DELIVERING RESPONSIBLE GROWTH TOGETHER

CONSOLIDATED ANNUAL REPORT 2019

Posteitaliane

Postevita
Posteassicura
GruppoAssicurativoPostevita

DELIVERING RESPONSIBLE GROWTH TOGETHER

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Summary

Composition of the Parent Company's Corporate and Control Bodies

BOARD OF DIRECTORS[1]

Chair
Maria Bianca Farina

Chief Executive Officer
Matteo Del Fante[2]

Director
Vladimiro Ceci[3]
Laura Furlan
Guido Maria Nola
Maria Cristina Vismara[3 4]
Gianluigi Baccolini[4]

GENERAL MANAGER

Maurizio Cappiello[5]

BOARD OF STATUTORY AUDITORS[1]

Chair
Marco Fazzini

Standing Auditor
Marco De Iapinis
Maria Giovanna Basile[6]

Alternate Auditor
Massimo Porfiri
Irene Bertucci[6]

SUPERVISORY BOARD[7]

Chair
Francesco Alfonso

Member
Franco Cornacchia
Marianna Calise

INDEPENDENT AUDITORS[8 9]

BDO Italia SpA

1. The Board of Directors and the Board of Statutory Auditors were appointed by the General Meeting of Shareholders held on 19 June 2017 and will serve for three-year terms of office, until approval of the financial statements for 2019.
2. Matteo Del Fante's appointment as a Director, following his co-option on to the Board of Directors subject to the prior approval of the Board of Statutory Auditors at the meeting held on 26 July 2017, was confirmed by the shareholder resolution of 20 December 2018; in accordance with the provisions of art. 2386 of the Italian Civil Code, the term of office will expire at the same time as that of the other members of the Board of Directors in office, and therefore on the date of approval by the Meeting of the financial statements for 2019. The Board of Directors appointed the same Chief Executive Officer.
3. Maria Cristina Vismara and Vladimiro Ceci, appointed following their co-option on to the Board of Directors subject to the prior approval of the Board of Statutory Auditors at the meeting held on 26 February 2019, in place of the resigning Directors, Antonio Nervi and Dario Frigerio, were confirmed by the shareholder resolution of 30 April 2019 as Directors; in accordance with the provisions of art. 2386 of the Italian Civil Code, the term of office will expire at the same time as that of the other members of the Board of Directors in office, and therefore on the date of approval by the Meeting of the financial statements for 2019.
4. Independent Director.
5. Maurizio Cappiello was appointed General Manager by the Board of Directors on 19 June 2017.

REMUNERATION COMMITTEE[10]

Chair
Guido Maria Nola

Member
Maria Cristina Vismara
Gianluigi Baccolini

INTERNAL CONTROL AND RISKS AND RELATED PARTY TRANSACTIONS COMMITTEE[10]

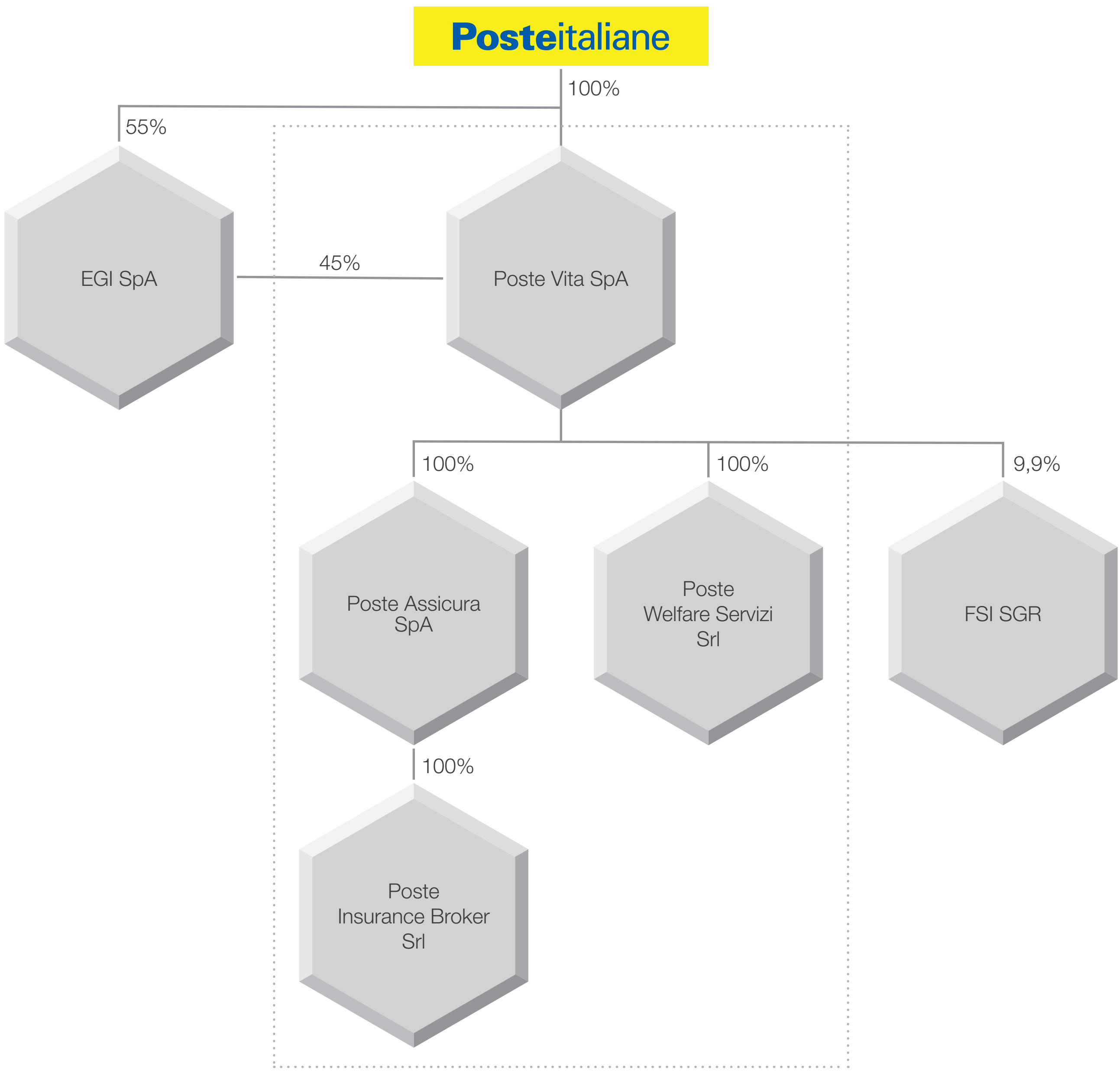
Chair
Vladimiro Ceci

Member
Maria Cristina Vismara
Gianluigi Baccolini

6. Pursuant to article 2401 of the Italian Civil Code, the Alternate Auditor, Maria Giovanna Basile, took over as Standing Auditor of the Company, following the resignation of Barbara Zanardi as of 21 May. The Ordinary General Meeting of Shareholders, which met on 28 November 2019, reinstated the composition of the Board of Statutory Auditors, confirming Maria Giovanna Basile as Standing Auditor and appointing Irene Bertucci as Alternate Auditor.
7. The Supervisory Board, appointed by the Board of Directors at their meeting of 30 July 2018, has a three-year term of office that will expire on the date of approval of the financial statements for 2020.
8. Assigned by the General Meeting of Shareholders on 29 April 2014, for the nine-year period 2014-2022.
9. The Ordinary General Meeting of Shareholders, which met on 28 November, approved the early consensual termination of the engagement of BDO Italia SpA to audit the consolidated financial statements for the years 2014-2022, effective from the date of Board approval of the Company's financial statements at 31 December 2019 and, at the same time, the engagement of Deloitte & Touche SpA to audit the consolidated financial statements of Poste Vita for the nine-year period 2020-2028, Group auditor selected following a single tender launched by Poste Italiane SpA in compliance with the provisions of Regulation (EU) no. 573 of 16 April 2014 and Legislative Decree no. 39 of 17 January 2010, as amended by Legislative Decree no. 135/2016.
10. The composition of the Committees was reinstated, by Board resolution of 26 February 2019, following the resignation of Directors Dario Frigerio and Antonio Nervi.

Group structure

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 SpA, an insurance company founded in 2010 to provide non-life insurance, excluding motor insurance, and a wholly-owned subsidiary of the Parent Company, Poste Vita, and Poste Welfare Servizi Srl, a company that primarily provides its customers with administrative, technical and software assistance relating to the management of 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 SpA) was incorporated on 12 April 2019 and has been engaged in insurance brokerage activities since December 2019, in accordance with its bylaws.

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

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

This investment is not consolidated on a line-by-line basis, but accounted for using the equity method, as further detailed in the following paragraphs.

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.

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REPORT ON OPERATIONS

01 REPORT ON OPERATIONS

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REPORT ON OPERATIONS

1. 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 the Class III business;
- achieving growth in the protection and welfare segment.

RECLASSIFIED INCOME STATEMENT (€m)	31/12/2019 Non-life business	31/12/2019 Life business	31/12/2019 Total	31/12/2018 Non-life business	31/12/2018 Life business	31/12/2018 Total
Net premium revenue	**193.2**	**17,719.7**	**17,912.9**	**128.0**	**16,592.3**	**16,720.3**
Gross premium revenue	*222.5*	*17,732.1*	*17,954.5*	*168.2*	*16,609.9*	*16,778.1*
Outward reinsurance premiums	*(29.2)*	*(12.4)*	*(41.6)*	*(40.1)*	*(17.6)*	*(57.8)*
Fee and commission income		**37.5**	**37.5**		**19.8**	**19.8**
Net finance income on securities related to traditional products	**5.8**	**4,939.7**	**4,945.5**	**4.5**	**1,970.1**	**1,974.6**
Income	*6.2*	*2,920.8*	*2,927.1*	*4.7*	*3,101.2*	*3,105.9*
Realised gains/losses	*(0.4)*	*132.7*	*132.3*	*(0.2)*	*209.7*	*209.5*
Unrealised gains/losses	*0.0*	*1,886.1*	*1,886.1*	*(0.0)*	*(1,340.8)*	*(1,340.8)*
Net finance income on index- and unit-linked hedging securities		**256.0**	**256.0**		**(123.9)**	**(123.9)**
Net change in technical provisions	**(62.3)**	**(21,416.1)**	**(21,478.4)**	**(27.7)**	**(17,097.4)**	**(17,125.1)**
Claims paid	*(62.4)*	*(13,859.2)*	*(13,921.6)*	*(35.9)*	*(10,895.8)*	*(10,931.7)*
change in technical provisions	*(5.6)*	*(7,563.6)*	*(7,569.2)*	*(4.1)*	*(6,211.0)*	*(6,215.0)*
Share attributable to reinsurers	*5.7*	*6.7*	*12.4*	*12.3*	*9.3*	*21.6*
Investment management expenses	**(0.8)**	**(41.4)**	**(42.2)**	**(0.4)**	**(43.1)**	**(43.5)**
Operating expenses	**(53.2)**	**(536.0)**	**(589.2)**	**(36.8)**	**(488.4)**	**(525.2)**
Net commissions	*(31.6)*	*(435.8)*	*(467.5)*	*(12.4)*	*(404.4)*	*(416.8)*
Operating costs	*(21.6)*	*(100.2)*	*(121.8)*	*(24.4)*	*(83.9)*	*(108.3)*
Other net revenue / costs	**7.4**	**(52.2)**	**(44.8)**	**6.3**	**(35.4)**	**(29.1)**
GROSS OPERATING PROFIT	**90.1**	**907.1**	**997.2**	**74.0**	**794.0**	**867.9**
Net finance income from investment in free capital		85.5	85.5		84.8	84.8
Interest expense on subordinated debt		(55.7)	(55.7)		(34.2)	(34.2)
PROFIT BEFORE TAX	**90.1**	**936.8**	**1,026.948**	**74.0**	**844.6**	**918.6**
Income tax expense	(22.9)	(274.3)	(297.2)	(20.8)	105.7	84.9
NET PROFIT	**67.2**	**662.5**	**729.8**	**53.1**	**950.3**	**1,003.5**

Life gross revenue at the end of the period amount to €17.7 billion, up €1.1 billion (+6.8%) compared to the same period of 2018 (€16.6 billion) thanks to a rebalancing of production in favour of more flexible products supported by multi-class product revenue with premiums equal to €6.3 billion (of which 30% invested in class III), compared to €1 billion recorded in the same period of 2018; while in the same period, production relating to Class I products that can be revalued decreased by €3.8 billion.

Claims outflows amount to €13.9 billion, a significant increase compared to 2018 (€10.9 billion), given the growth in maturities (from €6 billion to the current €8.9 billion) and attributable almost exclusively to Class I products that can be revalued. With reference to redemptions, the figure (equal to €3.5 billion) was slightly up (+1.9%) compared to the same period of 2018, while the redemption frequency was 2.9%, slightly better than in the same period of 2018 (3%).

Total **net revenue** remains positive, however, at €3.9 billion, contributing to the growth in assets under management, in line with the objectives of consolidating market leadership, although down from the previous year's figure of €5.7 billion, mainly due to the higher maturities recorded in 2019, only partially offset by the positive trend in gross revenue.

In the **non-life segment**, the commercial results achieved recorded **total production** of approximately €240.2 million, up 28% compared to the figure for the same period in 2018 (€187.2 million), driven by all segments: i) CPI (Credit Protection Insurance) policies +8%; ii) the "Assets and Capital" line +15% thanks also to the launch of the "Posta Casa 360" product, which introduced cover for guarantees linked to natural disasters; iii) the "Personal Protection" line +5% thanks to the good performance of modular health and prevention products and iv) the "Welfare" segment the revenue of which increased from €25.4 million at the end of 2018 to the current €66 million, supported both by the exit from April 2018 of the Healthcare Fund for Poste Italiane Group employees and by the new distribution agreements signed with corporate customers (Employee Benefits).

During the same period, there was an increase **in claims expenses** of approximately 70% (from €40 million in 2018 to the current €68 million). This trend is exclusively attributable to the "Illness" business, characterised by the presence of the Employee Benefits business, and is mainly affected by the increase in claims frequency more than proportionally with respect to the reduction in average cost, mainly due to the introduction of the employee Healthcare Fund (from the second quarter of 2018).

Life business **technical provisions** at 31 December 2019, excluding the Deferred Policyholder Liability (DPL) reserve of €11.6 billion and commented on in the following pages, total €128.5 billion up 4.5% compared to the beginning of the year (€123 billion), mainly due to positive net revenue. The breakdown of these technical provisions for the Life business is as follows: i) mathematical provisions relating to traditional and pension products of approximately €123.8 billion, up from the balance at the end of 2018 of €119.4 billion and ii) mathematical provisions for class III of approximately €3.9 billion (up from €2.7 billion at 31 December 2018)), given the growth in volumes and the positive effects of market volatility. With reference to the Non-life business, technical provisions at the end of the period amount to €206.8 million, up from €183.4 million at the end of the period, given the growth in business.

In terms of **financial management** during the period, the investment policy continues to be marked by the utmost prudence, based on the guidelines established by the Board of Directors. As a result, the portfolio is primarily invested in government securities and corporate bonds, with an overall exposure that represents 74.4% of the entire portfolio. The rest of the portfolio is primarily invested in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. The latter invest in liquid, global asset classes, mainly composed of bonds.

Returns on investments linked to Separately Managed Accounts registered positive performances (with returns of 3.12% for Posta Pensione accounts and 2.38% for Posta Valore Più accounts).

The sharp recovery in financial markets in 2019 was reflected in an overall increase in unrealised gains, which rose from €2.2 billion at the beginning of the year to the current €11.9 billion, referring almost exclusively to investments included in Separately Managed Accounts, and therefore reflected in the Deferred Policyholder Liability (DPL) reserve. As a result of the above operating and financial performance, technical provisions, including the DPL reserve, amount to €140.3 billion, up from €125.1 billion at the end of 2018.

With regard to the management of "**free capital**", the result is positive for approximately €85.5 million, slightly up (€+0.7 million) on the figure for the same period of 2018 and mainly attributable to ordinary amounts.

Operating costs[1] at the end of the period total approximately €121.8 million, up from €108.3 million in the same period of 2018 exclusively as a result of the new drivers used for the allocation of overheads; this change was necessary to align the methodology with the Solvency Report. In fact, if we consider the value of operating costs before reversal, the figure recorded in 2019 is substantially in line with 2018. Operating costs mainly relate to personnel expenses, commercial costs, costs for IT services and costs for professional services/consulting to support the business.

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The above performance resulted in **EBITDA** of €1,026.9 million, up approximately €108.3 million from €918.6 million in the same period of 2018. Taking into account the related taxation, which in the previous period benefited from the recognition of deferred tax assets[2] on the non-deductible movement in the mathematical provisions of €384.6 million, the **net result for the period** decreased from €1,003.5 million at the end of 2018 to the current €729.8 million.

1. Overheads allocated to acquisition costs and administrative expenses.
2. During 2018, the Poste Vita Group completed system testing prior to release of the algorithm for use in calculating deferred tax assets on the non-deductible movement in technical provisions pursuant to paragraph 1- *bis* of art. 111 of the Consolidated Law on Income Tax, introduced in 2010, which provides for a partial exemption from taxation of the change in mathematical provisions relating to Class I (excluding those for Posta Pensione accounts) and Class V policies. The total amount of the deferred taxation that the Company recorded at 31.12.2018 is equal to approximately €384.6 million.

Key performance indicators

A summary of the principal KPIs is shown below:

PRINCIPAL FINANCIAL KPIs (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Equity	4,438.5	3,951.3	487.2	12.3%
Solvency SII ratio	311.7%	211.2%	100.5%	
Dividends distributed	285.0	237.80	47.2	
Technical provisions for insurance business	140,260.7	125,146.1	15,114.6	12.1%
Financial Investments*	143,204.2	128,226.3	14,978.0	11.7%
Workforce	550	553	(3)	

PRINCIPAL OPERATIONAL KPIs (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Gross premium revenue	17,954.5	16,778.1	1,176.5	7.0%
EBIT	997.2	867.9	129.2	14.9%
Net Profit	729.8	1,003.5	(273.7)	(27.3%)
ROE**	17.5%	28.1%	(10.6%)	(10.6%)
Return PostaValorePiù	2.4%	2.8%	(0.4%)	
Return PostaPensione	3.1%	3.3%	(0.2%)	
Surrender ration on initial reserves	2.9%	3.0%	(0.1%)	
Operating costs / Premiums	0.7%	0.6%	(0.1)	
Operating costs / Provisions	0.1%	0.1%	-	

* 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. It should be noted that, if the tax benefit of €384.6 million resulting from the recognition of deferred taxation at 31 December 2018 is not taken into account, this indicator would have been 17.3%.

2. Economic and market environment

Economic and market environment

At the end of 2019, risks for the global economy are mitigating, but still downwards. In particular, trade tensions between the US and China have been reduced, thanks to the conclusion of “Phase 1”, which, however, does not eliminate the uncertainty about the future US trade policy, while the prospects for Brexit remain uncertain.

Moreover, geopolitical tensions are increasing and there are still fears that the Chinese economy may slow down more markedly than expected (also in light of the recent epidemic).

In this context, the most recent indications from Manufacturing Purchasing Managers’ Index (PMI) indicate that in all major world economies, especially those most exposed to international trade, cyclical conditions in the sector remain negative, despite timid signs of recovery in foreign trade.

As regards the labour market, general conditions remain good in the main advanced economies while inflation remains moderate and far from the central banks’ target, reflecting on the one hand, the deterioration in economic growth and on the other, the trend in oil prices.

With regard to the US economy, unlike 2018, which grew by 2.9% as a result of tax reform, 2019 is expected to see a downturn in economic growth due to the manufacturing sector penalised by the trade war and the global economic slowdown. Also in the United States, the labour market has recorded favourable performance during the period, with the unemployment rate falling by 3.5%.

In the Eurozone, economic activity was sustained by domestic demand and, in particular, by consumption, which strengthened thanks to the good performance of employment, offsetting, however, only in part unfavourable performance in the manufacturing sector caused by world trade. Despite robust wage growth (the most significant since 2012), inflation remains far from the ECB target. Trend consumer price growth in October stood at 0.7%, before rising above 1% in the last two months of the year, supported by core inflation and the rebound in energy prices.

At its meeting on 12 December, the ECB confirmed the monetary policy stance introduced in September: official rates will remain at or below current levels until the inflation outlook reaches a stable level close to 2%, net purchases (Asset Purchase Programme), amounting to €20 billion per month from November, will continue as long as necessary; the reinvestment of redeemed capital on maturing securities will continue for an extended period after the start of the rise in official rates. According to the ECB official December projections, economic growth is expected to resume in 2021, albeit moderately, while inflation will continue to rise gradually and still remain far from the ECB target.

On 31 January 2020, the United Kingdom formally exited the European Union. In relation to this, the country will no longer participate in political and institutional decisions, although it will remain bound by EU legislation until the end of the transitional period, set for 31 December 2020. By that date, the United Kingdom and the European Union will have to agree on how to regulate bilateral relations after the end of that period. In the first post-Brexit monetary policy meeting, the Bank of England left the cost of money at 0.75%, citing the recent reduction in uncertainty on both the US-China and Brexit sides of trade relations.

In Italy, economic activity is affected by the decline in investments in manufacturing, in turn generated by commercial tensions. The latest available information suggests that economic growth further deteriorated in the fourth quarter of the year, showing zero growth on a trend basis and negative growth on a quarterly basis.

As regards the emerging economies, China’s real GDP continues to slow down despite the expansionary efforts of the fiscal and monetary authorities, which have intensified action to support domestic demand (now subject to the negative effects of the “coronavirus”). The economic scenario appears to be of moderate recovery in Russia and Brazil. Economic growth in India is still solid, albeit at more moderate rates than in recent quarters.

Financial market trends

In the fourth quarter of 2019, long-term core government rates rose in all major advanced economies due to lower concerns about the outcome of the US-China trade negotiations and Brexit. The return on ten-year US government securities rose from 1.66% to 1.91%, the German return from -0.57% to -0.18%, the British return from 0.48% to 0.82%.

Over the same period, the return on 10-year BTP rose by 54 bps from 0.82% to 1.36%, mainly reflecting the trend common to other government returns. The 10-year spread between Italy and Germany has, in fact, increased by only 30 bps, reaching around 160 bps, in a context of substantial political stability.

Returns on euro-denominated investment grade corporate bonds remain at historic lows. The average return on BBB issues in the fourth quarter of 2019 rose from 0.69% to 0.79%.

Finally, the rising expectations for a trade agreement between China and the United States and the accommodative stance of the main central banks have encouraged investors to shift from the bond to the equity segment. In the fourth quarter, equity markets were able to consolidate their gains and close 2019 positively: MSCI World around 25%, S&P 500 around 29%, STOXX Europe 600 around 23% and the emerging market equity index around 15%.

Recent developments on the Chinese Coronavirus epidemic have contributed to a retracing of stock markets and a decline in returns on government curves.

Italian life insurance market

The new production of individual and group life insurance policies at the end of December 2019 reached €90.1 billion (+5.4% compared to the same period of the previous year). If new Life business reported by EU undertakings is taken into account, the figure reaches €104 billion, up (+4.8%) compared to the same period of 2018.

Analysing the figures by class of insurance, Class I premiums amount to €62.6 billion at the end of December 2019, up 12.5% compared to the same period of the previous year. Class III products (in exclusive unit-linked form), on the other hand, recorded a 11.3% reduction in premiums to €23.7 billion compared with the corresponding period of 2018. The revenue from capitalisation products (€2.2 billion) was residual, slightly increasing (+3%) than in the same period of 2018. The trend in new premiums relating to long-term health policies (Class IV) was positive with a volume that, although still limited (approximately €68 million), grew significantly (+37.9%) compared to the same period in 2018.

Although the new contributions relating to business of open-ended pension funds in December recorded the highest results since the beginning of the year, since January they have generated total revenue of €1.5 billion, an increase of 70.5% compared to the figure recorded at the end of December 2018.

New individual and collective Life business by class*

(data updated to December 2019 in €m)

Premiums by class/product	Premiums YTD	Change % December 2019 vs December 2018
Other	1,589	
Capitalisations - class V	2,206	3.0%
Linked - class III	23,736	(11.3%)
Life - class I	62,577	12.5%
Italian insurers - non-EU	**90,108**	**5.4%**
EU insurers**	**13,861**	**1.2%**
Total	**103,969**	**4.8%**

* Source: ANIA.

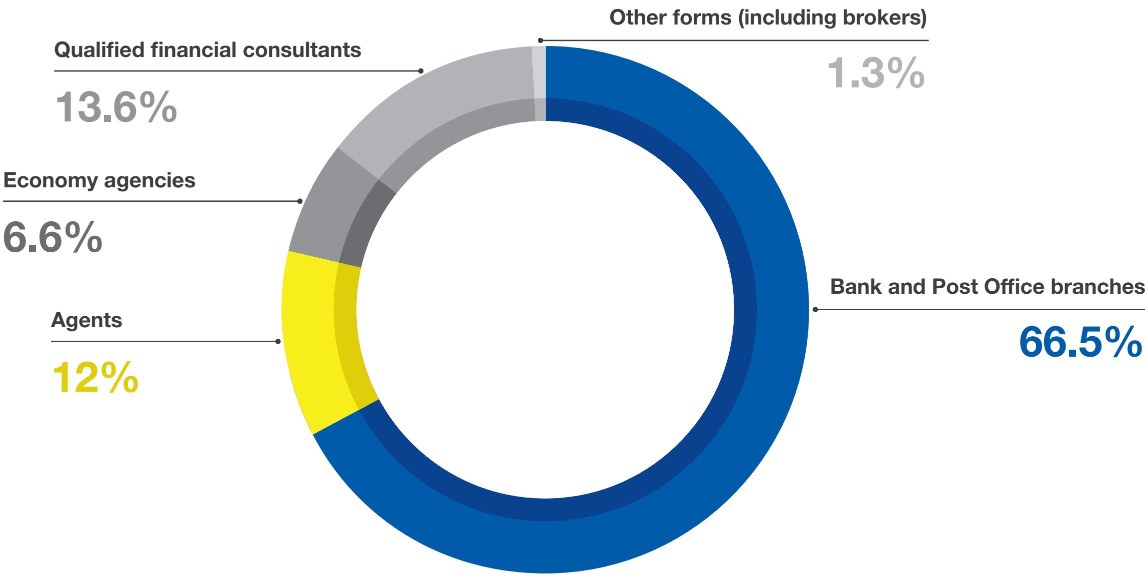
** The term “EU insurers” refers to the Italian subsidiaries of undertakings with a registered office in an EU country operating under the right of establishment and freedom to provide services. The figures refer solely to undertakings taking part in the survey.

Single premiums continued to be the preferred form of payment for policyholders, representing 94% of total premiums written and 64% of policies by number.

With regard, finally, to the distribution channel, around 66.5% of new business was obtained through banks and Post Offices until December 2019, with premium revenue of about €60 billion, up slightly (+3.6%) compared with the same period of 2018. On the other hand, with regard to the entire agency channel, the volume of new business distributed reached €16.9 billion at the end of December 2019, with growth of 21.7% compared to the figure recorded in the same period of 2018 and with an 18.6% incidence on total intermediated business.

The performance of new business obtained through authorised financial advisors was €12.2 billion, down (-2.4%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 13.6%.

New individual and collective Life business by distribution channel



Source: ANIA - data updated to December 2019.

Italian non-life insurance market

Total direct Italian premiums in the **Non-life insurance market**, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) amount to €27 billion at the end of the third quarter of 2019, up compared to the same period in 2018 (+3.3%). The performance was helped by both the growth in other non-life businesses (+5.7%) with total volumes of €14.4 billion and more marginally the growth of premiums of the Auto sector, which recorded an increase of 0.6% compared to the third quarter of the previous year and volumes totalling €12.6 billion.

More specifically, there was a slight decline in premiums in the Auto segment in the Auto and marine vehicles civil liability business (-0.3%), while the positive trend (+4.8% compared to the same period of 2018) of the land vehicle hulls business was confirmed.

The other non-life businesses confirm the positive trend of recent years, recording over 14.4 billion in premiums at the end of September 2019 with a growth rate of 5.7%. The following lines of business showed an above-average positive change during the period: Illness (+14%), Assistance (+10.5%), Security (+7%), Legal protection (+8.7%) and Financial losses (+6.4%).

Direct premium in the third quarter 2019

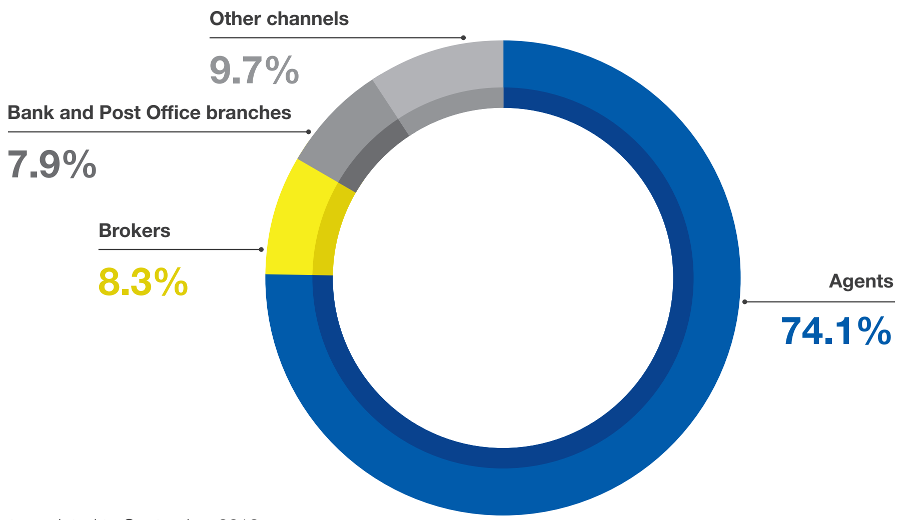
Classes (€000)	Premi Ita ed Extra UE** al III trim. 2019	Quota mercato Ita ed Extra UE al III trim. 2019	Premi UE*** al III trim. 2019	Quota mercato UE al III trim. 2019	Premi totali al III trim. 2019	Var.** % premi Ita ed Extra UE 2019/2018	Var.* % premi UE 2019/2018	Var.* % premi Totali 2019/2018
R.C. Autoveicoli terrestri	9.778	95,9%	414	4,1%	10.192	(0,6%)	7,3%	(0,3%)
Corpi di veicoli terrestri	2.251	92,7%	178	7,3%	2.429	4,8%	4,1%	4,8%
Totale settore Auto	**12.029**	**95,3%**	**592**	**4,7%**	**12.621**	**0,4%**	**6,3%**	**0,6%**
Infortuni	2.204	88,2%	294	11,8%	2.499	5,7%	(2,3%)	4,7%
Malattia	2.093	95,3%	94	4,3%	2.187	14,5%	4,2%	14,0%
Corpi di veicoli ferroviari	6	95,8%	0	4,2%	6	12,1%	6,0%	11,9%
Corpi di veicoli aerei	6	47,5%	7	52,5%	13	7,3%	17,7%	12,5%
Corpi veicoli marittimi	166	77,2%	49	22,8%	216	13,4%	4,1%	11,1%
Merci trasportate	127	59,7%	86	40,3%	212	2,4%	12,8%	(4,3%)
Incendio ed elementi naturali	1.574	90,2%	171	9,8%	1.745	5,2%	6,4%	5,3%
Altri danni ai beni	2.057	90,0%	228	10,0%	2.285	3,8%	0,8%	3,5%
R.C. Aeromobili	6	53,7%	5	46,3%	10	2,4%	27,4%	(13,9%)
R.C. Veicoli Marittimi	30	95,2%	2	4,8%	32	2,2%	(8,1%)	1,7%
R.C. Generale	2.010	72,5%	764	27,5%	2.775	4,6%	(5,2%)	1,7%
Credito	59	13,3%	383	86,7%	441	4,6%	6,3%	6,0%
Cauzione	304	75,1%	101	24,9%	404	5,8%	10,7%	7,0%
Perdite pecuniare	468	74,7%	159	25,3%	627	8,8%	(0,1%)	6,4%
Tutela legale	287	86,7%	44	13,3%	331	8,9%	7,5%	8,7%
Assistenza	586	91,4%	55	8,6%	641	10,4%	12,3%	10,5%
Totale altri rami danni	**11.983**	**83,1%**	**2.441**	**16,9%**	**14.424**	**7,0%**	**(0,1%)**	**5,7%**
Totale rami danni	**24.012**	**88,8%**	**3.033**	**11,2%**	**27.045**	**3,6%**	**1,1%**	**3,3%**

* Le variazioni % sono calcolate a perimetro di imprese omogeneo.
** Per imprese italiane ed *extra*-UE si intendono le imprese nazionali e le rappresentanze in Italia di imprese non facenti parte dello Spazio Economico Europeo e operanti in regime di stabilimento.
*** Per imprese UE si intendono le rappresentanze in Italia di imprese aventi sede legale in paesi facenti parte dello Spazio Economico Europeo e operanti in regime di stabilimento; i dati si riferiscono alle sole imprese che hanno partecipato alla rilevazione.

In terms of distribution channel, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continue to lead the way with a market share of 74.1%, slightly down on the figure for the end of the third quarter of 2018 (75.7%). Brokers are the second largest non-life premium distribution channel, with a market share of 8.3%. The market share of bank and Post Office branches increased compared to the same period in 2018 at 7.9% (6.7% in the third quarter of 2018); this growth is attributable to the involvement in the marketing of premiums in the Credit and Monetary losses lines of business.

The percentage of direct sales (management, telephone and internet sales) at the end of September 2019 was 9.4%, slightly up on the figure for the same period in 2018 (9%). The remaining 0.3% refers to premiums brokered by licensed financial advisors.

Distribution of direct Non-life premiums by distribution channel*



Source: ANIA - data updated to September 2019
* Italian insurers and non-EU insurer representatives operating as an establishment.

3. Operating review

In 2019, premium **revenue**, net of outward reinsurance premiums, totalling approximately €17,912.9 million, is up 7.1% compared with the €16,720.3 million of the same period of 2018. The table below breaks down premium revenue, net of outward reinsurance premiums, by type of business compared with the same period of 2018.

Premium revenue for the year (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Class I	15,702.5	15,781.7	(79.2)	(0.5%)
Class III	1,938.8	740.1	1,198.7	162.0%
Class IV	11.3	19.2	(7.9)	(41.3%)
Class V	79.4	68.9	10.6	15.4%
Gross life premium revenue	17,732.1	16,609.9	1,122.2	6.8%
Outward premiums	(12.4)	(17.6)	5.2	(29.7%)
Net life premium revenue	**17,719.7**	**16,592.3**	**1,127.4**	**6.8%**
Non-life premiums	240.2	187.2	53.0	28.3%
Outward reinsurance premiums	(27.2)	(37.4)	10.1	(27.1%)
Change in premium reserve	(17.8)	(19.0)	1.2	(6.6%)
Change in share of premium reserve attributable to reinsurers	(2.0)	(2.7)	0.8	(28.0%)
Net non-life premium revenue	**193.2**	**128.0**	**65.2**	**50.9%**
Total net premium revenue for the year	**17,912.9**	**16,720.3**	**1,192.6**	**7.1%**

Life business

During the period, the Poste Vita Group continued to focus its production on unsecured insurance products (Multi-class) with a moderate risk/return profile, compatible with the characteristics of the Group's customers, but potentially with more attractive returns on investment.

As indicated above, **gross revenue from the life business** total approximately €17.7 billion, up 6.8% compared to the figure recorded in the same period of 2018, supported by revenue from the Multi-class product revenue with premiums of €6.3 billion (30% of which invested in class III), compared to €1 billion in the same period of 2018; while in the same period, production relating to Class I products that can be revalued decreased by €3.8 billion.

The following table shows a summary of premium revenue for the period by class, net of outward reinsurance premiums, amounting to €17,719.7 million (€16,592.3 million at the end of 2018).

Premium revenue for the year (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Class I	15,702.5	15,781.7	(79.2)	(0.5%)
Class III	1,938.8	740.1	1,198.7	162.0%
Class IV	11.3	19.2	(7.9)	(41.3%)
Class V	79.4	68.9	10.6	15.4%
Gross life premium revenue	17,732.1	16,609.9	1,122.2	6.8%
Outward premiums	(12.4)	(17.6)	5.2	(29.7%)
Net life premium revenue	**17,719.7**	**16,592.3**	**1,127.4**	**6.8%**

The figures shown in the table below confirm that the Poste Vita Group is shifting its production towards single premium products, which are up by around 8.8% compared to 2018.

Breakdown of gross premium revenue for Life business (€m)	31/12/19	31/12/18	Increase/(decrease)	
Regular premiums	1,836.4	1,994.1	(157.7)	(7.9%)
- of which first year	220.32	319.1	(98.8)	(31.0%)
- of which subsequent years	1,616.09	1,675.0	(58.9)	(3.5%)
Single premiums	15,895.7	14,615.8	1,279.9	8.8%
Total	**17,732.1**	**16,609.9**	**1,122.2**	**6.8%**

The following table shows a breakdown of new business[3], which at €16,656.3 million is up 6.9% compared with €15,574.3 million of 2018.

New business (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Class I	14,641.9	14,762.5	(120.6)	(0.8%)
Class III	1,933.7	740.6	1,193.1	161.1%
Class IV	1.2	1.9	(0.6)	(33.7%)
Class V	79.4	69.4	10.0	14.5%
Total	**16,656.3**	**15,574.3**	**1,081.9**	**6.9%**

Positive net revenue resulted in an increase of about 64 thousand contracts in the portfolio, which amount to 7 million contracts at the end of the year, compared with 6.9 million contracts at the end of 2018 as shown in the following table:

Portfolio of contracts	Amounts at 31-12-2018	New contracts	Claims and lapses	Amounts at 31-12-2019	Increase/(decrease)
Traditional investment products	5,007,977	264,395	(421,155)	4,851,217	(3.1%)
Investment products - Multi-class	161,168	270,249	8,779	440,196	173.1%
Unit-linked products	120,289	3,500	(3,830)	119,959	(0.3%)
Index-linked products	57,404	0	(57,404)	0	(100.0%)
Pension products	981,490	32,903	(12,438)	1,001,955	2.1%
Protection products	610,137	161,528	(182,531)	589,134	(3.4%)
Total	**6,938,465**	**732,575**	**(668,579)**	**7,002,461**	**0.9%**

3. Policies with periodic premium instalments are indicated according to the full tariff amount on an annual basis.

Non-life business

During the period, with reference to the *non-life segment*, specific initiatives continued to be carried out with a view to revising the product offering in order to make it more flexible and meet the needs of its target market.

In particular, CPI products were reviewed by reducing the deductible for permanent disability and promotional initiatives were launched and Accident products were restyled. With regard to the latter area, the Company has revised the PostaProtezione Infortuni (Accidents) product, launching on the market the new product Poste Infortuni, through a simplification of the product in terms of the structure of the guarantees offered and tariff variables, and has revised the PostaProtezione Infortuni Senior Più product, replacing it with the new product Poste Infortuni Senior, which offers higher compensation.

For personal protection, the Poste Vita Group has revised its product PostaProtezione Innova Salute Più, replacing it, from July 2019, with the new product Poste Salute. The new offer not only provides coverage that is easier to propose and more interesting for the customer, but also enhances the value of the assistance component, differentiating it by target and investing in prevention.

With regard to the “Assets & Property Protection” line, premium revenue increased by 15% during the period, mainly due to the issue from June 2018 of the new product, Poste Casa 360, which introduced cover for guarantees linked to natural disasters and for which commercial initiatives were also launched in 2019.

In the same period, the development of collective policies in the “Welfare” segment continued, with an increase in revenue compared to the same period in 2018 of approximately €40.6 million. As part of this business, since April 2018, the Healthcare Fund for Poste Italiane Group employees has also been active.

Since the second part of 2018, the insurance group has also expanded its range of insurance coverage combined with loans (offered by BancoPosta). As a result, Payment Protection premiums rose 8% compared with 2018.

As a result of the above, gross premium revenue for the Non-life business amounts to approximately €240.2 million for 2019, up 28% compared with the previous year.

Gross premium revenue (€m)	31/12/2019	Impact %	31/12/2018	Impact %	Delta	Delta %
Goods and Property line	43.0	18%	37.6	20%	5.5	15%
Personal insurance line	83.4	35%	79.7	43%	3.6	5%
Credit protection line	47.8	20%	44.4	24%	3.4	8%
Welfare and other management	66.0	27%	25.4	14%	40.6	159%
Total	**240.2**	**100%**	**187.2**	**100%**	**53.0**	**28%**

The following table shows the distribution of premiums by ministerial line of business, which shows: i) the prevalence over total premiums in the “Illness” (35%) and “Accident” (34%) lines of business: ii) the 91% increase in the same Illness line of business recorded during the period, given the development, as mentioned above, of the Employee Benefits business and iii) the growth in the “Fire and Other Natural Disaster” line of business as a result, as mentioned above, of the development of revenue relating to products in the “Payment Protection” line.

Gross premium revenue (€m)	31/12/2019	Impact %	31/12/2018	Impact %	Delta	Delta %
Accident	82.0	34%	74.2	40%	7.8	10%
Medical	85.3	35%	44.7	24%	40.6	91%
Fire and natural disaster	10.2	4%	7.1	4%	3.1	44%
Other damage to property	10.6	4%	9.6	5%	1.0	10%
General liability	18.1	8%	17.0	9%	1.1	6%
Financial losses	21.9	9%	21.6	12%	0.3	1%
Legal expenses	2.8	1%	2.8	2%	(0.0)	(2%)
Assistance	9.4	4%	10.1	5%	(0.7)	(7%)
Total	**240.2**	**100%**	**187.2**	**100%**	**53.0**	**28%**

Payments and change in technical provisions

Payments during 2019 total €13,921.6 million, compared with €10,931.7 million in the previous year, as shown below:

Payments (€m)		31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business					
Claims paid		59.4	31.0	28.5	91.8%
Costs for settling claims		3.0	4.9	(1.9)	(38.8%)
Total Non-life claims paid		**62.4**	**35.9**	**26.5**	**74.0%**
Life business					
Claims paid		13,849.7	10,883.1	2,966.6	27.3%
of which:	*Surrenders*	3,466.9	3,402.2	64.7	1.9%
	Maturities	8,861.3	6,008.4	2,852.8	47.5%
	Claims	1,521.5	1,472.5	49.1	3.3%
Costs for settling claims		9.4	12.7	(3.3)	(25.6%)
Total Life claims paid		**13,859.2**	**10,895.8**	**2,963.4**	**27.2%**
Total		**13,921.6**	**10,931.7**	**2,989.9**	**27.4%**

Total claims paid on Non-life policies amount to €62.4 million, including settlement and direct costs of €3 million, up 74% on the figure for 2018 (€35.9 million). This reflects the growth in premium revenue and above all in the Welfare segment.

With reference to the life business, the item totals €13,859.2 million, up 27.2% compared to the figure for the same period of 2018 (€10,895.8 million), given the increase in maturities, which rose from €6,008.4 million to the current €8,861.3 million, and attributable almost exclusively to class I products that can be revalued. With reference to redemptions, the figure (equal to €3,466.9 million) is substantially in line (+1.9%) compared to the same period of 2018, an incidence compared to initial reserves equal to 2.9%, slightly better than at the end of 2018 (equal to 3%) and significantly lower than the market figure of 7%.

The **change in technical provisions**, totalling €7,569.2 million, is up compared with the €6,215 million of 31 December 2018. This primarily reflects a matching increase in insurance liabilities, reflecting the aforementioned operating and financial performance.

With regard to the mathematical provisions for class I, IV and V products, the 47.4% decrease compared to the figure for the same period of 2018 is mainly due to the increase in maturities during the period and the reduction in revenue for these products. The figure includes the positive change in Deferred Policyholder Liability (DPL) reserve, amounting to €1,889.9 million (negative for €1,345 million at 31 December 2018), linked to the measurement of securities included in Separately Managed Accounts and classified as FVTPL and benefiting from the net recovery of financial markets. With regard to the mathematical provisions relating to class III products, the change recorded during the period (positive for €1,277.6 million) compared to the negative change of €878 million recorded in the same period of 2018 is attributable to the positive effects of the volatility of financial markets and positive net revenue. In addition, the change in technical provisions relating to non-life business amounts to €5.6 million compared with €4.1 million in 2018.

Change in technical provisions (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life technical provisions	**5.6**	**4.1**	**1.5**	**37.6%**
Class I, IV and V mathematical provisions	4,424.5	8,417.4	(3,992.9)	(47.4%)
Class III mathematical provisions	1,277.6	(878.0)	2,155.6	(245.5%)
DPL provisions	1,889.9	(1,345.0)	3,234.9	(240.5%)
Other technical provisions	(28.5)	16.5	(45.0)	(272.7%)
Total Life technical provisions	**7,563.6**	**6,211.0**	**1,352.6**	**21.8%**
Total	**7,569.2**	**6,215.0**	**1,354.2**	**21.8%**

With regard to outward reinsurance, claims expenses, including changes in technical provisions, amount to €12.4 million during the period, down €9.2 million from €21.6 million in the same period of 2018, mainly due to the reinsurance policy adopted by the Group in the non-life segment, which is increasingly oriented towards a non-proportional approach.

Claims expenses attributable to reinsurers (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business				
Claims paid	10.4	9.6	0.8	8.7%
Costs for settling claims	0.2	0.3	(0.1)	(37.1%)
Total paid	**10.6**	**9.9**	**0.7**	**7.2%**
Change in technical provisions	(4.9)	2.3	(7.2)	(310.6%)
Total Non-life	**5.7**	**12.3**	**(6.5)**	**(53.2%)**
Life business				
Claims paid	14.4	7.4	7.0	95.0%
Costs for settling claims	0.0	0.0	(0.0)	0.0%
Total paid	**14.4**	**7.4**	**7.0**	**94.7%**
Change in technical provisions	(7.7)	1.9	(9.7)	(503.0%)
Total Life	**6.7**	**9.3**	**(2.6)**	**(28.3%)**
Total	**12.4**	**21.6**	**(9.2)**	**(42.4%)**

Distribution

In order to place its products, the Poste Vita Group uses the Post Offices of the Parent Company, Poste Italiane SpA - Company with sole shareholder - BancoPosta Ring-Fenced Capital - RFC, a company duly registered under letter D of the single register of insurance brokers pursuant to ISVAP Regulation no. 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, received a total of €374.1 million in commissions for distribution and collection, recognised on an accruals basis for €380 million (€371.8 million in 2018), reflecting the amortisation of pre-counted commissions paid for the placement of pension policies. The figure is substantially in line with the same period, despite the growth in revenue, due to the different product mix. In addition, during the period, maintenance commissions of €96.5 million were paid to the Parent Company compared to €62.8 million in 2018 as a result of the new distribution agreement that provides for the retrocession of a higher commission on new products.

The Poste Vita Group avails itself of brokers to sell collective policies, to which it paid sales commissions of €6.1 million during the period (€4.2 million in 2018).

Reinsurance strategy

Life business

For the Life business, the effects of existing treaties, entered into with leading reinsurers, relating to Term Life Insurance policies and reinsurance coverage with regard to LTC (Long-Term Care) and CPI insurance continued during the period.

Outward reinsurance premiums amount to €12.4 million (€17.6 million at 31 December 2018). The share of claims expenses attributable to reinsurers, after technical provisions, amounts to €6.7 million (€9.3 million in the same period of 2018). As a result of this, **outward policies**, including commissions received from reinsurers amounting to €3.9 million (€2 million in 2018) showed a negative balance of €1.8 million, an improvement compared to 2018 (€-6.3 million).

Non-life business

With regard to the **non-life business**, the reinsurance strategy adopted by the Poste Vita Group is increasingly oriented towards a non-proportional approach, thus allowing it to:

- mitigate risks, stabilising the variability of insurance business results and ensuring the technical balance of the portfolio;
- mitigate risks arising from peak exposures;
- strengthen financial soundness, if possible and/or necessary, optimising costs in terms of capital allocation and optimisation.

The reinsurance structure applied in 2019 provides:

- adoption of a non-proportional excess-of-loss agreement for the accident, fire, ADB and general civil liability lines of business in the retail risk area, aimed at protecting large losses, including catastrophic risks (e.g. Earthquake). Quota share treaties continue to be valid in relation to the main Accident risks insured prior to 2013, with risk attaching coverage; the excess-of-loss treaty covers the retained share;
- adoption in the corporate accident risk area, with a specific General civil liability section, of a non-proportional excess-of-loss agreement for risk and/or event aimed at protecting large losses;
- adoption for the new Illness product of a quota share proportional agreement, with fixed reinsurance commission and profit sharing on a loss occurring basis;
- choice for the main Illness risks (retail and corporate), including the segment relating to the Credit Protection line, of a non-proportional stop loss treaty aimed at mitigating particularly unfavourable technical trends;
- use for Illness risks relating to the Healthcare Fund for the personnel of member companies of the Poste Italiane Group, of a treaty proportional to commercial premiums, with loss occurring cession basis and reinsurance commissions in favour of the Company;
- use for specific risks, highly specialised coverage as professional civil liability, of a dedicated reinsurance structure in quota share with high rate of sale and fixed commission retrocession;
- proportional transfer of the risks related to legal protection. Reinsurance structure in quota share, with fixed reinsurance commission and profit sharing on a loss occurring coverage basis;
- proportional transfer of Assistance risks. Reinsurance structure in quota share, with fixed reinsurance commission and profit sharing on a loss occurring coverage basis;
- use of optional and/or special acceptance reinsurance treaties, primarily in cases where the risk is not covered by the existing reinsurance treaty. In particular, this principle is valid for underwriting 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. Mainly, Corporate, Accident or Illness risks. The entity of the risk retained by Poste Assicura and the most appropriate reinsurance structure are decided on, from time to time, based on the nature of the risk involved.

In view of the above reinsurance strategy and the operating performance, the degree of retained risk, in relation to the remaining exposure to claims of the Poste Vita Group following outward reinsurance, is equal to 92% (69% in the same period of 2018).

The ratio of outward premiums at the end of the period to gross premium revenue is 11.3%, a reduction on the figure for 2018 (20%).

Accrued outward reinsurance premiums amount to €29.2 million (€40.1 million at 31 December 2018). Reinsured claims, after technical provisions, amount to €5.7 million (€12.3 million in the same period of 2018). As a result, **outward policies**, also considering commissions of €11.2 million received from reinsurers (€19.8 million in 2018) shows, given the significant growth in revenue and the reinsurance policy described above, a negative balance of €12.3 million, worse than a negative balance of €8 million recorded in the same period of 2018.

Complaints

In 2019, the Parent Company, Poste Vita, received 1,178 new complaints, down from the figure of the same period of 2018 (1,247). The average time taken to respond to complaints in the period was around 14 days (13 days in the corresponding period of 2018).

The Parent Company, Poste Vita, received 350 complaints regarding its Personal Injury Protection (PIP) product in 2019 (326 in the previous year). The average time taken to respond to complaints during the period was around 11 days (13 days in 2018).

During 2019, the Subsidiary Poste Assicura received 1,079 new complaints, in line with the figure recorded at the end of 2018 (1,072).

The average time taken to respond to complaints in 2019 was around 12 days (down compared to the figure recorded in the corresponding period of 2018 of 16 days) and below the 45-day time limit set by IVASS.

4. Financial review

Below is a reclassified statement of financial position at 31 December 2019 with a comparison with the figures at the end of 2018:

ASSETS (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Financial investments	**142,043.9**	**126,652.2**	**15,391.7**	**12.2%**
Investments in subsidiaries, associates and joint ventures	107.3	107.0	0.3	0.3%
Financial assets measured at amortised cost	1,845.1	1,584.1	261.0	16.5%
Financial assets measured at fair value through other comprehensive income	102,466.5	95,147.3	7,319.2	7.7%
Financial assets measured at fair value through profit or loss	37,624.9	29,813.8	7,811.1	26.2%
Cash and cash equivalents	**1,160.4**	**1,574.1**	**(413.7)**	**(26.3%)**
Tangible and intangible assets	**89.1**	**60.0**	**29.2**	**48.6%**
Receivables and other assets	**2,954.7**	**2,947.8**	**7.0**	**0.2%**
Total Assets	**146,248.1**	**131,234.0**	**15,014.1**	**11.4%**
LIABILITIES				
Equity	**4,438.5**	**3,951.3**	**487.2**	**12.3%**
Technical provisions	**140,260.7**	**125,146.1**	**15,114.6**	**12.1%**
Provision for risks	**21.2**	**10.6**	**10.6**	**100.4%**
Payables and other liabilities	**1,527.6**	**2,126.0**	**(598.4)**	**(28.1%)**
Total Liabilities	**146,248.1**	**131,234.0**	**15,014.1**	**11.4%**

Financial investments

Financial investments total €142,043.9 million at 31 December 2019, up compared to €126,652.2 million at the end of 2018, given the positive operating and financial market performance.

(€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Investments in associates	107.3	107.0	0.3	0.3%
Financial assets measured at amortised cost	1,845.1	1,584.1	261.0	16.5%
Financial assets measured at fair value through other comprehensive income	102,466.5	95,147.3	7,319.2	7.7%
Financial assets at fair value through profit or loss	37,624.9	29,813.8	7,811.1	26.2%
Total Financial investments	**142,043.9**	**126,652.2**	**15,391.7**	**12.2%**

Investments of €107.3 million refer to the investment in the associate, EGI, accounted for using the equity method. The company, which is owned by Poste Vita SpA and Poste Italiane SpA with 45% and 55% equity interests, respectively, operates primarily in the real estate sector for the management and development of real estate assets no longer used by the Parent Company.

The results of the associate for 2019 show equity of €238.4 million and a net profit for the year of approximately €0.8 million, up compared to the figure reported in the corresponding period of 2018 of €0.4 million.

The increase of €0.3 million during the period is due to revaluation of the investment to take account of the Poste Vita Group's share of the associate's net profit for the period.

Financial instruments measured at amortised cost, i.e. securities held in order to obtain cash flows represented solely by the payment of principal and interest, amount to €1,845.1 million at the end of the period (up 16.5% compared to the end of 2018) and mainly relate to free capital.

(€m)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments		-			
Debt securities		1,729.0	1,467.5	261.6	17.8%
of which:	government bonds	1,710.0	1,448.4	261.6	18.1%
	corporate bonds	19.0	19.1	(0.1)	(0.4%)
UCITS units		-	-		
Receivables		116.1	116.7	(0.6)	(0.5%)
Total		**1,845.1**	**1,584.1**	**261.0**	**16.5%**

Receivables recorded in this category (amounting to €116.1 million at the end of 2019) mainly refer to: i) €103.1 million (€78.8 million at 31 December 2018) for the balance of the current account with the Parent Company and ii) receivables for commissions on internal funds of €12 million (€6 million at the end of 2018). The impairment at 31 December 2019 regarding loans and financial receivables measured at amortised cost, recognised as a direct adjustment to the carrying amounts of the same, amounts to €156 thousand (€51 thousand at 31 December 2018).

Financial assets measured at FVTOCI total approximately €102,466.5 million (€95,147.3 million at 31 December 2018) and relate to securities allocated to Separately Managed Accounts (approximately €100,009.9 million) and a residual portion attributable to the Company's free capital (approximately €2,456.6 million).

(€m)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments					
Debt securities		102,466.5	95,147.3	7,319.2	7.7%
of which:	government bonds	85,185.2	79,288.6	5,896.6	7.4%
	corporate bonds	17,281.3	15,858.7	1,422.6	9.0%
UCITS units					
Total		**102,466.5**	**95,147.3**	**7,319.2**	**7.7%**

The net recovery of financial markets during the period was reflected in an increase in the fair value reserve on these instruments amounting to €10,884.1 million in potential net gains (€3,156.6 million at the end of 2018) of which: i) €10,825.3 million relating to financial instruments included in the Separately Managed Accounts and therefore attributed to policyholders through shadow accounting and ii) €58.9 million relating to net losses on FVOCI securities in the Company's free capital and therefore attributed to a specific equity reserve (equal to €41.3 million net of the related tax effect).

Financial assets at fair value through profit or loss (FVTPL) total approximately €37,624.9 million and are up 26.2% compared with the €29,813.8 million at 31 December 2018, mainly due to investments made during the period in harmonised, open-ended, multi-asset UCITS type funds as well as the recovery of the financial markets. The item refers to:

- investments included in the Company's Separately Managed Accounts for €33,775.4 million relating mainly to: i) equity and bond funds dealing mainly with harmonised, open-ended, multi-asset UCITS type funds for a total of €30,933.2 million; ii) real estate funds for €1,713.6 million and iii) bonds containing early redemption clauses by the issuer for €559.6 million;
- financial instruments backing unit- and index-linked policies for €3,738.5 million;
- financial instruments included in the Company's free capital for €111 million.

The composition of the FVTPL portfolio is shown below, indicating the increase in UCITS units as a result of new investments in harmonised, open-ended, multi-asset UCITS type funds and the aforementioned favourable market performance.

(€m)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments		177.2	166.3	10.9	6.6%
Debt securities		1,520.6	1,592.3	(71.7)	(4.5%)
of which:	government bonds	56.9	824.4	(767.5)	(93.1%)
	corporate bonds	1,463.7	767.9	695.8	90.6%
UCITS units		35,927.1	27,951.5	7,975.6	28.5%
Derivative assets		-	44.5	(44.5)	(100.0%)
Receivables		-	59.2	(59.2)	(100.0%)
Total		**37,624.9**	**29,813.8**	**7,811.1**	**26.2%**

The performance of the financial markets showing net recovery compared to the previous year led to the recognition in the period of net gains from valuation for a total of €2,109 million (referring almost exclusively to the aforementioned multi-asset funds) compared to net losses from valuation for a total of €1,442.7 million recorded in the same period of 2018.

The breakdown of the figure recorded in 2019 is as follows: i) €1,886.1 million of net gains on investments included in Separately Managed Accounts and therefore entirely attributed to policyholders through the shadow accounting method; ii) €206.4 million of net gains relating to the assets hedging unit-linked products and which, therefore, are substantially offset by the corresponding revaluation of the reserves and iii) €0.4 million of net gains relating to securities included in the Company's free capital.

Gains/losses FVTPL (€m)	31/12/2019 Net gains/losses	31/12/2018 Net gains/losses	Delta
Separately Managed Accounts	1,886.1	(1,340.8)	3,226.9
Unit/index hedging assets	206.4	(101.7)	308.1
Free Capital	0.4	(0.2)	0.6
Total	**2,092.9**	**(1,442.7)**	**3,535.6**

It should be noted, with reference to **derivatives**, that the Company has made use of the option provided for by IFRS 9 to value them in accordance with IAS 39.

At 31 December 2019, the only outstanding transaction was the Forward Sale written on the Government security "BTPS 0.65%" with maturity 13 January 2020. This derivative with a nominal value of €120 million recorded a negative change in fair value during the period of approximately €885.2 thousand, which was reversed to policyholders through the shadow accounting method, as it relates to financial instruments included in Separately Managed Accounts.

At 31 December 2019, the effectiveness tests on the instruments in question were in the range of 80-125%, as required by IAS 39.

Warrants covering the indexed component of certain Class III products in the portfolio at the end of 2018 with a total nominal value of €798.7 million and a fair value of €44.6 million, are fully past due in the course of 2019.

Derivatives/Warrants (€m)	31/12/19 Nominal value	*Fair value*	*Realised gains/losses*	*Unrealised gains/losses*	31/12/18 Nominal value	*Fair value*	*Realised gains/losses*	*Unrealised gains/losses*
Fwd 15032019					3.0	(0.2)		(0.2)
Fwd 130120 100.5 BTPS 0.65 10/15/23 PD	120.0	0.0		(0.9)				
Total hedging derivatives	**120.0**	**0.0**	**0.0**	**(0.9)**	**3.0**	**(0.2)**	**-**	**(0.2)**
Titanium							7.97	
Arco							1.65	
Prisma							1.55	
6Speciale								
6Aavanti								
6Sereno					173.2	11.8		(5.8)
Primula					175.8	10.5		(6.4)
Top5					224.1	10.0		(8.2)
Top5 edition II					225.6	12.3		(10.5)
Total warrants	**-**				**798.7**	**44.6**	**11.2**	**(30.9)**
Total	**120.0**	**0.0**	**0.0**	**(0.9)**	**801.7**	**44.5**	**11.2**	**(31.1)**

Receivables included in this category totalled €59,2 million at the end of the 2018 and regarded underwriting and capital calls on mutual investment funds for which the corresponding units have not yet been issued.

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The composition of the bond portfolio according to issuing country is in line with the situation in 2018, being marked by a strong prevalence of securities issued by Italian issuers, accounting for 64.4% of the total.

Country (€m)	FVTPL	FVOCI	CA	TOTAL	weight %
DUTCH ANTILLES	-	75	-	75	0.1%
AUSTRALIA	63	343	-	407	0.3%
BELGIUM	11	361	-	372	0.3%
CANADA	1	71	-	72	0.1%
SWITZERLAND	0	145	-	145	0.1%
CZECH REPUBLIC	-	115	-	115	0.1%
GERMANY	331	896	-	1,227	0.9%
DENMARK	-	131	-	131	0.1%
SPAIN	94	3,282	8	3,383	2.4%
FINLAND	15	196	-	211	0.1%
FRANCE	1,965	2,893	4	4,862	3.4%
UNITED KINGDOM	589	1,805	-	2,394	1.7%
IRELAND	1,723	287	-	2,010	1.4%
ISLE OF MAN	-	19	-	19	0.0%
ITALY	3,913	85,718	1,715	91,346	64.4%
JERSEY	-	11	-	11	0.0%
JAPAN	6	191	-	197	0.1%
CAYMAN ISLANDS	-	10	-	10	0.0%
LUXEMBOURG	28,385	439	-	28,824	20.3%
MEXICO	46	63	-	110	0.1%
HOLLAND	217	2,344	2	2,563	1.8%
NORWAY	0	32	-	33	0.0%
NEW ZEALAND	-	19	-	19	0.0%
PORTUGAL	1	101	-	101	0.1%
SWEDEN	10	544	-	554	0.4%
SINGAPORE	-	25	-	25	0.0%
USA	256	2,330	-	2,586	1.8%
VENEZUELA	-	20	-	20	0.0%
Overall total	**37,625**	**102,467**	**1,729**	**141,820**	**100.0%**

The distribution of the financial investment portfolio at 31 December 2019 by duration class is shown below, indicating that the portfolio is heavily weighted towards securities with durations of over 30 years:

Remaining duration (€m)	FVTPL	FVOCI	CA	TOTAL
up to 1	171	5,157	127	5,455
1 to 3	318	12,205	173	12,696
3 to 5	395	21,250	266	21,911
5 to 7	514	15,108	217	15,839
7 to 10	2,245	14,303	266	16,813
10 to 15	216	14,715	537	15,468
15 to 20	1,364	5,691	24	7,079
20 to 30	141	12,481	119	12,741
more than 30	32,261	1,557	-	33,818
Overall total	**37,624.9**	**102,467**	**1,729**	**141,820**

Returns on the Company's Separately Managed Accounts, in the specific periods under review (from 1 January 2019 to 31 December 2019), are as follows:

Separately Managed Accounts	Gross Return rates %	Average Invested Capital €m
Posta Valore Più	2.38%	115,344.0
Posta Pensione	3.12%	7,421.5

Cash and cash equivalents at the end of the period amount to €1,160.4 million (€1,574.1 million) and will be invested in 2020 in relation to the evolution of market performance.

Property, plant and equipment and intangible assets amount to €89.1 million (€60 million at 31 December 2018) and refer to: i) the portion not yet amortised of expenses relating to software programs with multi-year utility of €33.8 million (€30.3 million at 31 December 2018), of which €5.5 million (€3.4 million at 31 December 2018) relating to the capitalisation of costs incurred for the development of software still in the course of completion which, therefore, did not generate economic effects in the period; ii) goodwill of €17.8 million, arising from the difference between the cost of the investment in Poste Welfare Servizi and the corresponding portion of equity following the acquisition by Posta Vita; iii) the right to use the assets covered by the contracts for €27.3 million, falling within the scope of IFRS 16 (in force since 1 January 2019) and representing the present value of the periodic lease fees provided for in the contract in order to use the assets covered by the contract and iv) the unamortised portion of the capital assets provided for the exercise of the business for €9.4 million (€11.3 million at the end of 2018).

Equity and solvency margin

Equity amounts to €4,438.5 million at 31 December 2019, an increase of €487.2 million compared with the end of 2018. The change recorded in the period is mainly attributable to the: i) net profit for the period of €729.8 million and ii) the increase in the valuation reserve for securities classified as FVTOCI (net of the ECL component) for €42.7 million and iii) distribution of previous retained earnings of €285 million to the shareholder Poste Italiane, in implementation of the shareholder resolution of 28 November 2019. Changes in equity during the period are shown below:

Equity (€k)	31/12/2018	allocation of 2018 profit	ECL Reserve	FVOCI Reserve	Other gains or losses recognised directly in equity	Dividend distribution	2019 profit	31/12/2019
Share capital	**1,216,608**							**1,216,608**
Revenue reserve and other equity reserves:	**1,732,649**	**1,003,488**				**(285,000)**		**2,451,138**
Legal reserve	142,260	29,045						171,305
Extraordinary reserve	648							648
Organisation fund	2,582							2,582
Consolidation reserve	426							426
Other provisions	8							8
Retained earnings	**1,586,725**	**974,444**				**(285,000)**		**2,276,168**
of which retained earnings	1,590,164	971,005				(285,000)		2,276,168
of which FTA Reserve	(3,439)	3,439						0
Reserve for FVOCI securities	**(1,382)**		**(56)**	**42,748**				**41,310**
of which - AFS/FVOCI Reserve	(2,331)			42,748				40,417
of which ECL Reserve	948		(56)					892
Other gains/losses recognised directly through equity	**(52)**				**(221)**			**(273)**
Profit for the year	**1,003,488**	**(1,003,488)**					**729,756**	**729,756**
Total	**3,951,311**	**0**	**(56)**	**42,748**	**(221)**	**(285,000)**	**729,756**	**4,438,538**

In addition, at 31 December 2019, subordinated loans issued by the Parent Company, Poste Vita, total €250 million (€999.4 million at the end of 2018) and relate exclusively to the loan entered into by the Parent Company, Poste Italiane, with indefinite maturity.

The decrease compared with the end of 2018 is attributable to the redemption in May 2019 of the bond issued by Poste Vita in 2014 and quoted on the Luxembourg Stock Exchange.

All loans are remunerated at market conditions, regulated in accordance with the conditions set out in article 45, chapter IV, title III of Legislative Decree no. 209 of 7 September 2005 and subsequent amendments, and fully available for the purpose of hedging the solvency position and are measured at amortised cost.

With regard to the **solvency margin**[4] of the Poste Vita Insurance Group at 31 December 2019, own funds qualifying for inclusion amount to €11,468 million, an increase of €3,209 million compared with €8,259 million at the end of 2018. Moreover, capital requirements decreased during the year by approximately €231 million (from €3,910 million at the end of 2018 to €3,679 million at 31 December 2019).

As a result of the above trends, the Group's solvency ratio increase by about 100 percentage points compared to 31 December 2018 (from 211.2% at the end of 2018 to 311.7% in December 2019), whilst remaining above the regulatory requirement.

SCR coverage (€m)	**31/12/2019**	**31/12/2018**	**delta**
EOF with SCR coverage	11,468	8,259	3,209
SCR	3,679	3,910	(231)
Solvency Ratio	**311.7%**	**211.2%**	**100.5%**

The increase in the Solvency Ratio compared to 31 December 2018 is mainly due to the trends of financial markets that have led to an increase in the value of the Insurance Group's portfolio. In addition, the adoption of the transitional measures on the technical provisions of Poste Vita SpA resulted in a decrease in liabilities of €1,908 million before tax. Finally, the inclusion of Ancillary Own Funds allowed an increase in eligible Tier 2 capital of €841 million compared to December 2018.

With reference to the Capital Requirement, there was a decrease of approximately €231 million mainly due to the lower SCR for underwriting risks due to the trends of financial markets and in particular to the decrease in the Italian Spread (-90 bps) with a relative increase in latent net gains.

4. It is noted that the Poste Vita Group's SII data will be approved by the Board of Directors of the Parent Company, Poste Vita, on 29 April 2020 and are therefore provisional at the date of this report.

Technical provisions

As a result of the above operating and financial performance, technical provisions amount to €140,260.7 million, up 12.1% compared to €125,146.1 million at the end of 2018 and the breakdown is as follows:

Technical provisions (€m)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business:				
Premium reserve	101.0	83.3	17.8	21.3%
Outstanding claims provisions	105.6	100.0	5.7	5.7%
Other technical provisions	0.1	0.1	-	(17.5%)
Total Non-life business	**206.8**	**183.4**	**23.4**	**12.8%**
Life business:				
Mathematical provisions	123,820.0	119,416.3	4,403.7	3.7%
Class III technical provisions	3,929.7	2,652.1	1,277.6	48.2%
Outstanding claims provisions	662.9	780.2	(117.3)	(15.0%)
DPL provisions	11,562.3	2,006.7	9,555.6	476.2%
Other technical provisions	79.0	107.5	(28.5)	(26.5%)
Total Life	**140,053.9**	**124,962.7**	**15,091.1**	**12.1%**
Total	**140,260.7**	**125,146.1**	**15,114.6**	**12.1%**

Technical provisions relating to the Non-Life business, gross of outward reinsurance, amount to €206.8 million at the end of the period (€183.4 million at the end of 2018), and consist of: the premium reserve of €101 million, the claims reserve of €105.6 million and other reserves of €0.1 million (composed at 31 December 2019 exclusively of the ageing reserve). Claims reserve for claims incurred but not reported (IBNR) amount to €26.6 million. Changes in the premium reserve reflect the growth trends in revenue.

Provisions for the Life classes total €140,053.9 million (€124,962.7 million at the end of 2018). These provisions are made to meet all of the Company's obligations and include mathematical provisions (€123,820 million), technical provisions for unit- and index-linked products (€3,929.7 million), the reserve for sums to be paid (€662.9 million), the Deferred Policyholder Liability (DPL) reserve made under the shadow accounting method for €11,562.3 million, and other technical provisions (€79 million). The latter includes only the reserve for future expenses.

The Deferred Policyholder Liability (DPL) reserve, the amount of which is correlated to the net gains from valuation of financial instruments covering insurance liabilities recognised under Separately Managed Accounts, amount to €11,562.3 million at the end of 2019, up from €2,006.7 million at the end of 2018, given the significant recovery in financial markets compared to the trends recorded in the previous period, which were affected by the increase in the spread between Italian and German government securities.

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

Contracts classified as "insurance contracts" and those classified as "financial instruments with a discretionary participation feature", for which use is made of the same recognition and measurement criteria as in Italian GAAP, were subjected to the LAT - Liability Adequacy Test required by paragraph 15 of IFRS 4. The test was conducted by taking into account the present value of future cash flows, obtained by projecting the expected cash flows generated by the existing portfolio as of period end, based on adequate assumptions underlying expiration causes (death, termination, surrender, reduction) and expense trends.

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

The **provision for risks and charges** at 31 December 2019, amounts to €21.2 million (€10.6 million at the end of 2018) and includes the amounts allocated to cover any liabilities in the year and/or in the quantum. The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

Composition (€m)	31/12/2019	31/12/2018	Delta
Legal disputes	5.5	5.5	-
Tax disputes	2.4	2.8	(0.3)
Other liabilities	13.2	2.3	10.9
Total	**21.2**	**10.6**	**10.7**

The increase of €10.7 million recorded during the period is due to the following phenomena:

- provision for about €5.2 million following 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;
- provision of €5 million made following the extension by INPS to the Company of the application of the regulation on contributions for the loan of the family allowance (CUAF), for which reference is made to the paragraph "Other Information";
- provision for approximately €0.8 million relating to certain cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation and requested directly from the Company, as a result of which insurance payments were made to parties who proved to be unsuitable for a total value of €1.5 million. At the date of drafting of this document, the Company has already reactivated, after appropriate checks also with the competent authorities, three of the twelve positions for a total of approximately €0.7 million. A provision of €0.8 million has therefore been set aside for the remaining positions, which will be progressively removed in line with the completion and outcome of the Parent Company Poste Vita's verification activities;
- release of a portion of the provision related to the tax dispute for €0.3 million as further described in the paragraph "tax disputes".

Receivables and other assets

The item *receivables and other assets* amounting to €2,954.7 million at the end of the period (€2,947.8 million at the end of 2018) mainly refers to:

- amounts due from the tax authorities for advances pursuant to Law 191/2004, amounting to €2,273.8 million (€2,139.9 million at 31 December 2018), which represent the advance, for the years 2014 - 2019, of withholding and substitute taxes on gains on life insurance policies, as provided for by the aforementioned Law, which are systematically recovered from 1 January 2005 through vertical offsets;
- deferred tax assets of €417.9 million (€395.8 million at 31 December 2018). The amount recorded in the financial statements at 31 December 2019 mainly refers to the receivable recognised with reference to the non-deductible portion of the change in the mathematical provisions;
- the receivable relating to the correspondence current account of €103.2 million (€78.9 million at the end of 2018);
- the portion not yet amortised of €53.8 million (€59.7 million at 31 December 2018) of the expenses relating to the pre-counted acquisition commissions of the FIP product (Individual Pension Schemes);
- technical provisions transferred to reinsurers amounting to €57.6 million (€72.4 million at the end of 2018);
- amounts due from policyholders for stamp duty on Class III and Class V policies amounting to €76.4 million (€108.9 million at the end of 2018);
- amounts due from policyholders relating to premiums for the period not yet collected at 31 December 2019 amounting to €22.6 million (€12.8 million at the end of 2018);
- amounts due from reinsurers of €15.8 million (€7.5 million at the end of 2018) relating to recoveries to be obtained from reinsurers for claims and commissions.

Payables and other liabilities

The item *Payables and other liabilities* of €1,527.6 million at the end of the period (€2,126 million at 31 December 2018) mainly refers to:

- the amount due to the tax authorities for the advance payment of the tax on the mathematical provisions for 2019 of €487.1 million (€517.8 million at the end of the previous year);
- current tax liabilities of €276.6 million (€5.7 million at the end of 2018), of which €211.4 million due to the Parent Company under the tax consolidation regime;
- deferred tax liabilities of €182.3 million (€288.9 million at the end of 2018) mainly due to the change in the reserve arising from the valuation of FVTOCI securities during the period;
- financial liabilities measured at amortised cost of €279.9 million at 31 December 2019 (€1,020.4 million at the end of 2018) mainly relate to: i) €251.4 million relating to the subordinated loan with indefinite maturity, taken out entirely by the Parent Company, Poste Vita, with the Parent Company, Poste Italiane, inclusive of accrued interest expense and ii) €27.1 million in financial liabilities arising from the application of IFRS 16, representing the remainder of the fees to be settled at the end of the period;
- amounts due to brokers relating to commissions accrued for the placement of insurance products and the maintenance of the portfolio during the year amounting to €148.1 million (€147 million at the end of 2018);
- amounts due to suppliers and Group companies for services received during the period totalling €50.8 million (€35.8 million at the end of 2018);
- the payable for the substitute tax on FIP of €19.6 million (€16.8 million at the end of 2018);
- the payable for withholding and substitute taxes on capital paid on life insurance policies for €13.2 million (€30.2 million at the end of 2018);
- the amount due to the tax authorities for stamp duty at the end of 2019 on life insurance policies class III and V for €12.8 million (€9.1 million at the end of 2018);
- liabilities for fee and commission expenses on internal funds for €12 million (€5.9 million at the end of 2018).

5. Operating results

The reclassified statement of profit or loss by type of business for the year ended 31 December 2019 is shown below, compared with the same period of 2018:

Life business

RECLASSIFIED INCOME STATEMENT (€m)	Life business			
	31/12/2019	31/12/2018	Increase/(decrease)	
Net premium revenue	**17,719.7**	**16,592.3**	**1,127.4**	**7%**
Gross premium revenue	*17,732.1*	*16,609.9*	*1,122.2*	*7%*
Outward reinsurance premiums	*(12.4)*	*(17.6)*	*5.2*	*(30%)*
Fee and commission income	**37.5**	**19.8**	**17.7**	**89%**
Net finance income on securities related to traditional products	**4,939.7**	**1,970.1**	**2,969.6**	**151%**
Income	*2,920.8*	*3,101.2*	*(180.3)*	*(6%)*
Realised gains/losses	*132.7*	*209.7*	*(77.0)*	*(37%)*
Unrealised gains/losses	*1,886.1*	*(1,340.8)*	*3,226.9*	*(241%)*
Net finance income on index- and unit-linked hedging securities	**256.0**	**(123.9)**	**379.8**	**(307%)**
Net change in technical provisions	**(21,416.1)**	**(17,097.4)**	**(4,318.7)**	**25%**
Claims paid	*(13,859.2)*	*(10,895.8)*	*(2,963.4)*	*27%*
Change in technical provisions	*(7,563.6)*	*(6,211.0)*	*(1,352.6)*	*22%*
Share attributable to reinsurers	*6.7*	*9.3*	*(2.6)*	*(28%)*
Investment management expenses	**(41.4)**	**(43.1)**	**1.7**	**(4%)**
Operating expenses	**(536.0)**	**(488.4)**	**(47.7)**	**10%**
Net commissions	*(435.8)*	*(404.4)*	*(31.4)*	*8%*
Operating costs	*(100.2)*	*(83.9)*	*(16.3)*	*19%*
Other net revenue / costs	**(52.2)**	**(35.4)**	**(16.8)**	**47%**
GROSS OPERATING PROFIT	**907.1**	**794.0**	**113.1**	**14%**
Net finance income from investment in free capital	85.5	84.8	0.7	1%
Interest expense on subordinated debt	(55.7)	(34.2)	(21.5)	63%
PROFIT BEFORE TAX	**936.8**	**844.6**	**92.2**	**11%**
Income tax expense	**(274.3)**	**105.7**	**(380.0)**	**(360%)**
NET PROFIT	**662.5**	**950.3**	**(287.8)**	**(30%)**

Premium revenue for 2019, net of outward reinsurance premiums, amounts to €17,719.7 million, up 7% compared with the €16,592.3 million recorded in the same period of 2018.

Fee and commission income from the management of internal funds related to unit-linked products amounts to €37.5 million, up €17.7 million compared with the figure for the same period of 2018 (€19.8 million) as a result of the increase in assets under management.

With regard to investment management, **net finance income on securities relating to traditional products** during the period total €4,939.7 million, an increase of €2,969.6 million compared with 2018. This trend is mainly due to the net recovery of the financial markets, which resulted in net gains from valuation of €1,886.1 million compared with net losses from valuation of €1,340.8 million in the same period of 2018. These are, however, net gains on investments included in Separately Managed Accounts and therefore almost entirely attributable to policyholders through the shadow accounting method.

As a result of the impact of financial market volatility and the higher volumes recorded in the present period relating to **investments for index- and unit-linked products**, net finance income of approximately €256 million are produced in 2019, compared with net finance costs of €123.9 million in the same period of 2018. This amount is almost entirely matched by a corresponding change in technical provisions.

Claims paid for insurance services to customers during the period total approximately €13,859.2 million (€10,895.8 million in the same period of 2018), made up, net of liquidation costs, of: i) maturities of €8,861.3 million, an increase of €2,852.7 million compared with the €6,008.4 million recorded in the same period of 2018 due almost exclusively to maturities relating to class I products that can be revalued; ii) claims for €1,521.5 million, up slightly (+3.3%) compared with 2018; and iii) redemptions for €3,466.9 million, substantially in line with the figure recorded in the same period of 2018, and accounting for 2.9% of initial reserves, slightly better than at the end of 2018 (3%) and significantly lower than the market figure of 7%.

As a result of the aforementioned commercial trends, the corresponding **change in technical provisions for the life business** amount to €7,563.6 million at the end of 2019 compared with €6,211 million in 2018.

After taking into account the aforementioned claims and the reinsurers' share, amounting to €6.7 million, the **net change in technical provisions** amounts €21,416.1 million at the end of the period, compared with €17,097.4 million in the same period of 2018.

Total **commissions** paid for distribution, collection and portfolio maintenance amount to approximately €433.8 million; on an accruals basis, the amount totals €439.7 million (€406.5 million at 31 December 2018), reflecting the amortisation of pre-counted commissions on the sale of pension products and with an incidence of around 2.5% on earned premiums. After the commissions received from reinsurers, the figure is €435.8 million, compared with €404.4 million at 31 December 2018.

Operating costs[5] at 31 December 2019 amount to €100.2 million compared with €83.9 million in 2018. This change is attributable exclusively to the new drivers used for the allocation of overheads. In fact, if we consider the value of operating costs before reversal, the figure recorded in 2019 is substantially in line with 2018. This means that operating costs continue to remain in line with best market practices at 0.5% of earned premiums and 0.1% of provisions, figures on a par with 2018.

Other net revenue (costs) at the end of the period amount to €-52.2 million (€-35.4 million at the end of 2018) and mainly refer to: i) the reversal of premiums relating to previous years for €-21 million; ii) the provision for risks and charges made during the period for €-10.4 million and iii) the substitute tax on the FIP product for €-19.2 million.

In relation to the above trends, **the operating margin** at the end of the period amounts to €907.1 million, an increase of €113.1 million compared to €794 million in the same period of 2018.

Net finance income relating to the investment of free capital totals approximately €85.5 million, slightly up on the figure for the same period in 2018 (€84.8 million) and mainly relates to ordinary amounts.

Free Capital Income (€m)	**31/12/2019**	**31/12/2018**	**Delta**
Ordinary income	78.2	80.8	(4.3)
Realised gains/losses	6.9	4.3	2.6
Unrealised gains/losses	0.4	(0.2)	3.9
Total	**85.5**	**84.8**	**0.7**

Interest expense of €55.7 million was up from €34.2 million in 2018, as a result of the increase (€+34.3 million) in fee and commission expenses on the Ancillary Funds paid to the Parent Company, Poste Italiane, only partially offset by lower (€-13.5 million) interest on the bond issued by the Company, which matured in May 2019.

5. Overheads allocated to acquisition costs and administrative expenses.

Interest expense (€m)	31/12/2019	31/12/2018	Delta
Interest on Poste Vita bond	9.4	22.9	(13.5)
Interest on Poste Italiane subordinated loan	6.9	6.2	0.7
Commissions on Ancillary Fund	39.4	5.1	34.3
Total	**55.7**	**34.2**	**21.5**

In relation to the components mentioned above, the life business closed with a **gross profit for the period** of €936.8 million, an increase of €92.2 million compared with the figure recorded at the end of 2018 (€844.6 million). Considering the tax rates currently in force, the **net profit** at the end of the period amounts to €662.5 million, down from €950.3 million of 2018, as the latter benefited from the positive impact of deferred taxes recorded on the non-deductible movement in the mathematical provisions amounting to €+384.6 million.

Non-life business

RECLASSIFIED INCOME STATEMENT (€m)	Non-life business			
	31/12/2019	31/12/2018	Increase/(decrease)	
Net premium revenue	193.2	128.0	65.2	51%
Gross premium revenue	*222.5*	*168.2*	*54.3*	*32%*
Outward reinsurance premiums	*(29.2)*	*(40.1)*	*10.9*	*(27%)*
Net finance income on securities related to traditional products	**5.8**	**4.5**	**1.3**	**30%**
Income	*6.2*	*4.7*	*1.5*	*32%*
Realised gains/losses	*(0.4)*	*(0.2)*	*(0.2)*	*128%*
Unrealised gains/losses	*-*	*-*	*0.1*	*(197%)*
Net change in technical provisions	**(62.3)**	**(27.7)**	**(34.6)**	**125%**
Claims paid	*(62.4)*	*(35.9)*	*(26.6)*	*74%*
change in technical provisions	*(5.6)*	*(4.1)*	*(1.5)*	*38%*
Share attributable to reinsurers	*5.7*	*12.3*	*(6.5)*	*(53%)*
Investment management expenses	**(0.8)**	**(0.4)**	**(0.4)**	**110%**
Operating expenses	**(53.2)**	**(36.8)**	**(16.4)**	**45%**
Net commissions	*(31.6)*	*(12.4)*	*(19.3)*	*156%*
Operating costs	*(21.6)*	*(24.4)*	*2.8*	*(12%)*
Other net revenue / costs	**7.4**	**6.3**	**1.1**	**17%**
PROFIT BEFORE TAX	**90.1**	**74.0**	**16.1**	**22%**
Income tax expense	(22.9)	(20.8)	(2.1)	10%
NET PROFIT	**67.2**	**53.1**	**14.1**	**27%**

Gross premiums earned on non-life business and on policies placed during the period total approximately €222.5 million (+32% compared with the same period of 2018); taking into account outward reinsurance, **net premiums earned** amount to approximately €193.2 million compared with €128 million in the same period of 2018.

Financial management, prudent and aimed at preserving the Company's equity solidity, generated net finance income of €5.8 million during the period, up from €4.5 million in the same period of 2018, attributable almost exclusively to ordinary amounts.

During the period, the **amounts paid** including liquidation costs and direct expenses total €62.4 million, up sharply from €35.9 million in 2018. The **change in technical provisions**, including the provision for late claims, amounts to €5.6 million during the period, compared with €4.1 million in the same period of 2018.

After taking into account the reinsurers' share, amounting to €5.7 million, the net change in technical provisions amounts to €62.3 million at the end of the period, compared with €27.7 million in the same period of 2018.

For distribution and collection activities, **commissions** total approximately €42.9 million, which, net of commissions received from reinsurers, amount to €31.6 million, up from €12.4 million at 31 December 2018, mainly due to the significant growth in gross revenue as well as the reinsurance policy adopted during the period.

Operating costs amount to approximately €21.6 million (€24.4 million in 2018), mainly relating to personnel expenses, costs for IT services and professional services/consulting; their incidence on earned premiums decreased compared with 2018 (from 14.5% to the current 9.7%).

The item **Other net revenue (costs)**, amounting to €7.4 million at the end of the period (€6.3 million in 2018) consists primarily of: i) core revenue of €10.1 million generated by the subsidiary Poste Welfare Servizi, and ii) reversals of premiums of €-2.5 million issued in previous years.

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These trends led to a **EBITDA for the period** of €90.1 million, up from €74 million at 31 December 2018. Considering the tax expense for the period, the **net result** was €67.2 million, an increase of 27% compared to €53.1 million in 2018.

6. Organisation of the Poste Vita Group

Corporate Governance

This paragraph also represents the Corporate Governance Report required pursuant to art. 123 *bis* of Legislative Decree no. 58/1998 (Consolidated Law on Finance) limited to the information required by paragraph 2, letter b.

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

The Board of Directors, appointed by the General Meeting of Shareholders held on 19 June 2017, has a term of office of three years, which will expire on the date of approval of the financial statements for the year ended 31 December 2019. The Board has 7 members, 2 of which are independent.

The Board of Directors, as described above, meets periodically to review and adopt resolutions on strategy, operations, results, and proposals regarding the operational structure, strategic transactions and any other obligations under current industry regulations. It represents the main governing body of the Company and is vested with the widest possible powers to manage the company in the pursuit and implementation of the corporate purpose, which it exercises within the scope of the functions, duties and powers set out in current laws and regulations and in the Bylaws.

The Board of Directors has ultimate responsibility for the corporate governance system, defines its strategic guidelines and ensures its constant completeness, functionality and effectiveness, also with reference to outsourced activities. It also ensures that the corporate governance system is suitable to achieve the objectives of efficiency and effectiveness of business processes, identification, assessment, including prospective assessment, management and adequate risk control, in line with the strategic guidelines and risk appetite of the company also in a medium-long term perspective, timeliness of the reporting system of corporate information, as well as reliability and integrity of accounting and management information, protection of assets also in a medium-long term perspective and compliance of the company's activities with current regulations, directives and company's procedures.

The Board of Directors of the Parent Company, 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.

The Chair of the Board of Directors has the role of guiding and overseeing the work of the Board of Directors. In addition to the authority provided for by law and in the Bylaws with regard to the activities of corporate bodies and legal representation of the Company, including the power to sign on the Company's behalf and to represent it before the courts, the Board of Directors, following authorisation of the Meeting, resolved to assign to the Chair at the meeting held on 19 June 2017 powers in the areas of Internal Control and Institutional Relations.

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

By Board resolution of 19 June 2017, the General Manager was appointed and subsequently, at a meeting held on 26 July 2017, a resolution was passed to establish a General Management. The General Manager has been granted specific powers within the company, in line with the scope of responsibility assigned, formalised by a specific notary power of attorney.

Finally, as part of the activities to comply with IVASS Regulation no. 38/2018, the Board of Directors, with Board resolution of 21 June, has 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 is supported by the following committees:

a. Internal Control and Risks and Related Party Transactions Committee;

b. 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.

In view of the above, the Internal Control and Related Party Transactions Committee and the Remuneration Committee, both established on 27 January 2015 and operating exclusively on an individual basis, have been superseded and merged into the "new" single Internal Control and Risks and Related Party Transactions Committee (in line with the new nomenclature provided by the Regulation) and the "new" single Remuneration Committee.

The Board of Statutory Auditors, elected by the General Meeting of Shareholders held on 19 June 2017, is made up of 3 standing members and 2 alternates. Pursuant to art. 2403 of the Italian Civil Code, the Board of Statutory Auditors monitors compliance with the law and the bylaws and with good practices and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its functionality.

The audit activities required by articles 14 and 16 of Legislative Decree no. 39/2010 are carried out by BDO Italia SpA, independent auditors entered in the register of auditors held by the Ministry of the Economy and Finance.

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

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

Internal control system

Within the Corporate Governance System of the Parent Company, Poste Vita, the Internal Control System (SCI) and the Risk Management System (SGR) are the set of instruments, organisational structures, rules and regulations designed to ensure that the Company is managed in a sound, correct and consistent manner with corporate objectives. To be effective, the control system must be integrated, which presupposes that its components are coordinated and interdependent, and that the entire system be an integral part of the general organisational, administrative, and accounting structure of the Parent Company, Poste Vita, and the Group as a whole. Consistently with these principles, Poste Vita has identified a structured corporate governance model in line with the Group's one, which is applied operationally at company level on the basis of the role of the parties involved in internal controls and risk management and in proportion to the nature, scale and complexity of the business.

The model provides for the definition of "levels of control" organised, in general, as set out below:

- **Governance:** defines, implements, maintains and monitors the Corporate Governance System (and in this context, the SCI and the SGR). It consists of the Administrative Body (duly supported by the Board Committees described in greater detail below) and Senior Management. Specifically:
  - the Board of Directors is the ultimate guarantor and responsible for the Corporate Governance System and, to this end, it does not limit itself to defining its strategic guidelines, but monitors its results and ensures its constant completeness, functionality and effectiveness, also with reference to outsourced activities, consistently with the provisions of the relevant regulations;
  - Senior Management is responsible for the implementation, maintenance and monitoring of the Corporate Governance System and the promotion of the internal control culture in accordance with the instructions issued by the Board of Directors and in compliance with the relevant regulations.

- **First level of control:** identifies, assesses, manages, and monitors those risks for which it is responsible for monitoring, and in respect of which it identifies and implements specific protocols aimed at ensuring operational compliance. It is made up of all the control activities that the individual "business" and "staff" organisational units of the Company (Operating Functions) perform on their own processes as an integral part of each business process. The Operating Functions are, therefore, primarily responsible for the internal control and risk management process (as established by the Board of Directors and Senior Management) as they are called upon, in the course of day-to-day operations, to identify, measure, assess, monitor, mitigate and report risks arising from ordinary business activities in accordance with the risk management process and applicable internal procedures.
- **Second level of control:** monitors company risks, proposes guidelines on all related control systems, and verifies the sufficiency of the same in order to ensure the efficiency and efficacy of the operations, sufficient risk control, prudent business practices, reliability of all disclosures, legal compliance, and adherence to internal rules and procedures. The functions to whom such controls are delegated are autonomous, independent, and distinct from operational functions, they contribute:
  - the **risk management function** has the task of controlling and maintaining the entire SGR, whose effectiveness it helps to ensure also through support activities for the Board of Directors and the Company's Senior Management in defining and implementing the same;
  - the **compliance verification function** continuously identifies the applicable standards and assesses their impact on processes and procedures. In this perspective, it verifies the adequacy of the organisational measures adopted to prevent the risk of non-compliance with the rules and proposes organisational and procedural changes aimed at ensuring adequate risk management;
  - the **actuarial function** contributes to the application of the Risk Management System through the performance of specific tasks relating to technical provisions, underwriting policies and reinsurance agreements;
  - the **anti-money laundering function** continuously monitors the Company's exposure to the risk of money laundering and terrorist financing and supports the Board of Directors in defining policies to govern such risk.
- **Third level of control:** the internal auditing function is responsible for monitoring and evaluating the effectiveness and efficiency of the SCI and the other components of the corporate governance system and the need to adapt it (through independent assurance and any consulting activities to other corporate functions).

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

In addition, with specific reference to the Parent Company, Poste Vita, the Board Committees (the Remuneration Committee and the Internal Control and Related Party Transactions Committee) take part in the model, as well as other functions and persons responsible for corporate control, such as: the Manager responsible for financial reporting pursuant to Law no. 262/2005, the Supervisory Board 231, the Suspect Transactions Reporting Manager, the TAX Manager and the Tax Risk function, the Data Governance Officer and the Single Contact Person for Statistical Reports.

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

In this context, the Internal Auditing Function carries out its activities in such a way as to preserve its independence and impartiality, in accordance with the directives defined by the Board of Directors, in order to verify for the Parent Company, Poste Vita, and for 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. It carries out verification activities, with an integrated methodological approach, for the Supervisory Board pursuant to Legislative Decree no. 231/01 of Poste Vita.

The Function carries out these activities with a systematic and risk-based professional approach, also 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, also taking into account whether or not the control relation exists. 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.

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

The Compliance function is responsible for verifying that the company's organisation and procedures are adequate to prevent the risk of incurring judicial or administrative sanctions, financial losses or damage to reputation as a result of violations of laws, regulations or measures of the Supervisory Authorities or self-regulatory rules.

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

As to the matters governed by Legislative Decree no. 231/01, Poste Vita has adopted an Organisational Model with the objective of preventing the perpetration of the different types of offence contemplated by the law, and has appointed a Supervisory Board.

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

The activities carried out during the year by the key functions and control functions contribute, as far as they are concerned, to the assessment of the corporate governance system of the Parent Company, Poste Vita, and the Poste Vita Insurance Group, pursuant to art. 215-*bis* of the Private Insurance Code (Legislative Decree 209/2005 and subsequent additions and amendments).

Organisational structure and personnel

In line with the previous year, with a view to exploiting potential synergies within the Poste Italiane Group, and with the aim of ensuring an increasingly effective response to the needs of the business and the Group's principal market, during the year, the Parent Company, Poste Vita, began the process of redesigning and streamlining its operating model in order to boost efficiency. Therefore, similarly to as already done for the Communications, Commercial (for the part relating to technical training support for the sales network) and Purchasing (for the part of activities related to the procurement of goods and services) functions, and partially for the Anti-Money Laundering function, the process of centralising the Information Systems function at the Parent Company, Poste Italiane, was launched in November. This centralisation took place on 1 March 2020, upon completion of the sale of the business unit.

The number of direct employees at 31 December 2019 was 550 (expressed in full time equivalent), down from the number at 31 December 2018 (553) in line with the centralisation measures described above.

Workforce Breakdown expressed in FTE	**31/12/2019**	**31/12/2018**	**Change**
Executives	33	35	(2)
Middle managers	234	206	29
Operational staff	275	308	(33)
Personnel on fixed-term contracts	8	4	4
Direct employees	**550**	**553**	**(3)**

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

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

In this sense, in line with the previous year, significant investments were made during 2019 in terms of training and refresher courses with reference to both "compliance" training and specialist technical training, in particular the development of "analytics", i.e. skills in the analysis of large amounts of data, to support business decisions as well as managerial training.

In line with previous years, through increasingly close collaboration with the Corporate University, particular attention has been paid to participation in training initiatives or workshops aimed at the development of technical skills of common interest of a transversal nature (e.g. in the Information Technology or Legal Skills area), as well as the development of managerial skills with the aim of greater integration, also through innovative training delivery methods (e.g. Hackaton, Ascoltiamoci Reload, Mentoring).

7. Relations with the parent and other Poste Italiane Group companies

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

Transactions with the Parent Company, 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:

- lthe sale and distribution of insurance products at Post Offices and related activities;
- Post Office current accounts;
- the secondment of personnel to and from the Parent Company;
- support in organising the business and in the recruitment and management of personnel;
- the pick-up, packaging and shipping of ordinary mail;
- call centre services;
- Term Life Insurance policies;
- Procurement of goods and services.

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

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

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

In addition, Poste Vita maintains relations with its subsidiary Poste Welfare Servizi mainly relating to: i) the secondment of personnel; ii) the provision of services; iii) the centralisation of activities relating to administration and tax compliance, legal and corporate affairs, sales and marketing, human resources/organisation/privacy and general purchases and services; and iv) the sub-lease of corporate offices.

In addition to its relations with the Parent Company, Poste Italiane and its subsidiaries, Poste Assicura and Poste Welfare Servizi, the Parent Company, Poste Vita, also has operating relations with other Group companies, with particular regard to:

- management of the Company's free capital and part of the investments in the portfolio of the Separately Managed Account (BancoPosta Fondi SGR);
- printing, enveloping and delivery of mail via information systems, management of incoming mail, dematerialisation and archiving of paper documents (Postel);
- mobile phone services (Postepay);
- term life insurance (TCM) policies (Postel, EGI, Postepay, Poste Tributi, Mistral Air and BancoPosta Fondi SGR);
- services related to electricity utility (EGI).

These types of transactions are also regulated on an arm's length basis.

8. Other information

Information relating to treasury shares and/or shares of the Parent Company held, purchased or sold during the period

The companies of the Poste Vita Insurance Group do not own or have purchased or sold treasury shares or those of the Parent Company.

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.

More specifically, at 31 December 2019, the Poste Vita Group held bonds issued by Cassa Depositi e Prestiti for a total market value of €1,275.6 million, purchased at market conditions. In addition, during the fourth quarter of 2016, the Parent Company, Poste Vita, purchased 9.9% of the share capital of FSI SGR from Cassa Depositi e Prestiti, as an investor with no control in law or in fact, either individually or jointly, and no connection with 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.

Of the total number of disputes initiated against Poste Vita, the majority refers to issues relating 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.

The criminal proceedings initiated by the Parent Company, Poste Vita, relate, in principle, to offences involving the illegal conduct of third parties that fraudulently take the place of those entitled in order to obtain the liquidation of life insurance policies.

There have been a number of 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 €1.5 million. At the time of this report, the Company has already reactivated three of the twelve positions for a total of approximately €0.7 million. For the remaining positions, a provision has therefore been made to the provision for risks which will be progressively removed when the position of the customer concerned is reactivated.

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The disputes initiated against the subsidiary Poste Assicura 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.

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

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.

Two proceedings not related to insurance policies were launched in 2019.

The first dispute, relating to the protection of the Poste Assicura brand, which was initiated jointly with Poste Italiane and other Group companies, was settled by order of 17 April 2019.

The second proceeding, brought before the Administrative Court of Lazio against the exclusion of Poste Assicura, together with other co-insurers, from a tender for the provision of “Accident” insurance coverage for the three-year period 2019 - 2021 (approximately €7 million), was concluded with an unfavourable ruling with compensation for legal costs. In this respect, Poste Assicura, together with the co-insurers AXA and HDI, is in the process of challenging the measure before the Council of State.

Principal proceedings pending and relations with the Authorities

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

   At 31 December 2019, there were no proceedings initiated by the Supervisory Authority (IVASS).

b. Bank of Italy - UIF

   The Bank of Italy's Financial Intelligence Unit (UIF) conducted a number of inspections of the Company in 2015 and 2016, in relation to 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.

Tax disputes

With regard to VAT disputes relating to 2004, 2005 and 2006 and currently 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 evaluation of adhering to the faculty granted by the aforementioned Law Decree no. 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree no. 128 of 5 August 2015 (Cooperative Compliance).

Considering that the decision to turn down the request for a settlement may be notified to the Company at any time up to 31 July 2020 and that the case will be discharged, with Presidential Decree, if a request for a hearing is not presented by 31 December 2020 by the interested party, it was deemed appropriate to continue to reflect the likely outcome of the tax dispute in determining provisions for risks and charges.

Adhesion to Cooperative Compliance

In December 2019, the Parent Company, Posta 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.

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.

Providing the foregoing, and pending further study, the Poste Vita Group has prudently decided to proceed with the provision for risks of €5 million (equal to the amount that may have to be paid to the institution as a contribution in arrears).

Audit

It is noted that the Ordinary General Meeting of Shareholders, which met on 28 November, approved the early consensual termination of the engagement of BDO Italia SpA to audit the consolidated financial statements for the years 2014-2022, effective from the date of Board approval of the Company's financial statements at 31 December 2019 and, at the same time, the engagement of Deloitte & Touche SpA to audit the consolidated financial statements of the Poste Vita Group for the nine-year period 2020-2028, Group auditor selected following a single tender launched by Poste Italiane SpA in compliance with the provisions of Regulation (EU) no. 573 of 16 April 2014 and Legislative Decree no. 39 of 17 January 2010, as amended by Legislative Decree no. 135/2016.

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. In this regard, it should be noted that on 26 February 2020, the deed of sale was signed for a total of €38.7 million. In addition, the service contract that will govern the provision of the services, which are the subject of the above sales, is currently being formalised by the Parent Company, Poste Italiane.

Status of IFRS 17

One of the main amendments concerns the initial entry into force of the Standard postponed from 1 January 2021 to 1 January 2022.

EFRAG is still analysing the amended accounting standard and the final version is expected to be published by the end of the first half of 2020.

The objective of the new Standard is to provide users of financial information with a new perspective for reading financial statements, ensuring greater comparability and transparency on the profitability of the business and the actual financial solidity of insurance companies. In addition, the new way of presenting the statement of profit or loss, with the separation of the technical result from the financial result, will add transparency about the real sources of income and the quality of profits.

After an initial assessment phase in 2018, in October 2019, the Poste Vita Group launched a project aimed at defining the functional requirements for IT implementations and the target operating model, and simulating the first quantitative analyses of the expected impacts of said standard.

Tax Consolidation

The three-year tax consolidation period (2016-2018) of the Parent Company, Poste Vita, with the consolidating company, Poste Italiane, whose option was exercised on 30 September 2016, expired on 31 December 2018.

In a notice received in December 2018, the consolidating company expressed its intention to keep the Company within the scope of the Poste Group's tax consolidation for the three-year period 2019-2021, thus not revoking the option of consolidated taxation with Poste Vita. The Company will therefore sign the new Consolidation Regulation by the end of 2019 for the aforementioned three-year period.

With effect from the 2018 tax period and for the three-year period 2018-2020, the subsidiary Poste Assicura has adhered to the Group taxation regime governed by article 117 et seq. of Presidential Decree 917/86, which belongs to the consolidating company Poste Italiane. An agreement was signed with the consolidating company on the regulation of the economic-financial and procedural aspects of this option.

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.

Regulatory developments

During the period and in any case by the date of presentation of the report, there have been the following regulatory amendments, which impact or could impact the activity/sector in which the Poste Vita Group operates.

Letter to the Market dated 1 April 2019

This letter draws attention to an important regulatory amendment introduced by Law Decree no. 119 of 23/10/2018 (converted into Law no. 136 of 17/12/2018)1, which amended Presidential Decree no. 116 of 22 June 2007, on dormant deposits and policies.

Specifically:

i) paragraph 1-*bis* of art. 3 of the Presidential Decree, as now amended, requires insurance undertakings operating in Italy to use the open database established by the tax authorities to check, by 31 December of each year, whether or not the holders of life or accident policies have died; ii) where the holder's death is ascertained, undertakings must start the settlement process, including a search for the beneficiary not expressly indicated in the policy, and iii) by 31 March of the year following the one in which the check was carried out, undertakings must report to IVASS on any payments made to such beneficiaries. The first round of checks must be conducted by 31 December 2019.

Commission Regulation (EU) 2020/34 of 15 January 2020 (to be reported in the Consolidated)

With Regulation (EU) 2020/34, the European Parliament introduced a common framework to ensure the accuracy and integrity of indices used as reference indices in financial instruments and financial contracts or to measure the performance of investment funds. The amendment became necessary following the report "Reforming Major Interest Rate Benchmarks" in which the Financial Stability Board issued recommendations to strengthen existing reference indices and other potential reference rates based on interbank markets and to develop alternative, almost risk-free reference rates.

As a result of that Regulation, the International Accounting Standards Board published the reform of the reference indexes for the determination of interest rates (amendments to IFRS 9, IAS 39 and IFRS 7) in order to take into account the consequences of the reform on financial disclosure in particular in the period preceding the replacement of an existing reference index for the determination of interest rates by an alternative reference rate. The aforementioned Regulation shall be applied at the latest from the starting date of the first financial year commencing on or after 1 January 2020.

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

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

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

The scope of the standard does not include short-term contracts (for up to twelve months) and low-value contracts (with items not exceeding $5,000); for these contracts, the lessor may elect not to apply IFRS 16, and to continue with the current accounting treatment.

Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation. Some financial assets with negative compensation may be measured at amortised cost. The assets concerned, which include certain loans and debt securities, would otherwise be measured at fair value through profit or loss (FVTPL). Negative netting arises where the contractual terms allow early repayment of the instrument before the contractual due date, but the amount of the prepayment may be less than the unpaid principal and interest. However, to obtain the amortised cost valuation, the negative compensation must be 'reasonable' for early termination of the contract. An example of such reasonable remuneration is an amount reflecting the effect of the change in the reference interest rate. In addition, for the purpose of measurement at amortised cost, the asset must be held within a "Hold to collect" business model.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. After an amendment, curtailment or settlement of a defined benefit plan, the entity shall update its assumptions and remeasure its defined benefit liability or asset. The company shall use the updated assumptions to measure the current service cost and net interest for the remainder of the reporting period after the event.

Amendments to IAS 12 - Income Taxes. An entity shall recognise the tax effects of dividends for income tax purposes in profit or loss, other comprehensive income or equity, depending on where the entity originally recognised the transactions that generated distributable profits.

Amendments to IAS 23 - Borrowing Costs. An entity determines the amount of finance costs eligible for capitalisation by excluding finance costs applicable to loans obtained specifically for the purpose of acquiring a qualifying asset, until all the operations necessary for the asset to be usable or sellable are completed.

Amendments to IAS 28: Long-term interests in associates and joint ventures. An entity applies IFRS 9 to those interests in associates and joint ventures for which it does not apply the equity method, including long-term interests and which are essentially part of the net investment in those associates and joint ventures.

IFRIC 23 - Uncertainty of Income Tax Treatment. An entity should consider whether the competent authority is likely to accept any tax treatment, or group of tax treatments, that it has used or plans to use in its tax return. If the entity concludes that it may be likely that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistent with the tax treatment included in its tax records. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity shall use the most probable amount or expected value of the tax treatment in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of uncertainty resolution.

IFRS 3 - Business Combinations. An entity remeasures its previous interest in a Joint Operation when it obtains control of the business.

IFRS 11 - Joint Arrangements. An entity does not remeasure its previous interest in a Joint Operation when it obtains joint control of the business.

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2020:

- Amendments to references to the Conceptual Framework in the body of IFRS. The amendments update some of the references and citations in IFRS standards and interpretations so that they refer to the revised Conceptual Framework or specify the version of the Conceptual Framework to which they refer.
- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors aimed at clarifying the definition of "material" in order to make it easier for companies to express opinions about materiality and to improve the relevance of information in the notes to the financial statements.
- Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: additional disclosure, which introduced temporary and limited exceptions to the application of the hedge accounting provisions so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed as a result of the Interest Rate Benchmark Reform[6].

Lastly, as of the reporting date, the IASB has issued certain financial reporting standards, amendments and interpretations not yet endorsed by the European Commission:

- IFRS 17 - Insurance Contracts;
- Amendments to IFRS 3 - Business Combinations;
- Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

The potential impact on the Poste Vita Group's financial disclosure of the accounting standards, amendments and interpretations due to come into effect is currently being assessed.

6. The *reform of reference indices for the determination of interest rates* refers to the reform, which concerns the entire market, of a reference index for the determination of interest rates, including the replacement of a reference index for the determination of interest rates by an alternative reference rate, such as that resulting from the recommendations contained in the July 2014 report of the Financial Stability Board "*Reforming Major Interest Rate Benchmarks*".

New tax legislation

Law no. 160 of 27 December 2019 (Budget Law 2020): among the other amendments introduced by the Budget Law, paragraphs 2 and 3 provide for the complete sterilisation, for 2020 and partial sterilisation from 2021, of increases in VAT and excise duty rates (safeguard clauses). As a result of the above provisions, for the tax year 2020, the ordinary VAT rate, at 22%, and the "reduced" VAT rate, at 10%, are confirmed. In addition, unless the State is able to raise revenue from other sources, paragraph 3 of the law in question provides for an increase in the ordinary VAT rate, currently equal to 22%, to 25% from 1 January 2021 and to 26.5% from 1 January 2022, as well as an increase in the "reduced" VAT rate, currently equal to 10%, to 12% from 1 January 2021. Paragraph 287 of the 2020 Budget Law reinstates, as of the 2019 tax period, the application of the aid to economic growth - ACE, established by art. 1, Law Decree no. 201/2011 and subsequently repealed by the 2019 Budget Law and replaced by the Mini-IRES. The remuneration ratio resulting from the increase in equity capital is set at 1.30%. At the same time, the Mini-IRES is definitively repealed, a rule that has never found concrete application, and all clarifications, specifications and interpretations made by the Financial Administration with reference to ACE remain valid and effective.

Law Decree no. 124 of 26 October 2019 (Fiscal Decree): among other provisions, the Decree has introduced a relevant and articulated discipline on the subject of withholding taxes in the context of tender and subcontracting contracts. Art. 4 of the aforementioned Law Decree no. 124/2019 introduced the new art. 17-*bis* in the text of Legislative Decree no. 241/1997, by means of which it is provided that all the entities referred to in art. 23, paragraph 1, of Presidential Decree 600/1973 (Public Administrations, businesses and commercial companies, natural persons exercising arts and professions, etc.) that entrust the performance of one or more works or services for an amount greater than €200,000 to a company through tender contracts, subcontracting, entrusting to consortium members or negotiation relationships, however referred to, characterised by a prevalent use of manpower at the customer premises and the use of capital goods traceable in any form to the customer, are required to request from the contractor or entrusting party and the subcontractors, obliged to issue them, copies of F24 payment proxies and other documentation attesting to the payment of IRPEF withholding tax and regional and municipal surcharges relating to workers directly employed in the execution of the work or service. In the event that the contractor or subcontractor fails to comply with the obligation to send to the customer the payment proxies and information relating to the workers employed above, or in the event that the withholding tax is omitted or insufficient in relation to the data resulting from the documentation submitted, the customer must suspend, for as long as the default persists, payment of the fees accrued by the contractor or entrusting party up to 20% of the total value of the work or service or for an amount equal to the amount of the withholding tax not paid with respect to the data resulting from the documentation submitted, notifying within ninety days the tax authorities with territorial jurisdiction over it. In such cases, the contractor or entrusting party is precluded from taking any enforcement action aimed at satisfying the claim the payment of which has been suspended, until payment of the withholding tax has been made.

In case of non-compliance with obligations on the part of the customer (i.e.: (i) require the documents from the contractor or entrusting party and subcontractors, (ii) suspend payment where necessary and (iii) notify the tax authorities of the irregularity), the latter shall be obliged to pay a sum equal to the penalty imposed on the contractor or entrusting party or subcontractor for failure to comply with the obligations relating to the correct determination of withholding taxes and the correct execution thereof, as well as to the timely payment, without any possibility of compensation.

9. Significant events after year-end

The recent pandemic spread of Covid-19, first in China, then in our country, and its worldwide extension will have economic and financial repercussions on all areas of operations. The event has generated a series of limitations in daily activities and has led the Company to adopt measures to preserve and safeguard collective health while ensuring the normal course of business.

At this stage, in the context of a clear general uncertainty about the duration of the epidemic and its economic effects on the economy in general and the specific sector concerned, and having made the necessary assessments on the basis of the information available, the Company has considered that this event does not have an impact on the financial data shown in these financial statements, which therefore does not require modifications.

It should be noted that the Company and the Group to which it belongs have immediately implemented all the business continuity plans, with the aim of guaranteeing the operations of the company and its distribution network and safeguarding its financial and capital soundness.

Although there are no critical issues and impacts on the Group's ability to continue as a going concern, the tense situation on the financial markets that the Company is experiencing has different characteristics from those that occurred in the past.

In fact, restricting the movement of citizens is reducing the flow of financial product revenue. In relation to this, the Company has therefore decided to sell two securities belonging to the fixed assets segment, before their natural maturity, in order to meet the liquidity requirements that could be created in the scenario of total zero premium revenue in the coming months. Both securities selected have a maturity of less than one year (September 2020 and March 2021) and therefore show a low contribution to the performance of the Separately Managed Account during 2020. In addition, the short-term maturity makes them slightly or not sensitive to the volatility of financial markets. This sale does not involve changes to the qualitative/quantitative characteristics of the Company's portfolio as the amount of the sale is equal to approximately 1% of the carrying amount of class C.

In addition, it should be noted that the Company will continue to monitor developments on a daily basis in order to assess the potential effects on its operations and adopt any necessary measures.

10. Outlook

In continuity with 2019 and consistent with its strategic plan, the Poste Vita Group will continue to offer innovative and effective insurance solutions to customers in 2020, integrating savings and protection products into simple and highly professional solutions. The objective is to consolidate leadership in the market, also supported by a progressive rebalancing of the offering to provide products with greater value added (Multi-class and unit-linked), but that have risk/return profiles that are still moderate, in keeping with the type of customer served by the Group, but potentially with more attractive returns on the investment. In the non-life segment, the Group will continue with the development of a modular integrated offer, going beyond the one focused on individual products, which will be composed of customised solutions of protection, assistance and services in the area of the person, goods and assets that can be integrated and modular. Moreover, the Group will be committed to continuing to achieve growth in the welfare and non-vehicle non-life sectors by exploiting unrealised potential, and to complete preparations for the launch of a vehicle insurance offering for employees. In the short term, the Poste Vita Group's operations are likely to be influenced by the trend in the market context. The extent and duration of this impact cannot be determined to date.

Rome, 25 March 2020

The Board of Directors

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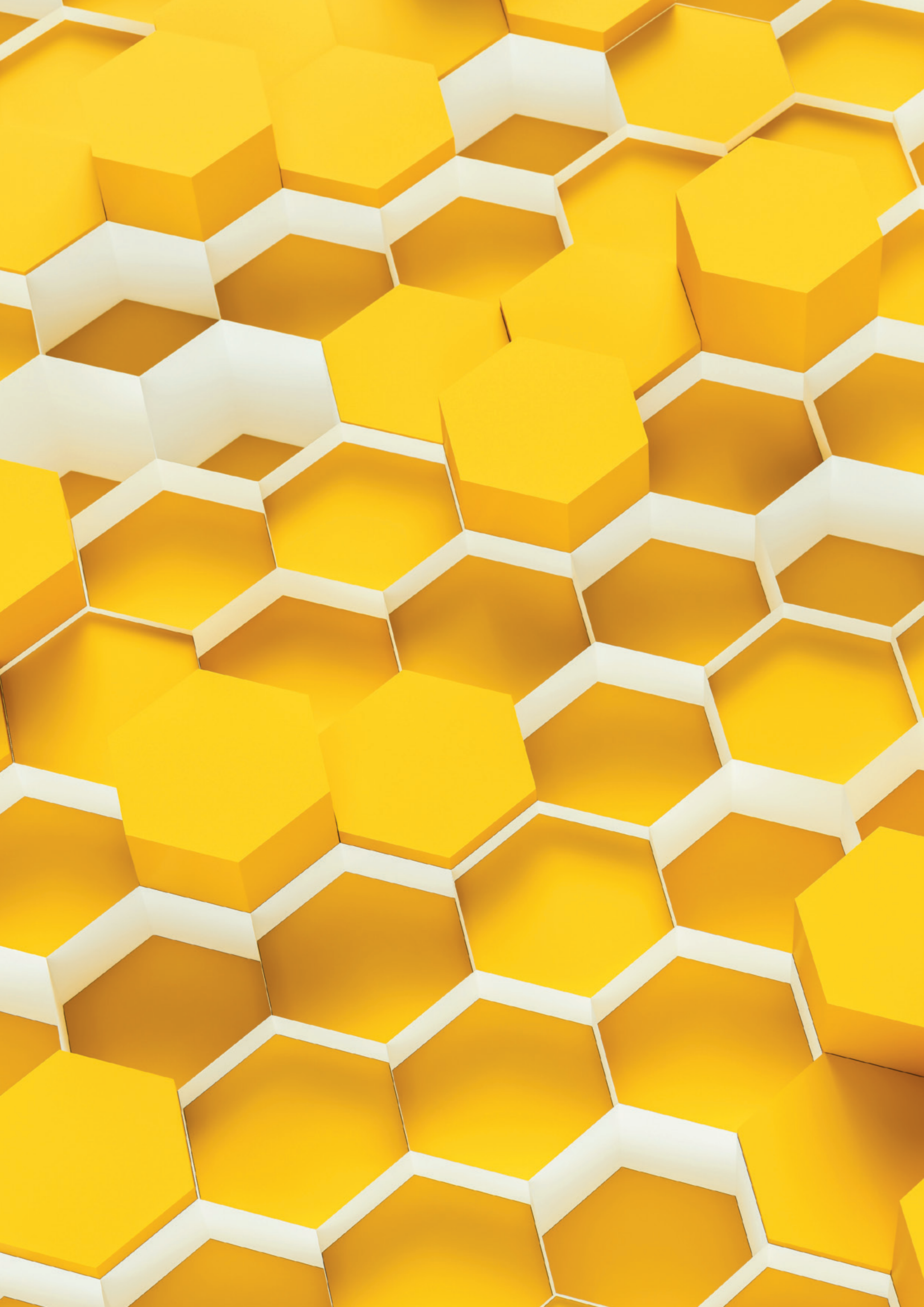
02

CONSOLIDATED FINANCIAL STATEMENTS



02 CONSOLIDATED FINANCIAL STATEMENTS

Contents

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated financial statements

Below are the financial statements at 31 December 2019 compared with the figures at 31 December 2018.

Statement of financial position - Assets

STATEMENT OF FINANCIAL POSITION - ASSETS (€k)		31/12/2019	31/12/2018
1	**INTANGIBLE ASSETS**	**51,670**	**48,157**
1.1	Goodwill	17,823	17,823
1.2	Other intangible assets	33,847	30,333
2	**TANGIBLE ASSETS**	**37,453**	**11,810**
2.1	Land and buildings	-	-
2.2	Other tangible assets	37,453	11,810
3	**TECHNICAL PROVISIONS CEDED TO REINSURERS**	**57,628**	**72,361**
4	**INVESTMENTS**	**142,043,859**	**126,652,207**
4.1	Investment property	-	-
4.2	Investments in subsidiaries, associates and joint ventures	107,296	106,953
4.3	Financial assets measured at amortised cost	1,845,126	1,584,135
4.4	Financial assets measured at fair value through other comprehensive income	102,466,507	95,147,290
4.5	Financial assets measured at fair value through profit or loss	37,624,930	29,813,829
4.5.1	Financial assets held for trading	32,713,346	26,682,261
4.5.2	Financial assets measured at fair value		-
4.5.3	Financial assets measured at fair value through profit or loss	4,911,585	3,131,568
5	**SUNDRY RECEIVABLES**	**136,096**	**132,569**
5.1	Receivables arising from direct insurance transactions	33,368	28,213
5.2	Receivables arising from reinsurance transactions	15,765	7,523
5.3	Other receivables	86,964	96,833
6	**OTHER ASSETS**	**2,760,990**	**2,742,827**
6.1	Non-current assets or disposal groups held for sale		-
6.2	Deferred acquisition costs	53,773	59,710
6.3	Deferred tax assets	417,912	395,769
6.4	Current tax assets	2,288,974	2,287,223
6.5	Other assets	332	126
7	**CASH AND CASH EQUIVALENTS**	**1,160,373**	**1,574,065**
	TOTAL ASSETS	**146,248,070**	**131,233,995**

Statement of Financial Position - Equity and Liabilities

STATEMENT OF FINANCIAL POSITION - EQUITY AND LIABILITIES (€k)		31/12/2019	31/12/2018
1	**EQUITY**	**4,438,538**	**3,951,311**
1.1	**attributable to owners of the Parent**	**4,438,538**	**3,951,311**
1.1.1	Share capital	1,216,608	1,216,608
1.1.2	Other equity instruments	-	-
1.1.3	Capital reserves	-	-
1.1.4	Revenue reserve and other equity reserves	2,451,129	1,732,649
1.1.5	(Treasury shares)	-	-
1.1.6	Reserve for currency translation differences	-	-
1.1.7	Gains or losses on financial assets at fair value through other comprehensive income	41,309.5	(1,383)
1.1.8	Other gains or losses recognised directly in equity	(263.7)	(51.8)
1.1.9	Net profit (loss) for the year attributable to owners of the Parent	729,756	1,003,488
1.2	**attributable to non-controlling interests**	**-**	**-**
1.2.1	Share capital and reserves attributable to non-controlling interests	-	-
1.2.2	Gains or losses recognised directly in equity	-	-
1.2.3	Net profit (loss) for the year attributable to non-controlling interests	-	-
2	**PROVISIONS**	**21,241**	**10,600**
3	**TECHNICAL PROVISIONS**	**140,260,668**	**125,146,103**
4	**FINANCIAL LIABILITIES**	**280,818**	**1,020,595**
4.1	Financial liabilities measured at fair value through profit or loss	885	155
4.1.1	Financial liabilities held for trading	-	-
4.1.2	Financial liabilities measured at fair value	-	-
4.2	Financial liabilities measured at amortised cost	279,933	1,020,440
5	**PAYABLES**	**241,589**	**222,934**
5.1	Payables arising from direct insurance transactions	128,305	152,923
5.2	Payables arising from reinsurance transactions	6,148	5,336
5.3	Other payables	107,136	64,675
6	**OTHER LIABILITIES**	**1,005,216**	**882,452**
6.1	Liabilities included in disposal groups held for sale	-	-
6.2	Deferred tax liabilities	182,328	288,901
6.3	Current tax liabilities	815,331	587,222
6.4	Other liabilities	7,557	6,329
	TOTAL EQUITY AND LIABILITIES	**146,248,070**	**131,233,995**

Income Statement

INCOME STATEMENT (€k)		31/12/2019	31/12/2018
1.1	Net premium revenue	17,912,911	16,720,291
1.1.1	Gross premium revenue	17,954,526	16,778,060
1.1.2	Outward reinsurance premiums	(41,615)	(57,769)
1.2	Fee and commission income	37,536	19,844
1.3	Net income (expenses) from financial assets at fair value through profit or loss	2,551,640	(914,488)
1.3 *bis*	Reclassification in accordance with overlay approach (*)	-	0
1.4	Income from investments in subsidiaries, associates and joint ventures	350	194
1.5	Income from other financial instruments and investment property	2,829,808	2,880,878
1.5.1	Interest income	2,607,496	2,633,221
1.5.2	Other income	-	0
1.5.3	Realised gains	222,300	247,658
1.5.4	Unrealised gains	13	0
1.6	Other revenue	12,473	14,575
1	**TOTAL REVENUE**	**23,344,718**	**18,721,294**
2.1	Net claims expenses	(21,478,393)	(17,125,126)
2.1.1	Claims paid and change in technical provisions	(21,490,825.3)	(17,146,729)
2.1.2	Share attributable to reinsurers	12,432.5	21,602
2.2	Fee and commission expenses	(925)	(703)
2.3	Expenses arising from investments in subsidiaries, associates and joint ventures	-	0
2.4	Expenses arising from other financial instruments and investment property	(151,040)	(65,214)
2.4.1	Interest expense	(57,205)	(35,968)
2.4.2	Other expenses	(4,995)	(3,692)
2.4.3	Realised losses	(92,734)	(27,385)
2.4.4	Unrealised losses	3,894	1,831
2.5	Operating expenses	(534,094)	(505,227)
2.5.1	Commissions and other acquisition costs	(402,308)	(398,314)
2.5.2	Investment management expenses	(41,323)	(42,805)
2.5.3	Other administrative expenses	(90,463)	(64,108)
2.6	Other costs	(153,346)	(106,422)
2	**TOTAL COSTS AND EXPENSES**	**(22,317,798)**	**(17,802,692)**
	PROFIT/(LOSS) BEFORE TAX	**1,026,920**	**918,602**
3	Income tax expense	(297,164)	84,886
	PROFIT (LOSS) FOR THE YEAR AFTER TAX	729,756	1,003,488
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	0
	CONSOLIDATED NET PROFIT/(LOSS)	**729,756**	**1,003,488**
	of which attributable to owners of the Parent	729,756	1,003,488
	of which attributable to non-controlling interests	-	-

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME (€k)	31/12/2019	31/12/2018
CONSOLIDATED NET PROFIT (LOSS)	**729,756**	**1,003,488**
Other comprehensive income after tax not to be reclassified to profit or loss	**(212)**	**11**
Change in equity of investees		-
Change in revaluation reserve for intangible assets		-
Change in revaluation reserve for tangible assets		-
Profits and losses on non-current assets or disposal groups held for sale		-
Actuarial gains/(losses) and adjustments to defined benefit plans	(212)	11
Gains or losses on equity instruments measured at fair value through other comprehensive income		-
Change in own credit rating for financial liabilities measured at fair value		-
Other items		-
Other comprehensive income after tax to be reclassified to profit or loss	**42,692**	**(180,254)**
Change in reserve for currency translation differences		-
Gains or losses on financial assets (other than equity instruments) measured at fair value through other comprehensive income	42,692	(180,254)
Gains or losses on cash flow hedges		-
Gains or losses on hedges of a net investment in a foreign operation		-
Change in equity of investees		-
Profits and losses on non-current assets or disposal groups held for sale		-
Reclassification in accordance with overlay approach		-
Other items		-
TOTAL OTHER COMPREHENSIVE INCOME	**42,480**	**(180,242)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**772,236**	**823,246**
of which attributable to owners of the Parent	**772,236**	**823,246**
of which attributable to non-controlling interests		**-**

2. Notes

Statement of Changes in Equity

(€k)		Amounts at 31-12-2018	Change to closing balances	Appropriations	Adjustments due to reclassification to profit or loss	Transfers	Changes in investments	Amounts at 31-12-19
Equity attributable to owners of the Parent	Share capital	1,216,608	-	-	-	-	-	1,216,608
	Other equity instruments	-	-	-	-	-	-	-
	Capital reserves	-	-	-	-	-	-	-
	Revenue reserve and other equity reserves	1,732,649	-	718,480	-	-	-	2,451,129
	(Treasury shares)	-	-		-	-	-	-
	Net profit (loss) for the year	1,003,488	-	(273,732)	-	-	-	729,756
	Other comprehensive income	(1,434)		43,684	(1,204)	-	-	41,045.8
	Total attributable to owners of the Parent	**3,951,311**		**488,431**	**(1,204)**	**-**	**-**	**4,438,538**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	-	-	-	-	-	-	-
	Net profit (loss) for the year	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**3.951.311**		**488.431**	**(1.204)**	**-**	**-**	**4.438.538**

Statement of cash flows

(€k)	31/12/2019	31/12/2018
Profit/(Loss) before tax	**1,026,920**	**918,602**
Movement in non-cash items	**13,065,347**	**3,014,610**
Change in Non-life premium reserve	19,839	22,144
Change in outstanding claims provisions and other Non-life technical provisions	10,576	1,793
Change in mathematical provisions and other Life technical provisions	15,098,883	1,470,405
Change in deferred acquisition costs	5,937	2,075
Change in provisions	10,641	(793)
Non-cash income and expense from financial instruments, investment property and investments	(2,101,472)	1,501,650
Other changes	20,943	17,337
Change in receivables and payables generated by operating activities	**15,847**	**(30,601)**
Change in receivables and payables arising from direct insurance and reinsurance transactions	(37,137)	24,202
Change in other receivables and payables	52,984	(54,802)
Income tax paid	**97,642**	**(695,363)**
Net cash from/for cash items attributable to investment and financing activities	**(7,810,372)**	**(83,654)**
Liabilities arising from investment contracts issued by insurance companies	-	-
Payables due to bank and interbank customers	-	-
Loans and receivables due from bank and interbank customers	-	-
Other financial assets at fair value through profit or loss	(7,810,372)	(83,654)
TOTAL NET CASH FROM OPERATING ACTIVITIES	**6,395,384**	**3,123,595**
Net cash from/for investment property	-	-
Net cash from/for investments in subsidiaries, associates and joint ventures	(343)	(185)
Net cash from/for financial assets measured at amortised cost	(260,991)	(1,533,204)
Net cash from/for financial assets measured at fair value through other comprehensive income	(5,217,745)	(570,076)
Net cash from/for tangible and intangible assets	(49,784)	(24,945)
Other net cash from/for investing activities	-	-
TOTAL NET CASH FOR INVESTING ACTIVITIES	**(5,528,863)**	**(2,128,410)**
Net cash from/for equity instruments attributable to owners of the Parent	(254,692)	(98,822)
Net cash from/for treasury shares	-	-
Payment of dividends attributable to owners of the Parent	(285,000)	(237,800)
Net cash from/for capital and reserves attributable to non-controlling interests	-	-
Net cash from/for subordinated liabilities and participating financial instruments	(740,521)	8,476
Net cash from/for other financial liabilities	-	-
TOTAL NET CASH FOR FINANCING ACTIVITIES	**(1,280,214)**	**(328,145)**
Effect of translation differences on cash and cash equivalents	**-**	**-**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,574,065	907,025
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(413,692)	667,039
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,160,373**	**1,574,065**

Parte A – Basis of preparation and accounting policies

Compliance with international financial reporting standards (IFRS)

The consolidated financial statements of the Poste Vita Group for the year ended 31 December 2019, consisting of the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows and the annexes to these notes, have been prepared in accordance with the basis of presentation required by the Supervisory Authority, IVASS, and set out in Regulation 7 of 13 July 2007[1]. The above statements have been compiled in keeping with the instructions contained in the above Regulation.

The Consolidated Financial Statements at 31 December 2019 were audited by BDO Italia SpA[2].

Financial statements used for consolidation

The Consolidated Financial Statements, insofar as they relate to the consolidated companies, Poste Assicura, Poste Welfare Servizi and Poste Insurance Broker, have been prepared on the basis of the reporting packages prepared in accordance with IFRS.

Reporting date used for the Consolidated Financial Statements

The Consolidated Financial Statements include the financial statements of the Parent Company and the investees, Poste Assicura SpA and Poste Welfare Servizi Srl, wholly owned by Poste Vita, and from 2019, also the financial statements of the newly established Poste Insurance Broker Srl, a wholly-owned subsidiary of Poste Assicura SpA.

Consolidation procedures

The Consolidated Financial Statements include the financial statements of the Parent Company and the investees, Poste Assicura SpA and Poste Welfare Servizi Srl, wholly owned by Poste Vita, and from 2019, also the financial statements of the newly established Poste Insurance Broker Srl, a wholly-owned subsidiary of Poste Assicura SpA. These investments fall within the definition provided by IFRS 10 and are consolidated on a line-by-line basis.

Line-by-line consolidation entails netting the carrying amount of investments in consolidated companies against the corresponding share of equity, whilst the subsidiary's assets and liabilities, including contingent liabilities, are accounted for on a line-by-line basis.

The criteria used for line-by-line consolidation of investees are as follows:

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounted for using the acquisition method. The cost of a business combination is represented by the current value (fair value) at the date of acquisition of the assets sold,

1. Amended and supplemented by Isvap Measure no. 2784 of 8 March 2010, IVASS Measure no. 14 of 28 January 2014, IVASS Measure no. 21 of 21 October 2014, IVASS Measure no. 29 of 27 January 2015 and IVASS Measure no. 53 of 6 December 2016 and IVASS Measure no. 74 of 8 May 2018.
2. The Ordinary General Meeting of Shareholders, which met on 28 November, approved the early consensual termination of the engagement of BDO Italia SpA to audit the consolidated financial statements for the years 2014-2022, effective from the date of Board approval of the Company's financial statements at 31 December 2019 and, at the same time, the engagement of Deloitte & Touche SpA to audit the consolidated financial statements of Poste Vita for the nine-year period 2020-2028, Group auditor selected following a single tender launched by Poste Italiane SpA in compliance with the provisions of Regulation (EU) no. 573 of 16 April 2014 and Legislative Decree no. 39 of 17 January 2010, as amended by Legislative Decree no. 135/2016.

the liabilities assumed, the equity instruments issued and any other directly attributable accessory charges; any difference between the cost of acquisition and the fair values of the assets and liabilities acquired, following review of their fair value, is recognised as goodwill arising from consolidation (if positive), or recognised in profit or loss (if negative);

- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

Investments in entities over which the Group has significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter "associates", are accounted for using the equity method.

The equity method is as follows:

- the Group's share of an entity's post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company's losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group's interest in the investee; unrealised losses, unless relating to impairment, are eliminated.

The list of subsidiaries consolidated on a line-by-line basis and of associates measured using the equity method, together with key information, is provided in the annexes to the notes (Annex 5, ISVAP Regulation no. 7).

Goodwill arising on consolidation

Differences between the share of the consolidated company's equity and the carrying amount of the investment recognised in the separate financial statements is allocated directly to the "Consolidation reserve" in consolidated equity, which is included in "Revenue reserve and other equity reserves", and in assets in the statement of financial position under the item "Goodwill".

Accounting policies

The Poste Vita Group's annual accounts have been prepared on a historical **cost basis**, with the exception of certain items for which **fair value** measurement is obligatory.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are described below.

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 amounts reported in the financial statements and related disclosures. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves 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.

Intangible assets

This asset class refers to intangible assets that are identifiable non-monetary assets without physical substance, controllable and capable of generating future economic benefits for the entity, as defined by IAS 38.

Intangible assets are initially recognised at cost. Assets with finite useful lives (software) are amortised on the basis of their remaining useful lives. Amortisation is applied from the date the asset is ready for use, systematically over the remaining useful life of the asset, or its estimated useful life.

Tangible assets

This asset class includes fixtures and fittings, plant, machinery and office machinery, as defined by IAS 16.

These assets are recognised at cost, which includes any directly attributable costs incurred to prepare the asset for its intended use, and the cost of dismantling and removing the asset to be incurred as a result of contractual obligations requiring the asset to be restored to its original condition.

They are subsequently measured at amortised cost.

Depreciation is charged on a straight-line basis over the asset's estimated useful life.

Assets are accounted for after deducting depreciation and any impairments.

The residual value and useful life are reviewed annually. In the event of a discrepancy compared with earlier estimates, an impairment is recognised and depreciation is recalculated.

Non-routine maintenance costs generating future economic benefits are capitalised, whilst routine maintenance costs are recognised directly in profit or loss in the year in which they are incurred.

As of 1 January 2019, the Company adopted IFRS 16; therefore, this item also includes the right to use the assets included in the scope of the standard, which are equal to the present value of the periodic payments/fees contractually required to use the assets, depreciated on a straight-line basis.

The Poste Vita Group has estimated the following useful lives for the various categories of plant and machinery:

Type of asset	Period of depreciation/amortisation	Depreciation/amortisation rate
Software	3 years	33%
Internal Software	5 years	20%
Start-up and expansion costs	5 years	20%
Leasehold improvements	remaining lease term	
Fixture and fittings, office equipment and internal means of transport	8 years	12%
Motor vehicles	4 years	25%
Plant and machinery	5 years	20%

Leased assets

Under the new accounting framework on leases (IFRS 16 - *Leases*), when entering into a contract, the Group assesses whether a contract is or contains a lease component. This initial assessment is only reviewed during the term of the contract if there are substantial modifications to the contract conditions (for example, modifications to the object of the contract or to requirements having an impact on the right to control the underlying asset). If the lease contract also contains a non-lease component, the Group separates this component and treats it in accordance with the related accounting standard, unless separation is not possible on the basis of objective criteria: in this case, the Group treats the lease component and any non-lease components together.

On the contract commencement date, a right to use the leased asset is recorded, equal to the initial value of the corresponding lease liability, plus payments due before or at the same time as the contract commencement date (e.g. agency fees). Subsequently, said right of use is measured less accumulated depreciation and any accumulated impairment losses. Depreciation starts on the commencement date of the lease and extends over the shorter of the lease term and the useful life of the underlying asset.

The lease liability, which is in the nature of a financial liability, is initially recorded at the present value of the lease instalments not paid on the date the contract commences; for the purposes of calculating the present value, the Group uses the marginal lending rate, defined by loan period and for each Group company. The initial measurement of the lease liability includes the periodic payments due and the exercise price of any purchase option, if the lessee has reasonable certainty of exercising it. The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount (using the effective interest rate method).

The Group recalculates the lease liability (and makes a corresponding adjustment to the related right of use) in the event of a change in the duration of the lease (e.g. in the event of early termination of the contract, or extension of the maturity date) and/or the fees due as a result of a re-contraction of economic conditions or a change in the index or rate used to determine payments (e.g. ISTAT).

Only in the case of a significant change in the lease term or in future lease payments does the Group remeasure the remaining lease liability with reference to the incremental borrowing rate at the date of the modification; in all other cases, the lease liability is remeasured using the initial discount rate.

The Group avails itself of the option granted by the principle of non-application of the new provisions to short-term contracts (with a duration of no more than twelve months), to contracts in which the individual underlying asset is of low value (up to €5,000), and to contracts in which the underlying asset is of an intangible asset nature (e.g. software licenses); for these contracts, the Group continues to adopt IAS 17 by recognising on a straight-line basis in the profit or loss lease fees as matching entry to short-term trade payables.

Impairment of assets

At the end of each reporting period, property, plant, equipment and intangible assets with finite lives are analysed to assess whether there is any indication that an asset may be impaired (as defined by IAS 36). If any such indication exists, the recoverable value of the asset is estimated in order to determine the impairment loss to be recognised in profit or loss. The recoverable value is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money, the period of the investment and the risks specific to the asset. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit (CGU) to which the asset belongs.

Regardless of any impairment indicator, the assets listed below are tested for impairment every year:

- intangible assets with an indefinite useful life or that are not yet available; the impairment test can take place at any time during the year, provided that it is performed at the same time in each of the following years;
- goodwill acquired in a business combination.

An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable value. In particular, if the impairment loss regards goodwill and is higher than the related carrying amount, the remaining amount is allocated to the assets included in the CGU to which the goodwill has been allocated, in proportion to their carrying amount[3]. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset or CGU is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

Technical provisions ceded to reinsurers

These are determined in accordance with the terms and conditions of reinsurance treaties, as this method most accurately reflects the specific revenue and costs typical of the sector.

Investments in associates

This item includes the Group's investment in its associate.

This investment is accounted for using the equity method, in proportion to the Group's interest in the associate.

Financial instruments

Financial instruments include financial assets and liabilities that are classified on initial recognition at fair value based on the business purpose for which they were acquired. The purchase and sale of financial instruments is recognised by uniform category, either on the date on which the Group commits to purchase or sell the asset at the settlement date. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements. Trade receivables are recognised at their transaction price, in accordance with IFRS 15 - Revenue from Contracts with Customers.

Financial assets

On initial recognition, financial assets are classified in one of the following categories, based on the business model adopted to manage them and the characteristics of their contractual cash flows:

Financial assets measured at amortised cost

This category reflects financial assets held to collect the contractual cash flows (the held to collect or HTC business model) representing solely payments of principal and interest (SPPI). These assets are recognised at amortised cost, that is the amount of the asset on initial recognition, less principal reimbursements, plus or minus the accumulated amortisation, using the effective interest method on the difference between the initial principal and principal at maturity, after deducting any impairments. The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

3. If the amount of the impairment loss is greater than the carrying amount of the asset or CGU, in accordance with IAS 36, no liability is recognised, unless recognition of a liability is required by an international accounting standard other than IAS 36.

Financial assets measured at fair value through other comprehensive income (FVTOCI)

This category includes financial assets held both to collect the relevant contractual cash flows and for sale (the held to collect and sell or HTC&S business model), with the contractual cash flows representing solely payments of principal and interest. These assets are measured at fair value and unrealised gains or losses are recognised through other comprehensive income – except for impairment losses and revaluations and foreign exchange gains and losses – until the financial asset is derecognised or reclassified. If the financial asset is derecognised, the accumulated gains/(losses) recognised in OCI are reclassified to profit or loss. This category includes debt instruments that meet the above characteristics as well as equity instruments that would otherwise be recognised through profit or loss, for which the irrevocable election was made to recognise changes in fair value through OCI (the FVTOCI option). This option entails the recognition of dividends alone through profit or loss.

Financial assets measured at fair value through profit or loss

This category, identified as residual, refers to: (a) financial assets primarily held for trading; (b) those designated as such upon initial recognition, exercising the fair value option; (c) financial assets mandatorily measured at fair value through profit or loss; (d) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges; (e) equity instruments for which the company does not refer to the FVTOCI option. Financial assets belonging to the category in question are measured at fair value and the related changes are recognised in profit or loss. Financial instruments in this category are classified as short-term if they are held for trading or if they are expected to be realised within twelve months of the end of the reporting period. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative; positive and negative fair values deriving from transactions with the same counterparty are offset, where contractually provided for.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred.

Impairment and stage allocation

A provision must be made to cover expected losses in accordance with an Expected Credit Loss (ECL) model for financial assets recognised at amortised cost and financial assets at fair value through OCI. The method utilised is the “General deterioration method”, whereby:

- If on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If a financial instrument is already impaired on initial recognition or shows objective evidence of impairment as at the reporting date, lifetime expected losses are recognised. Interest is calculated on amortised cost, which includes the ECL (stage 3).

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition.

However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless the entity has reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate. For issuers of debt securities, the following is assumed as risk of default:

- a payment delay of 90 days for corporate and bank counterparties;
- late payments, even by one day, or debt renegotiation for sovereign counterparties.

Regarding trade receivables, a simplified approach is applied to measure the expected credit loss, if these receivables do not contain a significant interest component pursuant to IFRS 15. The simplified approach can be based on a provision matrix of observed historical losses.

In addition, for trade receivables, the risk of default was determined on the basis of the historical experience of collections, the specific nature of the Group's business and customers and taking into account the analyses conducted on past due receivables, rejecting the relative presumption envisaged in 90 days. The Group did not use the low credit risk exemption.

Derivative instruments

Derivatives are initially recognised at fair value on the date the derivative contract is executed and if they do not qualify for hedge accounting treatment, gains and losses arising from changes in fair value are accounted for in profit or loss for the period. If, instead, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The accounting for derivatives designated as hedging instruments continues to follow the rules set out in IAS 39. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at inception of the hedge and throughout the term of the hedge.

Fair value hedges[4]

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in profit or loss for the period. IAS 39 allows, in addition to individual assets and liabilities, the designation of a cash amount, representing a group of financial assets and liabilities (or portions thereof) as the hedged item in such a way that a group of derivative instruments may be used to reduce exposure to fair value interest rate risk (a so-called macro hedge). Macro hedges cannot be used for net amounts deriving from differences between assets and liabilities. Like micro hedges, macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by IAS 39.

Cash flow hedges[5]

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in Other comprehensive income (Cash flow hedge reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss. In the case of hedges associated with a highly probable forecast transaction (such as, forward purchases of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period. If, during the life of the derivative, the forecast hedged transaction is no longer considered highly probable, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

4. A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.
5. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

Determining the fair value of financial assets - overview

Paragraph 2 of IFRS 13 - *Fair Value Measurement*, endorsed by Regulation (EU) 1255/2012 of 11 December 2012, states that fair value is a market valuation criterion, not entity-specific. While for some assets and liabilities, observable transactions or market information may be available, for other assets and liabilities such information may not be available. However, the purpose of fair value measurement is the same in both cases: to estimate the price at which a regular transaction for the sale of the asset or transfer of the liability would take place between market participants on the valuation date under current market conditions (i.e. a closing price on the valuation date from the perspective of the market participant holding the asset or liability).

In compliance with as indicated by the aforementioned standard, provided below is a description of the techniques used to measure the fair value within the Poste Vita Group.

It is important to remember that the concept of an active market refers to a market for which prices are readily and regularly available in a price list or systematically traded on trading circuits that are alternative to the official ones, the prices of which are considered reliable, as well as those that can be found by contributors acting as primary brokers on the various markets, where the prices offered are representative of potential transactions and represent actual market transactions that regularly take place in normal trading.

The assets and liabilities involved are classified according to a hierarchical scale that reflects the relevance of the sources used in making the valuations.

The hierarchy is composed of the 3 levels provided for by the aforementioned IFRS 13 accounting standard:

Level 1 - market price obtained on the basis of prices expressed by an active market;

Level 2 - input data other than the above that express market values directly or indirectly linked to the instrument to be valued and derived from similar products for risk characteristics;

Level 3 - inputs that are not directly or indirectly observable on the market and therefore involve estimates and assumptions by the valuer.

Further details on fair value measurement techniques are provided in the paragraph Fair value measurement techniques.

Sundry receivables

This item mainly includes receivables from policyholders for premiums in the process of collection, from brokers and from insurance and reinsurance companies. The receivables are measured at amortised cost, calculated with the effective rate of return method. This method is not used for receivables whose short duration makes the effect of the discounting logic negligible; these receivables are valued at historical cost, which coincides with their nominal value, and are subject to impairment testing.

Other assets

Deferred acquisition costs

This item includes deferred acquisition costs associated with the acquisition of new insurance contracts. In accordance with IFRS 4, these costs are accounted for in accordance with local standards, applied in the countries of residence of the individual companies included in the consolidation.

Current and deferred tax assets

These items include current and deferred tax assets, as defined and regulated by IAS 12. Deferred tax assets recognised for deferred taxes are periodically reviewed at the end of the financial year if changes in the tax regulations have occurred.

Other assets

Other assets include, inter alia:

- deferred fee and commission expenses relating to investment contracts, not covered by IFRS 4 but by IFRS 9 and as such, classified under liabilities at fair value through profit or loss;
- other assets related to defined employee benefits, as governed by IAS 19, consisting of the surplus resulting from the adjustment of employee termination benefits calculated in accordance with national standards compared with that calculated in accordance with IAS 19.
- With reference to the criteria for determining the items relating to employee benefits, reference should be made to the paragraph Other payables:
- accrued and deferred assets.

Cash and cash equivalents

Cash and cash equivalents and deposits on demand are classified in this category. They are recorded at their nominal value and, in the case of foreign currencies, at the year-end exchange rate.

Impairment

The Poste Vita Group analyses the carrying amount of its assets at each reporting date to check whether these assets have suffered any impairment losses. This check is carried out by comparing the carrying amount of each asset with the estimated recoverable value and if this value is lower than the first, the asset is impaired. The recoverable value is the higher of the fair value net of costs to sell and the value in use.

Any impairment loss is recognised in profit or loss. When it is no longer necessary to maintain an impairment, the carrying amount of the asset, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the net carrying amount that the asset would have had if it had not been written down for impairment.

Equity attributable to owners of the Parent

This category of financial statements includes equity instruments (other equity instruments) and the related equity reserves pertaining to the Group.

The item “Revenue reserve and other equity reserves” includes profits or losses arising from the first-time adoption of international accounting standards, and consolidation reserves.

The item Gains or losses on available-for-sale assets includes gains or losses arising from the valuation of available-for-sale financial assets, expressed net of both deferred taxes, if any, and the portion attributable to policyholders and recorded under insurance liabilities (shadow accounting).

Other gains or losses recognised directly in equity

This item includes the direct allocation to equity of actuarial gains or losses and adjustments relating to defined benefit plans (IAS 19.93A).

Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount and/or as to the date on which they will occur.

This item includes the liabilities defined and regulated by IAS 37. Provisions are recognised in the financial statements when the Group has a present obligation as a result of a past event and it is likely that it will be required to settle that obligation. The amounts relating to the provisions are made on the basis of the estimated costs required to meet the obligation at the reporting date and, if considered significant, are discounted to present value.

Technical provisions

A description of the valuation criteria for the item Technical provisions is provided in the following paragraph Premiums and technical provisions.

Financial liabilities

Financial liabilities, including loans, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. When required by the applicable IFRS (e.g. in the case of derivative liabilities), or when the irrevocable fair value option is exercised, financial liabilities are recognised at fair value through profit or loss. In this case, changes in fair value attributable to changes in own credit risk must be recognised directly in equity, unless this treatment creates or enhances an accounting asymmetry, whereby the residual amount of the changes in the fair value of liabilities is recognised through profit or loss. Financial liabilities are derecognised when repaid or all the risks and charges associated with the relevant instrument are transferred.

Payables

Payables arising from direct insurance transactions

This item includes trade payables arising from direct insurance transactions. These payables are recorded at nominal value. For accounting purposes, no discounting methods are used since, as these payables are short-term, the effects would not be significant.

Payables arising from reinsurance transactions

This item includes trade payables arising from reinsurance transactions. These payables are recorded at nominal value. For accounting purposes, no discounting methods are used since, as these payables are short-term, the effects would not be significant.

Other payables

Other payables include items not of insurance origin. In particular, this item includes the employee termination benefits in respect of the component calculated in accordance with national accounting standards. No discounting methods are used for the item in question as these are short-term payables or payables involving the payment of interest in accordance with pre-established contracts. In particular, the categories relating to employee benefits are represented as follows:

Short-term benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period is accrued as personnel expenses.

Post-employment benefits

There are two types of post-employment benefit: defined contribution and defined benefit plans. Since, for defined benefit plans, the amount of benefits payable can only be determined subsequent to the termination of employment, the related cost and obligations can only be estimated by actuarial techniques in accordance with IAS 19. Under defined contribution plans, contributions payable is recognised in profit or loss when incurred, based on the nominal value.

Defined benefit plans

Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code:

- For all companies with at least 50 employees, covered by the reform of supplementary pension provision, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006.
- In the case of companies with less than 50 employees, to which the reform of supplementary pension provision does not apply, vested employee termination benefits continue to represent a defined benefit liability for the company.

The liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries.

The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions above, are recognised directly in equity in the Statement of other comprehensive income.

Defined benefit plans also include pension funds to guarantee members and their survivors a supplementary pension in addition to that managed by INPS to the extent and in the manner provided for by specific regulations, collective labour contracts and the law. In relation to this case, the principles of initial recognition and subsequent measurement indicated for employee termination benefits apply. In addition, as for employee termination benefits, the liability recognised in the financial statements is based on calculations performed by independent actuaries.

Defined contribution plans

Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Under defined contribution plans, contributions payable is recognised in profit or loss when incurred, based on the nominal value.

Termination benefits

Termination benefits payable to employees are recognised as a liability when the company decides to terminate an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employee benefits

Other long-term employee benefits consist of benefits not due within twelve months following the end of the year during which the employees provided their services. The valuation of Other long-term benefits does not normally have the same degree of uncertainty as that relating to the benefits after the employment relationship, and therefore, some simplifications are envisaged by IAS 19 in the accounting methods: the net change in the value of all the components of the liability that occurred during the year are recognised entirely in profit or loss. Measurement of the other long-term employee benefits liability is recognised in the financial statements on the basis of calculations performed by independent actuaries.

Other liabilities

Liabilities in disposal groups held for sale.

This item includes liabilities relating to a disposal group held for sale, as defined by IFRS 5.

Current and deferred tax liabilities

These items include tax liabilities governed by IAS 12.

Current tax liabilities are calculated in accordance with current direct tax regulations.

Deferred liabilities are recognised for all taxable temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes, except for the cases expressly provided for in paragraph 15 of IAS 12. Deferred taxes calculated on items booked directly to Equity are also booked directly to Equity.

Other liabilities

In particular, the item includes:

- deferred fee and commission income relating to contracts not governed by IFRS 4;
- liabilities relating to defined benefits and other long-term employee benefits;
- accrued liabilities and deferred income.

Premiums and technical provisions

Contracts classified as insurance under IFRS 4 are accounted for and valued in accordance with the accounting standards used to prepare the statutory financial statements and, consequently, in compliance with the provisions of Legislative Decrees no. 173/2997 and no. 209/2005 and ISVAP Regulation no. 22.

In accordance with IFRS 4, contracts that transfer significant insurance risk are considered to be insurance contracts.

IFRS 4 defines as insurance a risk, other than financial risk, transferred from the policyholder to the issuer of the insurance contract; in turn, financial risk is defined as “the risk of a possible future change in one or more of the following: interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other specified variable, provided that, in the case of a non-financial variable, said variable is not specific to one of the contractual counterparties”.

Insurance risk is significant if, and only if, an insured event could cause the insurer to pay significant additional economic benefits under any circumstances, other than those that have no identifiable effect on the economic aspect of the transaction, even if the insured event is highly unlikely. As IFRS 4 does not provide any specific indication of the level of significance of the level of insurance risk, it is the Company’s responsibility to define a threshold above which the additional outlay in the event that the insured event occurs may generate the transfer of significant insurance risk. This threshold was identified by the Company’s Board of Directors. The assessment of significance was carried out by aggregating the individual contracts into homogeneous categories according to the nature of the risk transferred to the Company.

Contracts that do not transfer significant insurance risk and that can be classified as financial instruments are accounted for and valued in accordance with the accounting standards used to prepare the statutory financial statements when they contain an element of discretionary participation.

IFRS 4.10 states that the separation of a contract, classified as insurance, into deposit component and insurance component is mandatory in some circumstances and optional in others. In the case of separation, the deposit component falls within the scope of IAS 32 and IAS 39, while the risk component falls within the scope of IFRS 4.

The separation is required if the Company can value the deposit component separately, i.e. without considering the insurance component, and if the accounting standards used do not allow for the proper recognition of all rights and obligations arising from the deposit component. In view of as represented, the Company considered it appropriate not to proceed with unbundling.

Contracts (or components of contracts) that do not transfer significant insurance risk and do not have discretionary participation features are accounted for and measured in accordance with IFRS 9 or IFRS 15 depending on whether they are classifiable as financial instruments or service contracts.

The following table illustrates, for the Non-Life and Life businesses, the considerations made for the classification of the related contracts and the accounting and valuation criteria.

Non-life business

Non-life contracts have all been classified as insurance contracts given the substance of said contracts that expose the Company to significant insurance risk.

The technical provisions for non-life business are as follows:

The premium reserve consists of the “Reserve for unearned premiums” and the “Reserve for unexpired risks”. The reserve for unearned premiums is calculated using the pro-rata temporis method on the basis of gross premium revenue less acquisition costs.

The Outstanding claims provisions are valued analytically and, on the basis of a prudent assessment of the available elements, are made on a final cost basis, in order to reach the appropriate amount to cover the commitments for the indemnity of claims and the related direct and indirect settlement costs. The determination process described also includes the estimate of claims for the year not yet reported (IBNR).

With reference to the Liability Adequacy Test (LAT), it is considered that the requirements of Italian law for the calculation of technical provisions for non-life business comply with the minimum requirements set out in paragraph 16 of IFRS 4 and therefore, the Company is exempted from carrying out further specific adequacy checks.

Specifically, the component of the premium reserve relating to the reserve for unexpired risks, calculated and set aside in cases where the technical ratio of each business expresses an expected expense for claims higher than the revenue for subsequent years, represents a reasonable approximation of the liability adequacy test.

Also with respect to the outstanding claims provisions, it is considered that the determination of these items, carried out according to the final cost method, includes the estimate of the main future cash flows not discounted to present value and, consequently, can be considered higher than as would result from the application of the LAT according to IFRS 4.

The catastrophe and equalisation reserves have been reversed taking into account that IFRS 4 does not allow for the recognition of any prudential provision for future claims. The ageing provision is calculated in accordance with article 46 of ISVAP Regulation no. 16, using the flat-rate criterion, at the rate of 10% of gross premium revenue for the year relating to contracts having the characteristics indicated in said Regulation.

Life business

With regard to the foregoing, Class I products, which include clauses for the revaluation of the insured benefit based on the returns earned by a Separately Managed Account, are classified as financial contracts containing a discretionary participation element (DPF, as defined in Appendix A to IFRS 4), for which IFRS 4.35 refers to the accounting framework provided by local standards.

Considering that at the end of the contract, the amounts accrued within the Posta Valore Più Separately Managed Account are automatically transferred, said contracts have been classified as financial but, similarly to as indicated in the previous paragraph, treated as insurance contracts.

Pure risk products are classified as insurance.

Class III products exposed to significant “insurance risk” are classified as insurance contracts. These products are classified on the basis of the results of internal assessments that, through yield curve analysis, aim to assess the likelihood that the Company will have to pay out significant additional benefits in the event of occurrence of the insured event.

In addition, in order to assess the adequacy of provisions, in accordance with IFRS 4, the Company has conducted Liability Adequacy Tests. The tests were conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of expiration (death, surrender, redemption, reduction) and the performance of claims expenses.

The results of the tests revealed that the technical provisions were adequate and did not need to be topped up.

Shadow accounting

In order to mitigate mismatches between the financial assets included in Separately Managed Accounts, measured in accordance with IFRS 9, and the mathematical provisions measured in accordance with local accounting standards, the Company has applied “shadow accounting” to the contracts included in the Separately Managed Accounts associated with life policies, as permitted by paragraph 30 of IFRS 4. Shadow accounting allows an insurer to change the accounting policies applied to insurance liabilities (i.e. its statutory technical provisions) so that a recognised but unrealised gain or loss on an asset affects the measurement of insurance liabilities in the same way that a realised gain or loss does.

Shadow accounting is applied using a going concern approach, based on the following assumptions:

- the realisation, for each Separately Managed Account, of unrealised, prospective gains and losses at the measurement date over a period of years that, based on an ALM approach, is consistent with the characteristics of the assets and liabilities held in portfolio and more representative of the overall nature of the business. The assumption based on immediate realisation is thus discarded;
- determination of the insurance liability based on the prospective yield on each Separately Managed Account, taking into account the contractual obligations, the level of guaranteed minimum returns and any financial guarantees provided.

Fee and commission income and expenses

These items regard commissions on investment contracts outside the scope of IFRS 4. Fee and commission income consists of explicit and implicit fees and commissions accruing during the reporting period and management fees, whilst fee and commission expenses regard acquisition costs.

Income and expenses arising from investments

Net income (expenses) from financial assets at fair value through profit or loss

This item includes realised gains and losses and unrealised gains and losses on assets and liabilities classified at fair value through profit or loss. Changes in value are measured on the basis of the difference between the fair value and carrying amount of the financial instruments accounted for in this category.

Income and expenses arising from investments in subsidiaries, associates and joint ventures

This item includes income and expenses arising from investments in the Group’s associates. It primarily refers to the Group’s share of the investees’ results for the period.

Income and expenses arising from other financial instruments and investment property

The item includes:

- income and expenses and realised gains and losses on investments classified as “at fair value through other comprehensive income”;
- income and expenses from loans and receivables and other financial liabilities;
- income and expenses from investment property.

Other revenue

This item includes:

- income from the sale of goods and services, other than financial services, and from the use, by third parties, of tangible and intangible assets and other assets;
- other net technical income, related to insurance contracts;
- exchange rate differences recorded in profit or loss in accordance with IAS 21;
- realised gains and reversals of impairments of tangible and intangible assets.

Net claims expenses

The category includes claims paid less recoveries, the change in the outstanding claims provisions and in other technical provisions for the non-life business, the change in mathematical provisions and in other technical provisions for the life business, the change in technical provisions for contracts where investment risk is transferred to policyholders, relating to insurance contracts and financial instruments falling within the scope of application of IFRS 4. Recognised amounts are shown before settlement costs and net of outward reinsurance.

Expenses arising from investments in subsidiaries, associates and joint ventures

This category refers to expenses arising from the investments in subsidiaries, associates and joint ventures accounted for in the corresponding asset category.

Expenses arising from other financial instruments and investment property

This category refers to expenses arising from investment property and financial instruments not measured at fair value through profit or loss. These expenses primarily regard other expenses from investments, including the costs incurred on investment property, including management fees and uncapitalised maintenance and repair costs; losses following derecognition of a financial asset or liability or of investment property; unrealised losses, including amortisation, depreciation and impairments.

Operating expenses

This item includes commissions and other acquisition costs, including insurance contract acquisition costs, net of outward reinsurance; investment management expenses, including the overheads and personnel expenses incurred in the management of financial instruments and investment property; other administrative expenses, which include the overheads and personnel expenses not allocated to claims expenses, insurance contract acquisition costs and investment management expenses.

Other costs

This item includes:

- the costs incurred on the sale of goods and services, other than financial services;
- other net technical expenses, related to insurance contracts;
- provisions made during the reporting period;
- exchange rate differences recorded in profit or loss in accordance with IAS 21;
- realised losses, impairments and depreciation and amortisation of tangible assets – when not allocated to specific items – and intangible assets.

Uncertainties regarding the use of estimates

As required by paragraph 116 of IAS 1, we declare that the Consolidated Financial Statements for the year ended 31 December 2019 have been prepared with clarity and give a true and fair view of the financial position, cash flows and operating results for the year.

The notes provide explanations of the judgements made and the estimation methods and accounting policies adopted in applying IFRS.

Use of such estimates and assumptions affects the amounts reported in the financial statements and related disclosures. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves 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.

Estimates were used in the following cases during the period under review:

- in determining the fair value of financial assets and liabilities when this was not observable on an active market;
- in estimating the recoverability of deferred tax assets;
- in quantifying provisions for risks and charges and provisions for employee benefits, in view of the indeterminate nature or amount of the related liabilities and uncertainty regarding the date on which they will occur and the actuarial assumptions applied;
- in estimating technical provisions for the life business;
- in determining the amounts used in application of the shadow accounting method, as described above;
- in estimating technical provisions for the non-life business.

Determination of fair value – IFRS 13

In accordance with IFRS 13[6] - Fair Value Measurement, endorsed by Regulation (EU) 1255/2012 of 11 December 2012, concerning the definition of a single framework for fair value measurements required or permitted by other IFRS, and the disclosures in the financial statements, the provisions of which have been made effective from 1 January 2013. The fair value measurement techniques used within the Poste Vita Group are described below.

The assets and liabilities concerned (specifically assets and liabilities carried at fair value and carried at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of 3 levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Vita Group, the following categories of financial instrument apply:

- Bonds quoted on active markets;
- Bonds issued by the Italian government: measurement is based on prices on the MTS (the wholesale electronic market for government bonds).

6. The purpose of IFRS 13 - Fair Value Measurement is thus to standardise the criteria for measuring fair value and the related disclosures, which are currently governed by various IAS/IFRS. The project forms part of a plan to bring about convergence between international accounting standards and US GAAP. In fact, FASB – the US standards setter - amended its fair value guidance in ASC 820 at the same time. The new standard has neither added nor removed financial statement items requiring application of fair value measurement. However, the standard has amended the meaning of fair value, which is now defined as the price that would be received to sell an asset or paid to transfer a liability. In substance, this coincides with an exit price. As a result, the issue of inconsistency between amounts presented in the financial statements of entities measuring fair value as a seller and those identifying themselves as a buyer has been overcome. The standard also defines the minimum disclosures required.

- Bonds issued by Italian or foreign EU governmental or non-governmental entities: the valuation is carried out using prices recorded on regulated markets according to the following hierarchical order:
  a. the bid price at 12.00 noon London time (GMT), quoted by a globally recognised information provider;
  b. the last bid price on regulated markets recognised by the CONSOB in accordance with Resolution 16370 of 4 March 2008;
  c. equity instruments quoted on active markets: the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange;
  d. quoted investment funds: this category includes funds invested in financial instruments quoted on active markets. Measurement is based on the NAV (Net Asset Value) determined by the fund manager.
- Financial liabilities quoted on active markets: this category includes straight bonds, whose measurement is based on the ask prices quoted by a globally recognised information provider.

Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. For the Poste Vita Group, the following categories of financial instrument apply:

- Bonds either quoted on inactive markets or not at all.
- Straight Italian and international government and non-government bonds: valued using discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on asset swap spreads determined with reference to quoted and liquid benchmark securities issued by the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Structured bonds: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component – which, considering the features of the bonds included in the portfolio of the Poste Vita Group, relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlying exposed to such risks.
- Unquoted equity instruments: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of class B and C shares to quoted class A shares.
- Derivative financial instruments:
  Warrants: considering the features of the securities held in the portfolio, measurement is based on a closed form expression;
- Financial liabilities either quoted on inactive markets or not at all:
  Straight bonds: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- Structured bonds: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component – which, considering the features of the bonds issued by Group companies, relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlying exposed to such risks.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed. For the Poste Vita Group, the following categories of financial instrument apply:

- Real estate funds subject to capital calls, private equity funds, private debt funds and infrastructure funds: funds invested in unquoted instruments fall into this category. Their fair value is determined by considering the NAV (Net Asset Value) reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by managers.
- The investment in the associate, Europa Gestioni Immobiliari (EGI), measured using the equity method.
- Financial liabilities measured at amortised cost.

Disclosure of interests in other entities - IFRS 12

Adopted with Regulation (EU) 1254/2012, IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities. This standard summarises all the disclosures that an entity is required to make to allow financial statement users to assess the nature and risks deriving from its investments in other entities, and the effects of such investments on the statement of financial position, operating performance and cash flows. A structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

At 31 December 2019, Poste Vita's interests in the funds described below fall within the above definition.

As provided for in paragraphs 24-31 of IFRS 12, supported by paragraphs B25 – B26, Poste Vita is required to provide disclosures in its financial statements that will allow financial statement users to assess the following, with regard to each non-consolidated structured entity:

- the nature and extent of its interest in the entity;
- the nature of the risks associated with its interest in the entity.

The required disclosures are provided below.

Nature of the interest in the non-consolidated structured entity (IFRS 12. 26)

With regard to the first point, we hereby provide qualitative and quantitative disclosures regarding the nature, purpose, size and activities of the non-consolidated structured entity, and how the entity is financed.

The Company holds interests in excess of 50% in each of the above funds. Quantitative disclosures for these investments are included in the following tables, together with those for the other funds. The investments of the Parent Company, Poste Vita, in the funds do not qualify as controlling interests as defined by IFRS10 and have not been consolidated, but, in any event, fall within the scope of application of IFRS12 in that they are non-consolidated structured entities. The purpose of said investments is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government bonds and euro-denominated corporate bonds.

The following table provides the disclosures required by IFRS 12.26:

ISIN (€k)	Name	Nature of entity	Activity of the Fund	% investment	NAV Ref. date	NAV Amount
LU1193254122	MULTIFLEX-GLB MA INC-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	4,108,408
LU1407712014	MULTIFLEX-GLB OPT M/A FD-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	4,979,207
LU1407711800	MULTIFLEX-DYN MLT/AST FD-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	4,225,019
LU1407712287	MULTIFLEX-STRAT INS DIST-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	4,711,653
LU1500341166	MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	306,237
IE00BK1KDS71	Prima Hedge Platinum Growth	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100%	30/11/2020	438,916
LU1081427665	SHOPPING PROPERTY FUND 2	Closed-end harmonised fund	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	64.93%	30/06/2019	83,407
IT0005174450	DIAMOND EUROZONE OFFICE UBS FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and euro-denominated	100%	30/09/2019	377,352
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Closed-end non-harmonised fund of funds	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86.21%	30/09/2019	25,294
IT0005215113	CBRE DIAMOND FUND	Italian-registered, closed-end alternative real estate investment funds	"Investment in real estate assets, real estate rights, including those deriving from real estate lease contracts, in any case carried out without particular geographical location constraints but in any case in Italy, may be used for the following purposes: logistics, retirement homes, residential, hotel, mixed-use and office or commercial use."	100%	30/09/2019	125,872
IT0005210387	DIAMOND EUROZONE RETAIL PROPERTY FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100%	30/06/2019	104,182
IT0005212193	DIAMOND ITALIAN PROPERTIES FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100%	30/06/2019	157,719
IT0005210593	DIAMOND OTHER SECTORS ITALIA	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets.	100%	30/06/2019	69,574

ISIN (€k)	Name	Nature of entity	Activity of the Fund	% investment	NAV	
					Ref. date	Amount
IT0005247819	Diamond Value Added Properties Fund	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100%	30/06/2019	304,103
QU0006738052	Prima EU Private Debt Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/09/2019	248,577
QU0006744795	Prima European Direct Lending 1 Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/09/2019	179,050
QU0006745081	Prima Real Estate Fund I	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/09/2019	102,210
LU1581282842	Indaco SICAV SIF - Indaco CIFC US Loan	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds, loans and equities).	100%	29/11/2019	81,152
LU1500341752	MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	560,280
LU1500341240	MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	716,040
QU0006738854	PrimA Credit Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	29/11/2019	128,328
LU1379774190	MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100%	31/12/2019	5,885,266
LU1808839242	MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	581,824
LU1808838863	MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	588,371
LU2051218035	MULTIFLEX-OLYMPIUM SEV-CMEUR	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/12/2019	500,000
QU0006742476	PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/09/2019	57,820

Nature of the risk (IFRS 12. 29 – 31)

With reference to the second point, the following are reported:

- the carrying amount of assets and liabilities recognised in the financial statements relating to the non-consolidated structured entity;
- the account (macro-account) in which these assets and liabilities are classified;
- the maximum exposure to losses arising from involvement in the non-consolidated structured entity and the method used for its calculation;
- a comparison between the carrying amount of the entity's assets and liabilities and the maximum exposure value.

The following table shows the information required for each non-consolidated structured entity:

(€k)

ISIN	Name	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
LU1193254122	MULTIFLEX-GLB MA INC-CM	FVPL	4,108,408	318,852	3,789,557	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407712014	MULTIFLEX-GLB OPT M/A FD-CM	FVPL	4,979,207	355,652	4,623,555	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407711800	MULTIFLEX-DYN MLT/AST FD-CM	FVPL	4,225,019	235,849	3,989,170	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407712287	MULTIFLEX-STRAT INS DIST-CM	FVPL	4,711,653	331,269	4,380,385	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1500341166	MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	FVPL	306,237	15,177	291,060	Annual VaR at 99.5% over 5 years and a half-life of 1 year
IE00BK1KDS71	Prima Hedge Platinum Growth	FVPL	438,916	38,230	400,686	Provided by fund management company
LU1081427665	SHOPPING PROPERTY FUND 2	FVPL	54,156	21,965	32,192	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005174450	DIAMOND EUROZONE OFFICE UBS FUND	FVPL	377,352	142,440	234,912	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004597396	ADVANCE CAPITAL ENERGY FUND	FVPL	21,805	12,208	9,597	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005215113	CBRE DIAMOND FUND	FVPL	125,872	41,520	84,352	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210387	DIAMOND EUROZONE RETAIL PROPERTY FUND	FVPL	104,182	26,333	77,850	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005212193	DIAMOND ITALIAN PROPERTIES FUND	FVPL	157,719	48,349	109,370	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210593	DIAMOND OTHER SECTORS ITALIA	FVPL	69,574	17,567	52,007	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005247819	Diamond Value Added Properties Fund	FVPL	304,103	76,247	227,857	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738052	Prima EU Private Debt Opportunity Fund	FVPL	248,577	34,414	214,163	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006744795	Prima European Direct Lending 1 Fund	FVPL	179,050	43,941	135,109	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006745081	Prima Real Estate Fund I	FVPL	102,210	47,319	54,891	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1581282842	Indaco SICAV SIF - Indaco CIFC US Loan	FVPL	81,152	29,460	51,692	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

(€k)

ISIN	Name	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
LU1500341752	MULTIFLEX-DYNAMIC LT M/A-CM	FVPL	560,280	30,613	529,667	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1500341240	MULTIFLEX-LT OPTIMAL M/A-CM	FVPL	716,040	67,779	648,261	Annual VaR at 99.5% over 5 years and a half-life of 1 year
QU0006738854	PrimA Credit Opportunity Fund	FVPL	128,328	47,112	81,216	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1379774190	MULTIFLEX-DIVERSIFIED DIS-CM	FVPL	5,885,266	432,127	5,453,139	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1808839242	MULTIFLEX-OLYMP INSURN MA-CM	FVPL	581,824	40,907	540,918	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1808838863	MULTIFLEX-OLYMPIUM OPT MA-CM	FVPL	588,371	41,348	547,022	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU2051218035	MULTIFLEX-OLYMPIUM SEV-CMEUR	FVPL	500,000	-	500,000	Annual VaR at 99.5% over 5 years and a half-life of 1 year
QU0006742476	PRIMA GLOBAL EQUITY PARTNERS FUND	FVPL	57,820	31,139	26,681	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

Changes in the fair value of the above funds during the period are passed on to the policyholder under the shadow accounting method, as they regard financial instruments included in Separately Managed Accounts.

Share-based payment arrangements - IFRS 2

Accounting standards

Goods or services received or acquired and the liability assumed in a share-based payment transaction – settled in cash, equity instruments or in other financial instruments – are recognised at fair value. Until the liability is settled, the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in fair value in profit or loss for the period. In the case of employee benefits, the expense is recognised in personnel expenses over the period in which the employee renders the relevant service.

Financial risk disclosure - IFRS 7

Information on financial risk management at 31 December 2019 is provided below, in accordance with the requirements of the new international financial reporting standard, IFRS 7 – *Financial Instruments: Disclosures*.

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

Traditional Life policies, classified under Class I and V, primarily include products whose benefits are revalued based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called Separately Managed Accounts). The Company normally guarantees a minimum rate of return on these types of product to be recognised on expiry of the policy (at 31 December 2019, between 0% and 1.5%). Unrealised gains and losses are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used in applying said method is based on the prospective yield on each Separately Managed Account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio.

The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions. In particular, this absorption is generally based on the level and structure of guarantees of minimum returns and the profit-sharing mechanisms of Separately Managed Accounts for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each Separately Managed Account, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

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

The investment policies of the **Subsidiary Poste Assicura SpA** are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors on 24 October 2018. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the Non-life business, account will not have to be taken of the aforementioned constraints on the guaranteed minimum return, but the focus will be on the optimal management of liquidity in order to meet claims.

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

The main financial risks and the related effects on the Poste Vita Group portfolio at the end of 2019 are described below:

Price risk

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

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

The sensitivity analysis at 31 December 2019 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out at 31 December 2019 for the Poste Vita Group are shown in the following table.

		Change in value		Effect on deferred liabilities		Pre-tax profit	
(€k)	Exposure	Delta value +vol	Delta value -val	Effect on def. lia. +vol	Effect on def. lia. -vol	Res. before taxes +vol	Res. before taxes -vol
Financial assets							
Financial assets at FVTOCI							
APRE00061 - Equity instruments at FVTOCI							
APRE00063 - Other investments at FVTOCI							
APRE00064 - Structured bonds at FVTOCI							
Financial assets at FVTPL	**35,165,919**	**2,443,560**	**(2,443,560)**	**2,443,293**	**(2,443,560)**	**267**	**(267)**
APRE00071 - Structured bonds at FVTPL							
APRE00073 - Other investments at FVTPL	34,988,711	2,402,359	(2,402,359)	2,402,092	(2,402,359)	267	(267)
APRE00074 - Equity instruments at FVTPL	177,208	41,201	(41,201)	41,201	(41,201)		
Derivative financial instruments	(885)						
APRE00113 - FVTPL							
PPRE00093 - FVTPL liabilities	(885)						
Variability at end of period	**35,165,034**	**2,443,560**	**(2,443,560)**	**2,443,293**	**(2,443,560)**	**267**	**(267)**

Financial assets measured at fair value through profit or loss refer to:

- investments in units of mutual investment funds held by Poste Vita SpA, with a fair value of €34,989 million, including approximately €31,709 million used to cover Class I policies, approximately €3,223 million used to cover Class III policies and a residual amount (€57 million) relating to free capital;
- equity instruments held by Poste Vita SpA, totalling €177 million, used to cover Class I policies linked to Separately Managed Accounts and to cover Class III policies;
- Forward sale written on Government security BTPS 0.65% with maturity 13 January 2020. This derivative with a nominal value of €120 million recorded a negative change in fair value during the period of approximately €885 thousand.

The price risk does not involve fixed income financial instruments (debt securities) because the risk in question only considers the volatility of the stock market.

Foreign exchange risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency.

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

The table below shows the sensitivity to foreign exchange risk of the Poste Vita Group's most significant positions at 31 December 2019.

(€k)	Position in CURRENCY/000	Position in Euro/000	Change in value Delta val. +260 days	Change in value Delta Val. -260 days	Pre-tax profit Res. before taxes +260 days	Pre-tax profit Res. before taxes -260 days
Financial assets						
Financial assets at FVTOCI	**1,010**	**899**	**45**	**(45)**	**45**	**(45)**
APRE00061 - Equity instruments at FVTOCI						
APRE00063 - Other investments at FVTOCI	1,010	899	45	(45)	45	(45)
APRE00064 - Structured bonds at FVTOCI						
Financial assets at FVTPL	**73,590**	**65,507**	**3,282**	**(3,282)**	**3,282**	**(3,282)**
APRE00074 - Equity instruments at FVTPL						
APRE00073 - Other investments at FVTPL	73,590	65,507	3,282	(3,282)	3,282	(3,282)
Variability at end of period	**74,601**	**66,406**	**3,327**	**(3,327)**	**3,327**	**(3,327)**

With regard to the Poste Vita Group, the risk in question relates to the units of certain alternative funds held at the end of 2019.

Fair value interest rate risk

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

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

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the market forward interest rate curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2019 for the Poste Vita Group's positions.

(€k)	Risk exposure Nominal exposure	Risk exposure Fair value exposure	Change in value Delta val. +100bps	Change in value Delta val. -100bps	Effect on deferred liabilities Effect on def. lia. +100bps	Effect on deferred liabilities Effect on def. lia. -100bps	Pre-tax profit Res. before taxes +100bps	Pre-tax profit Res. before taxes -100bps	Equity reserves before taxation Res. Eq. gross +100bps	Equity reserves before taxation Res. Eq. gross -100bps
Financial assets										
Financial assets at FVTOCI	**92,182,858**	**102,466,505**	**(6,618,525)**	**6,618,525**	**(6,549,794)**	**6,549,794**			**(68,732)**	**68,732**
APRE00062 - Fixed income instruments at FVTOCI	91,682,858	101,927,739	(6,616,007)	6,616,007	(6,547,276)	6,547,276			(68,732)	68,732
APRE00063 - Other investments at FVTOCI										
APRE00064 - Structured bonds at FVTOCI	500,000	538,767	(2,518)	2,518	(2,518)	2,518				
Financial assets at FVTPL	**1,431,052**	**2,458,942**	**(280,569)**	**280,569**	**(277,529)**	**277,529**	**(3,040)**	**3,040**		
APRE00072 - Fixed income instruments at FVTPL	1,395,637	1,499,791	(57,555)	57,555	(54,514)	54,514	(3,040)	3,040		
APRE00071 - Structured bonds at FVTPL	22,000	20,829	(41)	41	(41)	41				
APRE00073 - Other investments at FVTPL	13,415	938,322	(222,973)	222,973	(222,973)	222,973				
Derivative assets										
APRE00111 - Cash flow hedges										
APRE00112 - Fair Value hedges										
Financial liabilities										
Derivative liabilities	120,000	(885)	4,483	(4,483)	4,483	(4,483)				
PPRE00093 - FVTPL liabilities	120,000	(885)	4,483	(4,483)	4,483	(4,483)				
PPRE00091 - Cash flow hedge liabilities										
Variability at end of period	**93,733,910**	**104,924,563**	**(6,894,612)**	**6,894,612**	**(6,822,840)**	**6,822,840**	**(3,040)**	**3,040**	**(68,732)**	**68,732**

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

- Fixed income government bonds held by the Parent Company, Poste Vita SpA, totalling €84,998 million; of this amount, €83,112 million is used to cover Class I and V policies linked to Separately Managed Accounts, and €1,886 million relates to the company's free capital;
- Fixed income government bonds held by the Subsidiary Poste Assicura SpA, totalling €187 million;
- €17,252 million in other, non-government debt securities held by the Parent Company, Poste Vita SpA, used mainly to meet obligations towards policyholders in relation to separately managed Class I and V policies, including bonds issued by CDP SpA, totalling €1,255 million, mainly to cover Class I policies.
- other non-government debt securities in the portfolio of the Subsidiary Poste Assicura SpA, amounting to €29 million.

Financial assets at fair value through profit or loss that are recognised at risk are held by the Parent Company, Poste Vita SpA, and refer to: i) a portion of the investments used in fixed income instruments for a total of €1,500 million (consisting for a fair value of €1,443 million, of corporate securities mainly hedging Class I, III and V contractual commitments and residually investments referring to the Company's free capital and for a fair value of €37 million, of stripped coupon[7] and zero coupons BTPs mainly hedging Class III policies); ii) the position in Other investments consisting of units of mutual funds for €938 million and iii) a security issued by CDP SpA for a fair value of €21 million.

In the context of Derivative financial instruments, the risk in question exclusively concerns forward sale contract of a government security with a nominal value of €120 million, classified as fair value hedge derivatives stipulated during the year by the Parent Company, Poste Vita SpA..

On the other hand, with respect to Class I and Class V policies sold by the Parent Company, Poste Vita SpA, the duration of the matching assets went from 6.18 at 31 December 2018 to 7.02 at 31 December 2019, whilst the duration of the liabilities went from 8.18 to 9.24 (assessment of the duration was carried out using the new Coherent Duration method[8]. The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk

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

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire investment portfolio, meaning both the fixed and floating rate components. In this latter case, in fact, fair value derivatives, used to convert floating rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and floating instruments.

In 2018, average Italian government security yields fell compared to the previous year, while at 31 December 2019, the spreads between ten-year Italian government bonds and German bunds stood at about 160 bps, up from last year's figure (250 bps at 31 December 2018).

7. Coupon stripping consists in detaching the interest payment coupons from a note or bond. Coupon stripping transforms each government security into a series of zero-coupon bonds. Each component may be traded separately.
8. The Coherent Duration of assets and liabilities is defined as changes in the value of assets and liabilities, in proportion to the total amount of assets exposed to interest rate risk, following parallel shocks raising and lowering interest rates by 10 basis points.

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

(€k)	Risk exposure		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
	Nominal exposure	Fair value exposure	Change in value	Delta val -100bps	Effect on def. lia. +100bps	Effect on def. lia. -100bps	Res. before taxes +100bps	Res. before taxes -100bps	Res. Eq. gross +100bps	Res. Eq. gross -100bps
Financial assets										
Financial assets at FVTOCI	**92,182,858**	**102,466,507**	**(8,118,769)**	**8,118,769**	**(8,013,795)**	**8,013,795**			**(104,974)**	**104,974**
APRE00062 - Fixed income instruments at FVTOCI	91,682,858	101,927,741	(8,098,403)	8,098,403	(7,993,429)	7,993,429			(104,974)	104,974
APRE00063 - Other investments at FVTOCI										
APRE00064 - Structured bonds at FVTOCI	500,000	538,767	(20,365)	20,365	(20,365)	20,365				
Financial assets at FVTPL	**1,431,052**	**2,458,942**	**(554,841)**	**554,841**	**(543,159)**	**543,159**	**(11,682)**	**11,682**		
APRE00072 - Fixed income instruments at FVTPL	1,395,637	1,499,791	(330,418)	330,418	(318,736)	318,736	(11,682)	11,682		
APRE00071 - Structured bonds at FVTPL	22,000	20,829	(1,450)	1,450	(1,450)	1,450				
APRE00073 - Other investments at FVTPL	13,415	938,322	(222,973)	222,973	(222,973)	222,973				
Derivative assets										
APRE00111 - Cash flow hedges										
APRE00112 - Fair Value hedges										
Financial liabilities										
Derivative liabilities	120,000	(885)	4,468	(4,468)	4,468	4,468				
PRE00093 - FVTPL liabilities	120,000	(885)	4,468	(4,468)	4,468	4,468				
PPRE00091 - Cash flow hedge liabilities										
Variability at end of period	**93,493,910**	**104,924,565**	**(8,669,142)**	**8,669,142**	**(8,552,486)**	**8,552,486**	**(11,682)**	**11,682**	**(104,974)**	**104,974**

With regard to the Poste Vita Group, the investments exposed to this risk amount to a total of €104,925 million fair value at 31 December 2019 and consist of €102,467 million in financial assets at fair value through other comprehensive income and for the remaining €2,459 million in financial assets at fair value through profit or loss. The sensitivity analysis conducted on the portfolio as a whole shows that an increase in the spread of 100 bps would reduce its fair value by approximately €8,669 million. Of this change, €8,552 million would be allocated to deferred liabilities to policyholders through shadow accounting, €105 million would affect the fair value reserve for securities in free capital and €12 million would be reflected in profit or loss.

In addition to using the above sensitivity analysis, the Poste Vita Group monitors spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The table below shows the results of the sensitivity analysis to spread risk of the most significant positions in the portfolios of the Poste Vita Group at 31 December 2019.

(€k)	Risk exposure		
	Nominal exposure	Fair value exposure	SpreadVAR
Financial assets			
Financial assets at FVTOCI	**92,182,858**	**102,466,507**	**981,112**
APRE00062 - Fixed income instruments at FVTOCI	91,682,858	101,927,741	1,003,316
APRE00063 - Other investments at FVTOCI			
APRE00064 - Structured bonds at FVTOCI	501,200	540,009	298
Financial assets at FVTPL	**1,429,852**	**2,457,701**	**8,226**
APRE00071 - Structured bonds at FVTPL	23,200	22,071	22
APRE00072 - Fixed income instruments at FVTPL	1,394,437	1,498,549	7,275
APRE00073 - Other investments at FVTPL	13,415	938,322	1,372
Derivative assets			
APRE00111 - Cash flow hedges			
APRE00112 - Fair Value hedges			
Derivative liabilities			
PPRE00093 - FVTPL liabilities			
PPRE00091 - Cash flow hedge liabilities			
Variability at end of period	**93,613,910**	**104,925,450**	**980,294**

Cash flow interest rate risk

This is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. It may result from the misalignment - in terms of interest rates, indexation methods and maturities - of financial assets and liabilities that tend to remain in place until their contractual and/or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.

The following analysis refers to the uncertainty over future cash flows generated by floating rate instruments and floating rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the market forward interest rate curve of +/- 100 bps.

The following is the outcome of the cash flow interest rate risk sensitivity analysis carried out at 31 December 2019 on Poste Vita Group's positions, which shows a portfolio (including bank deposits of €914 million) held by the Poste Vita SpA Group and subject to the risk in question with a total nominal value of €10,162 million:

	Risk exposure	Change in value		Effect on deferred liabilities		Pre-tax profit	
(€k)	Nominal exposure	Delta val. +100bps	Delta val. -100bps	Effect on def. lia. +100bps	Effect on def. lia. -100bps	Res. before taxes +100bps	Res. before taxes -100bps
Financial assets							
Financial assets at FVOCI	**9,235,317**	**92,353**	**(92,353)**	**87,957**	**(87,957)**	**4,396**	**(4,396)**
APRE00062 - Fixed income instruments at FVOCI	8,735,317	87,353	(87,353)	82,957	(82,957)	4,396	(4,396)
APRE00063 - Other investments at FVOCI							
APRE00064 - Structured bonds at FVOCI	500,000	5,000	(5,000)	5,000	(5,000)		
Financial instruments at FVTPL	**61,725**	**617**	**(617)**	**642**	**(642)**	**(25)**	**25**
APRE00072 - Fixed income instruments at FVTPL	39,725	397	(397)	422	(422)	(25)	25
APRE00071 - Structured bonds at FVTPL	22,000	220	(220)	220	(220)		
APRE00073 - Other investments at FVTPL							
APRE00200 - Cash and deposits attributable to BancoPosta							
Bank deposits							
APRE00180 - Cash and cash equivalents	914,403	9,144	(9,144)	6,461	(6,461)	2,683	(2,683)
APRE00181 - Bank deposits	914,403	9,144	(9,144)	6,461	(6,461)	2,683	(2,683)

Credit risk

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

Exposure to credit risk

With regard to the financial assets exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the exposure to credit risk at 31 December 2019, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Credit risk - Internal ratings

	from AAA to AA-			from A+ to BBB-			from BB+ to C								
	Stage 1			Stage 1			Stage 1			Stage 2			Total		
Description (€k)	Amortised cost before ECLs (GCA)	*Fair value*	ECL provision	Amortised cost before ECLs (GCA)	*Fair value*	ECL provision	Amortised cost before ECLs (GCA)	*Fair value*	ECL provision	Amortised cost before ECLs (GCA)	*Fair value*	ECL provision	Amortised cost before ECLs (GCA)	*Fair value*	ECL provision
Financial assets at amortised cost															
Loans				103,194		(72)							103,194		(72)
Receivables				13,960		(84)							13,960		(84)
Fixed income instruments				1,729,625		(598)							1,729,625		(598)
Other investments															
Total				**1,729,625**		**(598)**							**1,729,625**		**(598)**
Financial assets at FVTOCI															
Loans															
Receivables															
Fixed income instruments	1,986,495	2,124,500	(145)	87,714,618	98,346,008	(31,614)	1,408,510	1,447,812	(4,928)	9,452	9,418	(303)	91,108,636	101,917,162	(36,986)
Other investments				500,435	538,767	(162)							500,435	538,767	(162)
Total	**1,986,495**	**2,124,500**	**(145)**	**88,215,053**	**98,884,775**	**(31,775)**	**1,408,510**	**1,447,812**	**(4,928)**	**9,452**	**9,418**	**(303)**	**91,609,072**	**102,455,929**	**(37,148)**

Accounting standards applicable from 1 January 2019

During the period and in any case by the date of presentation of the report, there have been the following regulatory amendments, which impact or could impact the activity/sector in which the Company operates:

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

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

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

The scope of the standard does not include short-term contracts (for up to twelve months) and low-value contracts (with items not exceeding $5,000); for these contracts, the lessor may elect not to apply IFRS 16, and to continue with the current accounting treatment.

Amendments to IFRS 9 - *Financial Instruments - Prepayment Features with Negative Compensation.* Some financial assets with negative compensation may be measured at amortised cost. The assets concerned, which include certain loans and debt securities, would otherwise be measured at fair value through profit or loss (FVTPL). Negative netting arises where the contractual terms allow early repayment of the instrument before the contractual due date, but the amount of the prepayment may be less than the unpaid principal and interest. However, to obtain the amortised cost valuation, the negative compensation must be 'reasonable' for early termination of the contract. An example of such reasonable remuneration is an amount reflecting the effect of the change in the reference interest rate. In addition, for the purpose of measurement at amortised cost, the asset must be held within a "Hold to collect" business model.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. After an amendment, curtailment or settlement of a defined benefit plan, the entity shall update its assumptions and remeasure its defined benefit liability or asset. The company shall use the updated assumptions to measure the current service cost and net interest for the remainder of the reporting period after the event.

Amendments to IAS 12 – Income Taxes: an entity shall recognise the tax effects of dividends for income tax purposes in profit or loss, other comprehensive income or equity, depending on where the entity originally recognised the transactions that generated distributable profits.

Amendments to IAS 23 - Borrowing Costs: an entity determines the amount of finance costs eligible for capitalisation by excluding finance costs applicable to loans obtained specifically for the purpose of acquiring a qualifying asset, until all the operations necessary for the asset to be usable or sellable are completed.

Amendments to IAS 28: Long-term interests in associates and joint ventures. An entity applies IFRS 9 to those interests in associates and joint ventures for which it does not apply the equity method, including long-term interests and which are essentially part of the net investment in those associates and joint ventures.

IFRIC 23 - Uncertainty of Income Tax Treatment. An entity should consider whether the competent authority is likely to accept any tax treatment, or group of tax treatments, that it has used or plans to use in its tax return. If the entity concludes that it may be likely that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistent with the tax treatment included in its tax records. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity shall use the most probable amount or expected value of the tax treatment in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of uncertainty resolution.

IFRS 3 - Business Combinations: an entity remeasures its previous interest in a Joint Operation when it obtains control of the business.

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

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2020:

- Amendments to references to the Conceptual Framework in the body of IFRS. The amendments update some of the references and citations in IFRS standards and interpretations so that they refer to the revised Conceptual Framework or specify the version of the Conceptual Framework to which they refer.
- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors aimed at clarifying the definition of "material" in order to make it easier for companies to express opinions about materiality and to improve the relevance of information in the notes to the financial statements.
- Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: additional disclosure, which introduced temporary and limited exceptions to the application of the hedge accounting provisions so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed as a result of the Interest Rate Benchmark Reform[9].

Lastly, as of the reporting date, the IASB has issued certain financial reporting standards, amendments and interpretations not yet endorsed by the European Commission:

- IFRS 17 - Insurance Contracts;
- Amendments to IFRS 3 - Business Combinations;
- Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

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

9. The *reform of reference indices for the determination of interest rates* refers to the reform, which concerns the entire market, of a reference index for the determination of interest rates, including the replacement of a reference index for the determination of interest rates by an alternative reference rate, such as that resulting from the recommendations contained in the July 2014 report of the Financial Stability Board "*Reforming Major Interest Rate Benchmarks*".

Part B – Scope of consolidation

The Poste Vita Group's financial statements for the year ended 31 December 2019 has been prepared in compliance with IVASS Regulation no. 7 of 13 July 2007, as amended, as described in part A of this document. The scope of consolidation includes Poste Vita SpA and its subsidiary Poste Assicura SpA, an insurance company established in 2010 and a provider of non-life insurance, from 2015, Poste Welfare Servizi SpA, wholly owned by Poste Vita and starting from 2019, Poste Insurance Broker Srl, a company authorised by IVASS to carry out insurance brokerage activities, wholly owned by Poste Assicura SpA, which meet the definition provided by IFRS 10, being therefore consolidated on a line-by-line basis.

The Parent Company also holds a non-controlling interest in Europa Gestioni Immobiliari SpA, a real estate company engaged in property management and transactions in Italy and abroad for own account and on behalf of third parties. This investment is measured with the equity method.

Name	Country	Business	Type of ownership	% Direct/indirect ownership	Method of consolidation
Poste Assicura SpA	Italy	Insurance	Subsidiary	100	Line-by-line
Poste Welfare Servizi SpA	Italy	Services	Subsidiary	100	Line-by-line
Poste Insurance Broker Srl	Italy	Insurance brokerage	Indirect Subsidiary	100	Line-by-line
Europa Gestioni Immobiliare SpA	Italy	Real Estate Management	Associate	45	Equity Method

In accordance with IFRS 10, subsidiaries are the entities over which the Parent Company exercises control. Control is obtained when the Parent Company is exposed, or has rights to, variable returns from its involvement with the investee, and has the ability to influence those returns through its power over the investee. The Parent Company controls an investee if, and only if, it simultaneously:

- has power over the investee (i.e. not merely protective rights, but rights that give it the current ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns);
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is determined on the basis of the economic substance of the relationship between the Group and the investee, and, among other things, taking into account both current and potential voting rights.

The Group periodically and systematically reviews the facts and circumstances to establish if there has been any change in one or more of the above elements.

In accordance with IAS 28, an associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Parent Company is presumed to have significant influence if it directly or indirectly holds at least 20% of the voting power of the investee. The treatment of such an investment is described in the paragraph "Consolidation procedures".

Part C – Notes to the consolidated statement of financial position

Assets

1. Intangible assets

At the end of 2019, intangible assets amount to €51,670 thousand, compared with €48,157 thousand at the end of 2018.

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Gross amount	136,374	115,998	20,376	18%
Accumulated amortisation	84,704	67,841	16,863	25%
Carrying amount	**51,670**	**48,157**	**3,514**	**7%**

The following table provides a breakdown:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Software	112,201	93,391	18,811	20%
Goodwill	17,823	17,823	-	n/s
Intangibles in progress	5,461	3,896	1,566	40%
Start-up and expansion costs	888	888	0	0%
Gross amount	**136,374**	**115,998**	**20,376**	**18%**

This item mainly comprises unamortised long-term software programme licenses, with a value gross of amortisation of €112,201 thousand.

Software licenses have finite useful lives and are amortised at a rate of 33%, except for internally produced software, amortised over 5 years. No impairment losses were recognised during the year.

The following table shows the changes in the item:

(€k)	31/12/2018	Increases	Decreases	31/12/2019
Software	93,391	19,674	863	112,202
- Accumulated amortisation	(66,953)	(16,863)		(83,816)
Goodwill	17,823			17,823
Intangibles in progress	3,896	2,693	1,127	5,461
- Accumulated amortisation	-			-
Start-up and expansion costs	888			888
- Accumulated amortisation	(888)			(888)
Total	**48,157**	**5,504**	**1,990**	**51,670**

2. Other tangible assets

This item amounted to €37,453 thousand, an increase of €25,643 thousand compared to 31 December 2018.

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Gross amount	56,586	24,315	32,272	133%
Accumulated depreciation	19,133	12,504	6,629	53%
Carrying amount	**37,453**	**11,810**	**25,643**	**217%**

The following table provides a breakdown:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Fixtures and fittings	1,455	1,688	(232)	(14%)
Electronic equipment	6,387	6,543	(156)	(2%)
Telephone system	110	174	(64)	(37%)
Motor vehicles	-	-	-	-
Leasehold improvements	789	489	300	61%
Assets under construction	1,401	2,917	(1,516)	(52%)
Properties not used in operations and guest quarters IFRS 16	26,886	-	26,886	n/s
Vehicles for mixed use IFRS 16	426	-	426	n/s
Carrying amount	**37,453**	**11,810**	**25,643**	**217%**

The other tangible assets mainly include capital goods supplied for the exercise of the activity i) fixtures and fittings, net of the relative accumulated depreciation for €1,455 thousand; ii) electronic equipment, net of the relative accumulated depreciation for €6,387 thousand; iii) telephone system, net of the relative accumulated depreciation for €110 thousand; iv) leasehold improvements, net of the relative accumulated depreciation for €789 thousand; and v) fixed assets relating to the capitalisation of costs incurred for the development of hardware still in progress and which, therefore, did not generate economic effects in the period, for €1,401 thousand.

In addition, as from 1 January 2019, the item includes the rights to use fixed assets falling within the scope of IFRS 16 and representing the present value of future periodic lease payments contractually provided for in order to be able to use the assets covered by the contract, which in this case, refers to the lease contract for the Company's headquarters building for €26,792 thousand, lease contracts for apartments for guest quarters for €94 thousand and contracts for the Company's fleet for €426 thousand.

The following table shows the changes in the item:

(€k)	31/12/2018	Increases	Decreases	31/12/2019
Electronic equipment	16,398	2,235		18,633
- Accumulated depreciation	(9,855)	(2,391)		(12,246)
Fixtures and fittings	3,170	85		3,255
- Accumulated depreciation	(1,483)	(316)		(1,799)
Telephone system	747	7		754
- Accumulated depreciation	(573)	(71)		(644)
Motor vehicles	18			18
- Accumulated depreciation	(17)	(1)		(18)
Leasehold improvements	1,064	678		1,742
- Accumulated depreciation	(576)	(377)		(953)
Assets under construction	2,917		1,516	1,401
Right of use - Properties not used in operations and guest quarters IFRS 16		30,138		30,138
- Accumulated depreciation		(3,254)		(3,254)
Right of use - Vehicles for mixed use IFRS 16		646		646
- Accumulated depreciation		(220)		(220)
Total	**11,810**	**27,159**	**1,516**	**37,453**

3. Technical provisions ceded to reinsurers

The item totals €57,628 thousand at the end of 2019, a decrease of €14,733 thousand compared to 31 December 2018 (€72,361 thousand).

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life provisions	**27,109**	**34,099**	**(6,990)**	**(20.5%)**
Premium reserve	4,015	6,094	(2,079)	(34.1%)
Outstanding claims provisions	23,094	28,006	(4,912)	(17.5%)
Other provisions	-	-	-	-
Life provisions	**30,519**	**38,262**	**(7,743)**	**(20.2%)**
Outstanding claims provisions	5,474	4,645	829	17.8%
Mathematical provisions	25,045	33,616	(8,571)	(25.5%)
Other provisions	-	-	-	-
Total	**57.628**	**72.361**	**(14.733)**	**(20,4%)**

4. Investments

Financial investments total €142,043,859 thousand at 31 December 2019, substantially up compared to €126,652,207 thousand at the end of 2018, given the positive operating and financial performance.

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Investments in associates	107,296	106,953	343	0%
Financial assets measured at amortised cost	1,845,126	1,584,135	260,991	16%
Financial assets at fair value through other comprehensive income	102,466,507	95,147,290	7,319,217	8%
Financial assets at fair value through profit or loss	37,624,930	29,813,829	7,811,102	26%
Total investments	**142,043,859**	**126,652,207**	**15,391,653**	**12%**

Investments in subsidiaries, associates and joint ventures

Investments of €107,296 thousand (€106,953 thousand) refer to the investment in the associate, EGI, accounted for using the equity method.

The Poste Vita Group consolidates using the equity method the associate Europa Gestioni Immobiliari SpA (EGI), company owned 45%, which operates primarily in the real estate sector for the management and development of real estate assets no longer used by the Parent Company. The figures for 2019 show equity of €238,413 thousand and a net profit for the year of approximately €755 thousand, up compared to the figure reported in the corresponding period of 2018 of €431 thousand.

The increase of €343 thousand during the period is due to revaluation of the investment to take account of the Company's share of the net profit for the year.

With reference to the fair value level assigned to investments in this category, refer to the information provided in Annex 5 D.3, D.4, D.5 to these financial statements.

Financial assets measured at amortised cost

Financial instruments measured at amortised cost, i.e. securities held in order to obtain cash flows represented solely by the payment of principal and interest, amounted to €1,845,126 thousand at the end of the period (up 16% compared to the end of 2018) and mainly relate to free capital.

The breakdown is as follows:

(€k)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments		-	-	-	-
Debt securities		1,729,027	1,467,472	261,556	17.8%
of which:	*government bonds*	1,709,993	1,448,366	261,627	18.1%
	corporate bonds	19,034	19,106	(71)	(0.4%)
UCITS units		-	-	-	-
Receivables		116,098	116,663	(565)	0%
Total		**1,845,126**	**1,584,135**	**260,991**	**16%**

Receivables recorded in this category at the end of 2019 of €116,098 thousand (€116,663 thousand at the end of 2018) mainly refer to: i) €103,123 thousand (€78,845 thousand at 31 December 2018) for the balance of the current account with the Parent Company and ii) receivables for commissions on internal funds of €11,974 thousand (€5,971 thousand at the end of 2018). The impairment at 31 December 2019 regarding receivables measured at amortised cost, recognised as a direct adjustment to the carrying amounts of the same, amounts to €156 thousand (€51 thousand at 31 December 2018).

Financial assets measured at fair value through other comprehensive income

The breakdown is as follows:

(€k)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments		-	-	-	-
Debt securities		102,466,507	95,147,290	7,319,217	8%
of which:	*government bonds*	85,185,233	79,288,623	5,896,610	7%
	corporate bonds	17,281,275	15,858,667	1,422,607	9%
UCITS units		-	-	-	-
Total		**102,466,507**	**95,147,290**	**7,319,217**	**8%**

Financial assets measured at FVTOCI amount to €102,466,507 thousand at 31 December 2019 (€95,147,290 thousand at 31 December 2018) and refer to securities assigned to the Separately Managed Account for €100,009,928 thousand and the Company's free capital for €2,456,579 thousand and at the end of the period, relate exclusively to debt securities represented by quoted instruments issued by European countries and leading European companies. Corporate securities amounting to €17,281,275 thousand include securities issued by Cassa Depositi e Prestiti for a fair value at 31 December 2019 of €1,254,754 thousand.

The net recovery of financial markets during the period was reflected in an increase in the fair value reserve on these instruments amounting to €10,884,146 thousand in potential net gains (€3,156,629 thousand at the end of 2018) of which: i) €10,825,273 thousand relating to financial instruments included in the Separately Managed Accounts and therefore attributed to policyholders through shadow accounting and ii) €58,873 thousand relating to net losses on FVOCI securities in the Company's free capital and therefore attributed to a specific equity reserve (equal to €41,290 thousand net of the related tax effect).

The value of the Fair Value reserve was determined net of the ECL. Impairment at 31 December 2019 relating to fixed income instruments measured at FVTOCI amounts to €37,077 thousand (€41,133 thousand at 1 January 2019), of which €36,259 thousand attributed to policyholders through shadow accounting.

With reference to the fair value level assigned to investments in this category, refer to the information provided in Annex 5 D.3, D.4, D.5 to these financial statements.

Financial assets at fair value through profit or loss

At the end of the period, the item totals €37,624,930 thousand, against €29,813,829 thousand recorded at the end of the previous year and the breakdown is as follows:

(€k)		31/12/2019	31/12/2018	Increase/(decrease)	
Equity instruments		177,208	166,279	10,929	7%
Debt securities		1,520,620	1,592,341	(71,721)	(5%)
of which:	*government bonds*	56,900	824,438	(767,538)	(93%)
	corporate bonds	1,463,720	767,903	695,818	91%
UCITS units		35,927,102	27,951,533	7,975,569	29%
Derivatives			44,619	(44,619)	(100%)
Receivables			59,056	(59,056)	(100%)
Total		**37,624,930**	**29,813,829**	**7,811,102**	**26%**

Debt securities amounting to €1,520,620 thousand, down slightly from €1,592,341 thousand at 31 December 2018.

They consist of fixed income instruments for €1,520,620 thousand of which: i) €1,442,892 thousand consisting of corporate instruments issued by leading issuers to cover the products related to Separately Managed Accounts for an amount of €1,082,202 thousand, and products linked to Class III policies for €306,376 thousand and the remaining €54,314 thousand for investments of free capital; and ii) €56,900 thousand refer to Stripped and Zero-Coupon BTPs, most of which are intended to cover Class III policies; and iii) €20,828 thousand refer to the security issued by Cassa Depositi e Prestiti.

Equity instruments, classified in the category financial assets at FVTPL, amount to €177,208 thousand, and cover Class I products linked to Separately Managed Accounts and Class III. The change in the period is attributable to the combined effect of net disinvestments of approximately €30,836 thousand, with the consequent recording of income of €41,765 thousand.

The item UCITS units, amounting to €35,927,102 thousand, includes units of mutual investment funds. During the period under review, net investments were made for €5,922,883 thousand. The fair value increased by approximately €2,015,792 thousand, an effect almost entirely reversed to the policyholders of Class I through the Shadow Accounting method.

At the end of the period, this item is composed as follows: i) funds mainly composed of equities for €33,275,213 thousand; ii) units of real estate mutual investment funds for €1,713,567 thousand and iii) investments in mutual funds mainly composed of bonds for €938,322 thousand.

The aforementioned mutual funds refer to the Separately Managed Accounts for about €32,647,776 thousand, €3,222,874 thousand refer to Class III Unit-Linked products and the remaining part (€56,452 thousand) are included in free capital.

In this item, an amount of €29,613,123 thousand refers to non-consolidated structured entities, while an amount of €6,313,979 thousand refers to funds that are not part of non-consolidated structured entities, the majority of which are alternative investment funds.

At 31 December 2019, the derivative instruments represented by warrants to hedge index-linked policies were no longer present because past due.

At 31 December 2019, there was a forward sale of fair value hedges on BTPs with maturity 13 January 2020. This derivative with a nominal value of €120 million records a negative change in fair value during the period of approximately €885.2 thousand, which was reversed to policyholders through the shadow accounting method, as it relates to financial instruments included in Separately Managed Accounts.

At 31 December 2019, the effectiveness tests on the instruments in question were in the range of 80-125%, as required by IAS 39.

Derivatives/Warrants (€k)	31/12/2019 Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses	31/12/2018 Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses
Fwd 15032019	-	-	-	-	3,000.0	(154,821.7)	-	(154,821.7)
Fwd 130120 100.5 BTPS 0.65 10/15/23 PD	120,000.0	-	-	(885.1)	-	-	-	-
Total hedging derivatives	**120,000.0**	-	-	**(885.1)**	**3,000.0**	**(154,821.7)**	**-**	**(154,821.7)**
Titanium					-	-	7,973.5	-
Arco					-	-	1,649.9	-
Prisma					-	-	1,546.0	-
6Speciale					-	-	-	-
6Aavanti					-	-	-	-
6Sereno					173,154.0	11,849.0	-	(5,800.0)
Primula					175,765.0	10,546.0	-	(6,400.0)
Top5					224,125.0	9,951.0	-	(8,200.0)
Top5 edition II					225,625.0	12,273.0	-	(10,500.0)
Total warrants	**-**				**798,669.0**	**44,619.0**	**11,169.4**	**(30,900.0)**
Total	**120,000.0**	**-**	**-**	**(885.1)**	**801,669.0**	**-110,202.7**	**11,169.4**	**(185,721.7)**

Receivables included in this category totalled €59,056 million at the end of the 2018 and regarded underwriting and capital calls on mutual investment funds for which the corresponding units have not yet been issued. At 31 December 2019, the units were issued and therefore, the receivables were settled.

With reference to the fair value level assigned to investments in this category, refer to the information provided in Annex 5 D.3, D.4, D.5 to these financial statements.

5. Sundry receivables

Sundry receivables amount to €136,096 thousand at the end of the period, up €3,527 thousand compared to 31 December 2018, when the figure was €132,569 thousand. The breakdown is as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Receivables arising from direct insurance transactions	33,368	28,213	5,155	18%
Receivables arising from reinsurance transactions	15,765	7,523	8,242	110%
Other receivables	86,963	96,833	(9,869)	(10%)
Total sundry receivables	**136,096**	**132,569**	**3,527**	**3%**

The carrying amount of trade receivables and other receivables is in line with their fair value. Trade receivables do not earn interest and are short-term.

With regard to amounts due from policyholders, the Group does not present any particular credit risk concentration since credit exposure is divided among a large number of counterparties.

Receivables arising from direct insurance transactions

At 31 December 2019, this item amounts to €33,368 thousand, compared with €28,213 thousand at the end of 2018, and consists of the following:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Due from policyholders	22,711	12,873	9,838	76%
Premiums receivable from agents	2,339	14,795	(12,456)	(84%)
Receivables arising from co-insurance agreements	8,318	546	7,772	1424%
Total	**33,368**	**28,213**	**5,155**	**18%**

Amounts due from policyholders, totalling €22,711 thousand, reflecting uncollected premiums due and payable on the basis of a prudent assessment.

Amounts due from policyholders include €13,099 thousand in uncollected non-life premiums for the year. The remaining €9,612 thousand regards life insurance premiums for the year and previous year that have yet to be collected at the end of the period.

Amounts due from brokers, totalling €2,339 thousand at the end of 2019 (€14,795 thousand at 31 December 2018), refer to premiums already collected during the last days of the year which, despite already having been collected by the agent at the end of the reporting period, were paid to the Company early in January 2020.

Amounts due for co-insurance agreements, amounting to €8,318 thousand (€546 thousand at 31 December 2018) mainly refer to amounts due from companies for co-insurance relations.

Receivables arising from reinsurance transactions

These receivables amount to €15,765 thousand at the end of the period, compared with €7,523 thousand at the end of the previous year.

This receivable consists of amounts to be recovered from reinsurers for claims and commissions.

Other receivables

Other receivables, amounting to €86,964 thousand at the end of 2019 (€96,833 thousand at 31 December 2018), consist of:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Due from policyholders for stamp duty	76,407	85,288	(8,881)	(10%)
Due from the Parent, Poste Italiane	798	810	(12)	(2%)
Due from other Group companies	1,671	2,905	(1,234)	(42%)
Sundry receivables	8,088	7,830	258	3%
Total	**86,964**	**96,833**	**(9,869)**	**(10%)**

Receivables for stamp duty (equal to €76,407 thousand at the end of 2019) refer for €12,812 thousand to the amount due from policyholders in relation to the tax referred to in art. 13, paragraph 2-*ter*, of the Tariff, part one, annexed to Presidential Decree no. 642/1972 for Class III policies and, for the remaining part, equal to €63,595 thousand, to the amount due from the tax authorities due to the excess of advances paid during 2019 with respect to the tax withheld on settlements for the year.

The item, “amounts due from the Parent Company Poste Italiane”, totalling €798 thousand, primarily regards invoices to be issued for secondments to the subsidiaries Poste Vita and Poste Assicura.

The item “amounts due from other Group companies”, amounting to €1,671 thousand, mainly refers to: i) receivables relating to the reversal of the cost of personnel seconded to Poste Italiane (€1,290 thousand); ii) receivables relating to personnel transferred to SDA (€1 thousand), Postel (€54 thousand), Poste Pay (€52 thousand) and Poste Air Cargo (€13 thousand) and iii) invoices to be issued to Postel (€212 thousand) and Poste Pay (€10 thousand) relating to the check-up and Flexible Benefit services offered by Poste Welfare Servizi.

The item “sundry receivables”, amounting to €8,088 thousand, mainly refers to: i) guarantee deposit paid for the lease of the Group’s headquarters, amounting to €2,984 thousand; ii) amounts due from customers, amounting to €1,409 thousand; iii) receivables relating to premiums collected still to be combined with the related policy for €1,323 thousand; iv) receivables from health funds for the portion not yet collected at the end of the period and relating to services provided by the subsidiary, Poste Welfare Servizi, totalling €1,261 thousand; and v) receivables relating to collateral of €1,020 thousand.

6. Other assets

Other assets totalled €2,760,990 thousand (€2,742,827 thousand at the end of 2018). The breakdown is as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Deferred acquisition costs	53,773	59,710	(5,937)	(10%)
Deferred tax assets	417,912	395,769	22,143	6%
Current tax assets	2,288,973	2,287,223	1,750	0%
Other assets	332	126	206	164%
Total	**2,760,990**	**2,742,827**	**18,163**	**1%**

Deferred acquisition costs, amounting to €53,773 thousand at the end of the period (€59,710 at 31 December 2018), include the unamortised portion of expenses relating to the pre-counted acquisition commissions of the FIP product (Individual Pension Schemes).

Deferred tax assets, amounting to €417,912 thousand, are calculated on the total amount of the temporary differences between the carrying amount of assets and liabilities in the financial statements and their respective tax value in accordance with IAS 12 and to the extent that their recovery is probable.

Changes in deferred tax assets recognised at 31 December 2019 are shown below:

(€k)	31/12/2019
Deferred tax assets at 31 December 2018	**395,769**
- change accounted for in the income statement	23,896
- change accounted for in equity	(1,753)
Deferred tax assets at 31 December 2019	**417,912**

Temporary differences with effect on profit loss mainly refer to the receivable with reference to the non-deductible portion pursuant to paragraph 1-*bis* of art. 111 of Presidential Decree no. 917/1986 (Consolidated Law on Income Tax, TUIR) of the change in the obligatory technical provisions relating to the life business, accrued from the 2010 tax period but recognised from 2018 onwards as a result of the change during the year in the methods for determining said receivable according to a calculation process now carried out on an individual policy, qualified as “changes in accounting estimates” in accordance with OIC 29.

The additional temporary differences that led to the recognition of the related deferred tax assets relate to provisions for risks, provisions relating to employees and adjustments made to the value of shares recorded under Current Assets of Poste Vita, as well as other negative income components the tax of which is to be allocated to subsequent years, such as impairment and losses on receivables and the non-deductible excess of the change in the outstanding claims provisions of Poste Assicura.

It should be noted that deferred tax assets and liabilities have been determined by applying the tax rates that are expected to apply in the year in which the asset will be realised, based on the information available at the end of the year.

Current tax assets, amounting to €2,288,973 thousand (€2,287,223 thousand at the end of 2018), mainly refer to: i) the tax receivable on the mathematical provisions pursuant to Law 191/2004 of Poste Vita, amounting to €2,273,757 thousand; ii) receivables for IRES and IRAP advances relating to tax year 2019, amounting to €991 thousand; iii) receivables for insurance tax advances, amounting to €10,679 thousand; and iv) other items amounting to €3,546 thousand, including €3,209 thousand for VAT advances.

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Tax credit on mathematical provisions under Law Decree 209/2002	2,273,757	2,139,915	133,842	6.3%
Payments on account for IRES and IRAP	991	139,382	(138,391)	(99.3%)
Payments on account of tax on insurance policies	10,679	6,282	4,397	70.0%
Other	3,546	1,643	1,903	115.8%
Total	**2,288,973**	**2,287,223**	**1,750**	**0.1%**

7. Cash and cash equivalents

Cash and cash equivalents at the end of the period total €1,160,373 thousand, compared to €1,574,065 thousand recorded at the end of the previous year.

The breakdown is as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Bank deposits	925,571	1,035,020	(109,449)	(11%)
Post office deposits	234,796	539,051	(304,255)	(56%)
Cash and cash equivalents	6	(6)	12	(209%)
Total	**1,160,373**	**1,574,065**	**(413,692)**	**(26%)**

This item includes short-term bank and postal deposits, money and revenue stamps. These are temporary financial assets, referring mainly to Separately Managed Accounts.

Liabilities

1. Equity

Equity amounts to €4,438,538 thousand at 31 December 2019, an increase of €487,227 thousand compared with the end of 2018. The change recorded during the period is mainly attributable to: i) net profit for the period of €729,756 million and ii) the increase in the valuation reserve for securities classified as FVOTCI (net of the ECL component) for €42,692 thousand and iii) distribution of retained earnings of €285,000 thousand to the shareholder Poste Italiane, in implementation of the shareholder resolution of 28 November 2019.

Changes in equity during the period are shown below:

(€k)	31/12/2018	allocation of 2018 profit	ECL Reserve	FVOCI Reserve	Other gains or losses recognised directly in equity	Dividend distribution	2019 profit	31/12/2019
Share capital	**1,216,608**							**1,216,608**
Revenue reserve and other equity reserves:	**1,732,649**	**1,003,488**			**0**	**(285,000)**	**-**	**2,451,138**
Legal reserve	142,260	29,045						171,305
Extraordinary reserve	648							648
Organisation fund	2,582							2,582
Consolidation reserve	426							426
Other provisions	8							8
Retained earnings	**1,586,725**	**974,444**			**0**	**(285,000)**		**2,276,168**
of which retained earnings	1,590,164	971,005				(285,000)		2,276,168
of which FTA Reserve	(3,439)	3,439						(0)
Reserve for financial assets at FVTOCI	**(1,382)**		**(56)**	**42,748**				**41,310**
of which - AFS/FVOCI Reserve	(2,331)			42,748				40,417
of which ECL Reserve	948		(56)					892
Other gains/losses recognised directly through equity	**(52)**				**(221)**			**(273)**
Net profit for the period	**1,003,488**	**(1,003,488)**					**729,756**	**729,756**
Total	**3,951,311**	**0**	**(56)**	**42,748**	**(221)**	**(285,000)**	**729,756**	**4,438,538**

The reconciliation of equity with profit for the period is shown below:

(€k)	Equity 31/12/2017	Net profit/ (loss) 31/12/2018	Changes in equity 31/12/2018	Equity 31/12/2018	Net profit/ (loss) 31/12/2019	Changes in equity 31/12/2019	Equity 31/12/2019
Italian GAAP financial statements	**2,906,101**	**580,802**	**(237,800)**	**3,249,102**	**952,782**	**(285,000)**	**3,916,884**
Valuation of financial assets	249,239	372,301	(3,380)	618,160	(275,641)	0	342,519
Measurement of FVTOCI financial assets less deferred policyholder liabilities	170,839	0	(170,025)	814	0	37,017	37,831
Actuarial gains/(losses) on employee benefits	(62)	0	(19)	(82)	0	(59)	(141)
Adjustments for deferred acquisition costs	0	0	0	0	0	0	0
Other minor adjustments	(126)	126	0	0	49	0	48
Parent Company's IAS/IFRS financial statements	**3,325,992**	**953,228**	**(411,224)**	**3,867,995**	**677,082**	**(248,042)**	**4,297,035**
Consolidated subsidiary's undistributable retained earnings	72,110	48,584	32	120,650	52,330	(155)	172,825
Balance of subsidiary's FVTOCI reserve	8,032	0	(10,228)	(2,197)	0	5,675	3,478
Measurement of investment using the equity method	(36,803)	1,676	(9)	(35,138)	326	(7)	(34,819)
Elimination of effects of intercompany transactions	1	0	0	1	19	0	20
IAS/IFRS consolidated financial statements	**3,369,331**	**1,003,488**	**(421,429)**	**3,951,311**	**729,756**	**(242,529)**	**4,438,538**

2. Provisions

At 31 December 2019, provisions amounted to €21,241 thousand (€10,600 thousand at the end of 2018) and include the amounts allocated to cover any liabilities in the year and/or in the quantum. The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

Composition (€k)	31/12/2019	31/12/2018	delta
Legal disputes	5,505	5,500	5
Tax disputes	2,451	2,800	(349)
Other liabilities	13,286	2,300	10,986
Total	**21,241**	**10,600**	**10,641**

The increase recorded during the period equal to €10,641 thousand is due to the following phenomena:

The increase of €10,641 thousand in the Provision for risks during the period is attributable to the following phenomena:

- provision for about €5,195 thousand following Intesa Sanpaolo'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 Sanpaolo Vita) and Poste Vita;
- provision of €4,957 thousand made following the extension by INPS to the Company of the application of the regulation on contributions for the loan of the family allowance (CUAF), for which reference is made to the paragraph "Other Information";
- provision for approximately €833 thousand relating to 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 €1,504 thousand. At the date of drafting of this document, the Company has already reactivated, after appropriate checks also with the competent authorities, three of the twelve positions for a total of approximately €670 thousand. An allocation of €833 thousand has therefore been set aside for the remaining positions, which will be progressively removed in line with the completion and outcome of the Company's verification activities.
- release of a portion of the provision related to the tax dispute for €349 thousand as further described in the paragraph "tax disputes" of the Consolidated Annual Report.

3. Technical provisions

Technical provisions at 31 December 2019 amount to €140,260,668 thousand, an increase of €15,114,565 thousand compared to the figure recorded at the end of the previous year, equal to €125,146,103 thousand, and are made up as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business:				
Premium reserve	101,020	83,260	17,761	21%
Outstanding claims provisions	105,644	99,956	5,688	6%
Other technical provisions	118	143	(25)	(17%)
Total Non-life business	**206,782**	**183,358**	**23,424**	**13%**
Life business:				
Mathematical provisions	123,820,022	119,416,284	4,403,738	4%
Technical provisions where investment risk is borne by policyholders	3,929,702	2,652,097	1,277,605	48%
Outstanding claims provisions	662,892	780,186	(117,294)	(15%)
DPL provisions	11,562,252	2,006,689	9,555,563	476%
Other technical provisions	79,018	107,489	(28,471)	(26%)
Total Life business	**140,053,886**	**124,962,745**	**15,091,141**	**12%**
Total	**140,260,668**	**125,146,103**	**15,114,565**	**12%**

Non-life technical provisions

The item, gross of outward reinsurance, consist of: the premium reserve of €101,020 thousand, outstanding claims provisions of €105,644 thousand and other technical provisions relating solely to the ageing reserve of €118 thousand. The latter provisions have been made in accordance with article 37, paragraph 8 of Legislative Decree no. 209 of 7 September 2005 and article 46 of ISVAP Regulation no. 16, based on a flat rate of 10% of gross premium revenue for the year from contracts of the type indicated in the Regulation.

Outstanding claims provisions include provisions for claims incurred but not reported (IBNR), amounting to €26,593 thousand.

Changes in the premium reserve and outstanding claims provisions reflect trends in premium revenue.

Life technical provisions

Contracts classified as "insurance contracts" and as "financial instruments with discretionary participation features" continue to be accounted for and measured on the basis of Italian GAAP, as established in paragraph 15 of IFRS 4. These provisions were subjected to a Liability Adequacy Test (LAT) in order to test the adequacy of net technical provisions with respect to "realistic" provisions, which reflect the present value of future cash flows, obtained by projecting expected cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of expiration (death, surrender, redemption, reduction) and the performance of claims expenses.

The results of the tests revealed that the technical provisions were adequate and did not need to be topped up. The outcome of the test, as described in the paragraph on "Risk management", revealed that the provisions accounted for in the financial statements are adequate.

Provisions for the Life classes total €140,053,886 thousand (€124,962,745 thousand at the end of 2018). These provisions are made to meet all of the Company's obligations and include mathematical provisions (€123,820,022 thousand), technical provisions for unit- and index-linked products (€3,929,702 thousand), outstanding claims provision (€662,892 thousand), Deferred Policyholder Liability (DPL) provisions made under the shadow accounting method, totalling €11,562,252 thousand, and other technical provisions (€79,018 thousand).

The item "Other reserves" of €79,018 thousand includes exclusively the reserve for future expenses (art. 31 ISVAP regulation no. 21/2008). The Deferred Policyholder Liability (DPL) provisions amounts to €11,562,262 thousand at 31 December 2019, a significant increase on the figure for the beginning of the year (€2,006,689 thousand). This reflects the increase in fair value resulting from the net recovery in financial markets with respect to the end of the previous year.

4. Financial liabilities

Financial liabilities break down as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Financial liabilities at fair value through profit or loss	885	155	730	n/s
Financial liabilities measured at amortised cost	279,933	1,020,440	(740,507)	(73%)
Total	**280,818**	**1,020,595**	**(739,777)**	**(72%)**

Financial liabilities measured at amortised cost, amounting to €279,933 thousand at 31 December 2019, include €251,373 thousand for a subordinated loan with indefinite maturity, remunerated at market conditions, regulated in accordance with the conditions set forth in art. 45, Chapter IV, Title III of Legislative Decree no. 209 of 7 September 2005 and subsequent amendments, contracted entirely by the Parent Company, Poste Vita, with the Parent Company, Poste Italiane, including the accrued interest expense on the above loans and €27,083 thousand in financial liabilities deriving from the application of IFRS 16, which represent the remainder of the lease payments to be settled at the end of the period.

The decrease of €740,507 thousand compared with the end of 2018 is primarily due to the redemption in May 2019 of the bond quoted on the Luxembourg Stock Exchange issued by Poste Vita in 2014.

Financial liabilities measured at fair value through profit or loss at 31 December 2019 of €885 thousand exclusively regard a forward sale transaction entered into for hedging purposes concluded in January 2020. The negative fair value on this transaction at the end of the period amount to €885 thousand.

5. Payables

Payables amount to €241,589 thousand at 31 December 2019 (€222,934 thousand at 31 December 2018). The following table shows a breakdown and movements with respect to the previous year:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Payables arising from direct insurance transactions	128,305	152,923	(24,618)	(16%)
Payables arising from reinsurance transactions	6,148	5,336	812	15%
Other payables	107,136	64,675	42,461	66%
Total	**241,589**	**222,934**	**18,655**	**8%**

Payables arising from direct insurance transactions:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Commissions payable to agents	116,608	146,661	(30,053)	(20%)
Due to policyholders	5,669	5,444	226	4%
Due to companies	6,028	819	5,209	636%
Total	**128,305**	**152,923**	**(24,618)**	**(16%)**

The item “Commissions payable to agents”, totalling €116,608 thousand (€146,661 thousand at 31 December 2018), refers almost exclusively to payables to the Parent Company, Poste Italiane, for commissions earned on the sale and maintenance of insurance products in late 2019 and to be settled in the first quarter of 2020.

Amounts due to policyholders, totalling €5,669 thousand (€5,444 thousand at 31 December 2018), mainly relate to payables to policyholders arising in the period for amounts collected that are subject to refund.

Amounts due for co-insurance agreements, amounting to €6,028 thousand (€819 thousand at 31 December 2018), refer almost exclusively to payables deriving from co-insurance relations.

Payables arising from reinsurance transactions

Amounts due to reinsurers at 31 December 2019 amount to €6,148 thousand (€5,336 thousand at 31 December 2018). This item includes amounts payable for outward premiums under reinsurance treaties in effect at the date of presentation of the financial statements and attributable to the fourth quarter of 2019.

Other payables

This item, totalling €107,136 thousand at the end of 2019 (€64,675 thousand at 31 December 2018), breaks down as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Due to suppliers	31,545	31,735	(189.9)	(0.6%)
Due to Poste Italiane Group suppliers	51,552	11,450	40,102.0	350.2%
Due to employees	8,863	6,492	2,370.6	36.5%
of which employee termination benefits (TFR)	3,218	2,883	334.6	11.6%
Due to MEF	131	4,000	(3,868.9)	(96.7%)
Payables for funds	14,611	9,986	4,625.0	46.3%
Sundry payables	434	1,011	(577.3)	(57.1%)
Total	**107,136**	**64,675**	**42,461.5**	**65.7%**

The item "amounts due to suppliers", amounting to €31,545 thousand, refers to trade payables for services provided by companies that do not belong to the Poste Italiane Group, for which the relevant invoice has not yet been received at the end of the year.

The item "amounts due to suppliers of the Poste Italiane Group" (€51,552 thousand) refers to: i) amounts due to the Parent Company, Poste Italiane (€40,187 thousand), primarily relating to the provision of IT services (€5,031 thousand), call centres (€653 thousand), and services relating to the service contract €1,434 thousand; secondments (€518 thousand); transfers of personnel (€28 thousand); compensation of corporate bodies (€674 thousand); other expenses related to employees (€326 thousand) and, finally, payables for commissions (€31,102 thousand); ii) amounts due to other companies in which Poste Italiane has an interest, mainly for services provided by Postel (€3,871 thousand), PostePay (€180 thousand), Consorzio Logistica Pacchi (€4 thousand), EGI (€43 thousand) and BancoPosta Fondi SGR (€2,188 thousand) and Anima SGR (€4,501 thousand), staff secondments to Poste Pay (€2 thousand) and Poste Air Cargo (€28 thousand) and, finally, staff transfers to Postepay (€36 thousand).

For further details on the nature of these services, refer to the paragraph "intercompany relations".

Payables for funds, amounting to €14,611 thousand, payables for commissions to be paid to internal fund managers of €11,980 thousand and €2,631 thousand refer to payables for funds acquired and not yet settled at the end of 2019.

The amount due to the MEF, amounting to €131 thousand, refers to the amounts to be paid to the Fund set up with the MEF and relating to policies prescribed after 28 October 2008, the date of entry into force of Law 166/2008, which introduced rules on "dormant policies". This payable will be settled in May 2020.

In accordance with the provisions of IVASS, contained in Regulation no. 7, the liability relating to employee termination benefits has been entered under "other payables".

In view of the international accounting standards, and with respect to the indications provided by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), employee termination benefits have been considered a defined benefit plan.

The actuarial valuation of employee termination benefits was carried out in accordance with the accrued benefits method using the Projected Unit Credit (PUC) method, as required by paragraphs 64-66 of IAS 19.

Under this method, vested benefits are measured in proportion to the service rendered at the valuation date, considering each period of service as a source of an additional unit of benefit entitlement and measuring each unit separately for the purpose of calculating the final obligation.

In order to determine the present value of the defined benefit obligation and the related current service cost, the benefits of the Plan have been attributed to the periods of service according to the formula set out in the Fund regulations. This obligation arises when employees render their services in exchange for post-employment benefits that the Company expects to pay in future years. The expected benefits were then discounted to the valuation date using the assumed discount rate.

Actuarial gains or losses arise from the change and assumptions adopted or from changes in the population during the period observed as illustrated below. In accordance with IAS 19, actuarial gains and losses are recognised through Other Comprehensive Income (OCI).

The interest component for the year 2019 is recorded under finance costs, while the other components of the provision for the year have been recorded under personnel expenses.

The changes during the year are shown below:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Carrying amount at the beginning of the period*	**2,883**	**2,681**	**202**	**8%**
Service Cost	207	226	(19)	(8%)
Interest cost	35	33	2	7%
Benefits paid	(125)	(88)	(37)	42%
Transfers in/(out)	(72)	50	(122)	(245%)
Actuarial (Gains)/Losses	290	(18)	308	(1706%)
Carrying amount at the end of the period	**3,218**	**2,883**	**335**	**12%**

The actuarial gains recorded during the period are the sum of the following components:

Details of actuarial gains/losses	31/12/2019
Actuarial gains/(losses) due to movements in the relevant population	5
Actuarial gains/(losses) due to changes in financial assumptions	286
total	**291**

The main actuarial assumptions applied in the calculation of employee termination benefits at 31 December 2019 can be detailed as follows and compared with the assumptions adopted at the end of 2018:

Economic and financial assumptions	31/12/2019	31/12/2018
Discount rate	1.250%	1.250%
Inflation rates	1.500%	1.500%
Nominal rate of future salary increases	N/A	0% - 2.346%
Date of survey of participants	01/12/2019	01/12/2018

Demographic assumptions	31/12/2019
Mortality	ISTAT 2018 differentiated by gender
Disability	INPS 1998 differentiated by gender
Rate of employee turnover	1% p.a. for all ages
Advance rate	2% p.a. for all ages
Pensionable age	In accordance with INPS

6. Other liabilities

These liabilities amount to €1,005,216 thousand at the end of 2019 compared to €882,452 thousand at the end of the previous year and are detailed in the following table:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Deferred tax liabilities	182,328	288,901	(106,573)	(37%)
Current tax liabilities	815,331	587,222	228,109	39%
Other liabilities	7,557	6,329	1,228	19%
Total	**1,005,216**	**882,452**	**122,764**	**14%**

The table below shows the changes in the payable for "Deferred tax liabilities" recognised at 31 December 2019:

Dettaglio utili/perdite attuariali	31/12/2019
Deferred tax liabilities at 31 December 2018	**288,901**
- change accounted for in the income statement	(123,058)
- change accounted for in equity	16,485
Deferred tax liabilities at 31 December 2019	**182,328**

With regard to temporary differences with effect on profit or loss, these mainly relate to the higher finance income recognised in accordance with IAS/IFRS in the financial statements of Poste Vita, compared with as determined in accordance with tax regulations. With regard to temporary differences recognised directly in equity, these mainly relate to the fair value measurement of available-for-sale (AFS) financial assets of Poste Vita and Poste Assicura.

The item "Current tax liabilities" amounts to €815,331 thousand at 31 December 2019 (€587,222 thousand at 31 December 2018).

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Advance payment in relation to reserve for Law Decree 209/2002	487,135	517,781	(30,646)	(6%)
Stamp duty payable	12,812	9,080	3,732	41%
Withholding tax payable on individual pension plans (FIP) and on Life policies	35,441	46,997	(11,556)	(25%)
Current tax expense	276,549	5,719	270,830	4735%
Other	3,394	7,645	(4,251)	(56%)
Total	**815,331**	**587,222**	**228,109**	**39%**

The item mainly refers to the tax on mathematical provisions of €487,135 thousand pertaining to 2019, and to the tax payable for stamp duty estimated at 31 December 2019 on financial policies in the life classes III and V, for a total of €12,812 thousand.

The payable for withholding and substitute taxes on capital paid on life insurance policies and FIP recorded at 31 December 2019 amounts to €35,441 thousand and refers to taxes for the month of December that will be paid in the following month.

The item Current tax liabilities of €276,549 thousand refers to IRES and IRAP taxes payable, including €211,446 thousand due to the Parent Company, Poste Italiane, under the tax consolidation arrangement.

Other liabilities

Other liabilities amounted to €7,757 thousand at 31 December 2019 (€6,329 thousand at 31 December 2018), and mainly refer to amounts due to personnel for remuneration and holidays not taken.

Part D – Notes to the consolidated income statement

1.1 Net premium revenue

Consolidated net premium revenue amounts to €17,912,911 thousand, up €1,192,620 thousand on the €16,720,291 thousand of the previous year.

Gross premium revenue amounts instead to €17,972,287 thousand, an increase of 7% compared to 31 December 2018 (€16,797,067 thousand). Total outward premiums amount to €39,639 thousand at 31 December 2019, compared to €55,026 thousand at 31 December 2018.

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Gross life premium revenue	17,732,075	16,609,903	1,122,172	7%
Gross non-life premium revenue	240,212	187,164	53,048	28%
Total gross premium revenue	**17,972,287**	**16,797,067**	**1,175,220**	**7%**
Change in gross premium reserve	(17,761)	(19,007)	1,246	(7%)
Gross premium revenue	**17,954,526**	**16,778,060**	**1,176,466**	**7%**
Outward life reinsurance premiums	(12,399)	(17,645)	5,246	(30%)
Outward non-life reinsurance premiums	(27,240)	(37,381)	10,141	(27%)
Total outward reinsurance premiums	**(39,639)**	**(55,026)**	**15,387**	**(28%)**
Change in share of premium reserve attributable to reinsurers	(1,976)	(2,743)	767	(28%)
Outward reinsurance premiums	**(41,615)**	**(57,769)**	**16,154**	**(28%)**
Total net premium revenue for the year	**17,912,911**	**16,720,291**	**1,192,620**	**7.1%**

All gross premium revenue attributable to the Insurance Group's portfolio falls within the scope of application of IFRS 4.

1.2 Fee and commission income

Fee and commission income is generated from the management of internal funds related to unit-linked products and amounts to €37,536 thousand, an increase of €17,693 thousand compared with 2018 (€19,844 thousand) as a result of the increase in assets under management.

1.3 Net income from financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss generated net income of €2,551,640 thousand, a significant increase compared with the net loss of €914,488 thousand in 2018. The increase in this item is due to the net recovery of the financial markets recorded in 2019, which resulted in the recording of net unrealised gains of €2,101,472 thousand compared to net unrealised losses of €1,501,650 thousand recorded in 2018.

31/12/2019 (€k)	Interest	Other income and expenses	Net realised gains	Net unrealised gains	Total income and expenses
From financial assets measured at fair value through profit or loss	46,061	337,797	66,310	2,101,472	2,551,640
31/12/2018 (€k)					
From financial assets measured at fair value through profit or loss	81,689	521,574	(16,101)	(1,501,650)	(914,488)
Increase/(decrease)	**(35,628)**	**(183,777)**	**82,411**	**3,603,122**	**3,466,128**

1.4 - 1.5 - 2.4 Net income from investments in subsidiaries, associates and joint ventures, from other financial instruments and investment property

This item totals €2,679,118 thousand, compared with €2,815,858 thousand at 31 December 2018, and consists of the following:

Finance income/costs 31/12/2019 (€k)	Interest	Other income and expenses	Total ordinary income	Realised gains/ (losses)	Unrealised gains/(losses)	Total income and expenses 2019
From financial assets measured at fair value through other comprehensive income	2,322,426	(4,995)	2,317,432	129,566	3,981	2,450,979
From financial assets measured at amortised cost	285,001		285,001		(87)	284,914
Income from cash and cash equivalents	(40,817)		(40,817)		13	(40,804)
From other financial liabilities measured at amortised cost	(16,320)		(16,320)			(16,320)
From investments in associates					350	350
Total	**2,550,290**	**(4,995)**	**2,545,296**	**129,566**	**4,256**	**2,679,118**

Finance income/costs 31/12/2018 (€k)	Interest	Other income and expenses	Total ordinary income	Realised gains/ (losses)	Unrealised gains/(losses)	Total income and expenses 2018
From financial assets measured at fair value through other comprehensive income	2,221,847	(3,692)	2,218,155	220,272	1,881	2,440,308
From financial assets measured at amortised cost	411,365		411,365		(49)	411,315
Income from cash and cash equivalents	(6,868)		(6,868)			(6,868)
From other financial liabilities measured at amortised cost	(29,090)		(29,090)			(29,090)
From investments in associates					194	194
Total	**2,597,253**	**(3,692)**	**2,593,561**	**220,272**	**2,025**	**2,815,858**
Increase/(decrease)	**(46,963)**	**(1,303)**	**(48,266)**	**(90,706)**	**2,231**	**(136,741)**

Net income from investments classified as financial assets through other comprehensive income amount to €2,450,979 thousand, slightly up compared to the figure recorded in 2018 (equal to €2,440,308 thousand) mainly due to the increase in ordinary fees as a result of the growth of the portfolio only partially offset by the reduction in net realised gains from €220,272 thousand recorded in 2018 to the current €129,566 thousand. In the same period, there was a decrease in net income from financial assets measured at amortised cost, which went from €411,315 thousand at the end of 2018 to the current €284,914 thousand.

The remainder of net expenses totalling €56,775 thousand (€35,765 thousand at 31 December 2018) relates primarily to interest expense accrued on subordinated debt, totalling €16,320 thousand, and fee and commission expenses payable to the Parent Company, Poste Italiane, on ancillary own funds, totalling €39,385 thousand.

1.6 Other revenue

This item amounts to €12,473 thousand at 31 December 2019 (€14,575 thousand at 31 December 2018) and mainly refers to: i) revenue from ordinary operations of Poste Welfare Servizi Srl for €10,112 thousand; ii) the reversal of commissions relating to previous years for €605 thousand; and iii) the recovery of expenses relating to employees and lease of the company headquarters for €917 thousand.

2.1 Net claims expenses

Total claims expenses, net of outward reinsurance, total €21,478,393 thousand, compared with €17,125,127 thousand in the previous year.

Total claims paid, including allocated settlement costs and the change in technical provisions, amount to €21,490,825 thousand at 31 December 2019, compared to €17,146,729 thousand for 2018. The breakdown is as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business				
Claims paid	59,432	30,980	28,452	92%
Change in outstanding claims provisions	5,625	4,099	1,526	37%
Change in other technical provisions	(25)	(31)	6	(18%)
Costs for settling claims	3,004	4,904	(1,900)	(39%)
Total Non-life business	**68,036**	**39,953**	**28,083**	**70%**
Life business				
Claims paid	13,849,735	10,883,104	2,966,631	27%
Change in mathematical provisions	4,424,542	8,417,430	(3,992,888)	(47%)
Change in technical provisions where the investment risk is borne by policyholders and deriving from pension fund management	1,277,604	(877,996)	2,155,600	n/s
Change in other technical provisions	1,861,461	(1,328,466)	3,189,927	n/s
Costs for settling claims	9,447	12,704	(3,257)	(26%)
Total Life business	**21,422,789**	**17,106,776**	**4,316,013**	**25%**
Total claims paid and change in technical provisions	**21,490,825**	**17,146,729**	**4,344,096**	**25%**

The share attributable to reinsurers' totals €12,432 thousand compared to €21,602 thousand in the previous year and is broken down as follows:

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business				
Claims paid	10,436	9,597	839	8.7%
Change in outstanding claims provisions	(4,912)	2,333	(7,245)	(310.6%)
Change in other technical provisions				
Costs for settling claims	210	334	(124)	(37.2%)
Total Non-life business	**5,734**	**12,264**	**(6,530)**	**(53.2%)**
Life business				
Claims paid	14,436	7,402	7,034	95.0%
Change in outstanding claims provisions	829	(517)	1,346	n/s
Change in mathematical provisions	(8,571)	2,438	(11,009)	n/s
Costs for settling claims	4	15	(11)	(72.6%)
Total Life business	**6,698**	**9,338**	**(2,640)**	**(28.3%)**
Total claims paid and change in technical provisions	**12,432**	**21,602**	**(9,170)**	**(42.5%)**

2.5 Operating expenses

Operating expenses amount to €534,094 thousand at the end of the period, up from €505,227 thousand at the end of 2018.

The following table shows a breakdown of operating expenses by business (Life or Non-life):

(€k)	31/12/2019	31/12/2018	Increase/(decrease)	
Non-life business				
Commissions and other acquisition costs:	46,859	36,499	10,359.7	28.4%
Acquisition commissions	42,867	32,244	10,623.4	32.9%
Other acquisition costs	3,992	4,256	(263.7)	(6.2%)
Commissions and share of profits received from reinsurers	(11,234)	(19,864)	8,630.0	(43.4%)
Total Non-life business	**35,625**	**16,635**	**18,989.6**	**114.2%**
Life business				
Commissions and other acquisition costs:	27,341	383,700	(356,359.3)	(92.9%)
Acquisition commissions	343,245	343,719	(474.3)	(0.1%)
Other acquisition costs	27,341	39,981	(12,640.0)	(31.6%)
Commissions and share of profits received from reinsurers	(3,903)	(2,022)	(1,881.3)	93.1%
Total Life business	**366,683**	**381,679**	**(14,995.6)**	**(3.9%)**
Investment management expenses	**41,323**	**42,805**	**(1,482.2)**	**(3.5%)**
Other administrative expenses	**90,463**	**64,108**	**26,355.1**	**41.1%**
Total operating expenses	**534,094**	**505,227**	**28,867**	**5.7%**

Acquisition commissions, net of the change in unamortised commissions, totalling €386,112 thousand at 31 December 2019 (€375,963 thousand at 31 December 2018) reflect commissions related to the sale of insurance products. Commissions relating to long-term contracts are amortised in accordance with ISVAP Regulation 22 of 4 April 2008. The decrease on the comparable amount for the previous year is due mainly to the decline in premium revenue. Commissions are set on the basis of written arm's length agreements entered into with the Parent Company, Poste Italiane SpA.

Other acquisition costs, amounting to €31,333 thousand (€44,237 thousand at 31 December 2018), include expenses arising from the sale of insurance policies, other than acquisition commissions. Specifically, this sub-item includes advertising expenses incurred to market insurance products, administrative expenses incurred in handling applications and drawing up policies, as well as employee expenses allocated, in whole or in part, to operational units or operations.

Commissions and share of profit received from reinsurers, amounting to €15,137 thousand (€21,886 thousand at 31 December 2018) include commissions paid to the Company by reinsurers, calculated on the share of outward premiums under the relevant treaties.

Costs not (directly or indirectly) attributable to the acquisition of premiums and contracts, to the settlement of claims or to investment management represent other administrative expenses and total €90,463 thousand for 2019, compared with €64,108 thousand in 2018.

Investment management expenses amount to €41,323 thousand at the end of the period, compared to €42,805 for 2018. These include portfolio management fees of €27,364 thousand, fees for the custody of securities of €2,354 thousand, and overheads of €11,605 thousand allocated to this item.

2.6 Other costs

This item amounts to €153,346 thousand at the end of the period, compared to €106,422 thousand for the previous year and relates mainly to:

- maintenance commissions paid to the Parent Company, Poste Italiane for €96,478 thousand;
- the reversal of premiums related to previous years for €23,438 thousand;
- substitute tax of €19,188 thousand payable on revaluations of mathematical provisions for pension products;
- the provision for risks and charges made during the period for €10,986 thousand as detailed in the relevant section of this document.

3. Income tax expense

Taxes for the year recorded in profit or loss are a net income of €297,164 thousand. They consist of current IRES and IRAP taxes of €444,119 thousand, in addition to net tax income related to the net change in deferred tax assets and liabilities totalling €146,955 thousand.

Dettaglio utili/perdite attuariali	31/12/2019
Current tax expense	**444,119**
- IRES	350,278
- IRAP	93,841
Deferred tax liabilities:	**(146,955)**
- deferred tax liabilities arising during the year	24
- deferred tax liabilities used during the year	(123,082)
- deferred tax assets arising during the year	(27,991)
- deferred tax assets used during the year	4,095
Total	**297,164**

The table below reconciles the effective tax charge and the tax charge resulting from application of the IRES nominal rate of 24%. No account was taken of IRAP, considering that the tax base for this tax is different from that on which IRES is calculated.

	31/12/2019	
(€k)	Amount	Rate
Profit before tax	**1,026,920**	
Income tax based on statutory tax rate (only IRES at 24%)	246,461	24.00%
Non-deductible interest expense	165.7	0.02%
Non-deductible extraordinary expenses	565	0.06%
Tax free dividends	(163)	(0.02%)
Deduction of IRAP from IRES	(407)	(0.04%)
ACE (aid for economic growth) relief	(5,404)	(0.53%)
Other	(10,960)	(1.07%)
Corporate income tax (IRES)	**230,258**	**22.42%**
IRAP (regional business tax)	**66,906**	**6.52%**
Income tax benefit for the period	**297,164**	**28.94%**

The item "Other" is mainly affected by the income of €10,877 thousand recognised in Poste Vita's profit or loss deriving from the higher amount of deferred tax assets recognised on the non-deductible portion pursuant to paragraph 1-*bis* of art. 111 of Presidential Decree no. 917/1986 (Consolidated Law on Income Tax, TUIR) of the change in the obligatory technical provisions relating to the life business following the policy-by-policy calculation of the "Universo" portfolio management system, compared with the increase in taxable income for IRES for the purposes of determining current taxes for the year.

Strategic direction and coordination

The Parent Company, Poste Vita, is wholly owned by Poste Italiane SpA, which directs and coordinates the Group. The main figures of the Parent Company shown in the financial statements for the year ended 31 December 2018 are as follows.

Reference should be made to the financial statements of Poste Italiane SpA which, together with the independent auditors' report, are available in the forms and manner required by law.

Key figures of the Annual Financial Statements of Poste Italiane SpA

STATEMENT OF FINANCIAL POSITION
(€k)

ASSETS	31 December 2018	31 December 2017
Non-current assets	59,042,766	56,567,289
Current assets	21,143,039	19,241,304
Non-current assets held for sale	1	-
TOTAL ASSETS	**80,185,806**	**75,808,593**

EQUITY AND LIABILITIES	31 December 2018	31 December 2017
Equity		
Share capital	1,306,110	1,306,110
Reserves	1,545,714	1,431,627
Retained earnings	2,606,923	2,774,353
Total	5,458,747	5,512,090
Non-current liabilities	10,937,793	7,705,623
Current liabilities	63,789,266	62,590,880
TOTAL EQUITY AND LIABILITIES	**80,185,806**	**75,808,593**

STATEMENT OF PROFIT OR LOSS FOR THE YEAR (€k)	Esercizio 2018	Esercizio 2017
Revenue from sales and services	8,418,637	8,060,293
Other income from financial activities	418,411	645,722
Other operating income	452,027	584,162
Total revenue	**9,289,075**	**9,290,177**
Cost of goods and services	1,725,383	1,665,585
Expenses from financial activities	50,290	40,429
Personnel expenses	5,946,572	5,877,140
Depreciation, amortisation and impairments	473,835	480,482
Capitalised costs and expenses	(12,480)	(12,220)
Other operating costs	305,943	459,126
Impairment loss/(reversal) on debt instruments, receivables and other assets	21,563	
Operating profit/(loss)	**777,969**	**779,635**
Finance costs	69,964	67,463
Finance income	44,291	42,999
Impairment loss/(reversal) on financial assets	19,878	82,280
Profit before tax	**732,418**	**672,891**
Income tax expense	148,652	55,926
Profit for the year	**583,766**	**616,965**

Part E – Other information

Information on related party transactions

Transactions between the Parent Company, Poste Vita SpA, and its subsidiaries, Poste Assicura SpA, and Poste Welfare Servizi Srl, as well as transactions with the newly established Poste Insurance Broker, have been eliminated from the consolidated financial statements as part of the operation of elision of intra-group relations and, therefore, are not highlighted in this paragraph and are mainly related to reports on the secondment of staff, leasing of premises and organisation of space, administration, support, IT assistance, management of claims paid.

Below are the balances of commercial and financial transactions between Group companies, including the Parent Company, and internal and external related parties.

Internal related parties

Related party (€k)	31/12/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Associate	139,003	41	139,003	93
Other related parties	963,807	632,136	1,267,565	420,414
Total	**1,102,810**	**632,177**	**1,406,568**	**420,507**

Internal related parties

Related party (€k)	31/12/2019		31/12/2018	
	Income	Costs	Income	Costs
Associate	350	364	431	376
Other related parties	19,756	575,234	19,360	492,355
Total	**20,106**	**575,598**	**19,791**	**492,731**

"Internal related parties" means the companies that are part of the Poste Italiane Group.

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

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

- the sale and distribution of insurance products at Post Offices and related activities;
- Post Office current accounts;
- partial secondment of personnel used by the Company;
- support in organising the business and in the recruitment and management of personnel;
- the pick-up, packaging and shipping of ordinary mail;
- call centre services;
- Term Life Insurance policies;
- Procurement of goods and services.

In addition, at 31 December 2019, the Parent Company had subscribed subordinated loans issued by the Company for a total of €250 million, remunerated at market conditions reflecting the creditworthiness of the insurance company.

At 31 December 2019, assets include the value of the investment held in the associate Europa Gestioni Immobiliari SpA (EGI) for €139,003 thousand and income includes the profit recorded by the associate for the current year equal to €350 thousand.

In addition to relations with the Parent Company, Poste Italiane, Poste Vita Group companies also have operating relations with other Poste Italiane Group companies, with particular reference to:

- management of the Company's free capital and part of the investments in the portfolio of the Separately Managed Accounts (BancoPosta Fondi SGR, Anima SGR);
- printing, enveloping and delivery of mail via information systems, management of incoming mail, dematerialisation and archiving of paper documents (Postel);
- shipping services (SDA Express Courier);
- mobile phone services and software rental (PostePay);
- term life insurance (TCM) policies (Postel, EGI, PostePay, Mistral Air, Poste Tributi) and accident policies (BancoPosta Fondi SGR);
- services related to electricity utility (EGI).

These types of transactions are also regulated on an arm's length basis. The description of these transactions is detailed in the Notes.

Below is a table summarising transactions with external related parties at 31 December 2019:

External related parties

Related party (€k)	31/12/2019	
	Assets	Liabilities
Other related parties	559,596	528
Total	**559,596**	**528**

External related parties

Related party (€k)	31/12/2019	
	Income	Costs
Other related parties	18,634	3,634
Total	**18,634**	**3,634**

With regard to "external related parties", assets totalling €559,596 thousand at the end of 2019 include only the balance of unquoted securities issued by the Cassa Depositi e Prestiti Group.

Liabilities at the end of 2019, totalling €528 thousand, include: i) payables to Fondo Pensione Poste (€214 thousand) and to Fondo Previndai (€173 thousand); ii) payables to the MEF for dormant policies (€131 thousand) and iii) payables to Eni for energy supplies (€10 thousand).

Income totalling €18,634 thousand in 2019 includes: i) finance income from CDP securities (€15,283 thousand) and ii) premiums of €3,351 thousand received from the Poste Vita Supplementary Healthcare Fund for insurance cover offered by Poste Vita Group companies.

Expenses totalling €3,634 thousand at the end of 2019 mainly include: i) the cost of renting the application with Bloomberg for €1,633 thousand; ii) the cost of the company's contributions to Fondo Poste of €579 thousand and to Fondo Previndai of €487 thousand; iii) the cost of profit sharing paid to the Enel Group (€328 thousand), under the term life insurance (TCM) policy signed with the Parent Company, Poste Vita; iv) the cost of utilities and fuel for employees paid to ENI (€155 thousand); v) the cost of leases payable and property users with Eur Tel (€92 thousand) and vi) the cost of dormant policies with the MEF (€129 thousand).

Human resources

The number of direct employees at 31 December 2019 was 550 (expressed in full time equivalent), down from the number at 31 December 2018 (553) in line with the centralisation measures described above.

Workforce Breakdown	31/12/2019	31/12/2018	Variazione
Executives	33	35	(2)
Middle managers	234	206	29
Operational staff	275	308	(33)
Personnel on fixed-term contracts	8	4	4
Direct employees	**550**	**553**	**(3)**

In line with the previous year, with a view to exploiting potential synergies within the Poste Italiane Group, and with the aim of ensuring an increasingly effective response to the needs of the business and the Group's principal market, during the year, the Parent Company, Poste Vita, began the process of redesigning and streamlining its operating model in order to boost efficiency. Therefore, similarly to as already done for the Communications, Commercial (for the part relating to technical training support for the sales network) and Purchasing (for the part of activities related to the procurement of goods and services) functions, and partially for the Anti-Money Laundering function, the process of centralising the Information Systems function at the Parent Company, Poste Italiane, was launched in November. This centralisation took place on 1 March 2020, upon completion of the sale of the business unit.

Disclosure of fees paid to the independent auditors and for services other than audit

In compliance with the provisions of art. 149-*duodecies* of the CONSOB Issuer Regulations, the fees for the year for the statutory audit of the separate and consolidated financial statements, entrusted to BDO Italia SpA, amount to €163 thousand. Also reported are the fees for services relating to the audit of the Separately Managed Account (€67 thousand), the review of compliance with the annual accounts of internal insurance funds (€166 thousand) and the statutory audit of the investee company, Poste Assicura SpA (€266 thousand) and the audit of the subsidiary Poste Welfare Servizi Srl (€25 thousand) and the audit of the subsidiary Poste Insurance Broker Srl (€25 thousand), are entrusted to the independent auditors PricewaterhouseCoopers SpA.

Events after 31 December 2019

The recent pandemic spread of Covid-19, first in China, then in our country, and its worldwide extension will have economic and financial repercussions on all areas of operations. The event has generated a series of limitations in daily activities and has led the Poste Vita Group to adopt measures to preserve and safeguard collective health while ensuring the normal course of business.

At this stage, in the context of a clear general uncertainty about the duration of the epidemic and its economic effects on the economy in general and the specific sector concerned, and 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 these financial statements, which therefore does not require modifications.

It should be noted that the Poste Vita Group and the Group to which it belongs have immediately implemented all the business continuity plans, with the aim of guaranteeing the operations of the company and its distribution network and safeguarding its financial and capital soundness.

Although there are no critical issues and impacts on the Group's ability to continue as a going concern, the tense situation on the financial markets that the Group is experiencing has different characteristics from those that occurred in the past.

In fact, restricting the movement of citizens is reducing the flow of financial product revenue. In relation to this, the Parent Company, Poste Vita, has therefore decided to sell two securities belonging to the fixed assets segment, before their natural maturity, in order to meet the liquidity requirements that could be created in the scenario of total zero premium revenue in the coming months. Both securities selected have a maturity of less than one year (September 2020 and March 2021) and therefore show a low contribution to the performance of the Separately Managed Account during 2020. In addition, the short-term maturity makes them slightly or not sensitive to the volatility of financial markets. This sale does not involve changes to the qualitative/quantitative characteristics of the Company's portfolio as the amount of the sale is equal to approximately 1% of the carrying amount of class C.

In addition, it should be noted that the Poste Vita Group will continue to monitor developments on a daily basis in order to assess the potential effects on its operations and adopt any necessary measures.

Rome, 25 March 2020

The Board of Directors

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3. Annexes

Details of other components of comprehensive income

	Changes		Adjustments due to reclassification to profit or loss	
	31-12-2019	31/12/18	31-12-2019	31/12/18
Other components of comprehensive income that will not be reclassified to profit or loss	(212)	11	-	-
Reserve for changes in subsidiaries' equity	-	-	-	-
Revaluation reserve for intangible assets	-	-	-	-
Revaluation reserve for tangible assets	-	-	-	-
Income and expenses from non-current assets and disposal groups held for sale	-	-	-	-
Actuarial gains and losses and adjustments related to defined-benefit plans	(212)	11	-	-
Gains or losses on equity instruments designated at fair value through other comprehensive income	-	-	-	-
Change in own credit rating for financial liabilities designated at fair value	-	-	-	-
Other items	-	-	-	-
Other components of comprehensive income that may be reclassified to profit or loss	43,896	(32,995)	(1,204)	(6,605)
Reserve for currency translation differences	-	-	-	-
Gains or losses on available-for-sale financial assets	43,896	(32,995)	(1,204)	(6,605)
Gains or losses on cash flow hedges	-	-	-	-
Gains or losses on hedges of a net investment in foreign operations	-	-	-	-
Change in equity of investees	-	-	-	-
Profits and losses on non-current assets or disposal groups held for sale	-	-	-	-
Reclassification in accordance with overlay approach (*)	-	-	-	-
Other items	-	-	-	-
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	43,684	(32,984)	(1,204)	(6,605)

(€000)

Other changes		Total changes		Tax		Balance	
31-12-2019	31/12/18	31-12-2019	31/12/18	31-12-2019	31/12/18	31-12-2019	31/12/18
-	-	(212)	11	-	-	(264)	(52)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(212)	11	-	-	(264)	(52)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(140,653)	42,692	(180,254)	18,308	(17,617)	41,310	(1,383)
-	-	-	-	-	-	-	-
-	-	42,692	(180,254)	18,308	(17,617)	41,310	(1,383)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(140,653)	42,480	(180,242)	18,308	(17,617)	41,046	(1,434)

Stato Statement of financial position by operating segment

		Non - Life Business			
		At 31 December 2019		At 31 December 2018	
1	**INTANGIBLE ASSETS**	**1**	**12,516**	**31**	**9,404**
2	**TANGIBLE ASSETS**	**2**	**5,928**	**32**	**3,321**
3	**TECHNICAL PROVISIONS CEDED TO REINSURERS**	**3**	**27,109**	**33**	**34,099**
4	**INVESTMENTS**	**4**	**372,436**	**34**	**292,148**
4.1	Investment property	5	-	35	-
4.2	Investments in subsidiaries, associates and joint ventures	6	-	36	-
4.3	Financial assets measured at amortised cost	7	144,149	37	112,205
4.4	Financial assets measured at fair value through other comprehensive income	8	226,445	38	178,744
4.5	Financial assets measured at fair value through profit or loss	9	1,242	39	1,198
4.5.1	Financial assets held for trading		-		-
4.5.2	Financial assets designated at fair value		-		-
4.5.3	Financial assets measured at fair value through profit or loss	10	1,242	40	1,198
5	**SUNDRY RECEIVABLES**	**11**	**34,273**	**41**	**15,021**
6	**OTHER ASSETS**	**12**	**15,095**	**42**	**11,871**
6.1	Deferred acquisition costs	13	-	43	-
6.2	Sundry assets	14	15,095	44	11,871
7	**CASH AND CASH EQUIVALENTS**	**15**	**25,140**	**45**	**24,241**
	TOTAL ASSETS	**16**	**492,497**	**46**	**390,105**
1	**EQUITY**				
2	**PROVISIONS**	**18**	**-**	**48**	**-**
3	**TECHNICAL PROVISIONS**	**19**	**206,782**	**49**	**183,358**
4	**FINANCIAL LIABILITIES**	**20**	**3,150**	**50**	**-**
4.1	Financial liabilities measured at fair value through profit or loss	21	-	51	-
4.1.1	Financial liabilities held for trading		-		-
4.1.2	Financial liabilities designated at fair value		-		-
4.2	Financial liabilities measured at amortised cost	22	3,150	52	-
5	**PAYABLES**	**23**	**52,165**	**53**	**17,188**
6	**OTHER LIABILITIES**	**24**	**8,633**	**54**	**10,256**
	TOTAL EQUITY AND LIABILITIES				

(€000)

Life Business				Intersegment eliminations		Total			
At 31 December 2019		At 31 December 2018		At 31 December 2019	At 31 December 2018	At 31 December 2019		At 31 December 2018	
1	39,154	31	38,753	-	-	1	51,670	31	48,157
2	34,268	32	8,489		-	2	37,453	32	11,810
3	30,519	33	38,262		-	3	57,628	33	72,361
4	141,721,119	34	126,409,155	(49,696)	(49,096)	4	142,043,859	34	126,652,207
5	-	35	-		-	5	-	35	-
6	156,392	36	156,049	(49,696)	(49,096)	6	107,296	36	106,953
7	1,700,976	37	1,471,929	-	-	7	1,845,126	37	1,584,135
8	102,240,062	38	94,968,546	-	-	8	102,466,507	38	95,147,290
9	37,623,689	39	29,812,630		-	9	37,624,930	39	29,813,829
	32,713,346		26,682,261		-		32,713,346		26,682,261
	-		-		-		-		-
10	4,910,343	40	3,130,369		-	10	4,911,585	40	3,131,568
11	119,366	41	126,580	(17,543)	(9,032)	11	136,096	41	132,569
12	2,745,896	42	2,730,984		-	12	2,760,990	42	2,742,855
13	53,773	43	59,710		-	13	53,773	43	59,710
14	2,692,123	44	2,671,274	-	-	14	2,707,217	44	2,683,117
15	1,135,233	45	1,549,824		-	15	1,160,373	45	1,574,065
16	145,825,555	46	130,902,046	(69,981)	(58,155)	16	146,248,070	46	131,233,995
						17	4,438,538	47	3,951,311
18	20,685	48	10,600		-	18	21,241	48	10,600
19	140,053,885	49	124,962,745		-	19	140,260,668	49	125,146,103
20	280,402	50	1,020,595		-	20	280,818	50	1,020,595
21	885	51	-		-	21	885	51	-
	-								
	-						885		
22	279,517	52	1,020,440		-	22	279,933	52	1,020,440
23	206,966	53	196,715	(17,542)	9,031	23	241,589	53	222,934
24	996,583	54	872,196		-	24	1,005,216	54	882,452
						25	146,248,070	55	131,233,995

Income statement by operating segment

		Non - Life Business			
		At 31 December 2019		At 31 December 2018	
1.1	Net premium revenue	1	193,235	21	128,033
1.1.1	*Gross premium revenue*	2	222,451	22	168,157
1.1.2	*Outward reinsurance premiums*	3	(29,216)	23	(40,124)
1.2	Fee and commission income	4	-	24	-
1.3	Net income (expenses) from financial assets at fair value through profit or loss	5	57	25	(6)
1.4	Income from investments in subsidiaries, associates and joint ventures	6	-	26	-
1.5	Income from other financial instruments and investment property	7	6,455	27	4,791
1.6	Other revenue	8	14,721	28	12,365
1	**TOTAL REVENUE**	**9**	**214,468**	**29**	**145,183**
2.1	Net claims expenses	10	(62,302)	30	(27,689)
2.1.1	*Claims paid and change in technical provisions*	11	(68,036)	31	(39,953)
2.1.2	*Share attributable to reinsurers*	12	5,734	32	12,264
2.2	Commission expenses	13	-	33	-
2.3	Expenses arising from investments in subsidiaries, associates and joint ventures	14	-	34	-
2.4	Expenses arising from other financial instruments and investment property	15	(616)	35	(230)
2.5	Operating costs	16	(72,285)	36	(43,643)
2.6	Other costs	17	(3,429)	37	(5,852)
2	**TOTAL COSTS AND EXPENSES**	**18**	**(138,631)**	**38**	**(77,414)**
	PROFIT/(LOSS) BEFORE TAX	**19**	**75,836**	**39**	**67,768**

(€000)

Life Business				Intersegment eliminations		Total			
At 31 December 2019		At 31 December 2018		At 31 December 2019	At 31 December 2018	At 31 December 2019		At 31 December 2018	
1	17,719,676	21	16,592,258		-	1	17,912,911	21	16,720,291
2	17,732,076	22	16,609,903	(1)	-	2	17,954,526	22	16,778,060
3	(12,399)	23	(17,645)		0	3	(41,615)	23	(57,769)
4	37,536	24	19,844		-	4	37,536	24	19,844
5	2,551,583	25	(914,482)		-	5	2,551,640	25	(914,488)
6	350	26	194		-	6	350	26	194
7	2,823,354	27	2,876,088		-	7	2,829,808	27	2,880,878
8	7,893	28	8,848	(10,140)	(6,637)	8	12,473	28	14,575
9	**23,140,392**	**29**	**18,582,748**	**(10,142)**	**(6,637)**	**9**	**23,344,718**	**29**	**18,721,294**
10	(21,416,091)	30	(17,097,438)		0	10	(21,478,393)	30	(17,125,126)
11	(21,422,790)	31	(17,106,776)		0	11	(21,490,825)	31	(17,146,729)
12	6,699	32	9,338		0	12	12,432	32	21,602
13	(925)	33	-		-	13	(925)	33	-
14	0	34	-		-	14	-	34	-
15	(150,425)	35	(64,984)		0	15	(151,040)	35	(65,214)
16	(471,420)	36	(468,221)	9,611	6,637	16	(534,094)	36	(505,227)
17	(149,961)	37	(100,570)		0	17	(153,346)	37	(106,422)
18	**(22,188,823)**	**38**	**(17,731,915)**	**9,657**	**6,637**	**18**	**(22,317,798)**	**38**	**(17,802,692)**
19	**951,569**	**39**	**850,834**	**(485)**	**-**	**19**	**1,026,920**	**39**	**918,602**

Details of non-consolidated investments

(€000)

Name	Country of registration	Country of operation	Business(1)	Type(2)	% direct interest	Total % interest(3)	% ordinary voting rights(4)	Carrying amount
EGI SPA	086	086	10	b	45	45	45	107,296

(1) 1=Italian ins.; 2= EU ins.; 3=non-EU ins.; 4=insurance holding; 4.1= mixed holding company; 5= UE reinsurance; 6=non-EU reins.; 7=bank; 8=asset man. co.; 9=other holding; 10=real estate; 11=other.
(2) a=subsidiaries (IFRS 10) ; b=associates (IAS 28); c=joint ventures (IFRS 11); indicate companies classified as held for sale, in compliance with IFRS 5, with an asterisk (*) and include the key under the table.
(3) This is the sum of the equity interests related to all the companies along the ownership chain standing between the reporting entity and the company in question. If a number of subsidiaries hold interests in the latter, it is necessary to report the sum of the individual interests.
(4) Total percentage of the available voting rights, if different from the equity interest held.

Details of tangible and intangible assets

(€000)

		Cost		Remeasured amount or fair value	Total carrying amount
Investment property	1	-	2	-	-
Other properties	3	-	4	-	-
Other tangible assets	5	37,453	6	-	37,453
Other intangible assets	7	33,847	8	-	33,847

Details of technical provisions attributable to reinsurers

(€000)

	Direct business		Indirect business		Total carrying amount	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-life provisions	1 **27,109**	31 **34,099**	11 **-**	41 **-**	21 **27,109**	51 **34,099**
Premium reserve	2 4,015	32 6,094	12 -	42 -	22 4,015	52 6,094
Outstanding claims provisions	3 22,150	33 28,006	13 -	43 -	23 22,150	53 28,006
Other technical provisions	4 943	34 -	14 -	44 -	24 943	54 -
Life provisions	5 **30,519**	35 **38,262**	15 **-**	45 **-**	25 **30,519**	55 **38,262**
Outstanding claims provisions	6 5,474	36 4,645	16 -	46 -	26 5,474	56 4,645
Mathematical provisions	7 25,045	37 33,616	17 -	47 -	27 25,045	57 33,616
Technical provisions where the investment risk is borne by policyholders and provisions deriving from the management of pension funds	8 -	38 -	18 -	48 -	28	58 -
Other technical provisions	9 -	39 -	19 -	49 -	29 -	59 -
Total technical provisions attributable to reinsurers	10 **57,628**	40 **72,361**	20 **-**	50 **-**	30 **57,628**	60 **72,361**

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Details of financial assets

	Financial assetss measured at amortised cost		Financial assets measured at fair value through other comprehensive income	
	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018
	-	-	-	-
Equity instruments at fair value	-	-	-	-
of which listed	-	-	-	-
Debt securities	1,729,027	-	102,466,507	95,147,290
of which listed	1,729,027	-	102,466,507	95,147,290
UCITS units	-	-	-	-
Loans and receivables due from banks	-	-	-	-
Interbank loans and receivables	-	-	-	-
Deposits with ceding entities	-	-	-	-
Assets of investment components of insurance contracts	-	-	-	-
Other loans and receivables	116,098	116,663	-	-
Non-hedging derivatives	-	-	-	-
Hedging derivatives	-	-	-	-
Other financial investments	-	-	-	-
Total	**1,845,126**	**116,663**	**102,466,507**	**95,147,290**

(€000)

	Financial assets measured at fair value through profit or loss						Total	
	Financial assets held for trading		Financial assets designated at fair value		Financial assets measured at fair value through profit or loss			
	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018
	-	-	-	-	-	-	-	-
	9,117	16,527	-	-	168,091	149,752	177,208	166,279
	8,820	16,230	-	-	168,091	149,752	176,911	165,982
	-	-	-	-	1,520,619	1,592,341	105,716,154	98,207,103
	-	-	-	-	1,445,077	1,517,867	105,640,611	98,132,629
	32,704,229	26,606,678	-	-	3,222,874	1,344,855	35,927,103	27,951,533
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	59,056	-	-	-	-	116,098	175,719
	-	-	-	-	-	44,619	-	44,619
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	32,713,346	**26,682,261**	**-**	**-**	**4,911,585**	**3,131,568**	**141,936,564**	**126,545,253**

Details of assets and liabilities related to contracts issued by insurance companies where the investment risk is borne by policyholders and deriving from the management of pension funds

(€000)

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
On-balance-sheet assets	3,738,461	2,616,272	-	-	3,738,461	2,616,272
Intercompany assets*	-	-	-	-	-	-
Total assets	**3,738,461**	**2,616,272**	**-**	**-**	**3,738,461**	**2,616,272**
On-balance-sheet financial liabilities	-	-	-	-	-	-
On-balance-sheet technical provisions	3,929,702	2,652,097	-	-	3,929,702	2,652,097
Intercompany liabilities*	-	-	-	-	-	-
Total liabilities	**3,929,702**	**2,652,097**	**-**	**-**	**3,929,702**	**2,652,097**

* Assets and liabilities eliminated during the consolidation process.

Details of technical provisions

(€000)

	Direct business				Indirect business				Total carrying amount			
	31/12/19		31/12/18		31/12/19		31/12/18		31/12/19		31/12/18	
Non-life provisions	1	**206,782**	61	**183,358**	21	-	81	-	41	**206,782**	101	**183,358**
Premium reserve	2	101,020	62	83,259	22	-	82	-	42	101,020	102	83,259
Outstanding claims provisions	3	105,644	63	99,956	23	-	83	-	43	105,644	103	99,956
Other provisions	4	118	64	143	24	-	84	-	44	118	104	143
of which provisions made after a test of adequacy of liabilities	5		65	-	25		85	-	45	-	105	-
Life provisions	6	**140,053,885**	66	**124,962,745**	26	-	86	-	46	**140,053,885**	106	**124,962,745**
Outstanding claims provisions	7	662,892	67	780,186	27	-	87	-	47	662,892	107	780,186
Mathematical provisions	8	123,820,022	68	119,416,284	28	-	88	-	48	123,820,022	108	119,416,284
Technical provisions where the risk is borne by policyholders and provisions deriving from the management of pension funds	9	3,929,702	69	2,652,097	29	-	89	-	49	3,929,702	109	2,652,097
Other provisions	10	11,641,270	70	2,114,178	30	-	90	-	50	11,641,270	110	2,114,178
of which provisions made after a test of adequacy of liabilities	11	-	71	-	31	-	91	-	51	-	111	-
of which deferred policyholder liabilities	12	11,562,252	72	2,006,689	32	-	92	-	52	11,562,252	112	2,006,689
Total technical provisions	**13**	**140,260,668**	**73**	**125,146,103**	**33**	**-**	**93**	**-**	**53**	**140,260,668**	**113**	**125,146,103**

Details of financial liabilities

(€000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities designated at fair value					
	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018
Equity-like instruments	-	-	-	-		-	-	-
Subordinated liabilities	-	-	-	-	251,373	1,020,440	251,373	1,020,440
Liabilities from investment contracts issued by insurance companies deriving	-	-	-	-	-	-	-	-
from contracts where the investment risk is borne by policyholders	-	-	-	-	-	-	-	-
from pension fund management	-	-	-	-	-	-	-	-
from other contracts	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	-	-	-	-
Liabilities of investment components of insurance contracts	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-	-
Interbank payables	-	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-	-
Non-hedging derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	885	-	-	-	885	-
Sundry financial liabilities	-	-	-	-	-	-	-	-
Total	**-**	**-**	**885**	**-**	**251,373**	**1,020,440**	**252,259**	**1,020,440**

Details of underwriting business

(€000)

			Year ended 31 December 2019					Year ended 31 December 2018			
			Gross amount		portion attributable to reinsurers	Net amount		Gross amount		portion attributable to reinsurers	Net amount
Non-life business											
NET PREMIUM REVENUE		1	222,451	2	(29,216)	193,235	41	168,157	42	(40,124)	128,033
a	Premium revenue	3	240,212	4	(27,240)	212,972	43	187,164	44	(37,381)	149,783
b	Change in premium reserve	5	(17,761)	6	(1,976)	(19,737)	45	(19,007)	46	(2,743)	(21,750)
NET CLAIMS EXPENSES		7	(68,036)	8	5,734	(62,302)	47	(39,953)	48	12,264	(27,689)
a	Claims paid	9	(62,436)	10	10,646	(51,790)	49	(35,884)	50	9,931	(25,953)
b	Change in outstanding claims provisions	11	(5,689)	12	(4,912)	(10,601)	51	(4,156)	52	2,333	(6,489)
c	Change in recoveries	13	64	14	0	64	53	57	54	0	57
d	Change in other technical provisions	15	25	16	0	25	55	31	56	0	31
Life business											
NET PREMIUM REVENUE		17	17,732,076	18	(12,399)	17,719,676	57	16,609,903	58	(17,645)	16,592,258
NET CLAIMS EXPENSES			(21,422,790)	20	6,699	(21,416,091)	59	(17,106,776)	60	9,338	(17,097,438)
a	Claims paid	21	(13,976,476)	22	14,441	(13,962,035)	60	(10,746,809)	62	7,417	(10,739,392)
b	Change in outstanding claims provisions	23	117,293	24	829	118,122	63	(148,998)	64	(517)	(149,515)
c	Change in mathematical provisions	25	(4,424,166)	26	(8,571)	(4,432,737)	65	(8,416,887)	66	2,438	(8,414,449)
d	Change in technical provisions where the investment risk is borne by policyholders and deriving from pension fund management	27	(1,277,604)	28	0	(1,277,604)	67	877,996	68	0	877,996
e	Change in other technical provisions	29	(1,861,837)	30	0	(1,861,837)	69	1,327,923	70	0	1,327,923

Financial and investment income and expenses

			Interest		Other income		Other expenses		Realised gains		Realised losses
Investment income and expenses		**1**	**2,653,488**	**2**	**375,560**	**3**	**(42,758)**	**4**	**302,405**	**5**	**(106,529**
a	From investment property	14	-	15	-	16	-	17	-	18	-
b	From investments in subsidiaries, associates and joint ventures	27	-	28	-	29	-	30	-	31	-
c	From financial assets measured at amortised cost	40	285,001	41	-	42	-	43	-	44	-
d	From financial assets measured at fair value through other comprehensive income	53	2,322,426	54	-	55	(4,995)	56	222,300	57	(92,734)
e	From financial assets held for trading	66	-	67	-	68	-	69	-	70	-
f	From financial assets designated at fair value	79	46,061	80	375,560	81	(37,763)	82	80,106	83	(13,795)
g	From financial assets measured at fair value through profit or loss	92	-	93	-	94	-	95	-	96	-
Income and expenses from sundry receivables		**105**	**-**	**106**	**-**	**107**	**-**	**108**	**-**	**109**	**-**
Income from cash and cash equivalents		**118**	**68**	**119**	**-**	**120**	**-**	**121**	**-**	**122**	**-**
Income and expenses from financial liabilities			**(57,205)**	**132**	**-**	**133**	**-**	**134**	**-**	**135**	**-**
a	From financial liabilities measured at fair value through profit or loss	144	-	145	-	146	-	147	-	148	-
b	From financial liabilities designated at fair value	157	-	158	-	159	-	160	-	161	-
c	From financial liabilities measured at amortised cost	170	(57,205)	171	-	172	-	173	-	174	-
Income and expenses from payables		**183**	**-**	**184**	**-**	**185**	**-**	**186**	**-**	**187**	**-**
Total			**2,596,351**	**197**	**375,560**	**198**	**(42,758)**	**199**	**302,405**	**200**	**(106,529)**

(€000)

	Net realised gains/(losses)		Unrealised gains				Unrealised losses				Net unrealised gains/(losses)		Total income (expenses), net 2019		Total income (expenses), net 2018
			Unrealised gains		Write-backs		Unrealised losses		Impairments						
6	**3,182,166**	**7**	**2,171,153**	**8**	**-**	**9**	**(65,438)**	**10**	**-**	**11**	**2,105,716**	**12**	**5,287,882**	**13**	**1,937,338**
19	-	20	-	21	-	22	-	23	-	24	-	25	-	26	-
32	-	33	350	34	-	35	-	36	-	37	350	38	350	39	194
45	285,001	46	-	47	-	48	-	49	-	50	-	51	285,001	52	411,365
58	2,446,997	59		60	-	61	-	62	-	63	3,894	64	2,450,892	65	2,440,268
71		72	-	73	-	74	-	75	-	76	-	77	-	78	-
84	450,168	85	2,170,804	86	-	87	(69,332)	88	-	89	2,101,472	90	2,551,640	91	(914,488)
97	-	98	-	99	-	100	-	101	-	102	-	103	-	104	-
110	**-**	**111**	**-**	**112**	**-**	**113**	**-**	**114**	**-**	**115**	**-**	**116**	**-**	**117**	**-**
123	**68**	**124**	**13**	**125**	**-**	**126**	**-**	**127**	**-**	**128**	**13**	**129**	**81**	**130**	**-**
136	**(57,205)**	**137**	**-**	**138**	**-**	**139**	**-**	**140**	**-**	**141**	**-**	**142**	**(57,205)**	**143**	**(35,968)**
149	-	150	-	151	-	152	-	153	-	154	-	155	-	156	-
162	-	163	-	164	-	165	-	166	-	167	-	168	-	169	-
175	(57,205)	176	-	177	-	178	-	179	-	180	-	181	(57,205)	182	(35,968)
188	**-**	**189**	**-**	**190**	**-**	**191**	**-**	**192**	**-**	**193**	**-**	**194**	**-**	**195**	**-**
201	**3,125,029**	**202**	**2,171,166**	**203**	**-**	**204**	**(65,438)**	**205**	**-**	**206**	**2,105,728**	**207**	**5,230,757**	**208**	**1,901,370**

Details of underwriting expenses

(€000)

		Non-life business				Life business			
		2019		2018		2019		2018	
Gross commissions and other acquisition costs		1	(46,859)	21	(36,499)	11	(370,586)	31	(383,700)
a	Acquisition commissions	2	(42,867)	22	(32,208)	12	(335,624)	32	(340,253)
b	Other acquisition costs	3	(3,992)	23	(4,256)	13	(27,341)	33	(39,981)
c	Change in deferred acquisition costs	4	0	24	(36)	14	(5,937)	34	(2,040)
d	Collection fees	5	-	25	-	15	(1,684)	35	(1,427)
Commissions and share of profits received from reinsurers		6	11,235	26	19,864	16	3,903	36	2,022
Other investment management expenses		7	(843)	27	(402)	17	(40,480)	37	(42,403)
Other administrative expenses			(35,818)	28	(26,606)	18	(64,256)	38	(44,139)
Total			**(72,285)**		**(43,643)**		**(471,420)**		**(468,221)**

Assets and liabilities recognised at fair value on a recurring and non-recurring basis: breakdown by fair value level

(€000)

		Level 1		Level 2		Level 3		Total	
		At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018
Assets and liabilities recognised at fair value on a recurring basis									
Financial assets measured at fair value through other comprehensive income		93,259,500	85,850,460	9,207,007	9,296,830	-	-	102,466,507	95,147,290
Financial assets at fair value through profit or loss	Financial assets held for trading	8,820	16,230	28,926,893	24,049,275	3,777,633	2,616,756	32,713,346	26,682,261
	Financial assets designated at fair value	-	-	-	-	-	-	-	-
	Financial assets measured at fair value through profit or losse	3,226,265	1,074,493	1,685,320				4,911,585	
Investment property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets recognised at fair value on a recurring basis		96,494,585	86,941,183	39,819,220	35,403,180	3,777,633	2,616,756	140,091,438	124,961,119
Financial liabilities at fair value through profit or loss	Held-for-trading financial liabilities	-	-	-	-	-	-	-	-
	Financial liabilities designated at fair value	-	-	885	-	-	-	885	-
Total liabilities recognised at fair value on a recurring basis		-	-	885	-	-	-	885	-
Assets and liabilities recognised at fair value on a non-recurring basis									
Non-current assets or disposal groups held for sale		-	-	-	-	-	-	-	-
Liabilities included in disposal groups held for sale			-	-	-	-	-	-	-

Scope of consolidation

(€000)

Name	Country of registration	Country of operation	Method[(1)]	Business[(2)]	% direct interest	Total % interest[(3)]	% ordinary voting rights[(4)]	% consolidation
Poste Assicura SpA	086	086	G	1	100	100	100	100
Poste Welfare Servizi Srl	086	086	G		100	100	100	100

(1) Consolidation method: Line-by-line =G, Proportionate=P, Line-by-line consolidation due to coordinated management=U.
(2) 1=Italian ins.; 2= EU ins.; 3=non-EU ins.; 4=insurance holding; 4.1= mixed holding company; 5= UE reinsurance; 6=non-EU reins.; 7=bank; 8=asset man. co.; 9=other holding; 10=real estate; 11=other.
(3) This is the sum of the equity interests related to all the companies along the ownership chain standing between the reporting entity and the company in question. If a number of subsidiaries hold interests in the latter, it is necessary to report the sum of the individual interests.
(4) Total percentage of the available voting rights, if different from the equity interest held.
(5) Such disclosure is only required where the State of the place of business is different from the State of the registered office.

Details of changes in level 3 assets and liabilities recognised at fair value on a recurring basis

(€000)

	Financial assets measured at fair value through other comprehensive income	Financial assets at fair value through profit or loss			Investment property	Tangible Assets	Intangible Assets	Financial liabilities designated at fair value through profit or loss	
		Financial assets held for trading	Financial assets designated at fair value	Financial assets measured at fair value through profit or losse				Held-for-trading financial liabilities	Financial liabilities designated at fair value
Opening balance	**-**	**2,616,756**						-	-
Purchases/Issues	-	2,453,945			-	-	-	-	-
Sales/Repurchases	-	(1,360,340)			-	-	-	-	-
Redemptions	-	-		-	-	-	-	-	-
Gains or losses through profit or loss	-	67,272			-	-	-	-	-
- of which unrealised gains/ losses					-		-	-	-
Gains or losses through other components of comprehensive income	-	-		-	-		-	-	-
Transfers to level 3	-	-		-	-	-	-	-	-
Transfers to other levels	-	-		-	-	-	-	-	-
Other changes	-	-			-	-	-	-	-
Closing balance	**-**	**3,777,633**			**-**	**-**	**-**	**-**	**-**

Details of changes in level 3 assets and liabilities recognised at fair value on a recurring basis

	Carrying amount	
	at 31 December 2019	at 31 December 2018
Assets	-	-
Financial assets measured at amortised cost	1,845,126	1,584,135
Investments in subsidiaries, associates and joint ventures	107,296	106,953
Investment property	-	-
Tangible assets	37,453	11,810
Total assets	**1,989,875**	**1,702,898**
Liabilities	-	-
Other financial liabilities	279,933	1,020,440

(€000)

	Fair value							
	Level 1		Level 2		Level 3		Total	
	at 31 December 2019	at 31 December 2018	at 31 December 2019	at 31 December 2018	at 31 December 2019	at 31 December 2018	at 31 December 2019	at 31 December 2018
	-	-	-	-	-	-	-	-
	1,505,433	1,138,116	223,594	329,355	116,098	116,663	1,845,126	1,584,135
	-	-	-	-	107,296	106,953	107,296	106,953
	-	-	-	-	-	-	-	-
	-	-	-	-	37,453	11,810	37,453	11,810
	1,505,433	**1,138,116**	**223,594**	**329,355**	**144,749**	**235,427**	**1,989,875**	**1,702,898**
	-	-	-		-	-	-	-
	-	-	-	-	279,933	1,020,440	279,933	1,020,440

Interests in other entities not consolidated

Name of structured entity	Revenue earned by structured entity during reporting period	Carrying amount (at transfer date) of assets transferred to structured entity during reporting period	Carrying amount of assets recognised in financial statements and attributable to structured entity	
MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)			4,108,408	
MULTIFLEX - Global Optimal Multi Asset Fund			4,979,207	
MULTIFLEX - Dynamic Multi Asset Fund			4,225,019	
MULTIFLEX - Strategic Insurance Distribution			4,711,653	
MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND			306,237	
PRIMA HEDGE PLATINUM GROWTH ISIN			438,916	
SHOPPING PROPERTY FUND 2			54,156	
FONDO DIAMOND EUROZONE OFFICE UBS			377,352	
ADVANCE CAPITAL ENERGY FUND			21,805	
FONDO CBRE DIAMOND			125,872	
DIAMOND EUROZONE RETAIL PROPERTY FUND			104,182	
DIAMOND ITALIAN PROPERTIES			157,719	
DIAMOND OTHER SECTOR ITALIA			69,574	
Prima EU Private Debt Opportunity Fund			304,103	
Prima EU Private Debt Opportunity Fund			248,577	
Prima European Direct Lending 1 Fund			179,050	
Prima Real Estate Europe Fund I			102,210	
Indaco SICAV SIF - Indaco CIFC US Loan			81,152	
MULTIFLEX-DYNAMIC LT M/A-CM			560,280	
MULTIFLEX-LT OPTIMAL M/A-CM			716,040	
Prima Credit Opportunity Fund			128,328	
MULTIFLEX-DIVERSIFIED DIS-CM			5,885,266	
MULTIFLEX-OLYMP INSURN MA-CM			581,824	
MULTIFLEX-OLYMPIUM OPT MA-CM			588,371	
OLYMPIUM SEVERUM FUND			500,000	
PRIMA GLOBAL EQUITY PRTNERS FUND			57,820	

(€000)

	Asset class in financial statements	Carrying amount of liabilities recognised in financial statements and attributable to structured entity	Liability class in financial statements	Maximum loss exposure
	Financial assets measured at fair value through profit or loss			318,852
	Financial assets measured at fair value through profit or loss			355,652
	Financial assets measured at fair value through profit or loss			235,849
	Financial assets measured at fair value through profit or loss			331,269
	Financial assets measured at fair value through profit or loss			15,177
	Financial assets measured at fair value through profit or loss			38,230
	Financial assets measured at fair value through profit or loss			21,965
	Financial assets measured at fair value through profit or loss			142,440
	Financial assets measured at fair value through profit or loss			12,208
	Financial assets measured at fair value through profit or loss			41,520
	Financial assets measured at fair value through profit or loss			26,333
	Financial assets measured at fair value through profit or loss			48,349
	Financial assets measured at fair value through profit or loss			17,567
	Financial assets measured at fair value through profit or loss			76,247
	Financial assets measured at fair value through profit or loss			34,414
	Financial assets measured at fair value through profit or loss			43,941
	Financial assets measured at fair value through profit or loss			47,319
	Financial assets measured at fair value through profit or loss			29,460
	Financial assets measured at fair value through profit or loss			30,613
	Financial assets measured at fair value through profit or loss			67,779
	Financial assets measured at fair value through profit or loss			47,112
	Financial assets measured at fair value through profit or loss			432,127
	Financial assets measured at fair value through profit or loss			40,907
	Financial assets measured at fair value through profit or loss			41,348
	Financial assets measured at fair value through profit or loss			-
	Financial assets measured at fair value through profit or loss			31,139

Il sottoscritto dichiara che il presente bilancio è conforme alla verità ed alle scritture

I rappresentanti legali della Società (*)

Dott. Matteo Del Fante .... (**)

.... (**)

.... (**)

I Sindaci

Dr. Marco Fazzini ....

Dr.ssa Maria Giovanna Basile ....

Dr. Marco De Iapinis ....

....

....

Spazio riservato alla attestazione dell'Ufficio del registro delle imprese circa l'avvenuto deposito.

(*) Per le società estere la firma deve essere apposta dal rappresentante generale per l'Italia.
(**) Indicare la carica rivestita da chi firma.

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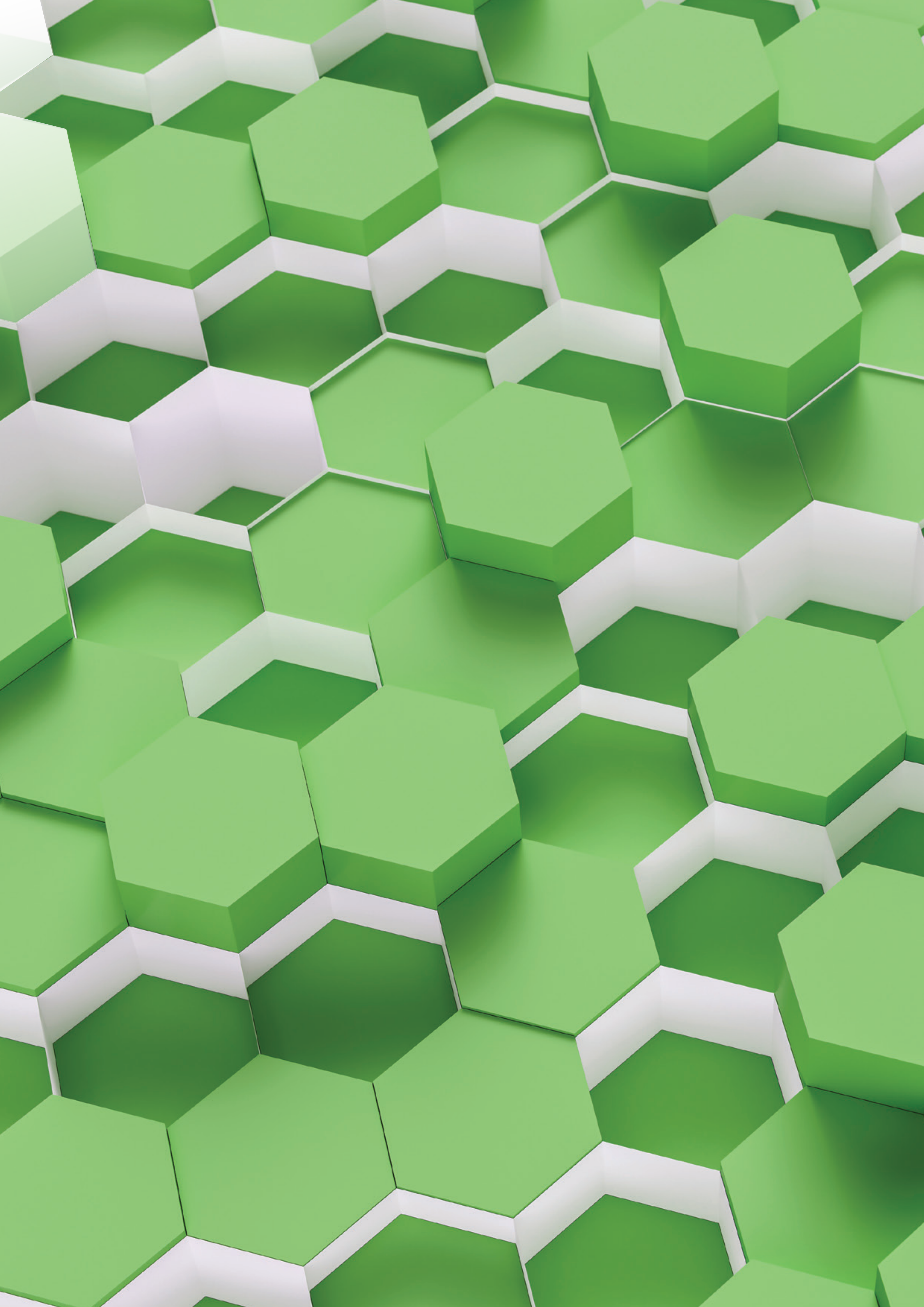
03

REPORTS AND ATTESTATIONS



03 REPORTS AND ATTESTATION

Contents

PV-PF-TES-000882-20/3/2020

Attestazione del Bilancio Consolidato ai sensi dell'art. 154-bis, comma 5 del D. Lgs. 24 febbraio 1998, n. 58 e dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Matteo Del Fante, in qualità di Amministratore Delegato, e Massimo Molinari, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Poste Vita S.p.A., tenuto anche conto di quanto previsto dall'art. 154 bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58, attestano l'adeguatezza, in relazione alle caratteristiche dell'impresa, e l'effettiva applicazione delle procedure amministrative e contabili per la formazione del bilancio consolidato per il periodo 1 gennaio – 31 dicembre 2019.

2. Al riguardo si rappresenta quanto segue:

2.1 come evidenziato nel modello *Internal Control – Integrate Framework* emesso dal Committee of Sponsoring Organisations of the Treadway Commission, che rappresenta il framework di riferimento generalmente accettato a livello internazionale in tema di controllo interno, espressamente richiamato da Confindustria nelle *Linee Guida per lo svolgimento delle attività del Dirigente Preposto alla redazione dei documenti contabili societari ai sensi dell'art. 154-bis del TUF*, un sistema di controllo interno, per quanto ben concepito e attuato, può fornire solo una ragionevole, non assoluta sicurezza sulla realizzazione degli obiettivi aziendali, tra cui la correttezza e veridicità dell'informativa finanziaria.

2.2 Nel corso dell'esercizio sono state completate le attività finalizzate all'aggiornamento delle principali procedure amministrativo contabili ed è stata effettuata la verifica sull'effettiva applicazione delle menzionate procedure amministrative e contabili. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

3.1 Il Bilancio Consolidato:

a. è redatto in conformità alle disposizioni di cui al Codice Civile, al D. Lgs. N. 173/1997, al D.Lgs. n. 209/2005 ed ai provvedimenti, regolamenti e circolari IVASS applicabili;

Poste Vita S.p.A.
00144, Roma (RM), Viale Beethoven, 11 • Tel.: (+39) 06 549241 • Fax: (+39) 06 54924203 • PEC: postevita@pec.postevita.it • www.postevita.it

Partita IVA 05927271006 • Codice Fiscale 07066630638 • Capitale Sociale Euro 1.216.607.898,00 i.v. • Registro Imprese di Roma n. 07066630638, REA n. 934547 • Iscritta alla Sezione I dell'Albo delle imprese di assicurazione al n. 1.00133 • Autorizzata all'esercizio dell'attività assicurativa in base alle delibere ISVAP n. 1144/1999, n. 1735/2000, n. 2462/2006 e n. 2987/2012 • Società capogruppo del gruppo assicurativo Poste Vita, iscritto all'albo dei gruppi assicurativi al n. 043 • Società con socio unico, Poste Italiane S.p.A., soggetta all'attività di direzione e coordinamento di quest'ultima.

Postevita
GruppoAssicurativoPostevita

Posteitaliane

b. corrisponde alle risultanze dei libri e delle scritture contabili;
c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

3.2 Il Bilancio Consolidato è accompagnato da un commento redatto in conformità agli schemi e alle disposizioni IVASS che contiene:

a. le informazioni atte ad illustrare l'andamento economico del periodo 1 gennaio – 31 dicembre 2019, rappresentati nei prospetti contabili;
b. la descrizione degli eventuali fatti verificatisi dopo la chiusura dell'esercizio che possano incidere in misura rilevante sulla situazione patrimoniale e finanziaria nonché sul risultato di periodo del Gruppo Poste Vita;
c. le informazioni sull'andamento degli affari che consentano una ragionevole previsione dei risultati di periodo in corso;
d. le altre informazioni complementari utili a valutare la gestione dell'impresa ed il risultato di periodo.

Roma, 25 Marzo 2020

L'Amministratore Delegato

Matteo Del Fante

MATTEO DEL FANTE

Il Dirigente Preposto alla redazione dei documenti contabili societari

Massimo Molinari

Massimo Molinari
20/03/2020 17:44:57

Poste Vita S.p.A.

INDICE

- Relazione della società di revisione indipendente
  ai sensi degli artt. 14 del D.Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014 e dell'art. 102 del D. Lgs. 7 settembre 2005, n. 209

- Bilancio consolidato al 31 dicembre 2019:
  - ✓ Relazione sulla gestione
  - ✓ Prospetti contabili consolidati
  - ✓ Note illustrative
  - ✓ Allegati

POSTE VITA S.p.A.

Relazione della società di revisione indipendente ai sensi degli artt. 14 del D.Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014 e dell'art. 102 del D. Lgs. 7 settembre 2005, n. 209

Bilancio consolidato al 31 dicembre 2019

FSCL/APGN/git - RC047502019BD1118

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Viale Abruzzi, 94
20131 Milano

Relazione della società di revisione indipendente

ai sensi degli artt. 14 del D.Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014 e dell'art. 102 del D. Lgs. 7 settembre 2005, n. 209

All'azionista unico di
Poste Vita S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Poste Vita (il Gruppo), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2019, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2019, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. 7 settembre 2005, n. 209.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla società Poste Vita S.p.A. (la Società) in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Aspetti chiave	Procedure di revisione in risposta agli aspetti chiave
Valutazione delle riserve tecniche dei rami vita	
L'informativa di bilancio relativa alle riserve tecniche dei rami vita è riportata nelle seguenti parti e sezioni della nota integrativa: ▪ *Parte A - Criteri di valutazione -Premi e riserve tecniche - Rami Vita;* ▪ *Parte C - Informazioni sullo Stato Patrimoniale Consolidato, Passivo alla Sezione 3* ▪ *Parte D - Informazioni sul Conto economico Consolidato, alla Sezione 2.1.* La voce "riserve tecniche - rami vita" al 31 dicembre 2019 mostra un saldo pari a €136.124.184 migliaia, corrispondente al 93% del totale del passivo di bilancio. Le riserve tecniche includono la quota di attribuzione agli assicurati della partecipazione discrezionale agli utili calcolata secondo la pratica contabile delle "shadow accounting" attraverso la quale i criteri contabili applicati alle passività assicurative possono essere modificati per tenere conto, come se fossero realizzate, dell'effetto delle plusvalenze e minusvalenze rilevate ma non realizzate su attività che hanno effetto diretto sulla misurazione delle passività assicurative. Conformemente a quanto previsto dall'IFRS4, al fine di verificare la congruità delle riserve, è stato svolto un *Liabilities Adequacy Test* (LAT), prendendo in considerazione il valore attuale dei cashflow futuri, ottenuti proiettando i flussi di cassa attesi generati dal portafoglio in essere alla data di chiusura dell'esercizio sulla base di appropriate ipotesi sulle cause di decadenza e sull'andamento delle spese. La voce Riserve tecniche è stata ritenuta significativa ai fini delle attività di revisione in considerazione della rilevanza in termini numerici, della complessità degli algoritmi di calcolo e della soggettività insita in alcune tipologie di riserva, frutto di un processo di stima basato su numerose ipotesi e variabili (finanziarie, demografiche, di spesa, di mortalità, di riscatto) e sull'utilizzo di metodologie di valutazione complesse.	Le principali procedure di revisione effettuate hanno riguardato: ▪ la comprensione del processo di calcolo delle riserve tecniche dei rami vita e del relativo ambiente informatico, nonché del disegno e dell'implementazione del sistema dei controlli interni e lo svolgimento di procedure di revisione volte a verificare l'efficacia operativa dei controlli rilevanti ai fini della determinazione delle riserve tecniche; ▪ la comprensione dell'attività di controllo svolta dalla funzione attuariale, mediante colloqui e analisi del contenuto della relazione predisposta dal responsabile della funzione; ▪ lo svolgimento di procedure di quadratura e di riconciliazione tra i dati tecnici presenti nei sistemi gestionali e i dati contabili; ▪ lo svolgimento di procedure di analisi comparativa relativamente alle diverse tipologie di riserva; ▪ la comprensione e la valutazione, anche mediante l'utilizzo di un esperto in scienze statistico-attuariali, della conformità della metodologia utilizzata dalla Società per la determinazione delle diverse componenti di riserva rispetto a quanto richiesto dalla regolamentazione di settore; ▪ l'effettuazione, mediante l'utilizzo di un esperto in scienze statistico-attuariali, di ricalcoli autonomi delle diverse componenti di riserva su un campione di tariffe; ▪ discussione con l'esperto in scienze statistico-attuariali al fine di valutare l'adeguatezza del lavoro di quest'ultimo e, quindi, comprendere la pertinenza e ragionevolezza delle verifiche da lui svolte e delle conclusioni raggiunte, anche in merito all'applicazione di metodi ed assunzioni significativi; ▪ la verifica della conformità, rispetto a quanto definito dall'IFRS4, delle metodologie utilizzate per l'attribuzione agli assicurati di parte della differenza tra il valore IFRS delle poste di bilancio collegate alla partecipazione agli utili ed il valore utilizzato per determinare il rendimento da retrocedere sulla base delle norme contrattuali;

- la valutazione, anche mediante l'utilizzo di un esperto in scienze statistico attuariali, dell'appropriatezza della metodologia e della ragionevolezza delle assunzioni utilizzate ai fini dello svolgimento del *Liabilities Adequacy Test* (LAT) definito dall'IFRS4 e lo svolgimento di procedure di validità sui dati di base utilizzati nel test;

la verifica della completezza e adeguatezza dell'informativa fornita in nota integrativa.

Altri aspetti - Direzione e Coordinamento

La Società, come richiesto dalla legge, ha inserito in nota integrativa i dati essenziali dell'ultimo bilancio della società che esercita su di essa l'attività di direzione e coordinamento. Il giudizio sul bilancio consolidato di Poste Vita S.p.A. non si estende a tali dati.

Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. 7 settembre 2005, n. 209 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia.

Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Poste Vita S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi oda comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti di Poste Vita S.p.A. ci ha conferito in data 29 aprile 2014 l'incarico di revisione legale del bilancio d'esercizio e consolidato della società per gli esercizi dal 31 dicembre 2014 al 31 dicembre 2022.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione legale, predisposta ai sensi dell'art. 11 del citato Regolamento.

Relazioni su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art.14, comma 2, lettera e), del D.Lgs. 39/10 e dell'art. 123-bis del D.Lgs. 58/98.

Gli amministratori di Poste Vita S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Poste Vita S.p.A. al 31 dicembre 2019, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, co. 4, del D.Lgs. 58/98, con il bilancio consolidato di Poste Vita S.p.A. al 31 dicembre 2019 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato della Poste Vita S.p.A. al 31 dicembre 2019 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Esonero dalla predisposizione della dichiarazione non finanziaria

Come descritto nella relazione sulla gestione gli amministratori di Poste Vita S.p.A. si sono avvalsi dell'esonero dalla predisposizione della dichiarazione non finanziaria ai sensi dell'art. 6 comma 2 del D. Lgs. 30 dicembre 2016, n. 254.

Milano, 6 aprile 2020

BDO Italia S.p.A.
Francesca Scelsi
Socio

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Insurance Group Poste Vita SpA

The Parent Company of the Poste Vita Group authorized to practice Insurance with provision ISVAP:
• No. 1144 12/03/1999 published on G.U. no. 68 23/03/1999
• No. 2462 14/09/2006 published on G.U. no. 225 27/09/2006
Poste Vita Insurance Group entered on the Register of Italian Insurance Group under n.043
Information of parent company Poste Vita SpA
Registered Office – Viale Beethoven, 11, Rome
Tax Code 07066630638 – VAT number 05927271006
Company entered on Registry of Companies of Rome under no. 29149/2000
Company entered in Section I of the Register of Italian Insurance under no. 1.00133
Share Capitale € 1,216,607,898 fully paid-up

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