assumption phase:

- Developing products consistent with the requirements and characteristics of various customer segments;
- Taking on risks to manage for which adequate skills and resources are available;
- Taking on risks consistent with the Risk Strategy and Risk Appetite;
- Eliminating or not renewing, when possible, “accepted” risks which are not consistent with the Risk Appetite Framework and/or require exceeding the limits established in specific Group company guidelines;
- Underwriting risks that guarantee adequate mitigation techniques, in particular equilibrium between reinsurance treaties signed, product characteristics (guarantees covered, contract duration) and the portfolio mix;
- Adequate procedures and control systems to guarantee the completeness, relevance and accuracy of accounting and statistical data, used for pricing and risk analysis.
- The evaluation, when designing a new product or sales initiative, of the following aspects:
  - adequate reinsurance structures;
  - risk assumption limits;
  - contractual clauses (possibility to split the premium, possibility of tacit renewal, withdrawal in the case of claims, etc.);
  - costs (for acquisition, management and administration of contracts, including costs for settling claims, etc.);
  - changes in the portfolio mix (in terms of risk and concentration) which issuing the new product may involve;
  - assessment of the impact of non-payment of premiums (e.g. impossibility of recovering expenses and commissions) and the relative impacts on Group solvency.

The Group and the Companies of the Group when taking on risk must, therefore, undertake to guarantee the sufficiency of the premiums collected with respect to the future commitments made relative to policyholders and contract management and acquisition expenses, developing the skills and professionalism of those who define the products, take on risks and, more generally, of all those involved in the underwriting process.
Additionally, the Group and the Companies of the Group must guarantee ever increasing standards of quality in underwriting management to avoid reputational losses and anti-selection and/or moral hazard.
The underwriting policy is intended to strengthen the Group’s market position, increasing its share in the various insurance segments in which it operates, developing a profitable risk portfolio.

Underwriting risk - the risk of suffering losses due to inappropriate pricing of insurance products sold - can occur due to:

- inappropriately chosen technical bases (demographic or financial);
- improper evaluation of the implicit options of the product;
- improper evaluation of the parameters used to calculate amounts added for expenses.

The Group and the Companies of the Group assess underwriting risk based on the principles dictated in the current regulations, making reference to the Delegated Regulation (EU) 2015/35 of 10 October 2014, which integrated Directive 2009/138/EC of the European Parliament and Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), based on the standard formula.
This standard formula requires separate evaluation of life, health and non-life underwriting risks. Of these, life underwriting risk is the main component of the capital requirement.
Finally, to mitigate unfavourable technical trends, increase underwriting capacity and manage portfolio risk, each Group Company uses the risk transfer techniques identified in the reinsurance guidelines.
Assessing whether risk transfer is effective is done through the formalisation of specific company procedures which take the risk profile into account, especially Risk Appetite in its various aspects. Formalisation of these aspects is done through the Outward Reinsurance Plan.

At 31 December 2020, the greatest underwriting risk was for life, while non-life and health underwriting risk was still modest.
For retail life products, the Group is able to avoid signing proportional treaties as it has a sufficiently expansive and homogeneous risk profile. However, it has still chosen to make use of non-proportional reinsurance to protect itself against catastrophic events.
The greatest risk identified relative to life underwriting is a lowering of surrender frequency. The Standard Formula used to determine capital requirements for early termination risk (lapse risk) is, in fact, a lapse down scenario which hypothesises a decrease in the surrender frequency of policies.
Mortality risk is of limited significance for the Group, considering the characteristics of the products it offers. The only area in which this risk has a degree of relevance is that of Term Life. With reference to these products, a comparison is periodically made between effective deaths and those forecast using the demographic bases adopted for pricing: the first category has always been significantly lower than the second. Additionally, mortality risk is mitigated by making use of reinsurance coverage, both proportional and non. Additionally, when risks are taken on, there are well-defined limits both for the amount insured and the age of the insured. The portfolio is well diversified with respect to the parameters of age, gender, smoker/non-smoker, socio-economic class, amount insured, type of insurance, level of underwriting applied and geographic location. The Group has an underwriting system which limits the risk of anti-selection.

In recent years longevity risk has become more significant with the underwriting of individual pension plans. However, these still represent a marginal portion of insurance liabilities. For these products, the Group reserves the right, upon the verification of specific conditions, to modify the demographic bases and gender composition used to calculate the return conversion coefficients.

The Group's non-life and NSLT illness underwriting risks derive from the business of the non-life company Poste Assicura S.p.A.
The features of the Poste Assicura distribution channel and of the products it sells leads to a portfolio with a greater Health segment concentration, with products offering guarantees linked to injury and illness and to Credit Protection.
Relative to Non-Life Business, the most significant volumes are associated with the Fire, General Liability and Miscellaneous business lines, mainly linked to products offering coverage of assets, capital and income.

The risk of early death represents the sole significant risk measured using the formula standard relative to the underwriting risk module.
Also note that at present the Group and the Companies do not transfer risks to vehicle companies, nor they expect to in the future.

C.2 Market Risk

Market risks are the most significant in terms of the total capital requirement for the Group and Poste Vita S.p.A. at 31 December 2020. However, these are of little significance for Poste Assicura S.p.A.
The financial instruments held by the Group mainly refer to investments made to cover contractual requirements taken on relative to policyholders, for traditional revalued life policies, pension products and multi-class products.
The Group and the Companies of the Group have worked to diversify their investments in recent years, reducing the amount of government bonds in the light of a persistent economic/financial situation with particularly low interest rates and a slow economic recovery at the global level. However, a moderate risk appetite has been maintained.
In particular, in line with the Strategic Asset Allocation (SAA), Poste Vita has favoured liquid multi-asset, real estate fund and private market strategies, with the latter mainly referring to private debt and infrastructure equity.
In terms of market risks, note the following sub-categories:

- Spread risk;
- Interest rate risk;
- Equity risk;
- Property risk;
- Currency risk;
- Concentration risk.

The risk which determines the largest capital requirement within the market risk module is spread risk relative to corporate bonds. Nonetheless, Poste Vita S.p.A. has exposure to government bonds and other instruments similar to government bonds which mainly consist of Italian government bonds. The parent company has begun a gradual diversification policy with a slow reduction in investments in government bonds, also to reduce the volatility associated with concentration in this asset class.

Poste Vita S.p.A. has performed sensitivity analysis on government spread risk, assessing the impact on the solvency index during the time horizon of the 2021-2024 plan of an instantaneous increase in the Italian and European government spreads, for each year of the projection. The instantaneous increase in Italian government spreads did not create any special problems throughout the plan horizon, with the Solvency Ratio always staying in line with the Risk Appetite Framework established by the Company.

Relative to interest rate risk, which at 31.12.2020 was equal to zero due to the floors established in the standard formula, this is mainly linked to separately managed accounts. Evaluation of interest rate risk is done through asset liability management projections and, in particular, through the shock scenarios called for in the Standard Formula. Poste Vita S.p.A. also did sensitivity analysis on this risk, assessing the impact on the solvency index over the plan horizon with regards to a decrease in the Euroswap rates for each year of the projection.
Also in this case the solvency level was always in line with the Risk Appetite Framework prepared by the Company.
The equity risk module includes shares, mutual funds, and equity investments in subsidiaries (Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l.) and associated companies (Europa Gestioni Immobiliari S.p.A.).
Property risk is associated with a series of real estate funds held by the Company.
At 31 December 2020, this risk was contained.
Currency risk is linked to two private market funds in a foreign currency held by the Company and to positions in foreign currencies within multi-asset funds.
Finally, at 31 December 2020 the capital requirement relative to concentration risk was zero.

Concentration and risk mitigation

The Group has a risk management system which includes strategies, processes and procedures necessary to identify, measure, assess, monitor, report and manage the risks to which it is exposed, on a continuous basis. This approach makes it possible to react promptly, accurately and in a targeted manner to changes in the economic and financial systems in which it operates.
To control and mitigate market risks, various risk management techniques have been adopted. This include:

- Asset Liability Management (ALM), establishing strategic asset allocation in relation to the liability structure, to reduce risk to the desired level and maximise the contribution of investments to value creation;
- a three-level investment limit system: the first level of limits is approved at least annually by the Board of Directors in investment management policies, the second level of limits is issued by Senior Management and may involve more restrictive limits than those set by the Board of Directors, as well as limits of a more operational nature and finally the third level, issued at the management level with the objective of guiding the activities of the various managers;

- a regulated investment process, which requires formal in-depth analysis of all complex investments by the function working in the area of investments, a Risk Opinion from Risk Management and a Compliance Opinion from the Compliance Function;
- coverage of currency risk for positions in foreign currencies contained within the Multi-Asset funds;
- constant monitoring of financial risk relative to the Company's economic and solvency position.

Relative to concentration risk, within the market risk module, the parent company has identified the following exposures at 31 December 2020:
- government bonds, mainly Italian;
- bonds relative to Cassa Depositi e Prestiti S.p.A.

C.3 Credit Risk

Similarly to that established for all market risks, in order to guarantee that credit risk levels are appropriate to Group business, investments are carried out in respect of the prudent person principle established under article 132 of Directive 2009/138/EC.
The Group and the individual Companies, as established in the Standard Formula, break down their credit exposures into two categories:
- Type 1:
  - Exposures deriving from reinsurance agreements, in particular considering recoveries from reinsurers for premiums and claims coinciding with the best estimate for premium and claim provisions;
  - Other receivables due from reinsurers other than those above;
  - Bank deposits in current accounts.
- Type 2:
  - Receivables due from intermediaries;
  - Receivables due from policyholders.

Depositories have a high credit standing and good ratings. Capital requirements for this risk derive from type 1 exposures for the most part.
Finally, the Group and the individual Companies do not have any operations associated with loans, nor do they plan to.

C.4 Liquidity Risk

This represents the risk of not complying with obligations undertaken relative to policyholders and other creditors, or of being able to do so only through the use of unsatisfactory market and/or credit conditions or by liquidating investments at a value below the acquisition or carrying amount, with negative consequences on the economic, equity and financial situation. For the Group and the individual Group companies, liquidity risk mainly derives from an inability to rapidly sell a financial asset at a value near to its fair value, or without realising significant capital losses.

For the purposes of analysing the liquidity risk profile, the Companies of the Group carry out analysis to ensure effective asset management relative to the commitments undertaken with policyholders, preparing prospective analysis on the effects that would derive from a shock to the financial markets (asset trends) and on the behaviour of policyholders (liability trends).
In managing liquidity, the Companies ensure that:

- assets covering the technical provisions are invested in a manner appropriate to the nature and duration of the liabilities;
- there is a sufficient high level of overall short and medium-term liquidity, carrying out treasury cash flow analysis and matching asset and liability features;
- monitoring of liquid assets occurs through analysis of the securities portfolio, monetary funds and liquidity held with banks.

Cash flow monitoring is done by analysing cashflow from the asset and liability portfolios, to allow for monthly comparison of inflows and outflows.
Relative to separately managed accounts, the Group carries out quarterly monitoring of the liquidity profile using the Liquidity Coverage Ratio (LCR). This has two versions, based on the relative time horizon:

- the Short-Term Liquidity Coverage Ratio (STLCR) is calculated over a one year horizon, as the ratio between total incoming cashflow from coupons, dividends, capital reimbursement and premiums and total outgoing cashflow deriving from maturities, surrenders, claims and coupons paid;
- the Medium-Term Liquidity Coverage Ratio (MTLCR) is calculated over a five year horizon, the same as the Business Plan, as the ratio between total incoming cashflow from coupons, dividends, capital reimbursement and premiums and total outgoing cashflow deriving from maturities, surrenders, claims and coupons paid;

Both indicators are calculated using base and stress conditions and are applied to the Poste Vita S.p.A. separately managed accounts, monitored using the thresholds indicated in the Risk Appetite Framework.
With reference to Class III products, the Group makes investments inspired by the close matching principles, meaning that the possibility of compromising its overall liquidity profile is remote, as in any case it could be restored by selling securities covering the provisions.

Finally, the level of liquid assets, identified through a specific liquidity reserve (consisting of on demand bank deposits, monetary funds and securities in the current segment with maturity of less than two years), is monitored on a monthly basis by the investment area and by Risk Management which periodically audits this activity. Analysis is supported by an additional stress scenario carried out to verify the applicability of the volatility adjustment.

Relative to “expected profits included in future premiums”, these are determined as the difference between the best estimate in the base scenario and that in the scenario hypothesising a zero renewal rate for contracts with a recurring single premium, de facto annulling all future premiums paid and, at the same time, the obligations that these payments generate. In the stress scenario, all additional future deposits are also brought to zero. In this scenario, securities in the portfolio are sold when necessary to handle the payments.

C.5 Operational Risk

Operational risk is the risk of losses deriving from the inadequacy or dysfunction of internal procedures, human resources or systems, or from external events.[6]

Operational risk, assessed using the Standard Formula, is the third biggest risk for the Group at 31 December 2020. The requirement is in line with respect to the previous year.

Additionally, the Group also carries out a Self Risk Assessment relative to potential operational risks, in which each Risk Owner provides a prospective self-assessment of possible operational risk events for the Group.

More specifically, the Risk Self Assessment evaluates the following aspects:

- identification of potential extreme and hypothetical events, but still foreseeable, identified in part through the experience of the Risk Owner;
- the frequency with which these events may occur, in order to identify potential risks which have not occurred in the past;
- an estimate of the potential economic effect of the risk events;
- an estimate of the level of efficacy for the controls implemented to safeguard against the risk.

The self-assessment process makes it possible to determine the maximum potential loss associated with operational risk, identifying the areas most exposed to operational risk and creating a corrective action plan.

Analysis of the Risk Self Assessment led to the identification of certain areas for improvement, in that the potential operational risk levels had increased relative to 2019. In any case, safeguard levels are still at a good level.

Additionally, the Group has implemented a Loss Data Collection method, to collect and create a census of information regarding operational events during the period of the income statement, to identify the main risk factors which effectively affected the Group, as well as any mitigation actions to implement. Therefore, the functions responsible for reporting operating events have been identified and a validation process has been created for events identified during individual quarters.

Controls regarding data coherence are guaranteed by the Loss Data Collection methodology implemented in the operating loss system and the Risk Office ensures this is consistent with findings relative to the model required.

Operating losses recorded in 2020 by the Group increased with respect to the previous year, but the Group has strengthened its safeguards relative to the processes.

Risk is well supervised, in that the Group has safeguards relative to operating risk including analysis done to identify, mitigate and monitor operational risk.

[6] Based on that established under article 10, paragraph 4 of Directive 2009/138/EC, it includes legal risk and excludes strategic and reputation risk.

C.6 Other Substantial Risks

In addition to the risks previously illustrated, the Companies of the Group have identified a series of other additional risks (reputation risk, strategic risk, regulatory non-compliance risk, lack of diversification and/or concentration risk, Italian government spread risk, risks associated with Group membership and intangible assets risk) measured through qualitative and quantitative techniques.

Reputation Risk

This is the current or prospective risk of a decrease in profits or capital deriving from a negative perception of the company's image relative to customers, counterparts, shareholders, employees, investors or supervisory authorities. This risk is measured with a qualitative approach.

The Group and the individual Companies, to protect and maintain a good reputation with customers and operating credentials, based on trust and transparency, work with Poste Italiane to identify reputation risks for the Group and monitor and control this risk for all insurance products. Additionally, when measuring operational risk, risk owners also assess whether an event could also impact the reputation.

Given that reputation risk is of particular significance for the Group, monitoring is done monthly, focussed on complaint management and customer care (service levels, assistance and customer response time) with specific reports on these two areas sent to all company functions. The Complaints Function regularly monitors the corrective actions undertaken relative to major complaint causes and works to increase awareness in owners until the actions have been fully completed.

Finally, the Products Committee examines the reputation risk that could derive from the sales of new products. Additionally, all advertising and/or informational materials or communications intended for the public must always be shared with and approved by the Compliance Function.

Strategic Risk

Strategic risk is the current or prospective risk of a decrease in profits or capital deriving from:

- mistaken "strategic" decisions
- inadequate attention paid to strategic decisions made
- inadequate reactivity to changes in the competitive and market context.

In general, strategic risk refers to the risk of not achieving the risk/return objectives established by the Company in its strategic plan.

Strategic risk is monitored by Risk Management in line with the methodology defined by Poste Italiane to identify, measure, handle and monitor strategic risks which involve the activities of the Poste Vita Insurance Group. This is achieved through a coordinated collection of principles, rules, procedures, methodologies, instruments and organisational structures that introduce safeguards to company operations able to effectively and efficiently monitor strategic risks, while also producing a continuous flow of information to support decision-making processes. In particular, with the support of Group Risk Management, the Risk Office coordinates Risk Owners during the Risk Assessment stage, with the aim of identifying the main strategic and reputation risks for the group. These are then measured in terms of their degree of significance.

Additionally, in relation to tools to mitigate strategic risk, the Risk Management function is involved in the strategic planning and budgeting process with the aim of assessing the potential impact of the main strategic plan assumptions on capital adequacy before hand.
The Group's Risk Appetite Framework calls for definition of Risk Appetite objectives, Risk Tolerance thresholds and Risk Capacity limits that are consistent with the strategic plan and allow company governance bodies to effectively and continuously monitor the actual risk profile with reference to the planned profile.

Regulatory Non-Compliance Risk
This is the current or prospective risk of a decrease in profits or capital deriving from legal or administrative fines, losses or damages as a consequence of not observing laws, regulations or Supervisory Authority provisions, or self-governance rules such as By-Laws, Codes of Conduct or self governance codes.
It includes risk deriving from unfavourable changes to the regulatory framework or in jurisprudence.
The level of regulatory non-compliance risk is considered to be adequately safeguarded against on the basis of the coordinated monitoring by the Compliance function, which identifies and measures/assesses regulatory non-compliance risk for the Companies, using Risk Assessment techniques.
The analysis identified certain areas for improvement, but no significant problems were found.

Money-laundering Risk
This is the current or prospective risk of a decrease in profits or capital deriving from legal or administrative fines, operating losses or reputation damage as a consequence of a violation of legal, regulatory or self-governance provisions functional to preventing the use of the financial system for money laundering and/or to finance terrorism, as well as involvement in money laundering and/or financing of terrorism. At least once a year, the Group carries out a self-assessment of its exposure to this risk, in line with that called for under the relevant regulatory provisions. In particular, risk exposure identified in 2020 was substantially unchanged with respect to the previous year, confirming a residual risk level which is contained. Hence, the system is substantially adequate and able to identify and prevent the risks in question.

Lack of diversification and/or concentration risk
This is the risk that the business is excessively concentrated on only certain types of risk, product, customer and/or geographic area and hence is not adequately diversified. The products currently placed present fairly standardised features and with relatively low minimum guarantees for the majority of the portfolio not consolidated year by year. The geographic distribution of these products is homogeneous throughout the country of Italy due to the extensive nature of the distribution network. Nonetheless, the Group's product portfolio is still quite concentrated in traditional revalued products, even if efforts are being made to place class III products.

Government spread risk
This is the risk of possible losses deriving from a deterioration in the credit standing of Italian government bonds.

Poste Vita S.p.A. is exposed to government bonds and other similar instruments which, at 31 December 2020, accounted for 68% of the carrying value of all class C investments, with 89% of the government portfolio issued by Italy.
While in the Standard Formula these exposures are risk free, the Company has begun a policy to gradual diversify government bonds, to reduce the volatility associated with the concentration in this Asset Class.
Additionally, as part of the 2020 ORSA, Poste Vita carried out sensitivity analysis on government spread risk, assessing the impact on the solvency index in the period from 2021-2024 of an instantaneous increase in Italian government spreads in each year of the projection, with a consequent adjustment of the Volatility Adjustment value.
The solvency level was always in line with the Risk Appetite Framework prepared by the Company.

Risks associated with Group membership
Risks associated with Group membership include:

- the risk of “contagion”, that is the risk that due to relationships between the Company and other Group entities, difficulties faced by one Group entity may spread, with negative effects on Company’s solvency;
- the risk of conflicts of interest deriving from operations carried out with Group entities.

The assessment of risks associated with Group membership, done using a qualitative approach, gave rise to the following points:

- the parent company Poste Italiane has demonstrated over time it has a high level of interest in protecting the interests of customers of all Group Companies through specific safeguards.
- The Companies have provided themselves with a specific infragroup operation policy, as required under IVASS Regulation 30 of 26 October 2016, to guarantee infragroup operations consistent with the principles of healthy and prudent management and avoid the implementation of operations which could produce negative effects.
- The Companies have also provided themselves with a specific policy for managing conflicts of interest, defined in respect of the main regulatory references on the subject, to identify and manage conflicts of interest in relation to the issuing/management of insurance and social security products, as well as relative to services and investment activities;
- It is established that the ultimate parent, Poste Italiane, may take action to support the Insurance Group, in the case in which its solvency position exceeds the Risk Tolerance limits as defined in the Risk Appetite Framework.

Intangible assets risk
This is the risk deriving from changes in the value of intangible assets relative to expectations. Intangible assets amount to zero. Therefore, this risk is considered insignificant.

Social and environmental risk
This is the risk deriving from factors associated with social problems, including risks relative to human rights and the environment, linked to climate change.

The Poste Vita pays attention to issues of social responsibility inherent to the financial management of its assets.
Social and environmental risk are monitored on a quarterly basis by the Risk Management Function, in the context of the Risk Appetite Framework, through an indicator which synthesises Environmental, Social and Governance (ESG) analyses relative to its own direct investment portfolio, to assess the level of social responsibility.
The analysis method used are inspired by universally recognised norms and conventions, issued by international bodies relative to human rights, worker rights and environmental protection, including the UN, OECD and ILO. Issuer companies are evaluated, for both stock and corporate bond investments, measuring their ability to manage stakeholder relations. The evaluation process ends with the assignment of a final ESG score (from 0 to 100) to each company, using the average of the score obtained in each of the areas of analysis.
ESG risk is well protected against in that the results of the analysis indicate that the Company has a score higher than the Ishares MSCI World ETF benchmark, which was used for comparison.

Risk Mitigation Techniques
The Group makes use of various techniques to attenuate risk, both reinsurance and financial. In terms of financial techniques to attenuate risk, when calculating its solvency requirements for the currency risk submodule, the Company takes into account forward derivatives it holds relative to currencies found in Multi-Asset funds.
In line with article 23 of Delegated Regulation EU 2015/35, through the regulations for the Separately Managed Accounts of the Poste Vita Group and the investment policy pursuant to Regulation 24 approved by the Poste Vita Board of Directors, the following management actions have been established:

- Investment strategy
- Crediting strategy

The main objectives of the investment strategy for each Separately Managed Account are:

- Definition of an appropriate asset mix, reviewing the mix at established intervals.
- Definition of a strategy to (re)invest cash flows from assets and liabilities between one mix review and the next.

The mix review occurs on the basis of asset classes, in relation to which all assets are classified based on their characteristics.

C.7 Other Information

At 31 December 2020, there is no additional information beyond that already described above.

D – VALUATION FOR SOLVENCY PURPOSES

The measurement criteria adopted when preparing the Market Value Balance Sheet comply with article 75 of Directive 2009/138/EC and the criteria established in Delegated Regulation EU 2015/135 of 10 October 2014 (hereafter, also "Reg. 2015/35") and, in particular, that established under article of the same Delegated Regulation, which establishes the following:

- Insurance and reinsurance undertakings shall recognise assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002;
- Insurance and reinsurance undertakings shall value assets and liabilities in accordance with international accounting standards adopted by the Commission pursuant to Regulation (EC) No 1606/2002 provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC; Where those standards allow for the use of more than one valuation method, insurance and reinsurance undertakings shall only use valuation methods that are consistent with Article 75 of Directive 2009/138/EC;
- Where the valuation methods included in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 are not consistent either temporarily or permanently with the valuation approach set out in Article 75 of Directive 2009/138/EC, insurance and reinsurance undertakings shall use other valuation methods that are deemed to be consistent with Article 75 of Directive 2009/138/EC;

To that end, the valuation criteria adopted for solvency purposes, as defined in the Guidelines on Measuring Assets and Liabilities other than Technical Provisions approved by the Board of Directors, are provided below:

- *Goodwill*: measured at zero.
- *Intangible assets and deferred acquisition costs (DAC):* these are measured at zero, unless the intangible asset can be measured separately and the companies can demonstrate the existence of a value for an identical or similar asset calculated in compliance with article 10, paragraph 2 of Reg. 2015/35, in which case the asset is measured in compliance with article 10.
- *Financial assets and liabilities*: Financial instruments and financial liabilities are measured on the basis of their corresponding fair value, using prices listed on active markets as the reference when available, inferring the amount form recent or similar transactions or using alternative measurement models.
- *Equity investments:* equity investments not falling within the scope of consolidation are measured pursuant to article 13 of Reg. 2015/35, in compliance with the following hierarchy: (a) the default valuation method pursuant to article 10, paragraph 2 of the cited Regulation; (b) the adjusted equity method pursuant to paragraph 3, when valuation in terms of letter (a) is impossible; (c) the valuation method pursuant to article 10, paragraph 3 of the cited regulation or alternative methods pursuant to article 10, paragraph 5 of the cited Regulation.
- *Deferred tax assets and liabilities*: companies recognise and measure deferred taxes in relation to all assets and liabilities, including technical provisions, recognised for tax or

solvency purposes in compliance with article 9. The companies of the Poste Vita Group measure deferred tax liabilities differently than deferred tax assets deriving from the carrying forward of unused tax credit's and tax losses, based on the difference between the values ascribed to the assets and liabilities recognised and measured in compliance with article 75 of Directive 2009/138/EC and, in the case of technical provisions, in compliance with articles 76 to 85 of the same directive and the values ascribed to assets and liabilities recognised and measured for tax purposes. Companies ascribe a positive value to deferred tax assets only if it is probable that there will be future taxable profits which will allow the use of the deferred tax assets, taking into account legal or regulatory requirements regarding deadlines for carrying tax losses or unused tax credits forward.

- *Contingent Liabilities:* as established under article 11 of the Delegated Regulation, companies recognise contingent liabilities as liabilities when they are material, pursuant to article 9 of the cited regulation. These liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities. The value of these liabilities is equal to the expected future cashflows required to settle the contingent liability throughout the duration of the contingent liability, calculated using the basic risk-free interest rate term structure.
- Relative to *tangible assets*, derogating from paragraphs 1 and 2 of article 9 of the cited Delegated Regulation and in particular respecting the principle of proportionality pursuant to paragraphs 3 and 4 of article 29 of Directive 2009/138/EC, the Poste Vita Group has recognised tangible assets with the valuation method used to prepare its annual financial statements, as the conditions indicated under paragraph 4 of article 9 were respected.

The Consolidated Financial Statements include the Financial Statements of the parent company and those of the investees Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l., both entirely held by Poste Vita S.p.A., and as of 2019 also include the financial statements of Poste Insurance Broker S.r.l., 100% controlled by Poste Assicura S.p.A. These interests are consolidated on a line-by-line basis.

In line-by-line consolidation, the carrying value of equity investments is eliminated against the corresponding part of shareholders' equity against the full inclusion of the assets and liabilities of the subsidiaries, including contingent liabilities.
In particular, the criteria used for line-by-line consolidation are as follows:

- assets and liabilities and costs and revenue of entities are recognised on a line-by-line basis;
- infragroup costs and revenues and payables and receivables are cancelled.

The parent company Poste Vita S.p.A. also holds a non-controlling interest in Europa Gestioni Immobiliari S.p.A. This interest is not consolidated on a line-by-line basis but is measured using the equity method.
Additionally, for the sake of completeness, note that the parent company Poste Vita S.p.A. holds an interest, unqualified and not controlling, equal to 9.9% of the share capital of FSI Società di Gestione del Risparmio S.p.A., abbreviated as FSI S.G.R. S.p.A., with its registered offices in

Italy, a company that promotes and manages investment funds pursuant to Legislative Decree 58 of 24 February 1998, as amended (Comprehensive Financial Intermediation Law), and the relative implementation provisions.
Below is the Market Value Balance Sheet, with a comparison to the balances in the IAS/IFRS Consolidated Financial Statements:

	2019		
(€k)	Solvency II value	Consolidated IAS/IFRS	Change
Assets			
Godwill		17,823	(17,823)
Deferred acquisition costs		48,922	(48,922)
Intangible assets		66	(66)
Deferred tax assets	4,049,195	438,060	3,611,135
Pension benefit surplus			
Property, plant & equipment held for own use	26,167	26,167	
Financial Investments	**151,339,928**	**151,007,876**	**332,053**
Property (other than for own use)			
Holdings in related undertakings, including participations	107,440	107,438	2
Equities	6,857	6,857	
Equities - listed	6,560	6,560	
Equities - unlisted	297	297	
Bonds	117,430,893	117,098,843	332,050
Government Bonds	97,179,771	96,849,884	329,887
Corporate Bonds	19,664,961	19,662,797	2,164
Structured notes	586,162	586,162	
Collateralised securities			
Collective Investments Undertakings	33,794,738	33,794,738	
Derivatives			
Deposits other than cash equivalents			
Other investments			
Assets held for index-linked and unit-linked contracts	4,831,750	4,831,750	
Loans and mortgages			
Loans on policies			
Loans and mortgages to individuals			
Other loans and mortgages			
Reinsurance recoverables from:	**15,377**	**53,512**	**(38,136)**
Non-life and health similar to non-life	19,129	25,368	(6,238)
Non-life excluding health	6,849		
Health similar to non-life	12,281		
Life and health similar to life, excluding health and index-linked and unit-linked	(3,753)	28,145	(31,898)
Health similar to life	(11,585)		
Life excluding health and index-linked and unit-linked	7,832		
Life index-linked and unit-linked			
Deposits to cedants			
Insurance and intermediaries receivables	58,872	58,872	
Reinsurance receivables	4,883	4,883	
Receivables (trade, not insurance)	26,286	26,286	
Own shares (held directly)			
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	1,136,758	1,136,758	
Any other assets, not elsewhere shown	2,572,942	2,573,342	(400)
Total assets	**164,062,157**	**160,224,317**	**3,837,840**

(€k)	2020 Solvency II value	2020 Consolidated IAS/IFRS	Change
Liabilities			
Technical provisions - non-life	**205,040**	**237,157**	**(32,116)**
Technical provisions - non-life (excluding health)	**66,825**		
TP calculated as a whole			
Best estimate	59,343		
Risk margin	7,483		
Technical provisions - health (similar to non-life)	**138,215**		
TP calculated as a whole			
Best estimate	126,233		
Risk margin	11,982		
TP - life (excluding index-linked and unit-linked)	**142,578,614**	**148,582,801**	**(6,004,187)**
Technical provisions - health (similar to life)	**13,056**		
TP calculated as a whole			
Best estimate	(11,032)		
Risk margin	24,087		
TP - life (excluding health and index-linked and unit-linked)	**142,565,558**		
TP calculated as a whole			
Best estimate	142,533,117		
Risk margin	32,441		
TP - index-linked and unit-linked	**4,650,868**	**4,974,772**	**(323,905)**
TP calculated as a whole			
Best estimate	4,550,810		
Risk margin	100,057		
Other technical provisions			
Contingent liabilities	15,950	15,950	
Provisions other than technical provisions			
Pension benefit obligations	2,549	2,549	
Deposits from reinsurers			
Deferred tax liabilities	5,894,315	194,928	5,699,387
Derivatives	9,832	9,832	
Debts owed to credit institutions			
Debts owed to credit institutions resident domestically			
Debts owed to credit institutions resident in the euro area other than domestic			
Debts owed to credit institutions resident in rest of the world			
Financial liabilities other than debts owed to credit institutions	23,867	23,829	37
debts owed to non-credit institutions			
debts owed to non-credit institutions resident domestically			
debts owed to non-credit institutions resident in the euro area other than domestic			
debts owed to non-credit institutions resident in rest of the world			
other financial liabilities (debt securities issued)	23,867	23,829	37
Insurance & intermediaries payables	233,802	233,802	
Reinsurance payables	2,934	2,934	
Payables (trade, not insurance)	94,765	94,765	
Subordinated liabilities	**258,676**	**251,301**	**7,375**
Subordinated liabilities not in BOF	1,301	1,301	
Subordinated liabilities in BOF	257,375	250,000	7,375
Any other liabilities, not elsewhere shown	327,201	327,011	190
Total liabilities	**154,298,412**	**154,951,632**	**(653,219)**
'Excess of assets over liabilities	9,763,745	5,272,685	4,491,060

With reference to the two Companies in the Poste Vita Insurance Group, the value of the individual items in the individual Market Value Balance Sheets can be found in reports S.02.01.02 of Poste Vita S.p.A. and Poste Assicura S.p.A. within section **F – Annex**.

D.1 Assets

For the most significant asset items below is the amount at 31 December 2020 calculated using Solvency II criteria, compared with the amount recognised in the *IAS/IFRS Consolidated Financial Statements* with reference to the Poste Vita Group and compared with the amount recognised in the *Italian GAAP Financial Statements* for the individual Companies.

Goodwill – Poste Vita Group (€ 17,823 thousand)

The Poste Vita Group recognised goodwill of € 17,823 thousand among intangible assets, deriving from the difference between the cost of the 100% equity investment in Poste Welfare Servizi S.r.l. acquired by the parent company Poste Vita S.p.A. on 4 November 2015 and the fair value of assets and liabilities recognised (on the acquisition date).
For Solvency II purposes this component was measured at zero, in compliance with article 12 of the Delegated Regulation.

Intangible assets and deferred acquisition costs

Intangible assets and deferred acquisition costs (DAC) – Poste Vita Group (€ 48,988 thousand)

In the Consolidated Financial Statements, the Poste Vita Group recognised intangible assets totalling € 66 thousand (equal to € 33,847 thousand at the end of the previous period and mainly relative to the non-amortised portion for IT programmes with multi-year utility and capitalisation of costs to develop software not yet complete at the end of the period). The decrease with respect to the figure at the end of 2019 is mainly attributable to the sale of the IT business unit to the parent company Poste Italiane S.p.A., which took effect on 1 March 2020. This sale included intangible assets with a carrying amount net of the relative provisions equal to € 31,307 thousand.
The item *deferred acquisition costs* (DAC) equal to € 48,922 thousand at the end of the period includes the not yet amortised portion of charges relative to acquisition commissions in pre-counted form for the FIP product (Individual Pension Schemes). For Solvency II purposes, as established under article 12 of the Delegated Regulation, these components were measured at zero in that there is not a possibility for separate sale for these assets, nor a reference market value for similar assets.

Intangible assets and deferred acquisition costs - Poste Vita S.p.A. (€ 48,922 thousand)

Intangible assets in the IAS/IFRS reporting package for the parent company Poste Vita at the end of 2020, prepared for the purposes of the Poste Vita Group consolidated financial statements, amount to zero (€ 21,938 thousand at the end of the previous period and mainly relative to the non-amortised portion for IT programmes with multi-year utility and capitalisation of costs to develop software not yet complete at the end of the previous period). The decrease with respect to the figure at the end of 2019 is mainly attributable to the sale of the IT business unit to the parent company Poste Italiane S.p.A., which took effect on 1 March 2020. This sale

included intangible assets with a carrying amount net of the relative provisions equal to € 20,364 thousand.
The item *deferred acquisition costs* (DAC) includes the not yet amortised portion of charges relative to acquisition commissions in pre-counted form for the FIP product (Individual Pension Schemes), equal to € 48,922 thousand.
Relative to valuation methods, please see that reported above in the section dedicated to the Group.

Intangible assets and deferred acquisition costs - Poste Assicura S.p.A.
Intangible assets for the subsidiary Poste Assicura in the IAS/IFRS reporting package at the end of 2020, prepared for use in the Poste Vita Group consolidated financial statements, total zero (€ 9,246 thousand at the end of the previous period).
The decrease with respect to the figure at the end of 2019 is mainly attributable to the sale of the IT business unit to the parent company Poste Italiane S.p.A., which took effect on 1 March 2020. This transfer included intangible assets with a carrying amount net of the relative provisions equal to € 8,769 thousand.
Relative to valuation methods, please see that reported above in the section dedicated to the Group.

Intangible assets and deferred acquisition costs - Poste Welfare Servizi S.r.l. (€ 66 thousand)
At the end of 2020, the subsidiary Poste Welfare Servizi S.r.l. recognised intangible assets of € 66 thousand in its annual financial statements (€ 2,663 thousand at the end of the previous period, mainly relative to the not yet amortised portion of internally produced software through capitalisation of direct costs, for € 1,874 thousand, and the not yet amortised portion of intangible fixed assets mainly relative to the purchase of software with multi-year utility for € 598 thousand).
The decrease with respect to the figure at the end of 2019 is mainly attributable to the sale of the IT business unit to the parent company Poste Italiane S.p.A., which took effect on 1 March 2020. This sale included intangible assets with a carrying amount net of the relative provisions equal to € 2,174 thousand.
Relative to valuation methods, please see that reported above in the section dedicated to the Group.

Tangible assets

Tangible assets – Poste Vita Group (€ 26,167 thousand)
The Poste Vita Group recognised tangible assets totalling € 26,167 thousand at the end of 2020, these included: i) € 2,219 thousand for office furnishings and machines, systems and equipment held at the end of the period net of the relative amortisation/depreciation provisions and ii) € 23,948 thousand for rights of use relative to assets involved in contracts falling under the scope of IFRS 16 (in effect as of 1 January 2019), representing the current value of periodic rents contractually established granting use of the assets involved in the contracts.
At 31 December 2019 this item totalled € 37,453 thousand. The decrease is mainly due to the transfer to the ultimate parent Poste Italiane S.p.A. of tangible assets net of the relative provision for a total of € 6,906 thousand, following the cited transfer of the IT business unit.

Relative to *tangible assets*, derogating from paragraphs 1 and 2 of article 9 of the cited Delegated Regulation and in particular respecting the principle of proportionality pursuant to paragraphs 3 and 4 of article 29 of Directive 2009/138/EC, the Poste Vita Group has recognised tangible assets with the valuation method used to prepare the annual consolidated financial statements for the Group, as the conditions indicated under paragraph 4 of article 9 were respected. Therefore, furnishings, systems, equipment and office machines are recognised at cost plus accessory charges and subsequent measurements are carried out using the amortised cost method. With reference to leased assets, at initial recognition the value is equal to the current value of periodic payments/rent contractually established granting use of the asset and at subsequent reporting dates and for the entire duration of the contract the asset is amortised on a straight line basis.

Note that this item is expressed net of infragroup operations for a total of € 2,574 thousand, referring to the current value of rent contractually established for the offices sublet by the subsidiaries Poste Welfare Servizi S.r.l. (€ 2,375 thousand) and Poste Assicura S.p.A. from the parent company Poste Vita S.p.A. (€ 199 thousand).

Tangible assets - Poste Vita S.p.A. (€ 25,759 thousand).

With reference to the parent company Poste Vita S.p.A., the item tangible assets for € 25,759 thousand mainly refers to:

i) € 1,786 thousand for furnishings and electronic equipment, systems and equipment held at the end of the period net of the relative amortisation/depreciation provision;
ii) € 23,586 thousand for rights of use relative to assets involved in contracts following under the scope of IFRS 16 (in effect as of 1 January 2019), representing the current value of periodic rent contractually established granting use of the assets involved in the contracts.

At the end of the previous year this item amounted to € 35,268 thousand. The decrease is mainly due to the transfer to the ultimate parent Poste Italiane S.p.A. of tangible assets net of the relative provision for a total of € 4,198 thousand, following the cited transfer of the IT business unit.

Relative to valuation methods, please see that reported at the Group level.

Tangible assets - Poste Assicura S.p.A. (€ 285 thousand).

With reference to the subsidiary Poste Assicura, the item tangible assets, at € 285 thousand, refers for € 21 thousand to electronic equipment and furnishings held at the end of the period net of the relative amortisation/depreciation provisions and for € 264 thousand to rights of use relative to assets involved in contracts falling under the scope of IFRS 16 (in effect as of 1 January 2019), representing the current value of periodic rents contractually established granting use of the assets involved in the contracts. At the end of the previous year this item amounted to € 2,630 thousand. The decrease is mainly due to the transfer to the ultimate parent Poste Italiane S.p.A. of tangible assets net of the relative provision for a total of € 2,422 thousand, following the cited transfer of the IT business unit.

Relative to valuation methods, please see that reported at the Group level.

Tangible assets - Poste Welfare Servizi S.r.l. (€ 2,696 thousand).

The item tangible assets, at € 2,696 thousand, refers: i) for € 24 thousand to electronic equipment and furnishings held at the end of the period net of the relative amortisation/depreciation provisions and ii) for € 2,672 thousand (€ 297 thousand net of the stated infragroup cancellation) to rights of use relative to assets involved in contracts falling under the scope of IFRS 16 (in effect as of 1 January 2019), representing the current value of periodic rents contractually established granting use of the assets involved in the contracts and mainly with reference to the subleasing contract with the parent company Poste Vita S.p.A. for the company offices and the subleasing contract with the ultimate parent Poste Italiane S.p.A. for areas used for disaster recovery activities.

At the end of the previous year this item amounted to € 3,298 thousand. The decrease is mainly due to the transfer to the ultimate parent Poste Italiane S.p.A. of tangible assets net of the relative provision for a total of € 286 thousand, following the cited transfer of the IT business unit.

Relative to valuation methods, please see that reported at the Group level.

Equity investments

Equity investments – Poste Vita Group (€ 107,440 thousand)

This item mainly refers to the equity investments held by the parent company Poste Vita S.p.A. (€ 107,401 thousand) in the associated company Europa Gestioni Immobiliare S.p.A. (EGI), in which it holds a 45% stake. The company mainly works in the real estate sector, managing and developing the parent company's non-instrumental real estate. The remaining portion (€ 39 thousand) refers to the 5% stake held in "Consorzio Logistica Pacchi S.c.p.a.", acquired on 30 June 2020 by Poste Assicura S.p.A.

In the Poste Vita Group's Consolidated Solvency II Financial Statements, these investments are measured using the IAS/IFRS equity method, held to be a good approximation of Solvency II principles for non-insurance equity investments.

Equity investments - Poste Vita S.p.A. (€ 401,019 thousand)

This item refers exclusively to equity investments held by the parent company Poste Vita S.p.A. in Group companies, specifically:

- Poste Assicura S.p.A., a fully held subsidiary, which operates in the non-life segment, excluding vehicle insurance;
- Europa Gestioni Immobiliare S.p.A. (hereafter, also "EGI"), in which Poste Vita holds a 45% stake and Poste Italiane S.p.A. holds a 55% stake;
- Poste Welfare Servizi S.r.l., which was fully acquired in 2015, in order to strengthen the Insurance Group's individual and collective offerings in the Health sector.

For Solvency II purposes, these equity investments are measured as follows:

- Poste Assicura S.p.A was valued using the Solvency II equity method, that is determining the portion of shareholders' equity by measuring assets and liabilities pursuant to article 75 of the Solvency II Directive. The amount resulting from this calculation was € 277,720 thousand;

- EGI S.p.A and Poste Welfare Servizi S.r.l. were measured using the IAS/IFRS shareholders' equity method, adjusted to take into account amounts not eligible for Solvency II purposes. This was considered a good approximation of Solvency II principles for non-insurance equity investments. The total amount is € 123,299 thousand.

Note that for the purposes of preparing the Poste Vita Group Consolidated Financial Statements, the carrying amount of the equity investments held by the parent company Poste Vita S.p.A. in the subsidiaries Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l. were eliminated against the corresponding portion of shareholders' equity against line-by-line inclusion of the assets and liabilities of the subsidiaries.

Equity investments - Poste Assicura S.p.A. (€ 504 thousand)

This item refers to the full equity investment held in the subsidiary Poste Insurance Broker S.r.l (equal to € 465 thousand) while the remaining € 39 thousand refers to the 5% stake held in "Consorzio Logistica Pacchi S.c.p.a." acquired on 30 June 2020).

Note that for the purposes of preparing the Poste Vita Group Consolidated Financial Statements, the carrying amount of the stated investment was eliminated against the corresponding portion of shareholders' equity against line-by-line inclusion of the assets and liabilities of the subsidiary.

Financial assets

Financial assets - Group (€ 156,064,238 thousand)

Financial assets were measured at fair value making use of prices listed on active markets when available on the closing date of the reporting period and, when not, determining fair value with alternative methods.

Below is a schedule showing the composition of financial assets at 31 December 2020:

(€k)

	31/12/2020	31/12/2019	
Financial Investments	**Solvency II value**	**Solvency II value**	**Delta**
Equities	6,857	9,117	(2,260)
Government Bonds	97,179,771	87,198,857	9,980,914
Corporate Bonds	19,664,961	17,726,492	1,938,469
Structured notes	586,162	583,469	2,692
Collateralised securities		75,544	(75,544)
Collective Investments Undertakings	33,794,738	32,704,229	1,090,509
Assets held for index-linked and unit-linked contracts	4,831,750	3,738,461	1,093,290
Total	**156,064,238**	**142,036,168**	**14,028,070**

Financial assets - Poste Vita S.p.A. (€ 155,610,220 thousand)

Below is a schedule showing the composition of financial assets at 31 December 2020:

(€k)

	31/12/2020		
	Solvency II value	Statutory accounts value	Delta
Equities	6,857	6,857	
Government Bonds	96,777,843	80,534,307	16,243,535
Corporate Bonds	19,612,870	18,646,741	966,130
Structured notes	586,162	546,912	39,250
Collateralised securities			
Collective Investments Undertakings	33,794,738	32,208,264	1,586,473
Assets held for index-linked and unit-linked contracts	4,831,750	4,831,750	
Total	**155,610,220**	**136,774,831**	**18,835,388**

A decrease was seen in investments in Shares, equal to € 6,857 thousand at 31 December 2020, due to impairment recorded during the period in question.

Government bonds, totalling € *96,777,843* thousand, mainly refer to listed fixed income bonds issued by European governments, of which 98% issued by the Italian government.

Corporate bonds total € *19,612,870* thousand, and mainly refer to listed fixed income bonds issued by major European companies.

Structured bonds, totalling € *586,162* thousand at the end of the period, refer to Cassa Depositi e Prestiti private placements (Constant Maturity Swaps).

Additionally, the gradual process of diversifying investments continued, through a contextual increase in investments in units of mutual

investment funds (totalling € *33,794,738* thousand at the end of 2020, with the impact in the portfolio going from 23.1% at the end of 2019 to the current 21.7%) and, in particular, in open-ended harmonised multi-asset UCITS. Additionally, in line strategic asset allocation, investments continued in real-estate funds (retail and office), mainly in Europe.

Financial instruments acquired to cover Unit-Linked policies are measured at the value on the last trading day of the year and at the end of the year in question amounted to € *4,831,75*0 thousand. These are investments in which returns are linked to the performance of market indices.

Relative to valuation methods, please see that reported at the Group level.

Financial assets - Poste Assicura S.p.A. (€ 454,019 thousand)

Financial assets were measured at fair value using the prices listed on active markets and amount to a total of € 454,019 thousand. They refer: i) to listed government bonds for € 401,928 thousand and ii) to listed bonds for € 52,091 thousand.

(€k)

	31/12/2020		
	Solvency II value	Solvency Account Value	Delta
Government Bonds	401,928	364,023	37,905
Corporate Bonds	52,091	50,678	1,413
Total	**454,019**	**414,701**	**39,317**

Relative to valuation methods, please see that reported at the Group level.

<u>Due from policyholders and intermediaries</u>

<u>Due from policyholders and intermediaries – Poste Vita Group (€ 58,872 thousand)</u>

This item mainly includes amounts due from policyholders for premiums to be collected, as well as amounts due from intermediaries and insurance companies. The receivables are recognised at fair value on the date of acquisition and subsequently at the realisable value[7]. At the end of 2020, this item consisted of:

- receivables due from policyholders not yet collected at the end of the period for € 38,589 thousand. Note that around half of this amount, based on contractual agreements, will be settled by the end of the first quarter of 2021, as they refer to policies with after the fact quarterly settlement. Relative to the amount recognised at 31 December 2019, there was an increase in amounts due from policyholders totalling € 15,878 thousand, mainly due to collective policies related to Welfare business, in line with the increase in premiums associated with this business.
- amounts due from intermediaries for € 10,520 thousand at 31 December 2020, which refer to premiums issued in the final days of the year which, although collected by the intermediary as of 31 December 2020, were paid to the Poste Vita Insurance Group in January 2021;
- receivables for company current accounts, for € 9,763 thousand (€ 8,318 thousand at 31 December 2019), mainly referring to receivables from companies for coinsurance relationships.

This item is expressed net of infragroup transactions, for a total of € 4,136 thousand, exclusively referring to the receivable due to the parent company Poste Vita from the subsidiary Poste Assicura for the life component of CPI products.

<u>Due from policyholders and intermediaries – Poste Vita S.p.A. (€ 25,139 thousand)</u>

At the end of 2020, this item amounted to € 25,139 thousand and consisted of:

- receivables due from policyholders for € 7,994 thousand, relative to premiums not yet collected at the end of the period to be settled in the initial months of 2021;
- amounts due from intermediaries for € 8,509 thousand at 31 December 2020, which refer to premiums issued in the final days of the year which, although collected by the intermediary as of 31 December 2020, were paid to the Company in the first few days of January 2021;

[7] All receivables in question had maturities of less than 12 months.

- receivables due from the subsidiary Poste Assicura S.p.A. for the life component of the CPI product for € 4,136 thousand (position entirely cancelled when preparing the Consolidated Financial Statements together with the balancing debtor item) at 31 December 2020. This position was settled in January 2021;
- receivables due from insurance companies for € 4,500 thousand, relative to coinsurance relationships in effect at the end of the period.

Relative to valuation methods, please see that reported at the Group level.

<u>Due from policyholders and intermediaries – Poste Assicura S.p.A. (€ 37,862 thousand)</u>
At the end of 2020 this item amounted to € 37,862 thousand, mainly consisting of:

- receivables due from policyholders for premium revenue for the year, not yet collected at the end of the period for € 30,589 thousand, settled during the initial months of 2021;
- receivables due from coinsurers, not yet collected at the end of the period for € 5,263 thousand and partially settled during the initial months of 2021;
- amounts due from intermediaries for € 2,010 thousand at 31 December 2020, which refer to premiums issued in the final days of the year which, although collected by the intermediary at the end of 2020, were paid to the Company in the first few days of January 2021.

Relative to valuation methods, please see that reported at the Group level.

<u>Due from policyholders and intermediaries – Poste Insurance Broker S.r.l. (€ 6 thousand)</u>
This position of € 6 thousand refers to the receivable due to the Company from Genertel S.p.A. for commissions for brokering activities.
Relative to valuation methods, please see that reported at the Group level.

<u>Deferred tax assets</u>

<u>Deferred tax assets – Poste Vita Group (€ 4,049,195 thousand)</u>
Deferred tax assets are equal to the sum of the amounts under the same item found in the Market Value Balance Sheets (Solvency II) of the parent company Poste Vita and the subsidiaries Poste Assicura, Poste Welfare Servizi and Poste Insurance Broker.
These amounts were determined with reference to the valuation differences for the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP amounts, applying the rates in effect at 31.12. 2020. Due to the valuation rules established under the Solvency II regulations, the item Deferred Tax Assets increased by € 3,611,135 thousand, going from an IAS/IFRS value of € 438,060 thousand to a total Solvency II value of € 4,049,195 thousand at 31 December 2020.

<u>Deferred tax assets – Poste Vita (€ 4,039,605 thousand)</u>

Following application of the Solvency II valuation rules, the item Deferred Tax Assets which amounted to € 431,818 thousand in the Italian GAAP financial statements increased by € 3,607,787 thousand, reaching a total of € 4,039,605 thousand at the end of 2020.

The main components include deferred tax assets deriving from the elimination of deferred acquisition costs for € 15,078 thousand, the increase in technical provisions for € 3,571,413 thousand and the decrease in provisions transferred to reinsurers of € 9,831 thousand.

Relative to valuation methods, please see that reported at the Group level.

<u>Deferred tax assets – Poste Assicura S.p.A. (€ 8,961 thousand)</u>

Deferred tax assets amount to € 8,961 thousand.

Relative to valuation methods, please see that reported at the Group level.

<u>Deferred tax assets – Poste Welfare Servizi S.r.l. (€ 587 thousand)</u>

Deferred tax assets amount to € 587 thousand.

Relative to valuation methods, please see that reported at the Group level.

<u>Deferred tax assets – Poste Insurance Broker S.r.l. (€ 43 thousand)</u>

Deferred tax assets amount to € 43 thousand.

Relative to valuation methods, please see that reported at the Group level.

<u>Cash and cash equivalents</u>

<u>Cash and cash equivalents – Poste Vita Group (€ 1,136,758 thousand)</u>

This item includes bank and postal deposits as well as cash and revenue stamps, recognised at the nominal value. The item totals € 1,136,758 thousand at the end of 2020.

<u>Cash and cash equivalents – Poste Vita S.p.A. (€ 1,103,983 thousand)</u>

Relative to the parent company Poste Vita, this item amounted to € *1,103,983* thousand at the end of 2020. It refers to temporarily available amounts, mainly deriving from Separately Managed Accounts which during 2021 will be invested in relation to market developments.

<u>Cash and cash equivalents – Poste Assicura S.p.A. (€ 17,127 thousand)</u>

With reference to the subsidiary Poste Assicura S.p.A., the item amounts to € 17,127 thousand. Liquidity is mainly determined by the collection of premiums issued during the final days of the year, which will be used for investments and to pay suppliers and commission.

<u>Cash and cash equivalents – Poste Welfare Servizi S.r.l. (€ 15,028 thousand)</u>

With reference to the subsidiary Poste Welfare Servizi S.r.l., this item came to € 15,028 thousand at the end of 2020 and refers to normal cash flow from business.

Cash and cash equivalents – Poste Insurance Broker S.r.l. (€ 620 thousand)

With reference to the subsidiary Poste Insurance Broker S.r.l., this item came to € 620 thousand at the end of 2020 and mainly refers to the capital grant made by its parent company Poste Assicura S.p.A.

Difference between Solvency II and IAS/IFRS Consolidated Financial Statements valuation

Below is a table summarising the different measurement criteria adopted when measuring assets for Solvency II purposes and for the **IAS/IFRS Consolidated Financial Statements**:

Relevant asset categories	Valuation criterion Solvency II	Valuation criterion IAS/IFRS
Intangible Assets and deferred acquisition costs	Derecognised and not recognised	The following are classified in this item: Deferred acquisition costs associated with the acquisition of certain insurance contracts. In accordance with IFRS 4, these costs are accounted for in accordance with local GAAP standards Goodwill arising from the difference between the cost of the 100% participation in Poste Welfare Servizi acquired on 4 November 2015 and the fair value of the assets and liabilities recognised (at the acquisition date). • Software amortised over 3 years • Start-up and expansion costs amortised over 5 years
Property, plant & equipment held for own use	Furniture, plant and equipment, office machinery are recorded at cost plus accessory charges and subsequent valuations are carried out using the amortised cost method. Depreciation is charged on a straight-line basis over the asset's estimated useful life. With reference to leased assets, the value of the asset upon first recognition shall be equal to the present value of the periodic payments/fees provided for in the contract in order to use the asset and at the time of subsequent closures of the accounts, and for the entire duration of the contract, the asset is depreciated on a straight-line basis	As required by IAS 16, furniture, plant and equipment, office machinery are recorded at cost plus accessory charges and subsequent valuations are carried out using the amortised cost method. Depreciation is charged on a straight-line basis over the asset's estimated useful life. With reference to leased assets falling within the scope of application of IFRS 16, the value of the asset upon first recognition must be equal to the present value of the periodic payments/fees provided for in the contract in order to use the asset and at the time of subsequent closures of the accounts, and for the entire duration of the contract, the asset is
Participations	Solvency II Value from IAS/IFRS Equity	Equity method as required by IAS 28
Financial Investments	Fair Value	Financial investments are valued and classified in accordance with IFRS 9, i.e.: i) Amortised cost: financial investments held for the purpose of collecting the contractual cash flows represented exclusively by the payment of principal and interest; ii) Fair value recognised in Other comprehensive income (FVTOCI): financial investments held in order to collect both the contractual cash flows, represented exclusively by the payment of principal and interest, and the flows deriving from the sale of the assets; iii) Fair value recognised in profit or loss (FVTPL): residual category within which financial investments not included in the previous categories are classified.
Deferred tax assets	Deferred tax assets are equal to the sum of the values of the same item reported in the Market Value Balance Sheet (Solvency II) of the Parent Company, Poste Vita, and the Subsidiaries, Poste Assicura and Poste Welfare Servizi. These values were determined, with reference to the differences in the values of assets and liabilities calculated for SII purposes and the corresponding Local GAAP values, based on the applicable rates.	Deferred tax assets are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes.
Insurance and intermediaries receivables	Receivables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated realisable value.	Receivables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated realisable value.
Cash and cash equivalents	These items are recorded at nominal value.	These items are recorded at nominal value.

Application of Solvency II valuation criteria to the assets in the Market Value Balance Sheet led to the following measurement differences for the Poste Vita Group:

(€k)

	31/12/2020		
Categorie di attività rilevanti	**Solvency II value**	**IAS/IFRS**	**Delta**
Goodwill		17,823	(17,823)
Deferred acquisition costs		48,922	(48,922)
Intangible assets		66	(66)
Property, plant & equipment held for own use	26,167	26,167	
Partecipations	107,440	107,438	2
Financial Investments	156,064,238	155,732,188	332,050
Deferred tax assets	4,049,195	438,060	3,611,135
Insurance and intermediaries receivables	58,872	58,872	
Cash and cash equivalents	1,136,758	1,136,758	

With reference to Group companies, application of Solvency II valuation criteria to Balance Sheet assets led to the following valuation differences with respect to the **Local GAAP standards**, reported below:

Relevant asset categories	Valuation criterion Solvency II	Valuation criterion Local GAAP
Intangible Assets	Derecognised and not recognised	Recognition at cost and subsequent amortisation: • Acquisition commissions capitalised and amortised on an analytical basis over 10 years • Software amortised over 3 years • Start-up and expansion costs amortised over 5 years • Leasehold improvements - amortised on the basis of the residual duration of the right of use
Insurance & intermediaries payables	As required by IAS 16, furniture, plant and equipment, office machinery are recorded at cost plus accessory charges and subsequent valuations are carried out using the amortised cost method. Depreciation is charged on a straight-line basis over the asset's estimated useful life. With reference to leased assets falling within the scope of application of IFRS 16, the value of the asset upon first recognition must be equal to the present value of the periodic payments/fees provided for in the contract in order to use the asset and at the time of subsequent closures of the accounts, and for the entire duration of the contract, the asset is depreciated on a straight-line basis	Property, plant and equipment are recorded at purchase cost including related ancillary charges and depreciated on a straight-line basis according to their residual useful life. With reference to leased assets, statutory standards do not provide for recognition as assets.
Participations	Solvency II Value from IAS/IFRS Equity	Acquisition cost pursuant to art. 2426 of the Civil Code.
Financial Investments	Fair Value	Current Assets: value equal to the lower of acquisition cost and market value; Assets: acquisition cost adjusted, if necessary, to take account of impairment losses.
Deferred tax assets	Deferred tax assets are determined on the basis of the differences between the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values.	Deferred tax assets are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes, where it is considered probable that there will be a future profit.
Insurance and intermediaries receivables	Receivables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated realisable value.	Receivables are recorded at their estimated realisable value in accordance with the provisions of art. 16, paragraph 9 of Legislative Decree no. 173/97 and expressed net of any adjustment provisions.
Cash and cash equivalents	These items are recorded at nominal value.	These items are recorded at nominal value.

Poste Vita S.p.A.

(€k)

	31/12/2020		
Categorie di attività rilevanti	**Solvency II value**	**Statutory Account Value**	**Delta**
Deferred acquisition costs		48,922	(48,922)
Intangible assets			
Property, plant & equipment held for own use	25,759	2,174	23,586
Partecipations	401,019	205,274	195,745
Financial Investments	155,610,220	136,774,831	18,835,388
Deferred tax assets	4,039,605	431,818	3,607,786
Insurance and intermediaries receivables	25,139	25,139	
Cash and cash equivalents	1,103,983	1,103,983	

Poste Assicura S.p.A.

(€k)

Assets	31/12/2020		
	Solvency II value	Statutory accounts value	Delta
Intangible assets			
Property, plant & equipment held for own use	285	21	264
Partecipations	504	637	(133)
Financial Investments	454,523	415,338	39,185
Deferred tax assets	8,961	6,884	2,077
Reinsurance receivables	2,355	2,355	
Insurance and intermediares recebables & receivables (trade, not insurance)	39,045	39,045	
Cash and cash equivalents	17,127	17,127	

D.2. Technical Provisions

Below is a table summarising technical provisions net of outward reinsurance for the Poste Vita Group at 31 December 2020:

(€k)

Net Technical Provisions	31/12/2020		
	Life	Non-Life	Total
Best Estimates Liabilities	147,072,895	185,576	147,258,471
Risk margin	156,586	19,465	176,051
Total - Gross Techical Provisions	**147,229,481**	**205,040**	**147,434,522**
Recoverables	(3,753)	19,129	15,377
Total - Net Techical Provisions	**147,233,234**	**185,911**	**147,419,145**

Technical provisions for the Poste Vita Group are equal to the sum of Technical Provisions for Life Business for the parent company Poste Vita and the Technical Provisions for Non-Life Business deriving from the subsidiary Poste Assicura.

Technical Provisions relative to both Life and Non-Life Business are measured using the principles found under article 77 of the Solvency II Directive, which establishes that the value of technical provisions is equal to the sum of the Best Estimate and Risk Margin.

Relative to calculation of Group technical provisions, below is the impact of transitional measures on technical provisions, as well as the use of the Volatility Adjustment, both of which were applied by the parent company:

(€k)

Impact of long term guarantees measures and transitionals	31/12/2020			
	Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero
Technical provisions	**147,434,522**	**149,183,605**	**149,853,342**	**2,418,821**
Basic own funds	**9,580,778**	**8,370,762**	**7,907,467**	**(1,673,311)**
Excess of assets over liabilities	9,763,745	8,553,729	8,090,433	(1,673,311)
Restricted own funds due to ring-fencing and matching portfolio				
Eligible own funds to meet Solvency Capital Requirement	**11,193,573**	**9,985,020**	**9,600,185**	**1,593,389**
Tier I	9,323,403	8,113,387	7,650,092	(1,673,311)
Tier II	1,870,170	1,871,633	1,950,093	79,923
Tier III				
Solvency Capital Requirement	**3,740,340**	**3,743,266**	**3,900,185**	**159,845**

Technical Provisions for the parent company Poste Vita S.p.A.

The Technical Provisions were measured using the principles contained in article 77 of the Solvency II Directive.
The methodology adopted to calculate the various amounts impacted by Solvency II is that of the Standard Formula, and hence no specific internal models were adopted.
At 31 December 2020, Poste Vita made use of the transitional deduction on the Technical Provisions (TMTP), following IVASS Provision 0210786 of 26/08/2019. The TMTP was calculated at the product level and reaggregated on individual Lines of Business indicated in the Quantitative Reporting Templates. The 68.75% reduction percentage was applied to the amount calculated before taxes, in line with that established in article 344-decies of Legislative Decree 209 of 7 September 2015, concerning the transitional measure for technical provisions.
At 31 December 2020, the Technical Provisions broken down into their various components:

- Best Estimate of Liabilities (BEL),
- Risk Margin (risk margin against non-hedgeable risks)
- Reinsurance recoverables, the best estimate of the amounts recoverable through reinsurance net of adjustments taking into account the credit risk of the reinsurer (CDA - Counterparty Default Adjustment),
- Amount of the transitional deduction on Technical Provisions (TMTP),

are as follows:

Technical provisions	31/12/2020
BEL - gross reinsurance	147,928,433
Risk margin	1,050,132
SII technical provisions - gross reinsurance	**148,978,565**
Net BoD reinsurance recoverables	- 3,753
SII technical provisions - net reinsurance	**148,982,318**
TMTP amount at 31/12/2020	**- 1,749,084**
SII technical provisions - net reinsurance with TMTP deduction	**147,233,234**

At 31 December 2020, the value of Technical Provisions by Line of Business (LoB) and by component, before reinsurance and before the TMTP, was:

(€k)

Line of Business	31/12/2020 BEL	Risk margin	Recoverables
Insurance with profit participation	143,344,834	890,469	87
Index-linked and unit-linked insurance	4,550,810	103,134	
Other life insurance	43,821	32,441	7,745
Health insurance (direct business)	(11,032)	24,087	(11,585)

Below are details at 31 December 2020 relative to the value of Technical Provisions by Line of Business (LoB) and by component, after reinsurance and both before and after the TMTP:

TP, net reinsurance without TMTP deduction (Transitional Measures on Technical Provisions)

(€k)

Line of Business	BEL	Risk margin
Insurance with profit participation	143,344,746	890,469
Index-linked and unit-linked insurance	4,550,810	103,134
Other life insurance	36,076	32,441
Health insurance (direct business)	554	24,087

TP, net reinsurance and with Transitional Measures on Technical Provisions deduction

(€k)

Line of Business	BEL	Risk margin
Insurance with profit participation	142,489,209	-
Index-linked and unit-linked insurance	4,550,810	100,057
Other life insurance	36,076	32,441
Health insurance (direct business)	554	24,087

Technical Provisions are calculated for almost the entire portfolio using an Asset Liabilities Management (ALM) approach.
Best Estimates include the outstanding claims provisions at 31 December 2020.

The Best Estimate of liabilities is the average of future cash flows weighted with the relative probabilities, taking into account the time value of the money (current expected value of future cash flows), based on the relevant risk-free interest rate term structure at 31 December 2020, as observed on the market and officially communicated by EIOPA.

The Best Estimates may be calculated in a deterministic or stochastic manner, based on the characteristics of the relative liabilities portfolio.
Specifically:

- a deterministic approach is used for products of Lines of Business relative to which cash flows do not depend on market changes or move symmetrically relative to market changes;
- a stochastic approach is used for products or Lines of Business relative to which cash flows contain financial guarantees and contractual options which are asymmetrical relative to market changes.

To measure the Best Estimate component for parent company commitments, the model was configured by LoB, each using the relative amounts of assets and liabilities.

Projects are managed at the individual fund level. In particular, for Separately Managed Account, with an ALM view, the dynamic interactions between assets and liabilities are taken into account, as management changes, revalued insurance benefits are revalued, and management actions are taken into consideration, simulating investment strategies.
Relative to the selection of Management Actions, the investment strategy used in the parent company's projection models to calculate the Best Estimate for revalued products, that is linked to returns from Separately Managed Accounts, has the dual objective of:
- maintaining the Current Asset Allocation (CAA) over time;
- achieving and maintaining, when possible, a target return.

Parameterisation of financial hypotheses was determined in line with asset allocation and realisation of an objective return (crediting), defined and agreed upon with the Asset Allocation and Traditional Investment office.

In contrast to what occurs for real world valuations, it is necessary to take into account that for Solvency II valuations a closed production portfolio is hypothesised, with projections made in a risk neutral environment. Consequently, flows from assets are lowered, leading to a reduction in returns.
Realisation criteria for latent gains from assets covering separately managed accounts represent the driver with the largest impact on the value of technical provisions. In these measurements, portfolio management establishes that realisation of gains leads to crediting.

Relative to the liabilities portfolio, for proper valuation as defined under articles 17 and 18 of Delegated Regulation 2015/35, all obligations falling under the limits of contracts were recognised, while those expired, fulfilled and discharged were cancelled.
When measuring the Best Estimates, all existing portfolio obligations were considered, in particular those deriving from single premium, annual premium and recurring single premium tariff forms, as well as the payment of additional premiums and single-year coverage through maturity.
When configuring the model, variables were parameterised on the basis of hypotheses that best represent their future performance.
In the cash flows projection, as defined under article 28 of Delegated Regulation (EU) 2015/35, all commitments were considered in terms of benefits and expenses deriving from contracts, by defining hypotheses that determine the future value.

In particular, we can identify three types of hypotheses:

- Demographic: mortality, longevity and invalidity;
- Financial: return rates for assets (deterministic risk neutral and stochastic scenarios), discount and inflation rates and volatility hypotheses for financial instruments;
- Non-financial: surrenders, renewals, reductions, insolvencies, return and spending propensity.

Below is a description of the methodological criteria used to define the main hypotheses, periodically updated on the basis of statistical/actuarial estimates:

Demographic hypotheses
Process of identifying the distribution of the likelihood of death, broken down by sex and age, differentiated by various sub-collectives in the portfolio (term life products, CPI products, Class I including multi-class and Class III):

- the mortality rate by age is obtained as the ratio between the number of deaths observed and the average number of those exposed to the risk, identified using the average durations method.
- For each sub-collective observed, a single mortality table was defined, distinguishing by age and sex, assigning a weight proportional to the number of policies subject to analysis to each year of observation. Recovery of tardy notifications with respect to prior years of death was done by modifying the extractive criteria for the database, adding information on when notifications were received.
- Finally, the result is represented with an appropriate discount on the reference mortality tables by product.

Financial Hypotheses
Determination of returns on assets and valuation of technical provisions is done following the regulatory principles in effect (Delegated Regulation 2015/35 of 10 October 2014, as amended).
In particular for projections for financial instruments using market consistency principles, the risk-free interest term structure is used, applying a Volatility Adjustment based on the data published each month by EIOPA.
In calibrating models used to generate stochastic scenarios, the volatility intended is market volatility as of the valuation date for each type of asset considered:

- for equity: EuroStoxx-50;
- for fixed income: swaption ATM (normal volatility).

To produce financial risk neutral stochastic scenarios used for Solvency II processing, software has been used for several years that automates the generation process. The software includes theoretical models, calculation methods and the entire IT structure needed to generate the required scenarios.

Risk neutral macroeconomic scenarios mainly taken three risk factors into account: interest rate, inflation and equity index performance.
The generation process creates one thousand simulated trajectories, calibrated to the volatility levels observed on the reference date of the analysis.

Methodological choices made by Poste Vita call for the use of the following projection models for the various risk factors:

- nominal interest rates: Libor Market Model plus (LMM+)
- real interest rates: Gaussian Libor Market Model (GLMM)
- equity: Stochastic Volatility Jump Diffusion (SVJD)

In particular, the selection of LMM+ to model nominal rates is linked to the possible presence of negative rates on the market.

Scenarios include modelling indices needed to valuate investment classes/funds and intended to generate a specific target volatility, estimated for each of these or by homogeneous clusters of the same.

The nominal interest rate curve used in the generation process on the valuation date coincides with that provided by EIOPA. These curves include the following corrections: credit risk adjustment and volatility adjustment.

The curves are also subject to a Smith-Wilson interpolation and extrapolation process that includes an ultimate forward rate level at which the scenario converges (3.75%), within a certain tolerance, during the corresponding period between the last rate deemed liquid (20 years) and 60 years.

The inflation rate on the valuation date is obtained from market information providers and coincides with the EUSWI curve.

The volatility surface used to calibrate the rate models is part of the calibration issued by an external supplier who is a leader in their sector.

This same calibration is accompanied by the relative documentation, which reports market volatility levels (implicit volatility of swaptions) and the quality level of the fitting obtained with the models used.

Therefore, the quality of the fitting for the volatilities guarantees consistency between the starting curve, supplied by EIOPA, and the market volatility used to produce the scenario.

The equity projection model is calibrated to the implicit volatility of EUROSTOXX50.

The scenarios produced are subjected to validation tests, distributed by the supplier, before they are used as input in the ALM model. Additionally, the risk neutrality is verified as well as their consistency with the valuation model.

<u>Non-Financial Assumptions</u>

a. Process to determine surrender frequency, broken down by different portfolio sub-collectives and product lines:

- the surrender rate is obtained as the ratio between the number of policies surrendered and the number of policies exposed to the risk of surrender at the beginning of the period for each calendar year of issue, that is by each year the policy is in effect;
- starting from the annual rate matrix, aggregating with respect to the columns, the vector of surrender rates is obtained by anti-duration;
- aggregation is done using weighted averages which give more weight to complete and more recent observations;
- the final vector is the result of mechanical smoothing, or guided by expert judgement.

b. Process to determine the frequency of partial surrenders:

- observation of the phenomenon is done by the anti-duration of the policy and by different product line;
- the partial surrender rate is obtained as the ratio between the number of policies partially surrendered and the number of policies exposed to the risk of partial surrender at the beginning of the period for each calendar year of issue, that is by each year the policy is in effect;
- starting from the annual rate matrix, aggregating with respect to the columns, the vector of partial surrender rates is obtained by anti-duration;
- aggregation is done using weighted averages which give more weight to complete and more recent observations;
- the average portion of insured capital requested through partial surrender is determined by product line as the ratio between the average partial surrender and the average insured capital within the same observation period;
- the average capital rate, obtained in the previous point, is applied in relation to distinct product lines, at each partial surrender frequency so as to obtain, by anti-duration, the rates (percentage) of insured capital reduced due to partial surrenders.

c. Process to determine renewal frequency for products with a recurring single premium:

- by policy month of effect and anti-duration average premiums paid by policyholders is determined, as the ratio between the amount of premiums paid for each monthly generation and the number of policies in the portfolio, relative to the same generation and still existing at that anti-duration;
- the crude renewal frequency is obtained as the ratio between average subsequent premiums with adjacents, which are then aggregated in consecutive policy years and weighted with respect to the numerousness of the generations;
- the final vector is the result of mechanical smoothing, or guided by expert judgement.

d. Process to determine the amounts of additional payments:

the methodology used to determine the amount of additional payments is based on observations by core product and benefit lines and includes the following phases:

- determination of the average value of additional payments by product;
- determination of the frequency of additional payments by product;
- determination of the annual premium amount by core product line;
- the final vector is the result of mechanical smoothing, or guided by expert judgement.

Additionally, through generation analysis it was possible to hypothesise a termination law by anti-duration, based on which an increase in policy years corresponds with a linear decrease in the flow of additional payments.

e. Dynamic Policy Holder Behaviour (”DPHB”)

The Company has introduced the hypothesis of “dynamic surrenders” to include dynamic policy holder behaviour (DPHB) with respect to market conditions in its valuations.

The mathematical model used in Poste Vita calculation procedures defines a variation factor, with positive/negative effects on the surrender frequency observed in the company’s experience, as a function of the performance of a “spread’ financial variable.

An estimate of the parameters for the DPHB model used in internal BEL calculation procedures for Poste Vita was arrived at, taking into account the following methodological aspects:

- analysis of the linear and non-linear correlation between the strategic "spread" financial variable and observed surrender frequencies, which allowed identification of non-linear correlations;
- calculation of the "spread" variable as a function of returns returned by the GS.

f. The process used to determine expenses can be represented as follows:

- during the financial statements stage, there is an initial phase of analytical identification of costs by nature, to be allocated to the macro-categories within the technical and non-technical account:

1. Other acquisition costs (acquisition);
2. Investment management costs (finance):
3. Claims expenses (liquidation);
4. Other administrative expenses (administration);

- in the next phase, costs are allocated using specific technical indicators by class/product (macro product lines), to estimate the average costs of policies by line and anti-duration (acquisition costs -> year of issue/operating expenses -> for subsequent years).

In particular, for operating expenses average costs are determined by product line, while for acquisition costs an overall average cost is used for the entire portfolio.

- for the estimate of average policy costs at 31 December 2020, total operating costs incurred in 2019 was used as the starting point, net of recoveries for seconded personnel and intercompany services and costs of a non-recurring nature.

When projecting cash-flows, Poste Vita also considered charges relative to investment management and charges relative to the receipt of future expected premiums for the existing portfolio on the valuation date.

When evaluating the hypotheses underlying the BEL calculation, some were deemed immaterial in that the relative phenomenon observed either occurs sporadically over time or was irrelevant in terms of the volumes observed at the valuation date.
In particular, the following were found to be immaterial:

1. LTC invalidity hypotheses;
2. Maturity deferral hypotheses;
3. Non-pension product return conversion hypotheses;
4. Switch hypotheses;
5. Collective policy hypotheses;
6. LTCI disability hypotheses;
7. Traffic death/injury hypotheses.

Poste Vita has assessed the policy of introducing in the BEL calculation the hypothesis of "dynamic surrenders" to include dynamic policy holder behaviour (DPHB) with respect to market conditions in its valuations.
Given the mathematical function included in the parent company's calculation procedures, various methodological approaches to estimating parameters were assessed, supported by statistical tests analysing the correlation between financial variables and the frequency of surrenders observed.

In consideration of the methodological complexity of estimating parameters, it was deemed appropriate to further examine the correlation between policyholder surrenders and financial market trends, also to verify over time the robustness and stability of the parameter estimates.

When projecting cashflows, used in determining Best Estimate values, policies in effect at the time of valuation are grouped in Model Point, selecting a homogeneous grouping by risk type (by product code), so as to separate and manage the guarantees found in the insurance contracts. For multi-class policies, Class I and Class III guarantees are managed and valued separately. For Model Point generation, specific analysis was done to determine an optimal aggregate set to reproduce the Best Estimate value (with respect to the Best Estimate value obtained with policy by policy valuation), the numerousness of Model Points and a reduction in approximation error.
Best Estimate calculation is done using a stochastic approach so as to determine the time value of options (surrenders, renewals, reductions, insolvencies) and guarantees (e.g. minimum financial guarantee set in the tariff) included in insurance policies in effect at the time of valuation, as defined under article 32 of Delegated Regulation (EU) 2015/35.

For the purposes of calculating the Best Estimate, the Company applied to risk free interest rates an adjustment for volatility in the risk-free interest term structure (“***Volatility Adjustment***”), following the provisions of article 36-septies of the Private Insurance Code.
To make this adjustment at the valuation date, technical information produced by EIOPA was used, on the basis of article 36-octies of the Private Insurance Code. The volatility adjustment applied to the 31 December 2020 valuation was 7 bps.

The Company quantified the impact of eliminating the volatility adjustment on the amount of technical provisions, keeping all the underlying data and hypotheses unchanged and using the interest rate structure without the volatility adjustment.
The consequent impact is summarised in the table below:

(€k)

Line of Business	TP (with VA)	TP (no VA)	difference
Insurance with profit participation	144,235,303	144,903,794	- 668,491
Index-linked and unit-linked insurance	4,653,945	4,654,061	- 116
Other life insurance	76,262	77,087	- 825
Health insurance (direct business)	13,056	13,361	- 305

The valuation model projects cashflows using a run-off approach, that is until the complete extinction of the liabilities portfolio over a time horizon set at 40 years. To take contracts still in effect on the last project date into account in the Best Estimate, the terminal value of these is included (total reserve at final projection date discounted to zero).
For each set of results produced, the market consistency of cashflow (positive and negative) is validated using the Leakage and Martingale tests, calibrating assets to the initial market value, in line with the risk neutral interest term structure, assuming an absence of arbitrage.
Cashflows were considered without deducting amounts recoverable through reinsurance contracts. This amount is calculated externally to the model and is equal to the current value of

the difference between outgoing and incoming cash flows in reference to items subject to the reinsurance treaty.
This value, indicating the amounts recoverable from reinsurance contracts, is then adjusted as a function of the probability of default associated with the reinsurer.

This adjustment was calculated using the formula in article 61 of Delegated Regulation EU 35/2015:

$$AdjCD = -\max(0.5 * PD/(1 - PD) * Durmod * BErec; 0)$$

where:

a) PD denotes the probability of default of that counterparty during the following 12 months;
b) Durmod denotes the modified duration of the amounts recoverable from reinsurance contracts with that counterparty in relation to that homogeneous risk group;
c) BErec denotes the amounts recoverable from reinsurance contracts with that counterparty in relation to that homogeneous risk group.

Note that reinsurance amounts for business not modelled relative to term life, LTC, collective CPI and reinsurance amounts for the School Product were estimated as equal to the mathematical provisions transferred under the Local GAAP.
Recoverable amounts by LoB, net of the adjustment which takes reinsurer credit risk into account, were as follows at 31 December 2020:

(€k)

Line of Business	Recoverables
Insurance with profit participation	87
Index-linked and unit-linked insurance	-
Other life insurance	7,745
Health insurance (direct business)	- 11,585

The table below shows, relative to products linked to Separately Managed Accounts, the minimum levels guaranteed at 31 December 2020 and their weight as a percentage of the mathematical provisions:

(€k)

% Minimum Guaranteed	MATHEMATICAL PROV 31/12/2020	% MATHEMATICAL PROV 31/12/2020
-1.40%	255,119	0.20%
-1.20%	258,582	0.20%
0.00%	68,816,995	53.27%
0.50%	7,654,697	5.93%
1.00%	32,463,604	25.13%
1.25%	98,174	0.08%
1.42%	196,971	0.15%
1.50%	19,382,986	15.00%
1.57%	6,896	0.01%
1.89%	29,502	0.02%
2.03%	17,467	0.01%
2.13%	774	0.00%
Totale	**129,181,767**	**100.00%**

Technical Provisions for the Subsidiary Poste Assicura S.p.A.

With reference to the amount of the subsidiary Poste Assicura S.p.A.'s technical provisions, including the amount of the best estimate and risk margin, below is a summary table:

(€k)

	31/12/2020					
Line of Business	Premium provisions	Claims provisions	Risk margin	TP - Total	Recoverables from reinsurance	TP minus recoverables from reinsurance
1. Medical expense insurance	13,441	48,493	3,614	65,548	5,028	60,520
2. Income protection	21,262	43,037	8,368	72,667	7,253	65,414
3. Workers' compensation						
7. Fire and other damage	200	6,734	1,141	8,075	879	7,196
8. General liability	(1,014)	14,284	2,275	15,545	2,497	13,048
10. Legal expenses	(112)	1,239	123	1,250	612	638
11. Assistance	41	31	16	88	1	88
12. Miscellaneous	30,962	6,978	3,928	41,867	2,861	39,007
Total	**64,780**	**120,795**	**19,465**	**205,040**	**19,129**	**185,911**

Description of the bases, methods and main hypotheses used to measure the technical provisions

Poste Assicura calculates its technical provisions for solvency purposes based on that established under Chapter III (Rules relating to technical provisions) of Delegated Regulation (EU) 2015/35, as implemented in Chapter II (Calculation of technical provisions) in Legislative Decree 209/2005 updated relative to solvency issues by Legislative Decree 74/2015 and based on that added in IVASS regulation 18 of 15 March 2016.

The value of the technical provisions (TP) corresponds to the amount that an insurance or reinsurance company would have to pay if they immediately transferred all their contractual rights and obligations to another company. The value of the technical provisions is equal to the sum of the "Best Estimate Liabilities" (BEL) for the "Premium Provision" and "Claims Provision" and the "Risk Margin" (RM).

Best Estimate Premium Provision

Based on the definition provided in Solvency II terms, the Best Estimate Premium Provision is given by the current expected value of future cashflows generated by contracts existing on the valuation date.

Starting from this definition, the methodology used to quantify the Best Estimate Premium Provision before reinsurance allows development of all future cashflows deriving from payment of claims, expenses and possible premium surrenders due to early termination, net of future premiums to be collected. This methodology is based on the simplification found in Annex 6 to IVASS Regulation 18 of 15 March 2016.

To discount estimated future cashflows, the discount curve supplied by EIOPA was used, without the volatility adjustment.

Best Estimate Claims Provision

The Best Estimate Claims Provision was obtained starting with the historic series of provisions and payments for benefits made by the settlement network. This information is monitored using statistical analysis, accompanied by actuarial statistical assessments.

Before carrying out any actuarial valuation, Poste Assicura prepares a series of reports which analyse claim level indicators. Analysis of the temporal development of indicators is used to identify claims trends, particularly with reference to cost developments for each generation and their development trends over time. These indicators are identified monthly and compared with the situation in the previous year.

Analysis of the temporal development of indicators is used to identify claims trends, particularly with reference to cost developments for each generation and their development trends over time.

For the purposes of Solvency II valuation, the following actuarial statistic methods were implemented:

- Paid Loss Development Method;
- Incurred Loss Development Method;
- Paid Bornhuetter-Ferguson Method
- Incurred Bornhuetter-Ferguson Method

Finally, LoB were excluded from the application of actuarial statistical methods which as of the valuation date had insufficient historical data, reduced volumes or a specialised settlement structure. In these cases, the Best Estimate Claims Provision was obtained starting from the statutory provision as of the valuation date, appropriately reduced and discounted.
The sole Line of Business affected by this simplified valuation was Assistance.
To discount estimated future cashflows, the discount curve supplied by EIOPA was used, without the volatility adjustment.

Reconciliation of Solvency II technical provisions with the statutory financial statements

The table below illustrates the differences between statutory technical provisions and Solvency II provisions, net of reinsurance at 31 December 2020:

(€k)

Technical Provisions minus recoverables from Reinsurance – SI vs SII					
	Local	**Other (*)**	**Methodology Effect**	**Discount Effect**	**SII**
Local Claims Provision// SII Claims Provision	*110,247*	(2)	(9,268)	1183	*102,160*
Local Premiums Provision// SII Premium Provision	*100,787*	0	(37,934)	1433	*64,286*
Other Local Technical Provisions/Risk Margin	*7,142*	0	12019	304	*19,465*
Total	218,176	(2)	(35,184)	2920	185,911

(*) Change by generations not valued and rounding

The switch from Italian GAAP calculation standards to those of Solvency II leads to a reduction in technical provisions net of reinsurance of 17.4% (€ 32,265 thousand).

The difference recognised between the Local Claims Provision and Best Estimate Claims, equal to € 8,087 thousand, is due to the different methodology applied and the introduction of a discounting component. In fact, from a statutory point of view, the principle of prudence is respected, based on which negative IBNeR cannot be determined. However, for Solvency II, to determine the final cost which is a close as possible to fair value, a more forward looking policy was selected.

The difference recognised between the Local Premium Provision and Best Estimate Premium, equal to € 36,501 thousand, is due to the different methodology applied and the introduction of a discounting component. For Solvency II, in contrast to statutory standards, the current value of future profits is also taken into account.

The statutory technical provisions also include the additional provisions, premium provision, adjustment provision and senescence provision, while for Solvency II purposes, a security margin is measured representing the cost deriving from the requirement to possess own funds equal to the Solvency Capital Requirement to support obligations until full extinction.

Amounts recoverable from reinsurance contracts

The amounts recoverable from reinsurance contracts were determined as follows:

- when calculating the Best Estimate Premium, amounts recoverable from reinsurers were obtained as the difference between claims generated from provisions by fractions of premiums, future premiums and outward reinsurance premiums and the premiums transferred to the reinsurer, to which was added commissions received from the reinsurer;

- when calculating the Best Estimate Claims, amounts recoverable from reinsurers were obtained as the sum of claims transferred through non-proportional treaties and claims transferred through quota share treaties.

The adjustment for counterparty default risk, respectively for amounts recovered from reinsurers for the premium provision and the claim provision, was calculated based on the simplified formula found in the Technical Specification for Preparatory Phase Part I (TP.2.183.), shown below:

$$Adj_{CD} = -\max\left(0.5 \cdot \frac{PD}{1-PD} \cdot Dur_{mod} \cdot BE_{rec}; 0\right)$$

where:

- BE_{rec} is the Best Estimate of amounts recoverable;
- Dur_{mod} is the modified duration of amounts recoverable from reinsurance;
- PD is the probability of default for the reinsurer.

The Adj_{CD} determined as above is assigned to each future year proportional to the flow of recoverables.

Below is a breakdown of recoverables from the Best Estimate Premium Provision:

(€k)

	31/12/2020		
Line of Business	Best Estimate Premium Provision Gross of Reins.	Best Estimate Premium Provision Net of Reins.	Recoverable with Adjustment
1. Medical expense insurance	13,441	13,842	(401)
2. Income protection	21,262	20,724	538
3. Workers' compensation			
7. Fire and other damage	200	791	(591)
8. General liability	(1,014)	(755)	(260)
10. Legal expenses	(112)	(120)	8
11. Assistance	41	41	
12. Miscellaneous	30,962	29,762	1,200
Total	**64,780**	**64,286**	**494**

Recoverables for the Best Estimate Premium Provision amount to € +494 thousand. The Best Estimate Premium Provision net of reinsurance amounts to € +64,286 thousand, with a 0.8% percentage reduction with respect to the estimate before reinsurance.
Below is a breakdown of recoverables from the Best Estimate Claims Provision:

(€k)

Line of Business	31/12/2020		
	Best Estimate Claims Provision Gross of Reins.	Best Estimate Claims Provision Net of Reins.	Recoverable with Adjustment
1. Medical expense insurance	48,493	43,064	5,429
2. Income protection	43,037	36,322	6,715
3. Workers' compensation			
7. Fire and other damage	6,734	5,264	1,470
8. General liability	14,284	11,527	2,756
10. Legal expenses	1,239	635	604
11. Assistance	31	30	1
12. Miscellaneous	6,978	5,317	1,661
Total	**120,795**	**102,160**	**18,635**

Recoverables for the Best Estimate Claims Provision amount to € +18,635 thousand. The Best Estimate Claims Provision net of reinsurance amounts to € +102,160 thousand, with an approximate 15.4% percentage reduction with respect to the gross estimate. Recoverables obtained are consistent with the Reinsurance strategy in effect in 2020.

<u>Level of uncertainty associated with technical provisions</u>

Valuation of technical provsions requires sustainable technical hypotheses relative to the composition of the portfolio and company policies. These aspects were duly considered during the valuations. In any case, the hypotheses used could nonetheless provide estimates that differ from effective future amounts. To that end, sensitivity analysis was done to determine the impact of changes in the individual hypotheses used on final estimates.
In particular, the Company did sensitivity analysis on factors which were deemed the most significant relative to the features of the portfolio and involve:

- hypotheses of contract abandonment by policyholders and prospective Loss Ration in the context of the Best Estimate Premium;
- claims liquidation policies and the consequent variation in the link ratio relative to Best Estimate Claims.

The Group’s Risk margin is the sum of the Risk Margins of the individual Companies, as established in article 77 of the Solvency II Directive.
At 31 December 2020, in line with that done the previous year, a simplified methodology was used to calculate the Risk Margin, as established under paragraph 2, article 60 of IVASS Regulation 18/2016. In particular, after verifying the hypotheses regarding the risk profile of the company can be considered as unchanged over time, the Group chose the hierarchy 2 method proposed in annex 4 to the cited Regulation. The Group holds that this method, based on a run-off of obligations net of reinsurance, offers a proportionate representation of the nature, extent and complexity of the underlying risks and commitments made by the company in question.

The hierarchy two method is based on the hypothesis that the solvency capital requirement is proportional to the best estimate of technical provisions, for each year of reference. The factor of proportionality is obtained from the ratio between the current SCR and the current best estimate of technical provisions. Below is the Group's risk margin:

(€k)

	31.12.2020	31.12.2019	Delta %
Risk Margin with Transitional Measures deduction	176,051	158,525	11.06%

The increase in the Risk Margin is due to:

- a decrease in the TMTPs (-159,007).;
- a decrease in the discount factor due to the reduction in the EIOPA risk free curve.

Finally, the Risk Margin is allocated to the individual lines of business (LoB) based on the relative solvency capital requirement

D.3 Other Liabilities

For the most significant liability items below is the amount at 31 December 2020 calculated using Solvency II criteria, compared with the amount recognised in the *IAS/IFRS Consolidated Financial Statements* with reference to the Poste Vita Group and compared with the amount recognised in the *Italian GAAP Financial Statements* for the individual Companies.

Subordinated loans

Subordinated loans – Poste Vita Group (€ 258,676 thousand)

Subordinated loans, entirely held by the parent company Poste Vita S.p.A., amount to € 258,676 thousand at 31 December 2020 and refer exclusively to the market value of a subordinated loan taken out entirely with the ultimate parent Poste Italiane S.p.A., including the amount for interest expense accrued (entirely settled at market conditions).

In terms of determining the market value of this loan, given that it is a security with undefined maturity with a coupon equal to the 6m Euribor plus a spread, and given the possibility for the parent company Poste Vita S.p.A. to call the security 5 years after the announcement date, it is hypothesised that every quarter Poste Vita announces its intention to call the security (which as a consequence is measured as a 5 year security), as well as updating the spot and forward rates to discount cash flows. After this, to obtain the final price, a credit risk premium and an illiquidity premium are added.

Contingent liabilities

Contingent liabilities are recorded against losses and charges of a determinate nature, which are either probable or certain to be incurred, for which, however, there is an uncertainty as to

the amount or as to the date on which they will occur. This item includes liabilities defined and governed by IAS 37 and hence determined on the basis of this standard.
Provisions are recognised in the financial statements at the moment in which the Group has a current obligation as a result of a past event and it is probable it will be asked to fulfil this obligation.

At the end of 2020, contingent liabilities totalled € 15,950 thousand. The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

(€k)

Composition	31/12/2020	31/12/2019	Delta
Legal disputes	5,053	5,505	- 451
Tax disputes	126	2,451	(2,325)
Other liabilities	10,770	13,286	- 2,516
Total	**15,950**	**21,242**	**- 5,292**

At the end of the period, the item was as follows:

- legal disputes for € 5,053 thousand, of which most part relative to dormant policies;
- tax liabilities which could derive from an existing dispute for around € 126 thousand;
- other liabilities totalling € 10,770 thousand relative to:
  - € 5,195 thousand allocated as a function of Intesa San Paolo's intention to charge the parent company Poste Vita for VAT paid following the facilitated settlement of pending litigation regarding the higher VAT assessed by the tax authorities for the 2003 and 2004 periods, due to the collaboration relation (failure to invoice the direct cost of personnel seconded to Poste Vita) and the co-insurance contract (failure to invoice the commissions on proxies and waivers) entered into in September 1999 between Sanpaolo Vita (later Eurizon and now Intesa San Paolo Vita) and Poste Vita;
  - € 1,032 thousand relative to the residual portion of the provision made following the extension granted by INPS regarding application of the regulation on contributions for family allowance loan (CUAF), relative to which more information can be found in the section "Other Information";
  - € 1,019 thousand for certain cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the parent company Poste Vita, as a result of which insurance payments were made to parties found not to be legitimate for a total value of € 2,337 thousand. At the time of this report, the parent company Poste Vita had already reactivated positions for a total of around € 1,318 thousand. Hence, for the remaining positions a provision of € 1,019 thousand was established which will be progressively removed when the position of the customer concerned is reactivated;
  - € 3,524 thousand for other provisions.

The item decreased by around € 5,291 thousand with respect to the € 21,241 thousand recognised in 2019 mainly due to: i) the release of € 2,325 thousand following settlement of the VAT dispute relative to the years 2004, 2005 and 2006 pending with the Court of Cassation, as better detailed in the section "tax proceedings" and ii) € 2,325 thousand for net utilisations (including the provisioning during the period carried out by the subsidiary Poste Welfare Servizi for € 415 thousand) of the CUAF provision for sums paid to the institution during the period.
This decrease was only partially offset by the provisioning carried out during the period for € 549 thousand million relative to the legal dispute and for € 212 thousand relative to personnel disputes, as well as the provisioning net of utilisation during the period of € 186 thousand million, relative to positions for which insurance payments were made to parties found not be legitimate.

Contingent liabilities - Poste Vita S.p.A. (€ 15,523 thousand)
At the end of 2020, contingent liabilities totalled € *15,523* thousand.
The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

(€k)

Composition	31/12/2020	31/12/2019	Delta
Legal disputes	5,053	5,505	- 451
Tax disputes	126	2,451	(2,325)
Other liabilities	10,344	12,729	- 2,386
Total	**15,523**	**20,685**	**- 5,162**

The item is as follows:

- legal disputes for € 5,053 thousand, of which most part relative to dormant policies;
- tax liabilities which could derive from an existing dispute for around € 126 thousand;
- other liabilities totalling € 10,344 thousand relative to:
  - € 5,195 thousand allocated as a function of Intesa San Paolo's intention to charge the Company for VAT paid following the facilitated settlement of pending litigation regarding the higher VAT assessed by the tax authorities for the 2003 and 2004 periods, due to the collaboration relation (failure to invoice the direct cost of personnel seconded to Poste Vita) and the co-insurance contract (failure to invoice the commissions on proxies and waivers) entered into in September 1999 between Sanpaolo Vita (later Eurizon and now Intesa San Paolo Vita) and Poste Vita;
  - € 617 thousand relative to the residual portion of the provision made following the extension granted to the Company by INPS regarding application of the regulation on contributions for family allowance loan (CUAF), relative to which more information can be found in the section "Other Information";
  - € 1,019 thousand for certain cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the Company, as a result of which insurance payments were made to parties found not to be legitimate for a total value of € 2,337 thousand. At the time of this report, the Company had already reactivated positions for a total of around € 1,318 thousand. Hence, for the remaining positions a provision of € 1,019 thousand was established which will be progressively removed when the position of the customer concerned is reactivated;

- € 3,513 thousand for other provisions.

Relative to valuation methods, please see that reported at the Group level.

Contingent liabilities - Poste Assicura S.p.A. (€ 0 thousand)

With reference to the subsidiary Poste Assicura S.p.A., at the end of 2020 this item had no value. It was equal to € 556 thousand at 31 December 2019. The decrease recognised during the period refers solely to the full release of the provision made at the end of the previous period following the extension granted to the Company by INPS regarding application of the regulation on contributions for family allowance loan (CUAF), relative to which more information can be found in the section "Other Information";

Relative to valuation methods, please see that reported at the Group level.

Contingent liabilities – Poste Welfare Servizi S.r.l. (€ 426 thousand)

With reference to the subsidiary Poste Welfare Servizi S.r.l., at 31 December 2020 the item amounts to € 426 thousand, mainly referring (for € 415 thousand) to the provision established during 2020 following the extension granted to the Company by INPS regarding application of the regulation on contributions for the family allowance loan (CUAF), relative to which more information can be found in the section "Other Information";

Relative to valuation methods, please see that reported at the Group level.

Pension benefit obligations

Pension benefit obligations – Poste Vita Group (€ 2,549 thousand)

This item includes amounts relative to employee termination benefits for a total value of € 2,549 thousand at the end of 2020. These amounts were determined using the criteria established under IAS 19 and the consolidated value is the sum of the amounts for the three companies in the Insurance Group.

Pension benefit obligations – Poste Vita S.p.A. (€ 964 thousand)

Relative to the parent company Poste Vita S.p.A., the amount of pension benefit obligations at 31 December 2020 is € 964 thousand.

Relative to valuation methods, please see that reported at the Group level.

Pension benefit obligations – Poste Assicura S.p.A. (€ 228 thousand)

Relative to the subsidiary Poste Assicura S.p.A., there is a total of € 228 thousand in pension obligations at 31 December 2020.

Relative to valuation methods, please see that reported at the Group level.

Pension benefit obligations – Poste Welfare Servizi S.r.l. (€ 1,357 thousand)

The subsidiary Poste Welfare Servizi S.r.l. has pension obligations at 31 December 2020 totalling € 1,357 thousand.

Relative to valuation methods, please see that reported at the Group level.

Deferred tax liabilities

Deferred tax liabilities – Poste Vita Group (€ 5,894,315 thousand)

Deferred tax liabilities are equal to the sum of the amounts under the same item found in the Market Value Balance Sheets (Solvency II) of the parent company Poste Vita and the subsidiaries. The subsidiaries Poste Insurance Broker S.r.l. and Poste Insurance Broker S.r.l. do not have any deferred tax liabilities. Deferred tax liabilities are determined based on the difference between the values of assets and liabilities for Solvency II Purposes and the corresponding Local GAAP values, applying the IRES + IRAP rate (30.82%).

Deferred tax liabilities – Poste Vita S.p.A. (€ 5,872,713 thousand)

Deferred tax liabilities are determined based on the difference between the values of assets and liabilities for Solvency II Purposes and the corresponding Local GAAP values, applying the IRES + IRAP rate (30.82%).

Following application of Solvency II valuation rules, the item Deferred Tax Liabilities is equal to € *5,872,713* thousand at the end of 2020.

The main components include deferred taxes recognised mainly following an increase in investments for € 5,865,395 thousand.

Relative to valuation methods, please see that reported at the Group level.

Deferred tax liabilities – Poste Assicura S.p.A. (€ 21,602 thousand)

At the end of the period, the item 'deferred tax liabilities" amounted to € 21,602 thousand.

The changes are mainly due to deferred taxes recognised after the change in the value of financial instruments for € 9,404 thousand and the decrease in technical provisions for € 12,070 thousand, applying the Solvency II valuation criteria.

Relative to valuation methods, please see that reported at the Group level.

Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions – Poste Vita Group (€ 23,867 thousand)

This item refers almost exclusively to the financial liabilities deriving from application of IFRS 16 for a total value of € 23,867 thousand at 31 December 2020 and mainly refer to the lease contract for the mixed use property signed with Mirto S.r.l., expiring in April 2022. These liabilities are initially recognised at the current value of the leasing instalments not paid at the contractual start date; for the purposes of calculating the current value, the Poste Vita Group uses the incremental borrowing rate, defined for the duration of the loan. Subsequently, the liabilities are reduced to reflect the leasing instalments paid and increased to reflect the interest on the remaining value (using the effective interest method).

Note that this item is expressed net of infragroup operations for a total of € 2,724 thousand, mainly relative to financial liabilities linked to the offices sub-let to the Subsidiaries Poste Welfare Servizi S.r.l. and Poste Assicura S.p.A. by the parent company Poste Vita S.p.A.

Financial liabilities other than debts owed to credit institutions – Poste Vita S.p.A. (€ 23,478 thousand)

This item refers entirely to financial liabilities deriving from application of IFRS 16 for a total value of € 23,478 thousand at 31 December 2020 (of this amount, € 1 thousand is cancelled as it refers to the payable due to the subsidiary Poste Welfare Servizi S.r.l. for interest to be paid on the deposit) and mainly refers to the mixed use lease contract signed with Mirto S.r.l., expiring in April 2022. Relative to valuation methods, please see that reported at the Group level.

Financial liabilities other than debts owed to credit institutions – Poste Assicura S.p.A. (€ 416 thousand)

This item refers solely to financial liabilities deriving from application of IFRS 16 and represent the remaining amount of rent to be paid at the end of the period, mainly with reference to the sub-lease with the parent company Poste Vita for € 348 thousand (this latter fully cancelled following the cited infragroup cancellations for the purposes of preparing the consolidated financial statements). The remaining portion of € 68 thousand is relative to car hire contracts for mixed use and leases for guest quarters.
Relative to valuation methods, please see that reported at the Group level.

Financial liabilities other than debts owed to credit institutions – Poste Welfare Servizi S.r.l. (€ 2,697 thousand)

This item refers to financial liabilities deriving from application of IFRS 16 and represents residual rent to be paid at the end of the period, mainly with reference to: i) € 2,374 thousand (fully cancelled following the cited infragroup cancellation) for offices sub-let from the parent company Poste Vita S.p.A. used for business activities; ii) € 304 thousand relative to ultimate parent Poste Italiane S.p.A. offices used for disaster recovery and iii) € 19 thousand for car hire contracts for mixed use.
Relative to valuation methods, please see that reported at the Group level.

Derivative Liabilities

Derivative liabilities – Poste Vita Group (€ 9,832 thousand)

At the end of 2020, the parent company Poste Vita S.p.A. had five forward sale operations designated as fair value hedges for the government bond “BTPS 0.85%” equal to € 9,832 thousand, in order to preserve latent gains on government bonds in Posta ValorePiù Separately Managed Accounts against unforeseen changes in interest rates and/or credit risk, classified in the Current segment. These Forward Sales reach maturity in the second quarter of 2021. These derivatives, with a total nominal value of € 1,260,000 thousand, saw a negative change in fair value of € *9,832* thousand during the period.

Derivatives are recognised in the Income Statement at fair value.

Insurance and intermediaries payables

Insurance and intermediaries payables – Poste Vita Group (€ 233,802 thousand)

These payables are recognised at the nominal value. For accounting purposes no discounting methods were used given that these payables are all short-term, the effects would not be significant.
At the end of 2020 the item amounted to € 233,802 thousand, expressed net of infragroup operations for a total of € 4,136 thousand entirely relative to the payable accrued by the subsidiary Poste Assicura S.p.A. relative to the parent company Poste Vita S.p.A. for the portion of premiums covering the “life” benefits of CPI products.

Insurance and intermediaries payables – Poste Vita S.p.A. (€ 216,865 thousand)

At the end of 2020, this item amounted to € 216,865 thousand and mainly consisted of:

- € 133,669 thousand for payables relative to commissions to be paid to the ultimate parent Poste Italiane for portfolio maintenance;
- € 80,396 thousand for payables due to insurance brokerages for commissions for placement of insurance products, mainly for the last quarter of the year to be settled in the initial months of 2021.

Relative to valuation methods, please see that reported at the Group level.

Insurance and intermediaries payables – Poste Assicura S.p.A. (€ 20,975 thousand)

This item mainly includes payables due to intermediaries and insurance companies. At the end of 2020, this item amounted to € 20,975 thousand and consisted of:

- payables due to insurance brokerages for commissions of € 12,644 thousand, for placement of insurance products mainly for the last quarter of the year, to be settled in the initial months of 2021;
- payables for current accounts: the item refers to premiums for the CPI product for € 4,136 thousand (amount entirely cancelled when preparing the Consolidated Financial Statements). This product offers “non-life” insurance coverage provided by Poste Assicura S.p.A. and “life” insurance coverage offered by the parent company Poste Vita S.p.A. The relative premiums are collected entirely by the Company, which leads to a payable relative to Poste Vita S.p.A. for the portion of the premium covering the life benefits. This position had been settled at the time this document was prepared;
- payables due to coinsurers of € 282 thousand;
- payables due to policyholders for claims to be paid for € 3,913 thousand.

Relative to valuation methods, please see that reported at the Group level.

Insurance and intermediaries payables – Poste Insurance Broker S.r.l. (€ 97 thousand)

The item refers exclusively to the payable due to Genertel and Liner for the premium to be paid, net of commissions due to the company for brokering activities.
Relative to valuation methods, please see that reported at the Group level.

Trade payables

Trade payables – Poste Vita Group (€ 94,765 thousand)

At the end of 2020, trade payables totalled € 94,765 thousand and mainly refer to payables for services and goods acquired during the year and not yet settled as of the reporting date.
Note that this item was involved in cancellations of entries associated with infragroup relations for a total of € 10,580 thousand.
Payables are recognised at fair value on the date of acquisition and subsequently at the presumable extinction value.

Trade payables – Poste Vita S.p.A (€ 68,014 thousand)
Trade payables for the parent company at the end of 2020 totalled € 68,014 thousand (€ 67,578 thousand net of infragroup cancellations made in the Consolidated Financial Statements) and mainly refer to payables for services and goods acquired during the year and not yet settled as of the reporting date.
Relative to valuation methods, please see that reported at the Group level.

Trade payables – Poste Assicura S.p.A. (€ 30,688 thousand)
Trade payables at the end of 2020 totalled € 30,688 thousand (€ 21,198 thousand net of infragroup cancellations made in the Consolidated Financial Statements) and mainly refer to payables for services and goods acquired during the year and not yet settled as of the reporting date.
Relative to valuation methods, please see that reported at the Group level.

Trade payables – Poste Welfare Servizi S.r.l. (€ 6,537 thousand)
Trade payables at the end of 2020 totalled € 6,537 thousand (€ 5,935 thousand net of infragroup entries cancelled for the purposes of the Consolidated Financial Statements) and mainly refer: i) to payables due to suppliers for services received during the period and not yet settled as of the reporting date and ii) deferred income mainly connected to the portion of revenues relative to the quarterly fee for the client Faschim, invoiced in advance.
Relative to valuation methods, please see that reported at the Group level.

Trade payables – Poste Insurance Broker S.r.l. (€ 107 thousand)
The payables in question refer to commercial commitments due within the next 12 months and refer to: i) € 27 thousand for the fee due to the independent auditors for auditing of the 2020 financial statements and ii) € 25 thousand for the fee due to the Sole Auditor; iii) € 52 thousand for the payable due to the parent company Poste Assicura S.p.A. for the fee due to the Sole Director (this operation was entirely cancelled when preparing the Consolidated Financial Statements) and iv) € 3 thousand for the call centre service provided by the ultimate parent Poste Italiane S.p.A..
Relative to valuation methods, please see that reported at the Group level.

Difference between Solvency II and IAS/IFRS Consolidated Financial Statements valuation
Below is a table summarising the different measurement criteria adopted when measuring liabilities for Solvency II purposes and for the IAS/IFRS Consolidated Financial Statements:

Liabilities	Valuation criterion Solvency II	Valuation criterion IAS/IFRS
Contingent liabilities	For relevant liabilities, the valuation applied is in accordance with **IAS 37** - *Provisions, Contingent Liabilities and Contingent Assets*	For relevant liabilities, the valuation applied is in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets
Pension benefit obligations	Amount determined in accordance with **IAS 19**.	Amount determined in accordance with IAS 19.
Financial liabilities other than debts owed to credit institutions	Amount determined in accordance with IFRS 16. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).	Amount determined in accordance with IFRS 16. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).
Deferred tax liabilities	Deferred tax liabilities are equal to the sum of the values of the same item reported in the Market Value Balance Sheet (Solvency II) of the Parent Company, Poste Vita, and the Subsidiaries, Poste Assicura and PWS. These values were determined, with reference to the valuation differences in the values of assets and liabilities calculated for Solvency II purposes and the corresponding Local GAAP values, based on the applicable rates.	Deferred tax liabilities are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes. Deferred tax liabilities are not recognised if there is little likelihood that said payable will arise
Derivatives	Recognition in the financial statements is at fair value through profit or loss	Recognition in the financial statements is at fair value through profit or loss
Insurance and intermediaries payables	Payables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated settlement value.	Payables are stated at their nominal value.
Subordinated liabilities	Recognition in the financial statements is at the observed fair value, including accrued interest.	Recognition in the financial statements is at amortised cost, including accrued interest

Among the main changes, note deferred taxes recognised on differences in value for financial instruments, in application of Solvency II valuation criteria.

(€k)

	31/12/2020		
Liabilities	**Solvency II value**	**IAS/IFRS value**	**Delta**
Contingent liabilities	15,950	15,950	
Pension benefit obligations	2,549	2,549	
Deferred tax liabilities	5,894,315	194,928	5,699,387
Financial liabilities other than debts owed to credit institutions	23,867	23,829	37
Insurance & intermediaries payables	233,802	233,802	
Derivatives	9,832	9,832	
Payables (trade, not insurance)	94,765	94,765	
Subordinated liabilities	258,676	251,301	7,375

With reference to Group companies, application of Solvency II valuation criteria to Balance Sheet assets led to the following valuation differences with respect to the **Local GAAP standards**, reported below:

Liabilities	Valuation criterion Solvency II	Valuation criterion Local GAAP
Contingent liabilities	For relevant liabilities, the valuation applied is in accordance with **IAS 37** - *Provisions, Contingent Liabilities and Contingent Assets*	The valuation is made in accordance with Accounting Standard **OIC 31**. In particular, a provision is made for risks and charges that are only intended to cover losses or payables of a specific nature, certain or probable, for which the amount and effective date are not determined at the reporting date.
Pension benefit obligations	Amount determined in accordance with **IAS 19**.	Employee termination benefits (TFR) are calculated analytically for each employee on the basis of art. 5 of **Law 297 of 1982**, and in compliance with the TFR reform pursuant to **Legislative Decree no. 252/2005** and subsequent amendments.
Financial liabilities other than debts owed to credit institutions	Amount determined in accordance with **IFRS 16**. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).	The statutory accounting standards do not require the recognition of financial liabilities for leased assets.
Deferred tax liabilities	Deferred tax liabilities are determined on the basis of the differences between the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values. The tax effect is determined on the basis of the rates in force.	Deferred tax liabilities are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes. Deferred tax liabilities are not recognised if there is little likelihood that said payable will arise
Insurance and intermediaries payables	Payables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated settlement value.	Payables are stated at their nominal value.
Subordinated liabilities	Recognition in the financial statements is at the observed fair value, including accrued interest.	Subordinated liabilities are recorded at nominal value.

Poste Vita S.p.A.

(€k)

Liabilities	31/12/2020 Solvency II value	Statutory accounts value	Delta
Contingent liabilities	15,523	15,523	
Pension benefit obligations	964	763	202
Deferred tax liabilities	5,872,713		5,872,713
Financial liabilities other than debts owed to credit institutions	23,478	1	23,477
Insurance & intermediaries payables	216,865	216,865	
Derivatives	9,832	4,035	5,798
Payables (trade, not insurance)	68,014	67,666	348
Subordinated liabilities	258,676	251,301	7,375

Poste Assicura S.p.A.

(€k)

Liabilities	31/12/2020 Solvency II value	Statutory accounts value	Delta
Pension benefit obligations	228	142	86
Deferred tax assets	21,602		21,602
Financial liabilities other than debts owed to credit institutions	416		416
Reinsurance payables	264	264	
Insurance and intermediares payables	20,975	20,975	
Payables (trade, not insurance)	30,688	30,839	(151)

D.4 Alternative Valuation Methods

Paragraphs D.1 and D.3 contain the valuation principles deriving from the Policy on Measuring Assets and Liabilities other than Technical Provisions, originating from the new requirements introduced in the Solvency II Directive and govern the provisions regarding valuation of assets and liabilities other than technical provisions in line with that established in IVASS Regulation 34 of 07 February 2017 and pursuant to article 267 of Delegated Regulation (EU) 2015/35 of the Commission of 10 October 2014.

With reference to valuation of financial instruments, the Poste Vita Group has adopted a Fair Value Policy to regulate the principles and general rules that govern the process of determining the fair value for the purposes of preparing the Financial Statements, for risk management assessments and in support of the activities carried out on the market by the finance units of the different entities of the Poste Italiane Group. Principles and rules for the measurement of financial instruments at fair value were identified in respect of the indications coming from the different Regulators (banking and insurance) and from the accounting standards of reference, guaranteeing uniformity in the measurement techniques adopted in the context of the Group.

In particular, assets are classified on the basis of a hierarchical scale that reflects the relevance of the sources used when carrying out the measurements, composed of the following three levels:

- Level 1: this level consists of fair value measurements made using prices quoted (unadjusted) in active markets for identical assets or liabilities which the entity can access at the measurement date. This level includes shares listed on active and liquid markets, pursuant to the Group's current Fair Value Policy, with the exception of shares relative to the company FSI SGR for a total amount of € 297 thousand, assigned to level 3. It also includes open-ended listed investment funds such as Exchange Traded Funds (ETF), for which measurement is done considering the daily closing market price, as provided by the info provider Bloomberg or the fund manager.
- Level 2: this level consists of measurements made using inputs different from the quoted prices included in Level 1 and observable directly or indirectly for the asset. Considering the characteristics of Poste Vita Group business, observable input data used to determine the fair value of individual technical categories include return and inflation curves, surface volatility on interest rates, premiums on inflation options, asset swap

spreads or credit default spreads representing the credit standing of specific counterparts, and possible liquidity adjustments listed by major market counterparts. Level 2 also includes open-ended unlisted funds for which measurement is done considering the most recent Net Asset Value (NAV) available for the fund, as provided by the info provider Bloomberg or determined by the fund manager.

- Level 3: this level consists of fair value measurements made using non-observable input for the asset or liability. Closed-end unlisted funds are included in Level 3, which are measured considering the most recently available NAV with at least a six-month frequency communicated by the fund manager. This NAV is adjusted based on calls and redemptions communicated by the managers between the most recent official NAV and the measurement date.

For multiasset funds, the underlying assets are generally represented by financial instruments listed on liquid and active markets. The parent company Poste Vita carries out analysis on the liquidity of the assets underlying funds. Reports indicate that around 98% of investments can be liquidated within 1 business day.

These funds are classified as Level 2 in the Poste Vita fair value hierarchy adopted for the financial statements, in that these are unlisted open-ended mutual Investment funds for which a daily NAV is available, issued by the custodian bank.

BTP strip securities have a liquidity level similar to government bonds with coupons, given the number of financial counterparts who list a trading price, even if they are less liquid at certain moments. Therefore, at a given measurement date, these financial instruments may not respect the individual parameters established in the referenced fair value policy (e.g. bid/ask spread level) and they are prudentially classified as Level 2 in the fair value hierarchy.

D.5 Other Information

Use of estimates

Preparation of the annual accounts requires the application of accounting standards and methods that are at times based on complex subjective judgements and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the final amounts reported in the financial statements and related disclosures. The final amounts for the items in this report relative to which these estimates or assumptions were used may differ from those indicated in previous solvency and financial condition reports due to the uncertainties which characterise the assumptions and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.

E – CAPITAL MANAGEMENT

E.1 Own Funds

Introduction

This section serves to present the solvency position of the Insurance Group. Its solvency position is represented by the ratio between the capital available to the Group and its Companies (own funds) and the Solvency Capital Requirement (SCR).
More specifically, with regards to own funds issues linked to the various components which make up the solvency position will be examined and analysed, in particular:

- the items that make up available assets and the associated tiering;
- reconciliation of own funds and equity relative to the annual financial statements;
- analysis of changes in own funds.

Additionally, the Solvency Capital Requirement and Minimum Solvency Capital Requirement will be examined, exploring issues linked to the various types of risk which contribute to these amounts and the main characteristics of the Standard Formula used by the Group Companies. The section then ends with information useful for the present analysis.

E.1.1 Structure, amount and quality of own funds – Poste Vita Group

The own funds for the Poste Vita Group are represented by basic own funds and ancillary own funds, as on 13 February 2019 the parent company Poste Vita S.p.A. received authorisation to use, as coverage for own funds, the irrevocable and unconditional letter of commitment received from Poste Italiane S.p.A. to participate in one or more share capital increases for the Company for a maximum amount of € 1,750,000 thousand (ancillary own funds)[8].
Basic own funds consist of excess assets relative to liabilities valued in compliance with article 75 of Directive 2009/138/CE. There are no treasury shares held by the Poste Vita Group in the portfolio.
The Group’s own funds correspond with the own funds recognised in the Market Value Balance Sheet for the parent company Poste Vita S.p.A., as the own funds of the subsidiaries Poste Assicura S.p.A., Poste Welfare Servizi S.r.l. and Poste Insurance Broker S.r.l. (100% controlled companies, consolidated on a line-by-line basis) were cancelled with the corresponding equity investment values.
Poste Vita Group basic own funds amount to € 9,580,778 thousand, consisting of:

- Local GAAP share capital for € 1,216,608 thousand;
- Reconciliation Reserve for € 8,118,216 thousand;
- Subordinated loans for € 257,375 thousand;
- Elements not representing the reconciliation reserve used as a deduction for € 11,421 thousand.

The Group’s ancillary own funds total € 1,750,000 thousand.

[8] With reference to point a) of the Regulations, which requests “information on the underlying conditions of the main elements of own funds held by the company”

The amount of own funds available to cover the capital requirement was subsequently classified by level, based on the quality of the individual elements of the Own Funds (tiering). The table below provides details on the Group's Own Funds by Tier at 31.12.2020:

(€k)

BASIC own funds	31/12/2020 TOTAL	TIER 1 Unrestricted	TIER 2
Ordinary share capital (gross of own shares)	1,216,608	1,216,608	
Surplus funds			
Reconciliation reserve	8,118,216	8,118,216	
Subordinated liabilities	257,375		257,375
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II OF	(11,421)		
Total basic own funds after deductions	**9,580,778**	**9,323,403**	**257,375**
Unpaid and uncalled ordinary share capital callable on demand	1,750,000		1,750,000
Total Ancillary Own Funds	**1,750,000**		**1,750,000**

The own funds of the Poste Vita Insurance Group available to cover the capital requirement consist of basic own funds net of deductions relative to the value of assets used to cover a forward bond of € 11,421 thousand plus ancillary own funds totalling € 1,750,000 thousand. These consist solely of own funds in Tier 1 and Tier 2.

Additionally, against 2,007,375 thousand of eligible Tier 2 own funds, pursuant to article 82 of Delegated Regulation 2015/35 of the European Commission, € 1,870,170 thousand was used to cover the capital requirement, equal to half the value of the Poste Vita Group's SCR.

Poste Vita Insurance Group own funds available to cover the MCR consist solely of basic own funds totalling € 9,580,778 thousand, entirely eligible to cover the Minimum Capital Requirement.

Based on the above, the amount of own funds eligible to cover the SCR at the end of 2020 total € 11,193,573 thousand while the amount covering the MCR is € 9,580,778 thousand.

(€k)

Available own funds	31/12/2020 TOTAL	TIER 1 Unrestricted	TIER 2
Total available own funds to meet the SCR	11,330,778	9,323,403	2,007,375
Total available own funds to meet the MCR	9,580,778	9,323,403	257,375
Total eligible own funds to meet the SCR	11,193,573	9,323,403	1,870,170
Total eligible own funds to meet the MCR	9,580,778	9,323,403	257,375

In relation to the above and considering the values of the SCR and MCR reported below, the SCR ratio is equal to 299.27% at the end of 2020, while the MCR ratio is 558.86%.

(€k)

Coverage Ratio	31/12/2020 TOTAL
SCR	3,740,340
MCR	1,714,345
Ratio of Eligible own funds to SCR	299.27%
Ratio of Eligible own funds to MCR	558.86%

Differences between Poste Vita Group equity and own funds

The difference between Equity in the IAS/IFRS Consolidated Financial Statements and in Solvency II Capital for the Poste Vita Group is summarised in the following schedule:

(€k)

Available Own Funds	Amount
Ordinary share capital (gross of own shares) **(A)**	1,216,608
Retained earnings - Reconciliation Reserve **(B)**	4,056,077
Own Funds IAS/IFRS Value	**5,272,685**
Reconciliation reserve base **(C)**	4,491,060
Forseeable dividends and distributions - Tier 1 **(D)**	428,921
Total Reconciliation reserve (B+C-D)	**8,118,216**
Deductions/Collateral **(E)**	11,421
Eligible Own Funds Tier II **(F)**	1,870,170
Total basic own funds (A+B+C-D-E+F)	**11,193,573**

The item retained earnings, for € 4,056,077 thousand, consists of: i) profit for the period of € 781,183 thousand; ii) retained earnings from previous years for € 2,940,912 thousand and iii) other reserves for € 333,982 thousand.

In consideration of the accounting results of Poste Vita SpA and its overall equity solidity, the amount of € 429 million was established for the item foreseeable dividends. To that end, note that the proposal for distribution of dividends was approved by the Shareholders’ Meeting held on 28 April 2021.

The difference between IAS/IFRS Consolidated Equity and Excess of Assets over Liabilities Solvency II, equal to € 4,491,060 thousand, consists of the basic reconciliation reserve This reserve represents the effect generated by the different valuation carried out based on the standards used to prepare the consolidated financial statements using the IAS/IFRS, with respect to the valuation based on Solvency II rules.
Below are details for the reconciliation reserve, obtained through the analytical reconstruction of the valuation effects of applying Solvency II principles to the asset and liability items in the Market Value Balance Sheet:

(€k)

Adjustment	Amount
Own Funds IAS/IFRS Value	**5,272,685**
Assets	
Deferred acquisition costs	-48,922
Intangible assets & Goodwill	-17,890
Investments	332,053
Reinsurance recoverables	-38,136
Deferred tax assets	3,611,135
Other	-400
Total Adj Assets	**3,837,840**
Liabilities	
Technical provisions	-6,360,208
Deferred tax liabilities	5,699,387
Subordinated liabilities	7,375
Other	227
Total Adj Liabilities	**-653,219**
Reconciliation Reserve base	**4,491,060**
Excess of assets over liabilities	**9,763,745**

E.1.1 Structure, amount and quality of own funds – Poste Vita S.p.A.

Basic own funds consist of excess assets relative to liabilities valued in compliance with article 75 of Directive 2009/138/CE. There are no treasury shares held by the Company in the portfolio. Own funds for the parent company Poste Vita S.p.A. consist of basic own funds and ancillary own funds, as on 13 February 2019 the Company received authorisation to use as coverage for its solvency capital requirement the letter of commitment signed by Poste Italiane S.p.A. [9] and represent 100% of the elements inserted in the Group's own funds as better described in section E.1.1 Structure, amount and quality of own funds – Poste Vita Group.
The amount reported in the table below of own funds available to cover the SCR is € 11,330,778 thousand, consisting of all basic own funds and the ancillary own funds, while the amount of own funds eligible to cover the SCR at the end of 2020 amounts to € 11,189,369 thousand, after the Tier 2 reduction based on the eligibility rules established in article 92 of Delegated Regulation 2015/35 of the European Commission. Finally, the amount of own funds eligible to cover the MCR is € 9,580,778 thousand, involving solely basic own funds in Tier 1 and Tier 2.

(€k)

	31/12/2020		
Available own funds	**TOTAL**	**TIER 1 Unrestricted**	**TIER 2**
Total available own funds to meet the SCR	11,330,778	9,323,403	2,007,375
Total available own funds to meet the MCR	9,580,778	9,323,403	257,375
Total eligible own funds to meet the SCR	11,189,369	9,323,403	1,865,966
Total eligible own funds to meet the MCR	9,580,778	9,323,403	257,375

[9] With reference to point a) of the Regulations, which requests "information on the underlying conditions of the main elements of own funds held by the company"

In relation to the above and considering the values of the SCR and MCR reported below, the Solvency Ratio is equal to 299.83% at the end of 2020, while the MCR ratio is 570.50%.

(€k)

Coverage Ratio	31/12/2020 TOTAL
SCR	3,731,931
MCR	1,679,369
Ratio of Eligible own funds to SCR	299.83%
Ratio of Eligible own funds to MCR	570.50%

The reconciliation reserve of € 8,118,216 thousand consists of € 5,083,959 thousand from the basic reconciliation reserve (represented the effect generated by the different valuation obtained using the statutory standards for preparation of the annual financial statements in contrast to the valuation using Solvency II rules) and insertion of the foreseeable distribution of dividends during the year. The remaining portion, of € 3,463,178 thousand, consists of: i) profit for the period of € 762,901 thousand; ii) retained earnings from previous years for € 2,458,700 thousand and iii) other reserves for € 241,577 thousand.

(€k)

Available Own Funds	Amount
Ordinary share capital (gross of own shares) **(A)**	1,216,608
Retained earnings - Reconciliation Reserve **(B)**	3,463,178
Own Funds IAS/IFRS Value	**4,679,786**
Reconciliation reserve base **(C)**	5,083,959
Forseeable dividends and distributions - Tier 1 **(D)**	428,921
Total Reconciliation reserve (B+C-D)	**8,118,216**
Deductions/Collateral **(E)**	11,421
Eligible Own Funds Tier II **(F)**	1,865,966
Total basic own funds (A+B+C-D-E+F)	**11,189,369**

Below are details for the reconciliation reserve, obtained through the analytical reconstruction of the valuation effects of applying Solvency II principles to the asset and liability items in the Market Value Balance Sheet, before tax effects.

(€k)

Adjustment	Amount
Own Funds Local GAAP Value	**4,679,786**
Assets	
Deferred acquisition costs	(48,922)
Investments	19,031,133
Reinsurance recoverables	(31,898)
Deferred tax assets	3,607,786
Properties & Other	23,744
Total Adj Assets	**22,581,844**
Liabilities	
Technical provisions	11,587,972
Pension benefit obligations	202
Deferred tax liabilities	5,872,713
Derivatives	5,798
Subordinated liabilities	7,375
Financial Liabilities other than debts & Other	23,825
Total Adj Liabilities	**17,497,885**
Reconciliation Reserve base	**5,083,959**
Excess of assets over liabilities	**9,763,745**

E.1.1 Structure, amount and quality of own funds – Poste Assicura S.p.A.

The own funds of the subsidiary Poste Assicura S.p.A. consist solely of basic own funds (BOF), as the Company has no ancillary own funds (AOF).

There are no treasury shares held by the Company in the portfolio.

The Company's basic own funds amount to € 277,720 thousand, consisting of:

- Share capital for € 25,000 thousand;
- Reconciliation Reserve and components of Local GAAP equity for € 252,720 thousand.

All elements of the Company's own funds are classified in Tier 1 Unrestricted.

The Company's own funds fully respect the eligibility conditions for covering the SCR, as indicated in the table below, given that:

- Tier 1 own funds represent more than 50% of the total amount of eligible own funds;
- Tier 3 own funds total 0 and hence fall below the maximum threshold of 15% relative to total eligible own funds;
- Tier 1 elements covering the MCR represent more than 80% of the total.

Based on the above, the amount of own funds covering the SCR at the end of 2020 is € 277,720 thousand, the same as the amount of own funds eligible to cover the MCR.

(€k)

Available own funds	31/12/2020 TOTAL	TIER 1 Unrestricted
Total available own funds to meet the SCR	277,720	277,720
Total available own funds to meet the MCR	277,720	277,720
Total eligible own funds to meet the SCR	277,720	277,720
Total eligible own funds to meet the MCR	277,720	277,720

In relation to the above and considering the values of the SCR and MCR reported below, the Solvency Ratio is equal to 311.31% at the end of 2020, while the MCR ratio is 794.03%.

(€k)

Coverage Ratio	31/12/2020 TOTAL
SCR	89,210
MCR	34,976
Ratio of Eligible own funds to SCR	311.31%
Ratio of Eligible own funds to MCR	794.03%

The reconciliation reserve of € 252,720 thousand consists of € 52,497 thousand from the basic reconciliation reserve, represented the effect generated by the different valuation obtained using the statutory standards for preparation of the annual financial statements in contrast to the valuation using Solvency II rules. The remaining portion, of € 200,223 thousand, consists of: i) profit for the period of € 37,260 thousand; ii) retained earnings from previous years for € 152,597 thousand and iii) other reserves for € 10,366 thousand.

(€k)

OF Local vs OF Solvency II Reconciliation	Amount
Own Funds Local GAAP Value	225,223
Asset	
Property	264
Investments	39,185
Reinsurance recoverables	(6,238)
Deferred tax assets	2,077
Total Adj Assets	**35,288**
Liabilities	
Technical provisions	(39,162)
Pension benefit obligations	86
Deferred tax liabilities	21,602
Financial liab. other than debts	416
Payables	(151)
Total Adj Liabilities	**(17,209)**
Reconciliation Reserve base	**52,497**
Own Funds Solvency II Value	**277,720**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Group SCR and MCR

The Group's calculates is capital requirement using method 1, as indicated in article 230 of Directive 2009/138/EC.

Below is the composition of the Poste Vita Group's required capital (consolidated SCR) at 31 December 2020, compared with the same results at 31 December 2019, deriving from application of the Standard Formula, in compliance with Directive 2009/138/EC and the criteria established in Reg. 2015/35.

Note that the Group did not use simplified calculations to determine any of the risk sub-modules.

(€k)

SCR POSTE VITA GROUP COMPOSITION	31.12.2020	31.12.2019	Delta %
Market risk	3,711,855	3,453,442	7.5%
Counterparty default risk	201,116	178,220	12.8%
Life underwriting risk	1,133,606	1,479,886	(23.4%)
Health underwriting risk	92,284	98,356	(6.2%)
Non-life underwriting risk	41,795	38,313	9.1%
Diversification	(935,233)	(1,067,482)	(12.4%)
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	4,245,423	4,180,735	1.5%
Total capital requirement for operational risk	650,838	646,083	0.7%
Loss-absorbing capacity of deferred taxes	(1,175,103)	(1,158,436)	1.4%
Capital Add On	19,181	10,894	76.1%
Solvency capital requirement	**3,740,340**	**3,679,275**	**1.7%**

With respect to the previous year, note the following at 31 December 2020:

- an overall increase in the requirement relative to market risks as a consequence of the process of diversifying from Italian government bonds.
- an increase in the counterpart requirement due to the increase in liquidity.
- a decrease in the underwriting requirement due to the increase in the percentage weight of capital gains.

The current risk distribution generates a lower diversification benefit with respect to 31 December 2019.

Below are the details of the composition of the SCR market risk and SCR underwriting risk at 31 December 2020.

Each risk sub-module is considered net of adjustments relative to the ability of technical provisions to absorb losses.

(€k)

SCR MARKET POSTE VITA GROUP COMPOSITION	31.12.2020	31.12.2019	Delta %
Interest rate risk	0	147,164	(100.0%)
Equity risk	881,099	715,615	23.1%
Property risk	276,135	241,802	14.2%
Spread risk	2,718,951	2,537,572	7.1%
Market risk concentrations	-		
Currency risk	358,506	359,293	(0.2%)
Diversification within market risk module	(522,835)	(548,004)	(4.6%)
Total Market risk	**3,711,855**	**3,453,442**	**7.48%**

The requirement for market risk increased due to the process of diversifying the portfolio.

(€k)

SCR UNDERWRITING POSTE VITA GROUP COMPOSITION	31.12.2020	31.12.2019	Delta %
Mortality risk	21,782	32,472	(32.9%)
Longevity risk	142,396	85,100	67.3%
Disability-morbidity risk	0	0	
Lapse risk	925,628	1,324,652	(30.1%)
Life expense risk	258,735	219,229	18.0%
Revision risk	0	0	
Life catastrophe risk	24,689	25,478	(3.1%)
Diversification within life underwriting risk module	(239,623)	(207,045)	15.7%
Total life underwriting risk	**1,133,606**	**1,479,886**	**-23.4%**

The requirement for life underwriting risk fell, mainly due to the reduction in early termination risk, based on the market scenario with a relative increase in latent operating gains.
Note that the Company did not use simplified calculations to determine any of the risk sub-modules. Below is the composition of the Health Non-Life and Health/Life capital requirement.

(€k)

SCR NON-LIFE UNDERWRITING POSTE VITA GROUP COMPOSITION	31.12.2020	31.12.2019	Delta %
Non-life premium and reserve risk	37,225	29,821	24.8%
Non-life lapse risk	2,587	3,785	(31.7%)
Non-life catastrophe risk	11,695	17,441	(32.9%)
Diversification within non-life underwriting risk module	(9,712)	(12,734)	(23.7%)
Total non-life underwriting risk	**41,795**	**38,313**	**9.09%**

SCR HEALTH UNDERWRITING POSTE VITA GROUP COMPOSITION	31.12.2020	31.12.2019	Delta % (€k)
Total SLT health underwriting risk	15,193	21,733	(30.1%)
Total NSLT health underwriting risk	65,273	53,993	20.9%
Total health catastrophe risk	38,516	55,037	(30.0%)
Diversification within health underwriting risk module	(26,699)	(32,407)	(17.6%)
Total health underwriting risk	**92,284**	**98,356**	**-6.2%**

With reference to the loss absorption capacity of deferred taxes (LAC DT), these can be measured as eligible to reduce this capital requirement in consideration of the Group's ability to generate future taxable profits in the amount established in Reg. 2015/35 and IVASS Regulation 35 of 7 February 2017 (IVASS Regulation 2017/35).

IVASS Regulation 35/2017 defines notional deferred tax assets (nDTA) as the figurative variation in deferred taxes in the solvency balance sheet after the instantaneous loss scenario in article 207 of the Delegated Regulation, calculated as the difference between the following amounts:

- deferred taxes obtained by subjecting the items in the solvency balance sheet to the loss scenario;
- deferred taxes recognised in the solvency balance sheet.

For the purposes of determining nDTA, the Group used an analytical approach based on determining the impacts of the instantaneous loss on individual solvency balance sheet items for the purposes of determining the relative tax treatment. To that end, it was necessary to determine the impacts of the loss, broken down by risk module and submodule as established for the Standard Formula, as well as the relative IRES tax treatment (24% of taxable income).

The Group's minimum capital requirement (MCR) is determined based on article 248 of Reg. 2015/35, as the sum of the individual MCRs for the insurance companies in the Group (Poste Vita and Poste Assicura).

(€k)	31.12.2020	31.12.2019	Delta %
Minimum Capital Requirement	1,714,345	1,686,987	1.62%

Poste Vita S.p.A. SCR and MCR

Below is the composition of Poste Vita's required capital (SCR) at 31 December 2020, compared with the corresponding results at 31 December 2019, deriving from application of the Standard Formula, in compliance with Directive 2009/138/EC and the criteria established in Reg. 2015/35.

(€k)

SCR POSTE VITA COMPOSITION	31.12.2020	31.12.2019	Delta %
Market risk	3,762,435	3,494,164	7.7%
Counterparty default risk	190,479	172,327	10.5%
Life underwriting risk	1,133,606	1,479,886	(23.4%)
Health underwriting risk	44,637	63,963	(30.2%)
Non-life underwriting risk	0	0	
Diversification	(865,992)	(1,013,712)	(14.6%)
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	4,265,165	4,196,628	1.6%
Total capital requirement for operational risk	645,271	639,167	1.0%
Loss-absorbing capacity of deferred taxes	(1,178,505)	(1,160,591)	1.5%
Solvency capital requirement	**3,731,931**	**3,675,204**	**1.50%**

With respect to the previous year, note the following at 31 December 2020:

- an overall increase in the requirement due to an increase in market risk
- an increase in the counterpart requirement due to the increase in liquidity.

The current risk distribution generates a lower diversification benefit with respect to 31 December 2019.

Below are the details of the composition of the SCR market risk, SCR equity, SCR counterpart and SCR underwriting risk at 31 December 2020.

Each risk sub-module is considered net of adjustments relative to the ability of technical provisions to absorb losses.

(€k)

SCR MARKET POSTE VITA COMPOSITION	31.12.2020	31.12.2019	Delta %
Interest rate risk	-	147,889	
Equity risk	943,538	765,384	23%
Property risk	276,135	241,802	14.2%
Spread risk	2,715,174	2,535,013	7.1%
Market risk concentrations	-	-	
Currency risk	358,506	359,293	(0.2%)
Diversification within market risk module	(530,918)	(555,206)	(4.4%)
Total Market risk	**3,762,435**	**3,494,176**	**7.7%**

The market risk requirement increased due to the increase in spread, equity and property risk, deriving from the objective of diversifying the portfolio relative to Italian government bonds. In terms of the scenario, the Italian government spread relative to the Euroswap rate fell by around 40 bps on the 10 year node with respect to the corresponding value in 2019. Therefore, the market requirement increased slightly in that greater market risk was taken on. The absorption capacity of technical provisions still remains high.

SCR LIFE POSTE VITA COMPOSITION	31.12.2020	31.12.2019	Delta %
			(€k)
Mortality risk	21,782	32,472	(32.9%)
Longevity risk	142,396	85,100	67.3%
Disability-morbidity risk	0	0	
Lapse risk	925,628	1,324,652	(30.1%)
Life expense risk	258,735	219,229	18.0%
Revision risk	0	0	
Life catastrophe risk	24,689	25,478	(3.1%)
Diversification within life underwriting risk module	(239,623)	(207,045)	15.7%
Total life underwriting risk	**1,133,606**	**1,479,886**	**-23.40%**

The requirement for life underwriting risk fell, mainly due to the reduction in early termination risk, based on the market scenario with a relative increase in latent operating gains.
Note that Poste Vita did not use simplified calculations to determine any of the risk sub-modules.

The Poste Vita S.p.A. minimum capital requirement (MCR)
is determined based on article 248 of Reg. 2015/35.
The component which determines the MCR is the minimum combined capital ratio (MCR combined), equal to 45% of the life solvency capital requirement (SCR), in that the linear MCR is higher than the cap established in the regulations (MCR Cap).

	31.12.2020	31.12.2019	Delta %
			(€k)
Linear MCR	4,568,068	4,098,952	11.4%
SCR	3,731,931	3,675,204	1.5%
MCR cap	1,679,369	1,653,842	1.5%
MCR floor	932,983	918,801	1.5%
Combined MCR	1,679,369	1,653,842	1.5%
Absolute floor of the MCR	5,400	5,400	0.0%
Minimum Capital Requirement	**1,679,369**	**1,653,842**	**1.50%**

Poste Assicura S.p.A. SCR and MCR
The Solvency Capital Requirement (SCR) for Poste Assicura S.p.A. was obtained by applying the Standard Formula in compliance with Directive 2009/138/EC and the criteria established in Reg. 2015/35, published in the Official Journal of the European Union[10]. Note that after further research regarding the adequacy of the standard parameters, as also requested by the Supervisory Authority, in financial year 2020 the Company began the pre-application process for Undertaking Specific Parameters (USP). During the pre-authorisation period, Poste Assicura S.p.A. estimated a capital add-on intended to make up for the differences between the standard parameters and the USP. This Capital Add On was equal to € 19.9 million in the 31 December 2020 valuation.

[10] Delegated Regulation (EU)2015/35 of the European Commission, as amended

In calculating the capital requirement, information relative to contracts in the portfolio at 31 December 2020 was used.
Additionally, for each contract the relative proportional and non-proportional reinsurance treaties were identified and then considered for the valuation net of reinsurance.
Below are the results.

(€k)

SOLVENCY CAPITAL REQUIREMENT	31.12.2020	31.12.2019	Delta %
Market risk	19,028	14,298	33.1%
Counterparty default risk	9,023	5,332	69.2%
Life underwriting risk	0	0	
Health underwriting risk	65,945	54,526	20.9%
Non-life underwriting risk	41,795	38,313	9.1%
Diversification	(44,552)	(36,803)	21.1%
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	91,240	75,666	20.6%
Total capital requirement for operational risk	6,961	6,916	0.7%
Loss-absorbing capacity of technical provisions	0	0	
Loss-absorbing capacity of deferred taxes	(28,172)	(19,817)	42.2%
Solvency capital requirement excluding capital add-on	70,029	62,764	11.6%
Capital add-on already set	19,181	10,894	76.1%
Solvency capital requirement	**89,210**	**73,658**	**21.10%**

(€k)

HEALTH UNDERWRITING RISK	31.12.2020	31.12.2019	Delta %
NSLT health premium and reserve risk	64,654	53,318	21.3%
NSLT health lapse risk	8,973	8,513	5.4%
Diversification within NSLT health underwriting risk	(8,353)	(7,838)	6.6%
Total NSLT health underwriting risk	**65,273**	**53,993**	**20.9%**
Total health catastrophe risk	**2,509**	**1,995**	**25.8%**
Diversification within health underwriting risk module	(1,837)	(1,462)	25.6%
Total health underwriting risk	**65,945**	**54,526**	**20.9%**

(€k)

NON LIFE UNDERWRITING RISK	31.12.2020	31.12.2019	Delta %
Non-life premium and reserve risk	37,225	29,821	24.8%
Non-Life lapse risk	2,587	3,785	(31.7%)
Non-life catastrophe risk	11,695	17,441	(32.9%)
Diversification within non - life underwriting risk module	(9,712)	(12,734)	(23.7%)
Total non-life underwriting risk	**41,795**	**38,313**	**9.10%**

Minimum Capital Requirement

The minimum capital requirement (MCR) for Poste Assicura is determined based on article 248 of Reg. 2015/35 and amounted to € 34,976 thousand at 31 December 2020.

(€k)

MINIMUM CAPITAL REQUIREMENT	31.12.2020	31.12.2019	Delta %
Linear MCR	34,976	33,101	5.7%
SCR	89,210	73,658	21.1%
MCR cap	40,145	33,146	21.1%
MCR floor	22,303	18,415	21.1%
Combined MCR	34,976	33,101	5.7%
Absolute floor of the MCR	3,700	3,700	0.0%
Minimum Capital Requirement	**34,976**	**33,101**	**5.7%**

The MCR is equal to the combined minimum capital requirement (Combined MCR), as it exceeds the absolute minimum of € 3,700 thousand. The combined requirement is equal to the Linear MCR.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

At 31 December 2020 this did not apply to the Group and the individual Companies of the Group.

E.4 Differences between the Standard Formula and Internal Models Used

At 31 December 2020 this did not apply to the Group and the individual Companies.

E.5 Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement

At 31 December 2020 this did not apply to the Group and the individual Companies.

E.6 Other Information

At 31 December 2020, there is no additional information beyond that already described above.

F - ANNEXES

In relation to that established under article 5 of Implementing Regulation 2015/2452, below are the Quantitative Reporting Templates to be annexed to this Report for the Poste Vita Group, with data relative to 31.12.2020, expressed in thousands of euro. Note that model S.05.02.01 *Premiums, claims and expenses by countries* was not prepared in that business is concentrated within Italy:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.22.01.22 - *Impact of long term guarantees measures and transitionals*
- S.23.01.22 - *Own funds*
- S.25.01.22 - *Solvency Capital Requirement - for undertakings on Standard Formula*
- S.32.01.22 – *Undertakings in the scope of the group*

Gruppo Assicurativo Poste Vita
S.02.01.02 - Balance Sheet

		Solvency II value
Assets		**C0010**
Intangible assets	R0030	
Deferred tax assets	R0040	4,049,195
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	26,167
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**151,339,928**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	107,440
Equities	*R0100*	*6,857*
Equities - listed	R0110	6,560
Equities - unlisted	R0120	297
Bonds	*R0130*	*117,430,893*
Government Bonds	R0140	97,179,771
Corporate Bonds	R0150	19,664,961
Structured notes	R0160	586,162
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	33,794,738
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	**R0220**	**4,831,750**
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**15,377**
Non-life and health similar to non-life	R0280	19,129
Non-life excluding health	R0290	6,849
Health similar to non-life	R0300	12,281
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	**-3,753**
Health similar to life	R0320	-11,585
Life excluding health and index-linked and unit-linked	R0330	7,832
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	58,872
Reinsurance receivables	R0370	4,883
Receivables (trade, not insurance)	R0380	26,286
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,136,758
Any other assets, not elsewhere shown	R0420	2,572,942
Total assets	**R0500**	**164,062,157**

Liabilities		Solvency II value C0010
Technical provisions - non-life	**R0510**	**205,040**
Technical provisions - non-life (excluding health)	**R0520**	**66,825**
TP calculated as a whole	R0530	
Best estimate	R0540	59,343
Risk margin	R0550	7,483
Technical provisions - health (similar to non-life)	**R0560**	**138,215**
TP calculated as a whole	R0570	
Best estimate	R0580	126,233
Risk margin	R0590	11,982
TP - life (excluding index-linked and unit-linked)	**R0600**	**142,578,614**
Technical provisions - health (similar to life)	**R0610**	**13,056**
TP calculated as a whole	R0620	
Best estimate	R0630	-11,032
Risk margin	R0640	24,087
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**142,565,558**
TP calculated as a whole	R0660	
Best estimate	R0670	142,533,117
Risk margin	R0680	32,441
TP - index-linked and unit-linked	**R0690**	**4,650,868**
TP calculated as a whole	R0700	
Best estimate	R0710	4,550,810
Risk margin	R0720	100,057
Other technical provisions		
Contingent liabilities	R0740	15,950
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	2,549
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	5,894,315
Derivatives	R0790	9,832
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	23,867
Insurance & intermediaries payables	R0820	233,802
Reinsurance payables	R0830	2,934
Payables (trade, not insurance)	R0840	94,765
Subordinated liabilities	**R0850**	**258,676**
Subordinated liabilities not in BOF	R0860	1,301
Subordinated liabilities in BOF	R0870	257,375
Any other liabilities, not elsewhere shown	R0880	327,201
Total liabilities	**R0900**	**154,298,412**

Excess of assets over liabilities	**R1000**	**9,763,745**

Gruppo Assicurativo Poste Vita
S.05.01.02 - Premiums, claims and expenses by line of business

	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Premiums written									
Gross - Direct Business	96,625	85,075	0	21,906	19,959	2,778	216	13,046	239,606
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	12,206	4,917	0	1,713	644	1,379	0	-204	20,655
Net	84,418	80,157	0	20,194	19,316	1,400	215	13,251	218,951
Premiums earned									
Gross - Direct Business	95,112	82,622	0	17,364	19,589	2,710	226	16,014	233,637
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	12,107	5,149	0	1,713	644	1,362	0	471	21,446
Net	83,005	77,473	0	15,651	18,945	1,348	226	15,543	212,191
Claims incurred									
Gross - Direct Business	69,736	17,836		4,047	3,366	326	-7	3,418	98,723
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	5,099	2,910		-294	-304	88	-13	82	7,568
Net	64,637	14,927		4,341	3,669	238	6	3,336	91,155
Changes in other technical provisions									
Gross - Direct Business	0	-21		160	0	0	0	0	138
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share									0
Net		-21		160					138
Expenses incurred	21,282	30,355	0	7,594	7,752	91	93	7,623	74,790
Other expenses									
Total expenses									74,790

	Line of Business for: life insurance obligations				
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Premiums written					
Gross	9,532	15,903,132	680,871	67,516	16,661,051
Reinsurers' share	1,510			8,050	9,560
Net	8,022	15,903,132	680,871	59,466	16,651,491
Premiums earned					
Gross	9,532	15,903,132	680,871	67,516	16,661,051
Reinsurers' share	1,510	0	0	8,050	9,560
Net	8,022	15,903,132	680,871	59,466	16,651,491
Claims incurred					
Gross	3,113	10,881,631	123,969	25,156	11,033,870
Reinsurers' share	196	0	0	4,669	4,865
Net	2,917	10,881,631	123,969	20,488	11,029,004
Changes in other technical provisions					
Gross	-1,291	-5,991,940	-1,043,046	646	-7,035,631
Reinsurers' share	512	0	0	-2,223	-1,711
Net	-1,802	-5,991,940	-1,043,046	2,869	-7,033,920
Expenses incurred	710	435,529	16,440	18,810	471,490
Other expenses					
Total expenses					471,490

Gruppo Assicurativo Poste Vita
S.22.01.22 - Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	147,434,522	1,749,084		669,737	
Basic own funds	9,580,778	-1,210,016		-463,295	
Eligible own funds to meet Solvency Capital Requirement	11,193,573	-1,208,553		-384,836	
Solvency Capital Requirement	3,740,340	2,926		156,920	

Gruppo Assicurativo Poste Vita

S.23.01.22 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	**1,216,608**	**1,216,608**			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	**8,118,216**	**8,118,216**			
Subordinated liabilities	**R0140**	**257,375**			**257,375**	
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	**11,421**				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	**R0270**					
Total deductions	**R0280**					
Total basic own funds after deductions	**R0290**	**9,580,778**	**9,323,403**		**257,375**	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	1,750,000			1,750,000	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Total ancillary own funds	**R0400**	**1,750,000**			**1,750,000**	

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	**11,330,778**	9,323,403		2,007,375	
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**9,580,778**	9,323,403		257,375	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	**11,193,573**	9,323,403		1,870,170	
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**9,580,778**	9,323,403		257,375	
Minimum consolidated Group SCR	**R0610**	**1,714,345**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**558.86%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	**11,193,573**	9,323,403		1,870,170	
Group SCR	**R0680**	**3,740,340**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**299.27%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**9,763,745**	
Own shares (included as assets on the balance sheet)	R0710		
Foreseeable dividends, distributions and charges	R0720	**428,921**	
Other basic own fund items	R0730	**1,216,608**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Other non available own funds	R0750		
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	**8,118,216**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770	**454,157**	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	17,095	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**471,252**	

Gruppo Assicurativo Poste Vita
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	7,172,831		
Counterparty default risk	201,116		
Life underwriting risk	1,037,238		
Health underwriting risk	92,284		
Non-life underwriting risk	41,795		
Diversification	-951,316		
Intangible asset risk			
Basic Solvency Capital Requirement	**7,593,948**		

Calculation of Solvency Capital Requirement

Operational risk	650,838
Loss-absorbing capacity of technical provisions	-3,348,525
Loss-absorbing capacity of deferred taxes	-1,175,103
2003/41/EC	
Solvency capital requirement excluding capital add-on	3,721,159
Capital add-on already set	**19,181**
Solvency capital requirement	3,740,340
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Minimum consolidated group solvency capital requirement	1,714,345
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	
Credit institutions, investment firms and financial institutions, alternative investment	
Institutions for occupational retirement provisions	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	
Capital requirement for non-controlled participation requirements	
Capital requirement for residual undertakings	
Overall SCR	
SCR for undertakings included via D and A	
Solvency capital requirement	3,740,340

Gruppo Assicurativo Poste Vita
S.32.01.22 - Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights
IT	815600C3162E56F1CB29	1 - LEI	POSTE ASSICURA S.P.A	2 - Non life insurance undertaking	S.P.A.	2 - Non-mutual	Vigilanza sulle assicurazioni	100%	100%	100%
IT	8156001CB3B48E80F923	1 - LEI	POSTE VITA S.P.A	4 - Composite undertaking	S.P.A.	2 - Non-mutual	Vigilanza sulle assicurazioni			
IT	IT0000000SDS	2 - Specific code	POSTE WELFARE SERVIZI S.R.L	99 - Other	S.R.L	2 - Non-mutual		100%	100%	100%
IT	15246481004	2 - Specific code	INSURANCE BROKER	99 - Other	S.R.L	2 - Non-mutual		100%	100%	100%

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
IT	815600C3162E56F1CB29	1 - LEI	POSTE ASSICURA S.P.A		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
IT	8156001CB3B48E80F923	1 - LEI	POSTE VITA S.P.A				1 - Included in the scope		1 - Method 1: Full consolidation
IT	IT0000000SDS	2 - Specific code	POSTE WELFARE SERVIZI S.R.L		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
IT	15246481004	2 - Specific code	INSURANCE BROKER		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation

Poste Vita S.p.A.
In relation to that established under article 4 of Implementing Regulation 2015/2452, below are the Quantitative Reporting Templates to be annexed to this Report for the parent company Poste Vita S.p.A., with data relative to 31.12.2020, expressed in thousands of euro. Note that model S.05.02.01 *Premiums, claims and expenses by countries* was not prepared in that business is concentrated within Italy:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.12.01.02 - *Life and Health SLT Technical Provisions*
- S.22.01.21 - *Impact of long term guarantees measures and transitionals*
- S.23.01.01 - *Own funds*
- S.25.01.21 - *Solvency Capital Requirement - for undertakings on Standard Formula*
- S.28.02.01 - *Minimum capital Requirement - Both life and non-life insurance activity*

Poste Vita S.p.A
S.02.01.02 Balance Sheet

Assets		Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	4,039,605
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	25,759
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**151,179,488**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	401,019
Equities	*R0100*	*6,857*
Equities - listed	R0110	6,560
Equities - unlisted	R0120	297
Bonds	*R0130*	*116,976,875*
Government Bonds	R0140	96,777,843
Corporate Bonds	R0150	19,612,870
Structured notes	R0160	586,162
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	33,794,738
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	**R0220**	4,831,750
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**-3,753**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	**-3,753**
Health similar to life	R0320	-11,585
Life excluding health and index-linked and unit-linked	R0330	7,832
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	25,139
Reinsurance receivables	R0370	2,527
Receivables (trade, not insurance)	R0380	27,075
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,103,983
Any other assets, not elsewhere shown	R0420	2,555,442
Total assets	**R0500**	**163,787,015**

Liabilities		Solvency II value C0010
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	**142,578,614**
Technical provisions - health (similar to life)	**R0610**	**13,056**
TP calculated as a whole	R0620	
Best estimate	R0630	-11,032
Risk margin	R0640	24,087
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**142,565,558**
TP calculated as a whole	R0660	
Best estimate	R0670	142,533,117
Risk margin	R0680	32,441
TP - index-linked and unit-linked	**R0690**	**4,650,868**
TP calculated as a whole	R0700	
Best estimate	R0710	4,550,810
Risk margin	R0720	100,057
Other Technical Provisions	R0740	
Contingent liabilities	R0740	15,523
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	964
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	5,872,713
Derivatives	R0790	9,832
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	23,478
Insurance & intermediaries payables	R0820	216,865
Reinsurance payables	R0830	2,670
Payables (trade, not insurance)	R0840	68,014
Subordinated liabilities	**R0850**	**258,676**
Subordinated liabilities not in BOF	R0860	1,301
Subordinated liabilities in BOF	R0870	257,375
Any other liabilities, not elsewhere shown	R0880	325,052
Total liabilities	**R0900**	**154,023,270**

Excess of assets over liabilities	**R1000**	**9,763,745**

Poste Vita S.p.A
S.05.01.02 - Premiums, claims and expenses by line of business

	Line of Business for: life insurance obligations				Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
Premiums written					
Gross	9,532	15,903,132	680,871	67,516	**16,661,051**
Reinsurers' share	1,510			8,050	**9,560**
Net	**8,022**	**15,903,132**	**680,871**	**59,466**	**16,651,491**
Premiums earned					
Gross	9,532	15,903,132	680,871	67,516	**16,661,051**
Reinsurers' share	1,510	0	0	8,050	**9,560**
Net	**8,022**	**15,903,132**	**680,871**	**59,466**	**16,651,491**
Claims incurred					
Gross	3,113	10,881,631	123,969	25,156	**11,033,870**
Reinsurers' share	196	0	0	4,669	**4,865**
Net	**2,917**	**10,881,631**	**123,969**	**20,488**	**11,029,004**
Changes in other technical provisions					
Gross	-1,291	-5,991,940	-1,043,046	646	**-7,035,631**
Reinsurers' share	512	0	0	-2,223	**-1,711**
Net	**-1,802**	**-5,991,940**	**-1,043,046**	**2,869**	**-7,033,920**
Expenses incurred	**710**	**435,529**	**16,440**	**18,810**	**471,490**
Other expenses					
Total expenses					**471,490**

Poste Vita S.p.A
S.12.01.02 - Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts with options or guarantees	Total (Life other than health insur-ance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Total (Health similar to life insurance)
Technical provisions calculated as a whole						**0**				**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						**0**				**0**
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	143,344,834		4,550,810		43,821	**147,939,465**			-11,032	**-11,032**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	87				7,745	**7,832**			-11,585	**-11,585**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**143,344,746**		**4,550,810**		**36,076**	**147,931,632**			**554**	**554**
Risk Margin	890,469	103,134		32,441		**1,026,045**	24,087			**24,087**
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole						**0**				**0**
Best estimate	-855,538					**-855,538**				**0**
Risk margin	-890,469	-3,077				**-893,546**				**0**
Technical provisions - total	**142,489,296**	**4,650,868**		**76,262**		**147,216,426**	**13,056**			**13,056**

Poste Vita S.p.A
S.22.01.21 - Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	147,229,481	1,749,084		669,737	0
Basic own funds	9,580,778	-1,210,016		-463,295	0
Eligible own funds to meet Solvency Capital Requirement	11,189,369	-1,208,553		-382,427	0
Solvency Capital Requirement	3,731,931	2,926		161,737	0
Eligible own funds to meet Minimum Capital Requirement	9,580,778	-1,210,016		-463,295	0
Minimum Capital Requirement	1,679,369	1,317		72,781	0

Poste Vita S.p.A
S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**1,216,608**	1,216,608			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**8,118,216**	8,118,216			
Subordinated liabilities	R0140	**257,375**			257,375	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II OF						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	11,421				
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**9,580,778**	**9,323,403**		**257,375**	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	1,750,000			1,750,000	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**	**1,750,000**			**1,750,000**	
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**11,330,778**	**9,323,403**		**2,007,375**	
Total available own funds to meet the MCR	**R0510**	**9,580,778**	**9,323,403**		**257,375**	
Total eligible own funds to meet the SCR	**R0540**	**11,189,369**	**9,323,403**		**1,865,966**	
Total eligible own funds to meet the MCR	**R0550**	**9,580,778**	**9,323,403**		**257,375**	
SCR	**R0580**	**3,731,931**				
MCR	**R0600**	**1,679,369**				
Ratio of Eligible own funds to SCR	**R0620**	**299.83%**				
Ratio of Eligible own funds to MCR	**R0640**	**570.50%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**9,763,745**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	**428,921**
Other basic own fund items	R0730	**1,216,608**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**8,118,216**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	454,157
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**454,157**

Poste Vita S.p.A
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	7,224,092		
Counterparty default risk	190,479		
Life underwriting risk	1,037,238		
Health underwriting risk	44,637		
Non-life underwriting risk			
Diversification	-879,122		
Intangible asset risk			
Basic Solvency Capital Requirement	**7,617,324**		

Calculation of Solvency Capital Requirement

Operational risk	645,271
Loss-absorbing capacity of technical provisions	-3,352,159
Loss-absorbing capacity of deferred taxes	-1,178,505
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Solvency capital requirement excluding capital add-on	3,731,931
Capital add-on already set	
Solvency capital requirement	3,731,931
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	

Approach to tax rate

	Yes/No
Approach based on average tax rate	2 - No

Calculation of loss absorbing capacity of deferred taxes

DTA	
DTA carry forward	
DTA due to deductible temporary differences	
DTL	
LAC DT	(1,178,505)
LAC DT justified by reversion of deferred tax liabilities	(1,178,505)
LAC DT justified by reference to probable future taxable profit	
LAC DT justified by carry back, current year	
LAC DT justified by carry back, future years	
Maximum LAC DT	

Poste Vita S.p.A
S.28.02.01 - Minimum capital Requirement - Both life and non-life insurance activity

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			134,677,324	
Obligations with profit participation - future discretionary benefits			8,667,422	
Index-linked and unit-linked insurance obligations			4,550,810	
Other life (re)insurance and health (re)insurance obligations			36,629	
Total capital at risk for all life (re)insurance obligations				4,412,141

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations		**4,568,068**

Overall MCR calculation

Linear MCR	4,568,068
SCR	3,731,931
MCR cap	1,679,369
MCR floor	932,983
Combined MCR	1,679,369
Absolute floor of the MCR	5,400
Minimum Capital Requirement	**1,679,369**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR		4,568,068
Notional SCR excluding add-on (annual or latest calculation)		3,731,931
Notional MCR cap		1,679,369
Notional MCR floor		932,983
Notional Combined MCR		1,679,369
Absolute floor of the notional MCR		5,400
Notional MCR		1,679,369

Poste Assicura S.p.A.

In relation to that established under article 4 of Implementing Regulation 2015/2452, below are the Quantitative Reporting Templates to be annexed to this Report for the subsidiary Poste Assicura S.p.A., with data relative to 31.12.2020, expressed in thousands of euro. Note that model S.05.02.01 *Premiums, claims and expenses by countries* was not prepared in that business is concentrated within Italy:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.17.01.02 - *Non - life Technical Provisions*
- S.19.01.21 - *Non-life Insurance Claims Information*
- S.23.01.01 - *Own funds*
- S.25.01.21 - *Solvency Capital Requirement - for undertakings on Standard Formula*
- S.28.01.01 - *Minimum capital Requirement - Only life or only non-life insurance or reinsurance activity*

Poste Assicura S.p.A
S.02.01.02 - Balance Sheet

Assets		Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	8,961
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	285
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**454,523**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	504
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*454,019*
Government Bonds	R0140	401,928
Corporate Bonds	R0150	52,091
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**19,129**
Non-life and health similar to non-life	R0280	19,129
Non-life excluding health	R0290	6,849
Health similar to non-life	R0300	12,281
Life and health similar to life, excluding health and	**R0310**	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	37,862
Reinsurance receivables	R0370	2,355
Receivables (trade, not insurance)	R0380	1,182
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund	R0400	
Cash and cash equivalents	R0410	17,127
Any other assets, not elsewhere shown	R0420	17,301
Total assets	**R0500**	**558,726**

Liabilities		Solvency II value C0010
Technical provisions - non-life	**R0510**	205,040
Technical provisions - non-life (excluding health)	**R0520**	66,825
TP calculated as a whole	R0530	
Best estimate	R0540	59,343
Risk margin	R0550	7,483
Technical provisions - health (similar to non-life)	**R0560**	138,215
TP calculated as a whole	R0570	
Best estimate	R0580	126,233
Risk margin	R0590	11,982
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	228
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	21,602
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit	R0810	416
Insurance & intermediaries payables	R0820	20,975
Reinsurance payables	R0830	264
Payables (trade, not insurance)	R0840	30,688
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	1,793
Total liabilities	**R0900**	**281,006**
Excess of assets over liabilities	**R1000**	**277,720**

Poste Assicura S.p.A
S.05.01.02 - Premiums, claims and expenses by line of business

	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Premiums written									
Gross - Direct Business	96,625	85,075	0	21,906	19,959	2,778	216	13,046	239,606
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	12,206	4,917	0	1,713	644	1,379	0	-204	20,655
Net	84,418	80,157	0	20,194	19,316	1,400	215	13,251	218,951
Premiums earned									
Gross - Direct Business	95,112	82,622	0	17,364	19,589	2,710	226	16,014	233,637
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	12,107	5,149	0	1,713	644	1,362	0	471	21,446
Net	83,005	77,473	0	15,651	18,945	1,348	226	15,543	212,191
Claims incurred									
Gross - Direct Business	69,736	17,836		4,047	3,366	326	-7	3,418	98,723
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	5,099	2,910		-294	-304	88	-13	82	7,568
Net	64,637	14,927		4,341	3,669	238	6	3,336	91,155
Changes in other technical									
Gross - Direct Business	0	-21		160	0	0	0	0	138
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share									0
Net		-21		160					138
Expenses incurred	21,282	30,355	0	7,594	7,752	91	93	7,623	74,790
Other expenses									
Total expenses									74,790

Poste Assicura S.p.A
S.17.01.02 - Non - life Technical Provisions

	Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Technical provisions calculated as a whole								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole								
Technical Provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	13,441	21,262	200	-1,014	-112	41	30,962	64,780
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-401	538	-591	-260	8	0	1,200	494
Net Best Estimate of Premium Provisions	13,842	20,724	791	-755	-120	41	29,762	64,286
Claims provisions								
Gross - Total	48,493	43,037	6,734	14,284	1,239	31	6,978	120,795
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	5,429	6,715	1,470	2,756	604	1	1,661	18,635
Net Best Estimate of Claims Provisions	43,064	36,322	5,264	11,527	635	30	5,317	102,160
Total Best estimate - gross	61,934	64,299	6,934	13,269	1,127	72	37,940	185,576
Total Best estimate - net	56,906	57,046	6,055	10,773	515	72	35,079	166,446
Risk margin	3,614	8,368	1,141	2,275	123	16	3,928	19,465
Amount of the transitional on Technical Provisions								
TP as a whole								
Best estimate								
Risk margin								
Technical provisions - total								
Technical provisions - total	65,548	72,667	8,075	15,545	1,250	88	41,867	205,040
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	5,028	7,253	879	2,497	612	1	2,861	19,129
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	60,520	65,414	7,196	13,048	638	88	39,007	185,911

Poste Assicura S.p.A
S.19.01.21 - Non-life Insurance Claims

Gross Claims Paid (non-cumulative)

	Development year (absolute amount) 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
Prior											39	39	2,213
2011	1,587	2,655	834	94	78	284	110	528	196	14		14	6,381
2012	2,912	4,230	1,835	409	155	151	212	58	15			15	9,978
2013	4,678	6,160	2,011	532	321	158	272	88				88	14,220
2014	5,389	7,205	2,409	659	296	25	176					176	16,158
2015	6,822	8,221	2,406	929	140	63						63	18,581
2016	7,669	9,085	1,751	561	157							157	19,223
2017	9,786	11,905	3,129	442								442	25,262
2018	15,017	12,859	3,805									3,805	31,681
2019	42,243	28,144										28,144	70,387
2020	41,727											41,727	41,727
											Total	**74,671**	**255,810**

Gross undiscounted Best Estimate Claims Provisions

	Development year (absolute amount) 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
Prior											107	109
2011	0	0	0	0	0	1,429	1,046	1,119	811	620		630
2012	0	0	0	0	1,610	1,239	949	696	629			641
2013	0	0	0	3,668	2,732	2,348	964	705				717
2014	0	0	11,156	7,555	3,431	1,665	1,157					1,179
2015	0	19,272	14,853	10,386	3,589	2,112						2,148
2016	31,013	15,899	12,583	10,745	6,042							6,144
2017	28,111	12,878	8,732	8,294								8,426
2018	32,080	14,333	9,946									10,099
2019	42,308	22,037										22,281
2020	57,004											57,568
											Total	**109,941**

Poste Assicura S.p.A
S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**25,000**	25,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**252,720**	252,720			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	**277,720**	**277,720**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**277,720**	**277,720**			
Total available own funds to meet the MCR	**R0510**	**277,720**	**277,720**			
Total eligible own funds to meet the SCR	**R0540**	**277,720**	**277,720**			
Total eligible own funds to meet the MCR	**R0550**	**277,720**	**277,720**			
SCR	**R0580**	**89,210**				
MCR	**R0600**	**34,976**				
Ratio of Eligible own funds to SCR	**R0620**	**311.31%**				
Ratio of Eligible own funds to MCR	**R0640**	**794.03%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**277,720**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**25,000**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**252,720**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	17,095
Total Expected profits included in future premiums (EPIFP)	**R0790**	**17,095**

Poste Assicura S.p.A
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	19,028		
Counterparty default risk	9,023		
Life underwriting risk			
Health underwriting risk	65,945		
Non-life underwriting risk	41,795		
Diversification	-44,552		
Intangible asset risk			
Basic Solvency Capital Requirement	**91,240**		

Calculation of Solvency Capital Requirement

Operational risk	6,961
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-28,172
2003/41/EC	
Solvency capital requirement excluding capital add-on	**70,029**
Capital add-on already set	19,181
Solvency capital requirement	**89,210**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	

Approach to tax rate

	Yes/No
Approach based on average tax rate	2 - No

Calculation of loss absorbing capacity of deferred taxes

DTA	
DTA carry forward	
DTA due to deductible temporary differences	
DTL	
LAC DT	28,172
LAC DT justified by reversion of deferred tax liabilities	10,534
LAC DT justified by reference to probable future taxable profit	17,637
LAC DT justified by carry back, current year	
LAC DT justified by carry back, future years	
Maximum LAC DT	

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Poste Assicura S.p.A
S.28.01.01 - Minimum capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life	Non-life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	56,906	84,418
Income protection insurance and proportional reinsurance	57,046	80,157
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance		
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance		
Fire and other damage to property insurance and proportional reinsurance	6,055	20,194
General liability insurance and proportional reinsurance	10,773	19,316
Credit and suretyship insurance and proportional reinsurance		
Legal expenses insurance and proportional reinsurance	515	1,400
Assistance and proportional reinsurance	72	215
Miscellaneous financial loss insurance and proportional reinsurance	35,079	13,251
Non-proportional health reinsurance		
Non-proportional casualty reinsurance		
Non-proportional marine, aviation and transport reinsurance		
Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits		
Obligations with profit participation - future discretionary benefits		
Index-linked and unit-linked insurance obligations		
Other life (re)insurance and health (re)insurance obligations		
Total capital at risk for all life (re)insurance obligations		

	Non-life activities	Life activities
MCRNL Result	34,976	
MCRL Result		

Overall MCR calculation

Linear MCR	34,976
SCR	89,210
MCR cap	40,145
MCR floor	22,303
Combined MCR	34,976
Absolute floor of the MCR	3,700

Minimum Capital Requirement	**34,976**