Financial Office
Bilancio, Amministrazione e Riserve

Consolidated Interim Report 2017

CONTENTS

Corporate officers

BOARD OF DIRECTORS (1)

Chairwoman	Maria Bianca Farina
Chief Executive Officer **(2)**	Matteo Del Fante
Director	Antonio Nervi
Director **(2)**	Tania Giallatini
Director	Francesca Sabetta
Director	Dario Frigerio
Director	Roberto Giacchi
Director	Gianluigi Baccolini

BOARD OF STATUTORY AUDITORS (1)

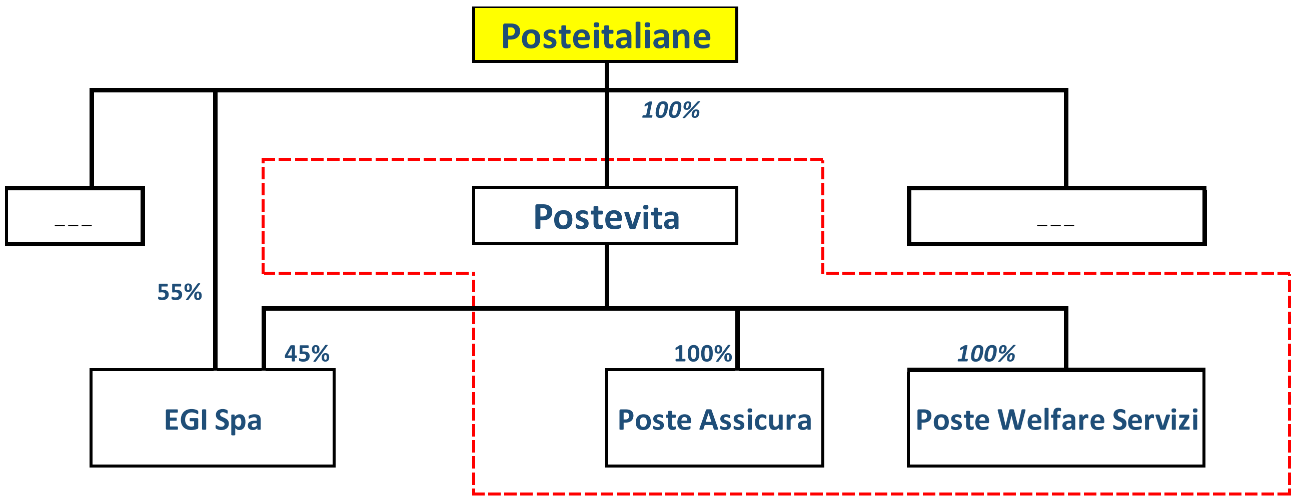
Chairman	Marco Fazzini
Auditor	Marco De Iapinis
Auditor	Barbara Zanardi
Alternate	Maria Giovanna Basile
Alternate	Massimo Porfiri

INDEPENDENT AUDITORS (3) BDO Italia SpA

1. The Board of Directors and the Board of Statutory Auditors were elected by the shareholders at the General Meeting held on 19 June 2017 and will serve for three-year terms of office, until approval of the financial statements for 2019.
2. On 26 July 2017, Poste Vita's Board of Directors acknowledged Tania Giallatini's resignation as a Director and, in response, appointed Matteo Del Fante as a Director. At the same meeting, Mr. Del Fante was also appointed Poste Vita's Chief Executive Officer and granted the related powers.
3. Appointment approved by the shareholders at the General Meeting of 29 April 2014.

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 in the life and non-life insurance sectors, occupying a position of leadership in the life market and with a growth strategy in the non-life sector.

The scope of consolidation includes the subsidiary, Poste Assicura SpA, an insurance company founded in 2010 to provide non-life insurance, excluding motor insurance, and a wholly owned subsidiary of the Parent Company, Poste Vita, and Poste Welfare Servizi Srl, a company that primarily provides its customers with administrative, technical and software assistance relating to the management of health funds and data acquisition and validation. The latter company is also a wholly owned subsidiary of Poste Vita.

The Parent Company also holds a non-controlling interest in Europa Gestioni Immobiliari SpA, a real estate company tasked with the management and development of Poste Italiane's properties no longer used in operations. EGI has also begun to operate in the electricity market as a specifically authorised wholesale purchaser, having taken on the role of electricity supplier to the Poste Italiane Group previously carried out by Poste Energia SpA, which was merged with and into EGI with effect from 31 December 2015. This investment is not accounted for on a line-by-line basis, but using the equity method.

EXECUTIVE SUMMARY

In continuity with the strategic and business priorities established in 2016, during the first half of 2016, the Poste Vita Insurance Group proceeded to:

- to strengthen our leadership in the life market and consolidate our position with regard to other competitors;
- to boost our position in the protection and welfare segment.

The reclassified income statement, broken down by category of insurance, is shown below:

RECLASSIFIED INCOME STATEMENT						€m
for the six months ended 30 June	2017			2016		
	Non-life business	Life business	Total	Non-life business	Life business	Total
Net premium revenue	**49.0**	**11,048.9**	**11,097.9**	**38.5**	**10,513.0**	**10,551.4**
Gross premium revenue	*64.7*	*11,057.8*	*11,122.5*	*51.9*	*10,521.7*	*10,573.5*
Outward reinsurance premiums	*(15.8)*	*(8.9)*	*(24.6)*	*(13.4)*	*(8.7)*	*(22.1)*
Fee and commission income		**4.6**	**4.6**		**2.1**	**2.1**
Net financial income from assets related to traditional products	**2.0**	**1,715.5**	**1,717.5**	**1.7**	**2,099.3**	**2,101.0**
Income	*1.9*	*1,367.0*	*1,368.9*	1.6	1,207.1	1,208.7
Realised gains and losses	*0.0*	*97.9*	*97.9*	0.1	193.3	193.4
Unrealised gains and losses		*250.6*	*250.6*		698.9	698.9
Net financial income from assets related to index- and unit-linked products		**69.9**	**69.9**		(114.9)	(114.9)
Net change in technical provisions	**(14.2)**	**(12,165.6)**	**(12,179.7)**	**(15.8)**	**(11,935.1)**	**(11,950.9)**
Claims paid	*(12.0)*	*(5,137.7)*	*(5,149.6)*	*(9.6)*	*(3,690.0)*	*(3,699.6)*
Change in technical provisions	*(8.3)*	*(7,036.3)*	*(7,044.5)*	*(10.1)*	*(8,252.7)*	*(8,262.8)*
Share attributable to reinsurers	*6.1*	*8.3*	*14.4*	*3.8*	*7.7*	*11.5*
Investment management expenses	**(0.2)**	**(19.9)**	**(20.1)**	(0.3)	(19.9)	(20.1)
Acquisition and administration costs	**(19.9)**	**(288.0)**	**(307.9)**	(18.3)	(276.7)	(295.0)
Net commissions and other acquisition costs	*(6.4)*	*(243.5)*	*(249.9)*	(4.3)	(231.1)	(235.4)
Operating costs	*(13.5)*	*(44.5)*	*(58.0)*	(13.9)	(45.6)	(59.6)
PROFIT BEFORE TAX	**19.5**	**350.0**	**369.4**	**9.2**	**273.9**	**283.1**
Income tax expense	(5.3)	(129.6)	(134.9)	(2.6)	(110.2)	(112.8)
PROFIT FOR THE PERIOD	**14.2**	**220.4**	**234.6**	**6.5**	**163.7**	**170.3**

Thanks in part to a constant focus on products, to strengthened support for the distribution network and to growing customer loyalty, the Group's **operations** were aimed almost exclusively at the marketing of Class I and V investment and savings products (traditional separately managed accounts), with **total premium revenue** of approximately €11.1 billion (€10.5 billion in the same period of 2016). In contrast, total revenue from the sale of Class III products remained marginal at €232 million, slightly down on the €310 million recorded in the first half of 2016. In this regard, a new unit-linked product, offering a form of long-term savings plan (an individual savings plan, or *PIR - Piano individuale di Risparmio*)[1] was launched on 27 June 2017. Premium revenue from this product amounts to €33.2 million at the end of the first half of 2017.

Sales of regular premium products also performed well (*Multiutile Ricorrente*, *Long Term Care*, *Posta Futuro Da Grande*), with over 49.0 thousand policies sold during the period, as did sales of the *PostaPrevidenzaValore* product which, with almost 45.2 thousand policies sold during the

[1] Individual savings plans (***Piani Individuali di Risparmio*** or ***PIR***) are the new form of investment product introduced by the government in the 2017 budget law, with the aim of supporting Italian SMEs. These products offer significant **tax breaks** for investors.

period and a total number of members amounting to 915 thousand, has enabled the Company to consolidate its leadership in the pensions market.

Sales of pure risk policies (term life insurance), sold in stand-alone versions (not bundled together with products of a financial nature), recorded sales of over 20.1 thousand new policies during the period, whilst the number of new policies (net of cancellations), again of a pure risk nature, sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network totalled approximately 18.8 thousand.

While the contribution of the non-life business to the Group's results is still limited, sales in this area have also performed well, with total gross premium revenue for the period of €64.7 million, up 25% on the same period of 2016. Management of the non-life business proceeded to implement the strategy set out in the business plan, a process started in 2016. This entailed specific marketing and commercial initiatives, aimed at developing a health and protection product offering capable of the full range of customer needs, including a review and expansion of the cover provided. Sales of credit protection (CPI) policies also performed well, as did sales of the first collective Welfare products.

In terms of **investments** during the period, against a backdrop of increasingly volatile interest rates and yields on government securities, 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 Italian government securities and corporate bonds, with an overall exposure that, despite having declined with respect to 2016, continues to represent 82.1% of the entire portfolio. Despite this, during the first six months of 2017, whilst maintaining a moderate risk appetite, the gradual process of diversifying investments continued by increasing the exposure to equities (which, from 14.2% at the end of 2016, now account for 17.0% of the portfolio), above all multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. Returns on investments linked to separately managed accounts and on investment of free capital both registered good performances. The cumulative returns on separately managed accounts at the end of the first half of 2017 were 3.70% for *PostaPrevidenza* accounts and 2.93% for *PostaValorePiù* accounts. However, the first-half results were negatively influenced by the impact of volatile yields on Italian government securities, with an overall reduction in unrealised gains from €9,548 million at the beginning of the year to the current €7,886 million.

As a result of the above operating and financial performance, **technical provisions** for the direct Italian portfolio amount to €110.8 billion (€104.3 billion at the end of 2016), including €103.6 billion in mathematical provisions for Class I and V products (up on the €95.9 billion at the end of 2016). Provisions for products where the investment risk is borne by policyholders amount to approximately €6.0 billion, down from the €6.9 billion of 31 December 2016, primarily due to a Class III product reaching maturity.

Deferred Policyholder Liability (DPL) provisions, linked to the above change in the fair value of the financial instruments covering the provisions, amount to approximately €7.7 billion, compared with €9.3 billion at the beginning of the year.

Technical provisions for the non-life business, before the portion ceded to reinsurers, amount to €160.2 million at the end of the period, up 11.7% on the figure for the end of 2016 (€143.4 million).

With regard to **organisational aspects**, during the first half of 2017, work continued on a number of projects designed to support future growth and to achieve continuing functional/infrastructural improvements in key business support systems. The Company's organisational structure was also further strengthened to keep pace with its ongoing expansion in terms of size. However, the deferred start-up of a number of commercial and strategic initiatives scheduled for 2017 and certain non-recurring expenses (primarily regarding advertising costs) incurred in the first half of 2016 have resulted in a slight decline in **operating costs**, which are down to approximately €58.0 million compared with the €59.6 million of the first half of 2016.

The investment of **"free capital"** generated net finance income of approximately €30.5 million, although this is down on the figure for the same period of 2016 (€44.3 million). This reflects greater unrealised losses during the period, primarily in relation to impairment loss on the investment in the "Atlante fund", amounting to approximately €12.1 million (see the section, "Other information").

The above performance has resulted in **EBITDA** for the period of €369.4 million, compared with €283.1 million for the same period of 2016. After-tax **profit for the period** amounts to €234.6 million, up 38% on the €170.3 million of the first half of 2016.

Life business

RECLASSIFIED INCOME STATEMENT				€m
for the six months ended 30 June	Life business			
	2017	2016	Increase/(decrease)	
Net premium revenue	**11,048.9**	**10,513.0**	**535.9**	**5%**
Gross premium revenue	*11,057.8*	10,521.7	536.1	5%
Outward reinsurance premiums	*(8.9)*	(8.7)	(0.2)	2%
Fee and commission income	**4.6**	**2.1**	**2.5**	**119%**
Net financial income from assets related to traditional products	**1,715.5**	**2,099.3**	**(383.8)**	**-18%**
Income	*1,367.0*	1,207.1	159.8	13%
Realised gains and losses	*97.9*	193.3	(95.4)	-49%
Unrealised gains and losses	*250.6*	698.9	(448.3)	-64%
Net financial income from assets related to index- and unit-linked products	**69.9**	**(114.9)**	**184.8**	**-161%**
Net change in technical provisions	**(12,165.6)**	**(11,935.1)**	**(230.5)**	**2%**
Claims paid	*(5,137.7)*	(3,690.0)	*(1,447.6)*	*39%*
Change in technical provisions	*(7,036.3)*	(8,252.7)	*1,216.5*	*-15%*
Share attributable to reinsurers	*8.3*	7.7	*0.7*	*9%*
Investment management expenses	**(19.9)**	**(19.9)**	**(0.0)**	**0%**
Acquisition and administrative costs	**(288.0)**	**(276.7)**	**(11.3)**	**4%**
Net commissions and other acquisition costs	*(243.5)*	(231.1)	*(12.5)*	*5%*
Operating costs	*(44.5)*	(45.6)	*1.1*	*-3%*
Other revenues/(costs), net	**(32.3)**	**(19.5)**	**(12.9)**	**66%**
EBITDA	**333.1**	**248.3**	**84.8**	**34%**
Net financial income attributable to free capital	30.5	44.3	(13.8)	-31%
Interest expense on subordinated loans	(13.6)	(18.7)	5.0	-27%
PROFIT BEFORE TAX	**350.0**	**273.9**	**76.0**	**28%**
Income tax expense	(129.6)	(110.2)	(19.4)	18%
PROFIT FOR THE PERIOD	**220.4**	**163.7**	**56.6**	**35%**

Net premium revenue for the first half of 2017, net of outward reinsurance premiums, amounts to €11,048.9 million, up 5% on the €10,513.0 million of the first half of 2016.

In terms of income from investments, **net finance income from securities related to traditional products** in the first half totals €1,715.5 million, down €383.8 million on the figure for the first half of 2016. The performance primarily reflects increased financial market volatility, resulting in net unrealised gains of €250.6 million, compared with €698.9 million recognised in the same period of 2016. However, given that these investments are included in separately managed accounts, the gains have been attributed almost entirely to policyholders under the shadow accounting method. In contrast, ordinary income is up €159.8 million on the same period of 2016, reflecting an increase in assets under management. Realised gains, on the other hand, are down approximately €95.4 million.

Finance income from **investments linked to index- and unit-linked products** amounts to €69.9 million in the first half of 2017, compared with losses of €114.9 million in the same period of 2016. This amount is almost entirely matched by a corresponding change in technical provisions.

Fee and commission income from the management of internal funds linked to unit-linked products amounts to €4.6 million, up €2.5 million on the figure for the first half of 2016 as a result of the increase in assets under management.

As a result of the above operating performance and the corresponding revaluation of insurance liabilities due to the positive financial performance, the matching **change in technical provisions for the life business**, after the portion ceded to reinsurers, amounts to €12,165.6 million at the end of the first half of 2017, compared with €11,935.1 million at the end of the same period of 2016.

Claims paid to customers during the period amount to approximately €5,137.7 million, up on the €3,690.0 million of the same period of 2016. The rise is primarily due to an increase of approximately €1,113.0 million in expirations during the period, amounting to €2,933.8 million compared with the €1,820.8 million of the same period of 2016. Surrender costs total approximately €1,504.5 million for the same period (€1,333.6 million in the first six months of 2016). However, as a share of initial provisions (2.9% at 30 June 2017, compared with 3.0% at 30 June 2016), this continues to be well below the industry average.

Total **commissions** paid for distribution, collection and portfolio maintenance services amount to approximately €247.2 million (on an accruals basis, the amount for the period totals €244.5 million, reflecting the amortisation of prepaid commissions on the sale of pension products). This figure accounts for around 2.2% of earned premiums and is in line with the same period of 2016. After the commissions received from reinsurers, the figure is €243.5 million, compared with the €231.1 million reported for the first half of 2016.

With regard to organisational aspects, **operating costs** total €44.5 million, slightly down on the €45.6 million of the same period of 2016.

The above performance has resulted in **EBITDA** for the period of €333.1 million, up on the €248.3 million of the first half of 2016.

As noted above, the **investment of free capital** also generated net finance income of €30.5 million, although this is down on the figure for the same period of 2016 (€44.3 million). This primarily reflects an increase in net unrealised losses recognised during the period and primarily relating to the write-down of the investment in the Atlante fund by approximately €12.1 million

Interest expense on subordinated debt amounts to €13.6 million for the first half of 2017 (€18.7 million in the first half of 2016). This reflects €2.2 million in interest paid during the period on subordinated loan notes subscribed for by the parent, and €11.4 million in interest paid to the subscribers of subordinated bonds issued by the Company. The change with respect to the same period of 2016 is entirely due to repayment, during the second half of 2016, of a tranche with a defined maturity, amounting to €50 million, and of a tranche with an undefined maturity, totalling €150 million.

As a result, **pre-tax profit for the period** amounts to €350.0 million, up on the €273.9 million of the first half of 2016. After-tax **profit for the period** amounts to €220.4 million (€163.7 million for the first half of 2016).

Non-life business

RECLASSIFIED INCOME STATEMENT				€m
for the six months ended 30 June	Non-life business			
	2017	2016	Increase/(decrease)	
Net premium revenue	**49.0**	**38.5**	**10.5**	**27%**
Gross premium revenue	*64.7*	51.9	12.8	25%
Outward reinsurance premiums	*(15.8)*	(13.4)	(2.4)	18%
Fee and commission income	**0.0**	**0.0**		
Net financial income from assets related to traditional products	**2.0**	**1.7**	**0.3**	**16%**
Income	***1.9***	**1.6**	**0.4**	**25%**
Realised gains and losses	***0.0***	**0.1**	**(0.1)**	**-81%**
Unrealised gains and losses	***0.0***	**0.0**		
Net change in technical provisions	**(14.2)**	**(15.8)**	**1.6**	**-10%**
Claims paid	*(12.0)*	(9.6)	*(2.4)*	*25%*
Change in technical provisions	*(8.3)*	(10.1)	*1.8*	*-18%*
Share attributable to reinsurers	*6.1*	3.8	*2.2*	*59%*
Investment management expenses	**(0.2)**	**(0.3)**	**0.1**	**-26%**
Acquisition and administrative costs	**(19.9)**	**(18.3)**	**(1.6)**	**9%**
Net commissions and other acquisition costs	*(6.4)*	(4.3)	*(2.0)*	*47%*
Operating costs	*(13.5)*	(13.9)	*0.4*	*-3%*
Other revenues/(costs), net	**2.8**	**3.3**	**(0.5)**	**-15%**
PROFIT BEFORE TAX	**19.5**	**9.2**	**10.3**	**113%**
Income tax expense	(5.3)	(2.6)	(2.7)	100%
PROFIT FOR THE PERIOD	**14.2**	**6.5**	**7.7**	**118%**

Gross premium revenue in the non-life business, generated by policies sold in the period under review, totals approximately €64.7 million (up 25% on the figure for the same period of 2016). After outward reinsurance premiums, **net premium revenue** amounts to approximately €49.0 million (up 27% compared with the €38.5 million of the first half of 2016).

During the period, **claims expenses**, inclusive of settlement costs and direct costs, amounted to €12.0 million, compared with €9.6 million in the first six months of 2016. The **change in technical provisions**, inclusive of provisions for late lodgements, totals €8.3 million for the period, compared with €10.1 million for the same period of 2016. As a result of the operating performance and the above trends relating to claims, the overall loss ratio is down from 37.8% in the first half of 2016 to the current 31.5% (lower than the latest figure for the industry as a whole of 52.1% relating to 2016).

Considering the reinsurers' share of €6.1 million, the **net change in technical provisions** amounts to €14.2 million at the end of the period, compared with €15.8 million for the same period of 2016.

Commissions paid for distribution and collection activities amount to approximately €12.7 million (€9.2 million in the first half of 2016). After commissions received from reinsurers and the impact of amortisation for the period, commissions amount to €6.4 million (€4.3 million in the first half of 2016).

With regard to organisational aspects, the deferred start-up of a number of commercial and strategic initiatives scheduled for 2017 and certain non-recurring expenses, primarily regarding advertising costs, incurred in the first half of 2016 have resulted in a slight decline in **operating costs**, which are down to approximately €13.5 million compared with the €13.9 million of the first half of 2016.

Net finance income, resulting from a prudent policy that aims to safeguard the Group's financial strength, amounts to €2.0 million, up on the figure of €1.7 million for the first half of 2016 and almost entirely attributable to ordinary income on securities, as opposed to a limited amount of realised gains.

Net other income of €2.8 million in the first half of 2017 compares with €3.3 million for the first six months of 2016. This primarily regards revenue from ordinary activities, totalling €4.9 million, generated by the subsidiary, Poste Welfare Servizi, during the period, the reversal of commissions for previous years, totalling €0.9 million, after the reversal of premiums ceded in previous years, amounting to €2.7 million.

This performance has resulted in **EBITDA for the period** of €19.5 million, compared with €9.2 million for the first half of 2016. After-tax **profit for the period**, amounting to €14.2 million, is up from the €6.5 million of the first half of 2016.

Key performance indicators

A summary of the principal KPIs is shown below:

(€m)

PRINCIPAL KPIs	2017	2016	Increase/(decrease)	
Gross premium revenue	11,122.5	10,573.5	548.9	5.2%
Equity	3,503.4	3,302.0	201.5	6.1%
Profit for the period	234.6	170.3	64.3	37.8%
Technical provisions	118,658.3	113,677.9	4,980.3	4.4%
Financial investments*	121,825.0	117,002.1	4,822.8	4.1%
ROE**	14.5%	11.0%	3.5%	3.5%
Workforce	522.0	494.0	28	5.7%
Operating costs / Earned premiums	0.5%	0.6%	0.0	
Operating costs / Provisions	0.1%	0.1%	0.0	

*** including cash**

**** in calculating this indicator, the figure for equity was determined after taking into account the available-for-sale reserve**

ECONOMIC AND MARKET ENVIRONMENT

The outlook for the global economy showed signs of strengthening in the first six months of 2017. Political risk was significantly reduced in Europe, thanks to election results and the consequent bolstering of pro-EU parties, whilst remaining high in the United States, where President Trump has yet to deliver on his election promises.

Estimated annual consumer price inflation in the Eurozone stands at 1.3% in June, confirming that the road to achieving the ECB's target of 2% remains slow and uncertain, due to falling energy prices, the high level of spare capacity in the economy and the squeeze on income growth. In terms of economic growth, figures for the first quarter of the year show that GDP growth is ahead of expectations (0.5% on a quarterly basis and 1.7% year-on-year), partly thanks to the recovery among emerging nations and global demand. Confidence surveys point to continuing future growth. Against this backdrop, the ECB left its monetary policies (conventional or otherwise) unchanged, announcing that its "APP" or "Asset Purchase Programme" will continue through to December 2017 or aven beyond, if necessary. Following the decline in political risk in Europe, the ECB's future approach to the process of normalising monetary policy will depend on how inflation performs.

In the United States, the economy continues to grow, with full employment and inflation moving towards the target set by the Federal Reserve, albeit gradually. Domestic political uncertainty is blocking reforms, including those of a fiscal nature, which remain uncertain as regards both content and timing. The Federal Open Market Committee meeting of mid-June ended with a further increase of 25 bps in the fed funds rate, thus within a range of 1.00%-1.25%, and with the announcement of a plan to reduce the Federal Reserve's securities holdings in a gradual and predictable manner. Further interest rate rises are expected to remain gradual, with an increase due between September and December 2017.

Financial market trends

The first six months of the year were marked by volatile yields on core government securities in both the United States and in Europe. In the former case, this was due to political uncertainty and stalled economic reforms, in the latter to the political agenda and uncertainty over the start and pace of the ECB's planned exit from its unconventional monetary measures. Compared with the beginning of the year, yields on 10-year US government securities have declined from 2.4% to 2.3%, whilst those on 10-year German bunds have risen from 0.2% to 0.4%.

In the first four to five months of 2017, uncertainty linked to elections in Europe generated an increase in Italian bond yields, although these were contained by purchases on the part of the ECB. The strong performances of pro-EU parties (in the Netherlands, France and the UK) then helped to drive yields down. Due to domestic political uncertainty, however, the yield on 10-year Treasury Notes (BTPs) at the end of the first half remains above the level seen at the beginning of the year at 2.1%. At the same date, the spread between these bonds and 10-year German and Spanish government bonds stands at 169 bps (9 bps up on the beginning of the year) and 61 bps (18 bps up on the beginning of the year).

Improved prospects for global economic growth have driven equity markets higher, above all those in emerging countries, with the MSCI World up 9.4%, the S&P500 8.2%, Euro STOXX 50 up 4.6% and the EM up 17.2%. Events surrounding the Italian banking sector have also driven a 7.0% rise in the Italian FTSE MIB in the first six months of the year.

As regards corporate bonds, the average yield on euro-denominated investment grade corporate bonds continued to benefit from purchases by the ECB. At the end of the first half, the aggregate average yield for non-financial issuers is 1.0%.

Expectations of a normalisation of monetary policy by the ECB have supported the euro, which has risen 8% against the US dollar in the first six months of the year.

Life insurance market

New business for life insurance policies in the first six months of 2017 amounted to €41.7 billion, down 12.9% on the same period of the previous year. If new life business reported by EU insurers is taken into account (€9.2 billion), the figure rises to €50.9 billion, down 11.6% on the same period of 2016.

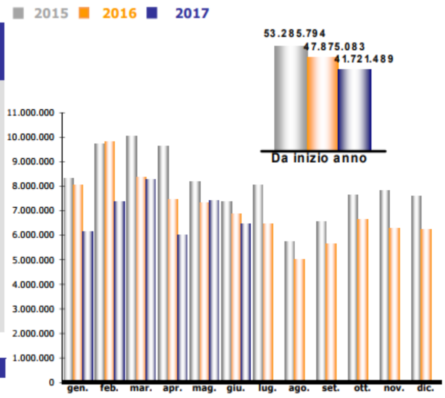
In terms of insurance class, Class I premiums amount to €26.6 billion for the first half of 2017, down 26.6% compared with the same period of the previous year. New business for Class V policies also declined, falling 25.2% compared with the same period of 2016, with premium revenue totalling €775 million. New business for Class III life products bucked the trend, rising 35.5% compared with the first half of 2016 after premium revenue of €14.3 billion. The contribution from new inflows into individual pension plans was also positive, with inflows of €624 million up 8.1% on the first six months of 2016.

Nuova produzione individuale vita per ramo/prodotto giugno 2017 *(migliaia di euro)*

RAMO/PRODOTTO	Premi nel mese	Distrib. (%)	Var. (%) 17/16	N° polizze da inizio anno	Premi da inizio anno	Distrib. (%)	Var. (%) 17/16
Vita - ramo I	3.675.641	56,7%	-22,6%	1.684.387	26.576.359	63,7%	-26,6%
Capitalizzazioni - ramo V	103.105	1,6%	-54,2%	13.819	775.063	1,9%	-25,2%
Linked - ramo III	2.696.954	41,6%	44,4%	343.916	14.305.539	34,3%	35,5%
- di cui: unit-linked	*2.696.954*	*41,6%*	*44,4%*	*343.916*	*14.305.539*	*34,3%*	*35,5%*
- di cui: index-linked	-	*0,0%*	*n.d.*	-	-	*0,0%*	*n.d.*
Malattia – ramo IV	1.255	0,0%	76,3%	15.495	5.666	0,0%	58,9%
Fondi pensione aperti – ramo VI	9.860	0,2%	-3,1%	47.049	58.862	0,1%	10,7%
Imprese italiane-extra UE	**6.486.815**	**100,0%**	**-5,3%**	**2.104.666**	**41.721.489**	**100,0%**	**-12,9%**
di cui: forme pens. ind.	*94.930*	*1,5%*	*4,5%*	*186.736*	*624.296*	*1,5%*	*8,1%*
: forme di puro rischio	*87.118*	*1,3%*	*40,6%*	*601.707*	*391.037*	*0,9%*	*17,3%*
Imprese UE	**1.540.195**		**-24,2%**		**9.195.269**		**-5,2%**
Totale	**8.027.010**		**-9,6%**		**50.916.758**		**-11,6%**

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

Trend mensile 2015-2017 *(imprese italiane–extra-U.E.)*



Il campione delle rappresentanze di imprese U.E. è stato ampliato con l'entrata di nuove compagnie e le variazioni annue sono calcolate a termini omogenei.

Single premiums continued to be the preferred form of payment for policyholders, representing 93% of total premiums written and 61.3% of policies by number.

With regard, finally, to distribution channel, most new business was obtained through banks, post offices and financial promoters, accounting for 85% of the total.

A breakdown by distribution channel and type of premium shows how the above networks have distributed almost all the single premium products, whilst agents also account for a significant amount of regular premiums.

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

TIPOLOGIA DI PREMIO	N° polizze/ adesioni	RIPARTIZIONE PREMI PER CANALE					
		Sportelli bancari e postali	Agenti	Agenzie in econom.	Consul. finanziari abilitati	Altre forme (inclusi Broker)	Totale
Annui	**16,0%**	1,2%	2,4%	5,7%	0,1%	1,2%	**1,3%**
Unici	**61,3%**	93,1%	88,7%	80,9%	99,0%	76,7%	**93,0%**
Ricorrenti	**22,7%**	5,7%	8,9%	13,4%	0,9%	22,1%	**5,6%**
Totale	**100,0%**	100,0%	100,0%	100,0%	100,0%	100,0%	**100,0%**

Nuova produzione vita per canale distributivo giugno 2017 *(migliaia di euro)*

CANALE DISTRIBUTIVO	Premi nel mese	Distrib. (%)	Var. (%) 17/16	Premi da inizio anno	Distrib. (%)	Var. (%) 17/16
Sportelli bancari e postali	4.456.984	68,7%	-3,3%	28.773.197	69,0%	-17,5%
Agenti	738.758	11,4%	-13,4%	4.514.459	10,8%	-6,3%
Agenzie in economia	218.635	3,4%	-27,3%	1.471.697	3,5%	4,9%
Consulenti finanziari abilitati	1.042.539	16,1%	0,1%	6.735.411	16,1%	3,0%
Altre forme (inclusi Broker)	29.899	0,5%	-38,8%	226.725	0,5%	-3,1%
Imprese italiane-extra UE	**6.486.815**	**100,0%**	**-5,3%**	**41.721.489**	**100,0%**	**-12,9%**

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

Non-life insurance market

Total direct Italian premiums, thus including policies sold by Italian and overseas insurers, amounted to €18.2 billion at the end of the second quarter of 2017, slightly up (0.4%) on the figure for the end of second quarter of 2016. This marks the first sign of growth after five consecutive years of decline. The performance benefitted from a further slowdown in the rate of decline in the market for vehicle insurance and growth in premium revenue from other non-life classes (source: ANIA).

The vehicle insurance segment (third-party land vehicle and land vehicle hull policies) fell 3.1% (the decline was 6.2% in the second quarter of 2016), whilst the other non-life classes rose 6%.

In detail, as the following table shows, third-party land vehicle insurance registered premiums of €7.1 billion, down 3.1% on the second quarter of 2016, whilst land vehicle hull premiums amounted to €1.5 billion, up 5.9% on the same period of the previous year. As noted above, the other classes have benefitted from the current economic recovery, with the related premium revenue totalling over €9.5 billion for the first half of 2017, an increase of 2.2%.

PREMI PORTAFOGLIO DIRETTO AL II TRIMESTRE 2017
Valori in milioni di euro

Rami	PREMI ITA ed EXTRA UE**	QUOTA MERCATO ITA ed EXTRA UE	PREMI UE***	QUOTA MERCATO UE	PREMI TOTALI	VAR.* % PREMI ITA ed EXTRA UE	VAR.* % PREMI UE	VAR.* % PREMI TOTALI
	al II trim. 2017	al II trim. 2017	al II trim. 2017	al II trim. 2017	al II trim. 2017	2017/2016	2017/2016	2017/2016
R.C. Autoveicoli terrestri	6.822	95,8%	301	4,2%	7.123	-3,0%	-4,1%	-3,1%
Corpi di veicoli terrestri	1.428	92,3%	120	7,7%	1.548	5,7%	8,2%	5,9%
Totale settore Auto	**8.250**	**95,1%**	**421**	**4,9%**	**8.671**	**-1,6%**	**-0,9%**	**-1,6%**
Infortuni	1.506	87,0%	225	13,0%	1.731	3,5%	0,7%	3,1%
Malattia	1.207	95,1%	62	4,9%	1.268	6,5%	-1,8%	6,1%
Corpi di veicoli ferroviari	4	94,3%	0	5,7%	4	88,6%	11,3%	81,3%
Corpi di veicoli aerei	9	62,5%	6	37,5%	15	-34,8%	-45,7%	-39,4%
Corpi veicoli marittimi	127	82,3%	27	17,7%	154	0,2%	-19,4%	-3,9%
Merci trasportate	91	57,1%	68	42,9%	159	6,4%	-4,5%	1,4%
Incendio ed elementi naturali	1.065	90,1%	117	9,9%	1.182	-0,4%	-13,1%	-1,8%
Altri danni ai beni	1.359	88,8%	172	11,2%	1.531	0,0%	18,4%	1,8%
R.C. Aeromobili	4	49,4%	4	50,6%	9	-21,4%	0,2%	-11,8%
R.C. Veicoli marittimi	17	92,9%	1	7,1%	19	1,1%	17,3%	2,1%
R.C. Generale	1.377	70,0%	591	30,0%	1.967	0,2%	0,5%	0,3%
Credito	32	12,7%	220	87,3%	252	-4,2%	-0,9%	-1,3%
Cauzione	191	75,4%	62	24,6%	253	-1,3%	-7,6%	-3,0%
Perdite pecuniarie	307	76,2%	96	23,8%	403	25,6%	-0,2%	18,3%
Tutela Legale	179	87,0%	27	13,0%	206	4,9%	7,8%	5,3%
Assistenza	345	91,4%	32	8,6%	378	6,7%	2,4%	6,3%
Totale altri rami danni	**7.820**	**82,0%**	**1.712**	**18,0%**	**9.532**	**2,8%**	**-0,4%**	**2,2%**
Totale rami danni	**16.070**	**88,3%**	**2.133**	**11,7%**	**18.203**	**0,5%**	**-0,5%**	**0,4%**

** 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 channels, with regard to the business generated by both Italian insurers and the subsidiaries of non-EU companies, agents again accounted for the largest market share with 76.6%, despite this being slightly down on the figure for the end of the second quarter of 2016 (77.9%). Brokers had a market share of 8.4%, representing the second most important distribution channel for non-life insurance. Banks and post offices also registered growth, with a combined share of 6.5% (5.4% in the second quarter of 2016). Direct sales (in-house agents, online and telephone sales) account for 8.2% at the end of June 2017 (8.5% at the end of the same date in 2016). In terms of individual direct sales channels, the share of in-house agents is practically unchanged at 3.7% (as in the same period of 2016), online sales account for 3.4% (as in the same period of 2016), and telephone sales account for 1.1% of the total (slightly down on the 1.4% of the end of June 2016).

DISTRIBUZIONE % PREMI PORTAFOGLIO DIRETTO AL II TRIMESTRE 2017 (imprese italiane e rappresentanze imprese extra-UE)

Rami	Agenti	Broker (esclusi Preventivatori)	Sportelli bancari	Consulenti finanziari abilitati	Vendita diretta: Direzione-Agenzie in economia	Vendita diretta: Vendita telefonica	Vendita diretta: Internet (inclusi preventivatori)	Totale	Preventivatori
R.C. Autoveicoli terrestri	85,6	3,1	2,8	0,0	0,6	1,8	6,2	100,0	2,7
Corpi veicoli terrestri	74,8	12,1	3,7	0,0	3,2	1,5	4,7	100,0	1,6
Totale settore Auto	**83,7**	**4,7**	**2,9**	**0,0**	**1,0**	**1,7**	**5,9**	**100,0**	**2,5**
Infortuni	73,9	5,9	12,6	0,5	4,3	1,1	1,6	100,0	0,6
Malattia	38,7	20,2	15,1	1,3	24,5	0,1	0,1	100,0	0,0
Corpi veicoli ferroviari	48,9	42,8	0,0	0,0	8,3	0,0	0,0	100,0	0,0
Corpi veicoli aerei	4,3	95,1	0,0	0,0	0,6	0,0	0,0	100,0	0,0
Corpi veicoli marittimi	15,0	84,7	0,0	0,0	0,4	0,0	0,0	100,0	0,0
Merci trasportate	49,1	39,1	0,6	0,0	11,1	0,0	0,0	100,0	0,0
Incendio ed elementi naturali	76,8	10,0	9,6	0,2	3,1	0,2	0,2	100,0	0,0
Altri danni ai beni	83,1	11,0	4,2	0,1	1,5	0,1	0,1	100,0	0,0
R.C. Aeromobili	12,8	86,9	0,0	0,0	0,3	0,0	0,0	100,0	0,0
R.C. Veicoli marittimi	93,9	4,0	0,4	0,0	0,3	0,8	0,5	100,0	0,0
R.C. Generale	82,9	8,9	4,4	0,1	3,5	0,1	0,1	100,0	0,0
Credito	25,1	20,0	31,1	0,0	23,7	0,0	0,0	100,0	0,0
Cauzione	78,4	17,4	0,1	0,0	4,2	0,0	0,0	100,0	0,0
Perdite pecuniarie	34,3	9,2	50,0	0,3	4,5	0,8	0,9	100,0	0,2
Tutela legale	75,5	6,7	9,7	0,1	1,1	2,1	4,8	100,0	1,5
Assistenza	76,2	4,4	9,0	0,2	1,7	2,6	5,9	100,0	1,9
Totale altri rami danni	**69,2**	**12,3**	**10,3**	**0,4**	**6,5**	**0,5**	**0,8**	**100,0**	**0,2**
Totale danni	**76,6**	**8,4**	**6,5**	**0,2**	**3,7**	**1,1**	**3,4**	**100,0**	**1,4**

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

Finally, as the following table shows, the principal distribution channels for the subsidiaries of EU companies were brokers with a share of 42.9% and agents with 39.9%.

DISTRIBUZIONE % PREMI PORTAFOGLIO DIRETTO AL II TRIMESTRE 2017 (rappresentanze imprese UE)

Rami	Agenti	Broker	Sportelli bancari	Consulenti finanziari abilitati	Vendita diretta: Direzione-Agenzie in economia	Vendita diretta: Vendita telefonica	Vendita diretta: Internet	Totale
Totale settore Auto	64,4	12,3	5,0	5,0	0,2	7,4	5,7	100,0
Totale altri rami danni	33,8	50,4	9,9	-	4,4	0,2	1,3	100,0
Totale danni	**39,9**	**42,9**	**8,9**	**1,0**	**3,6**	**1,6**	**2,2**	**100,0**

Valori percentuali

OPERATING REVIEW

Total premiums continued to grow in the first half of 2017, with total premium revenue, net of outward reinsurance premiums, totalling €11,097.9 million, up 5.2% on the €10,551.4 million of the same period of 2016. These results have enabled the Company to consolidate its position with respect to its competitors. The table below breaks down premiums by life and non-life businesses:

(€m)

Premium revenue for the six months ended 30 June	**2017**	**2016**	**Increase/(decrease)**	
Class I	10,763.2	10,152.4	610.8	6.0%
Class III	232.0	309.5	(77.5)	(25.0%)
Class IV	14.4	5.5	8.9	161%
Class V	48.2	54.3	(6.1)	(11.3%)
Gross "Life" premium revenue	11,057.8	10,521.7	536.1	5.1%
Outward reinsurance premiums	(8.9)	(8.7)	(0.2)	1.8%
Net "Life" premium revenue	***11,048.9***	***10,513.0***	***535.9***	***5.1%***
Non-life premiums	73.3	57.3	16.0	27.9%
Outward reinsurance premiums	(18.1)	(14.4)	(3.7)	25.9%
Change in premium reserve	(8.6)	(5.4)	(3.2)	58.0%
Change in share of premium reserve attributable to	2.4	1.0	1.3	133.7%
Net "Non-life" premium revenue	***49.0***	***38.5***	10.5	***27.2%***
Total net premium revenue for the period	**11,097.9**	**10,551.4**	**546.4**	**5.2%**

Life business

Thanks in part to a constant focus on products, to strengthened support for the distribution network and to growing customer loyalty, the Group's **operations** were aimed almost exclusively at the marketing of Class I and V investment and savings products (traditional separately managed accounts), with **total premium revenue** of approximately €11.1 billion (€10.5 billion in the same period of 2016). In contrast, total revenue from the sale of Class III products remained marginal at €232 million, slightly down on the €310 million recorded in the first half of 2016. In this regard, a new unit-linked product, offering a form of long-term savings plan (an individual savings plan, or *PIR - Piano individuale di Risparmio*)[2] was launched on 27 June 2017. Premium revenue from this product amounts to €33.2 million at the end of the first half of 2017.

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

(€m)

Breakdown of gross premium revenue for the life business for the six months ended 30 June	**2017**	**2016**	**Increase/(decrease)**	
Regular premiums	**1,042.5**	**1,012.0**	**30.4**	**3.0%**
- of which first year	273.63	360.5	(86.9)	(24.1%)
- of which subsequent years	768.82	651.5	117.3	18.0%
Single premiums	10,015.3	9,509.6	505.7	5.3%
Total	**11,057.8**	**10,521.7**	**536.1**	**5.1%**

[2] Individual savings plans (***Piani Individuali di Risparmio*** or ***PIR***) are the new form of investment product introduced by the government in the 2017 budget law, with the aim of supporting Italian SMEs. These products offer significant **tax breaks** for investors.

Sales of regular premium products (*Multiutile Ricorrente*, *Long Term Care*, *Posta Futuro Da Grande*) also performed well, with over 49.0 thousand policies sold during the period, as did sales of the *PostaPrevidenzaValore* product which, with almost 45.2 thousand policies sold during the period and a total number of members amounting to 915 thousand, has enabled the Company to consolidate its leadership in the pensions market.

Sales of pure risk policies (term life insurance), sold in stand-alone versions (not bundled together with products of a financial nature), recorded sales of over 20.1 thousand new policies during the period, whilst the number of new policies (net of cancellations), again of a pure risk nature, sold bundled together with financial obligations deriving from mortgages and loans sold through Poste Italiane's network totalled approximately 18.8 thousand.

Non-life business

During the first half of 2017, the non-life business continued with specific marketing and commercial initiatives aimed at developing a health and protection product offering capable of meeting new customer needs, including a review and expansion of the cover provided by focusing more closely on such needs and adopting a customer-centric approach. As part of these efforts, in January the Company revisited its *ProntoPoste Protezione Infortuni* product, which is sold over the telephone, extending, among other things, cover to include outpatient treatments and visits to Accident and Emergency (excluding code white or equivalent numerical codes). A review of the cover offered by the *PostaProtezione Infortuni Senior*, *PosteProtezione Innova Infortuni* and *PosteProtezione Innova Salute Più* products was also conducted.

During the period, the Poste Vita Insurance Group launched the first collective employee benefit products, with cover for Permanent Disability resulting from injury or illness and the reimbursement of medical expenses is offered by Poste Assicura, whilst cover for term life insurance is offered by the Parent Company, Poste Vita.

The range of products marketed over the telephone was also expended, with the launch, in April, of the *ProntoPoste Protezione MultiRC* product covering compensation for damages involuntarily caused to third parties, including those related to the ownership of property, In June, the Group launched its new *PosteProtezione Innova Casa Più* product**.** Sales of credit protection (CPI) policies also performed well.

At 30 June 2017, gross non-life premium revenue for the first half of 2017 amounts to approximately €73.3 million (up 28% on the same period of the previous year). The following table shows a breakdown by line of business:

(€m)

Gross premium revenue for the six months ended 30 June	**2017**	**% share**	**2016**	**% share**	**Increase/ (decrease)**	**% inc./(dec.)**
Goods and property	16.1	22%	14.6	25%	1,569	11%
Personal insurance	36.8	50%	30.5	53%	6,293	21%
Credit protection	16.2	22%	11.9	21%	4,302	36%
Welfare and other management	4.2	6%	0.4	0%	3,987	1896%
Total	**73.3**	**100%**	**57.3**	**100%**	**16,151**	**28%**

The following table shows the distribution of gross non-life premium revenue by line of business, showing: i) the pre-eminence of Accident insurance, accounting for 45% of total premium revenue; and ii) growth in Medical insurance (up from €7.5 million in the first half of 2016 to €13.6 million now).

(€m)

Gross premium revenue for the six months ended 30 June	2017	% share	2016	% share	Increase/ (decrease)	% inc./(dec.)
Accident	33.2	45%	25.4	44%	7.9	31%
Medical	13.6	19%	7.5	13%	6.1	81%
Fire and Natural Disaster	2.8	4%	2.5	4%	0.3	12%
Other Damage to Property	3.9	5%	3.7	6%	0.3	7%
General Liability	7.7	10%	6.8	12%	0.9	13%
Financial Loss	5.8	8%	6.0	10%	(0.2)	-4%
Legal Expenses	1.4	2%	1.4	2%	0.1	7%
Assistance	4.9	7%	4.2	7%	0.7	17%
Total	**73.3**	**100%**	**57.3**	**100%**	**16.0**	**28%**

Payments and change in technical provisions

Claims paid during the period amount to a total of €5,149.6 million, compared with €3,699.6 million in the same period of the previous year, as shown below:

(€m)

Payments in the six months ended 30 June	2017	2016	Increase/(decrease)	
Non-life business				
Claims paid	10.7	8.2	2.5	30.1%
Settlement costs	1.3	1.3	(0.1)	-4.4%
Total non-life claims expenses	**12.0**	**9.6**	**2.4**	**25.4%**
Life business				
Amounts paid	5,129.8	3,684.8	1,445.0	39.2%
of which:				
Surrenders	1,540.5	1,333.6	206.9	15.5%
Maturities	2,933.8	1,820.8	1,113.0	61.1%
Claims	655.5	530.5	125.0	23.6%
Settlement costs	7.8	5.2	2.6	50.0%
Total life claims expenses	**5,137.6**	**3,690.0**	**1,447.6**	**39.2%**
Total	**5,149.6**	**3,699.6**	**1,450.0**	**39.2%**

Total claims paid on non-life policies amount to €12.0 million, including settlement and direct costs of €1.3 million, up 25% on the figure for the first half of 2016. These costs break down by class as follows:

(€000)

Claims expenses in the six months ended 30 June	2017 Claims paid	2017 Settlement and direct costs	2017 Total	2016 Claims paid	2016 Settlement and direct costs	2016 Total	Increase/ (decrease)	% inc./(dec.)
Accident	4,957	460	5,417	3,454	306	3,760	1,657	44%
Medical	1,341	247	1,589	946	188	1,134	455	40%
Fire and Natural Disaster	881	83	964	239	51	290	674	232%
Other Damage to Property	902	181	1,083	984	312	1,296	(213)	-16%
General Liability	883	129	1,012	920	155	1,074	(62)	-6%
Financial Loss	1,541	121	1,663	1,544	204	1,748	(85)	-5%
Legal Expenses	150	30	180	133	29	161	18	11%
Assistance	73	32	105	37	72	109	(5)	-4%
Total	**10,729**	**1,283**	**12,012**	**8,257**	**1,316**	**9,573**	**2,440**	**25%**

Total claims paid on life policies amount to €5,137.6 million at the end of the first half of 2017, up on the €3,690.0 million of the same period of 2016. The rise is primarily due to an increase of approximately €1,113.0 million in expirations during the period, linked to separately managed accounts and a Class III product.

Surrender costs amount to approximately €1,540.5 million, up on the €1,333.6 million of the first six months of 2016. However, as a share of initial provisions (2.9% at 30 June 2017, compared with 3.0% at 30 June 2016), this continues to be well below the market average.

The following table shows the distribution of claims paid by class, revealing an increase in claims paid on Class III products:

(€m)

Claims expenses by class in the six months ended 30 June	2017	2016	Increase/(decrease)	
Claims paid	**5,137.6**	**3,690.0**	**1,447.6**	**39.2%**
Class I	*3,857.8*	*3,520.6*	*337.2*	*9.6%*
Class III	*1,234.1*	*105.4*	*1,128.8*	*1071.3%*
Class IV	*(1.4)*	*0.0*	*(1.4)*	*n/s*
Class V	*39.2*	*58.8*	*(19.5)*	*(33.3%)*
Claims expenses	7.8	5.2	2.6	49.4%

The **change in technical provisions**, totalling €7,044.5 million, is down on the figure of €8,262.8 million recorded at 30 June 2016. The increase in mathematical provisions for class I, IV and V products, compared with the figure for the first half of 2016, primarily reflects a matching increase in insurance liabilities, reflecting the above-mentioned operating performance and the performance of net finance income.

The figure also includes the change in Deferred Policyholder Liability (DPL) provisions, amounting to €240.0 million (€698.0 million at 30 June 2016), linked to the measurement of securities included in separately managed accounts and classified as FVTPL.

The decrease in mathematical provisions for Class III policies with respect to the same period of 2016 is primarily due to the expiration of a Class III product during the period.

(€m)

Change in technical provisions in the six months ended 30 June	2017	2016	Increase/(decrease)	
Non-life technical provisions	**8.3**	**10.1**	**-1.81**	**-18.0%**
Mathematical provisions for Class I, IV and V	7,729.9	7,467.6	262.3	4%
Mathematical provisions Class III	(939.4)	84.8	(1,024.2)	-1208%
DPL provisions	240.0	698.0	(458.0)	-66%
Other technical provisions	5.8	2.3	3.5	150%
Total life technical provisions	**7,036.3**	**8,252.7**	**(1,216.5)**	**-14.7%**
Total	**7,044.5**	**8,262.8**	**(1,218.3)**	**-14.7%**

With reference to policies ceded to reinsurers, claims paid in the period under review, inclusive of the change in technical provisions, amount to €14.4 million. The increase with respect to the €11.5 million of the first half of 2016 reflects the growth of the business, as shown below:

(€m)

Claims expenses attributable to reinsurers in the six months ended 30 June	2017	2016	Increase/(decrease)	
Non-life business				
Claims paid	3.4	2.6	0.8	30.4%
Settlement costs	0.1	0.1	(0.0)	-14.0%
Total non-life insurance claims paid	**3.5**	**2.7**	**0.8**	**28.5%**
Change in technical provisions	2.6	1.1	1.5	131.4%
Total non-life insurance	**6.1**	**3.8**	**2.2**	**58.7%**
Life business				
Claims paid	3.8	3.5	0.3	9.2%
Settlement costs	0.0	0.0	0.0	0.0%
Total life insurance claims paid	**3.8**	**3.5**	**0.3**	**9.2%**
Change in technical provisions	4.5	4.1	0.4	8.5%
Total life insurance	**8.3**	**7.7**	**0.7**	**8.8%**
Total	**14.4**	**11.5**	**2.9**	**25.4%**

Technical provisions

As a result of the above operating and financial performance, technical provisions amount to €118,658.3 million, up approximately 4.4% compared with the €113,677.9 million of 2016. The provisions are allocated as follows:

(€m)

Technical provisions at 30 June	2017	2016	Increase/(decrease)	
Non-life classes:				
Premium reserve	62.7	54.1	8.6	15.9%
Outstanding claims provisions	97.4	89.1	8.3	9.4%
Other technical provisions	0.1	0.2	(0.1)	(56.6%)
Total non-life classes	**160.2**	**143.4**	**16.8**	**11.7%**
Life classes:				
Mathematical provisions	104,057.6	96,332.2	7,725.4	8.0%
Technical provisions for class III products	5,960.3	6,899.8	(939.5)	(13.6%)
Outstanding claims provisions	728.6	941.7	(213.1)	(22.6%)
DPL provisions	7,665.7	9,280.8	(1,615.1)	(17.4%)
Other technical provisions	85.8	80.0	5.8	7.2%
Total life classes	**118,498.0**	**113,534.5**	**4,963.5**	**4.4%**
Total	**118,658.3**	**113,677.9**	**4,980.3**	**4.4%**

Provisions for the life classes amount to €118,498.0 million (€113,534.6 million at the end of 2016). These provisions are made to meet all of the Company's obligations and include mathematical provisions (€104,057.6 million), provisions for unit- and index-linked products (€5,960.3 million), outstanding claims provisions (€728.6 million), deferred policyholder liability (DPL) provisions (€7,665.7 million) and other technical provisions (€85.8 million). The latter includes provisions for future expenses, totalling €82.4 million, provisions for supplementary insurance premiums, totalling €3.3 million, and provisions for with-profits policies, amounting to €0.1 million.

Deferred Policyholder Liability (DPL) provisions, amounting to €7,665.7 million at the end of the first half of 2017, are down on the figure for the beginning of the year (€9,280.8 million). This reflects a reduction in the fair value of the financial instruments covering the insurance liabilities linked to separately managed accounts, as a result of the less positive performance of financial markets compared with the end of the previous year.

In this regard, it should be noted that for products whose revaluation is linked to the returns on separately managed accounts, the financial component of technical provisions is determined on the basis of realized income and expenses, as established by the applicable Italian accounting standards, without considering unrealized gains and losses. This generates a timing mismatch between liabilities and the assets designed to back them, which are recognized at fair value, in accordance with IAS 39. 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. The criteria used for shadow accounting purposes are described in the notes to the financial statements.

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 a LAT - Liability Adequacy Test established 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.

Non-life technical provisions, before provisions ceded to reinsurers, amount to €160.2 million at the end of the period (€143.4 million in 2016), and consist of: the premium reserve of €62.7 million, outstanding claims provisions of €97.4 million and other provisions of €0.1 million, relating solely to the ageing reserve. Outstanding claims provisions for claims incurred but not reported (IBNR) amount to €17.8 million. Changes in the premium reserve and outstanding claims provisions reflect the growth in premium revenue.

Distribution

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

Training activity for personnel in charge of product sales is conducted according to regulatory guidelines.

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

Total commissions paid for distribution, collection and portfolio maintenance services, paid under a specific agreement with the insurance broker, BancoPosta RFC – Poste Italiane SpA, amount to approximately €258.2 million (€243.3 million in the first half of 2016). On an accruals basis, the amount for the period totals €255.8 million, reflecting the amortisation of prepaid commissions (€241.8 million in the first half of 2016). The Insurance Group sells its collective policies through brokers, to which it paid commissions of €1.7 million during the period.

Reinsurance strategy

Life business

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

Premiums ceded to reinsurers amount to €8.9 million (€8.7 million at 30 June 2016) and include €5.6 million for Class I products and a remaining €3.3 million for Class IV products. The share of claims expenses attributable to reinsurers, after technical provisions, amounts to €8.3 million (€7.7 million in the same period of 2016).

As a result of this, **ceded policies**, including commissions received from reinsurers amounting to €1.0 million (€1.1 million in the first half of 2016) achieved a positive result of €490 thousand, compared with a positive result of €44 thousand for the same period of 2016.

Non-life business

The board of directors of the subsidiary, Poste Assicura, at a meeting held on 14 December 2016, approved the Guidelines applicable to passive reinsurance arrangements and, at its meeting of 16 February 2017, the Reinsurance Plan for the current year, prepared in accordance with existing regulations (IVASS Circular 574/D). Briefly, the reinsurance structure applied in 2017, in accordance with the Guidelines and the Reinsurance Plan, is based on the following:

- retention of 100% of gross premium revenue in the Accident class for retail products, with reference to new business, in addition to the adoption of excess-of-loss treaties for personal (Accident) insurance due to risk and/or event to hedge against large losses. Quota share treaties continue to be valid in relation to the principal risks insured prior to 2013. These arrangements provide risk attaching coverage, with 50% of any losses covered. In this latter case, the excess-of-loss treaty for Accident policies covers the retained share;

- retention of 50% of the risk exposure for retail Medical products. The reinsurance strategy, applicable to the risks underlying policies in run-off, continues in the form of a quota share treaty with the ceded percentage based on pure premiums and providing risk attaching coverage. The same quota share reinsurance structure applies to all the risks attaching to new business and underlying the other products sold, but with retrocession of a flat commission and on a loss occurring basis;
- confirmation of the preference given to “bouquet, multi-line” reinsurance for Property and Liability products: proportional treaty bases on reinsurance cession in the Fire, Other Damage to Property and General Liability classes, maintaining the commissions paid by reinsurers based on underwriting results, in addition to the adoption of excess-of-loss treaties per risk and/or event to protect against large losses;
- confirmation of 40% as the proportion of risks ceded in Fire, Other Damage to Property and Financial loss classes;
- confirmation of 25% as the proportion of risks ceded in General Third Party Liability, excluding professional liability, which is maintained at 90%;
- retention of the pure premium rates established in 2013 for credit protection insurance for all policies written prior to 20 February 2016;
- adoption of new pure premium rates for credit protection insurance for all policies written after 20 February 2016, in application of all the recommendations contained in the letter from IVASS – Bank of Italy, dated 26 August 2015, relating to “PPI - Payment Protection Insurance. Customer protection measures”;
- a reduction of the proportion of risks ceded in the Legal Expenses and Assistance classes to 65% and a further increase in reinsurance commissions (fixed commission + profit-sharing) for all policies written at 31 December 2016 and new policies in 2017;
- adoption of a treaty covering the main collective, closed-group corporate accident risks. This reinsurance structure has a loss occurring basis and is based on a quota share treaty with commercial premiums, with a cession rate of 70% and sliding-scale reinsurance commissions depending on the loss ratio, and an excess-of-loss treaty covering the retained share;
- confirmation of an 80% quota share treaty for corporate medical risks and regarding the Open Medical Scheme, with a cession rate based on gross premium revenue, a flat reinsurance commission and with coverage provided on a risk attaching basis;
- use of optional and/or special acceptance reinsurance treaties, primarily in cases where the risk is not covered by the existing reinsurance treaty. This approach applies particularly to risks that do not meet the qualitative and quantitative criteria provided for in existing reinsurance treaties, but which Poste Assicura is normally willing to insure against, primarily corporate accident or medical policies. The entity of the risk retained by Poste Assicura and the most appropriate reinsurance structure are decided on, from time to time, based on the nature of the risk involved.

In view of the above reinsurance strategy and the operating performance, the degree of retained risk, in relation to the company's remaining exposure to claims following cessions to reinsurers, is equal to 70% (80% at the end of the first half of 2016).

The ratio of ceded premiums at the end of the period to gross premiums written is approximately 25%, in line with the figure at 30 June 2016.

Ceded policies report a negative result of €3.1 million, marking an improvement on the figure for the same period of 2016 (a negative €3.9 million). This primarily reflects: i) growth in premiums from products not covered by pro-rata treaties, and ii) the renegotiation of the conditions in treaties relating to Assistance and Legal Expense insurance.

Complaints

The Parent Company, Poste Vita, received 819 new complaints during the first half of 2017, compared with 1,187 in the same period of 2016. The ratio of complaints to the total number of outstanding contracts at 30 June 2017 is 0.012% (0.02% for the first half of 2016). The average time taken to respond to complaints during the first half of 2017 was around 15 days (18 days in the same period of 2016).

The subsidiary, Poste Assicura, received 315 new complaints in the same period (695 in the first half of 2016). The ratio of complaints to the total number of outstanding contracts at 30 June 2017 is 0.03% (0.06% at 30 June 2016). The average time taken to respond to complaints during the period was around 16 days (20 days in the same period of 2016), within the required 45-day time limit.

FINANCIAL POSITION

Financial investments

Financial investments amount to €119,570.3 million, up 3.4% on the €115,677.5 million of the end of 2016 and reflecting the operating performance and financial market trends.

				(€m)
	At 30 June 2017	1 December 2016	Increase/(decrease)	
Investments in associates	106.3	105.9	0.4	0.4%
Loans and receivables	83.3	29.8	53.5	179.1%
Available-for-sale financial assets	91,306.4	90,405.4	901.0	1.0%
Financial assets at fair value through profit or loss	28,074.3	25,136.4	2,938.0	11.7%
Total financial investments	**119,570.3**	**115,677.5**	**3,892.8**	**3.4%**

Investments of €106.3 million refer to the shareholding in the associate, EGI, which is accounted for using the equity method. The company, which is owned by Poste Vita SpA and Poste Italiane SpA with 45% and 55% equity interests, respectively, operates primarily in real estate and is tasked with the management and development of the parent's non-operating properties. The figures for the first half of 2017 show that the company has equity of €236.3 million and made a profit for the period of approximately €0.9 million, an improvement on the figure for the first half of 2016, amounting to €0.4 million.

Loans and receivables of €83.3 million (€29.8 million at 31 December 2016) solely regard subscriptions and the related capital calls on mutual funds for which the corresponding units have not yet been issued.

Available-for-sale (AFS) financial assets amount to over €91.3 billion and primarily relate to securities allocated to separately managed accounts (approximately €87.7 billion) and a residual portion attributable to the Company's free capital (approximately €3.6 billion).

					(€m)
		At 30 June 2017	At 31 December 2016	Increase/(decrease)	
Debt securities		8,608.2	9,566.5	- 958.3	-10.0%
of which:	government bonds	4,678.8	5,450.9	(772.1)	-14.2%
	corporate bonds	3,929.3	4,115.6	(186.3)	-4.5%
Structured bonds		546.2	992.0	(445.8)	-44.9%
UCITS units		18,666.0	14,345.2	4,320.8	30.1%
Derivatives		254.0	232.7	21.3	9.2%
Total		**28,074.3**	**25,136.4**	**2,937.9**	**11.7%**

The financial markets were marked by increasingly volatile interest rates and yields on Italian government securities during the period, reflected in a reduction in the fair value reserve for these instruments, which amounts to €7,477.5 million in potential gains (€9,380.3 million at the end of 2016), including €7,254.9 million attributable to policyholders through the shadow accounting mechanism, as they relate to financial instruments included in separately managed accounts. The remaining €222.6 million refers to net gains on AFS securities included in the Company's free capital and therefore attributable to a specific equity reserve (equal to €154.9 million), net of the related taxation. These amounts include measurement of investments in the Atlante fund. As more fully described in the section, "Other information", the Parent Company, Poste Vita, recognised a further impairment loss of €104.7 million during the period, based on the management company's announcement of 21 July. The loss includes:

- €92.6 million allocated to separately managed accounts and thus deducted from deferred liabilities due to policyholders;
- €12.1 million relating to the Company's free capital.

Financial assets at fair value through profit or loss *(FVTPL)* amount to approximately €28.1 billion (€25.1 billion at 31 December 2016) and primarily regard:

- financial instruments backing unit and index-linked policies, totalling €6.0 billion (including €0.2 million in warrants backing index-linked products);
- investments included in the Company's separately managed accounts, amounting to €22.0 billion, of which: i) approximately €4.0 billion are callable bonds, ii) €0.5 billion regard Constant Maturity Swaps issued by CDP with a cap and a floor in order to limit movements in interest rates, and finally iii) approximately €17.4 billion invested in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type and €0.2 billion in real estate funds.

Warrants	At 30 June 2017				At 31 December 2016	
Policy	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses	Nominal value	Fair value
Alba	-	-	1.6	-	712	17
Terra	1,282	36	1.3	10.7	1,355	27
Quarzo	1,176	44	1.2	11.0	1,254	35
Titanium	621	40	0.9	8.4	656	34
Arco	165	33	0.5	5.1	174	30
Prisma	166	28	0.4	3.8	175	25
6Speciale	200	0	-	-	200	0
6Aavanti	200	0	-	-	200	0
6Sereno	173	17	0.2	2.4	181	15
Primula	176	16	0.2	2.1	184	15
Top5	224	18	0.2	2.6	233	16
Top5 edizione II	226	21	0.3	3.4	234	19
Total	**4,607**	**254**	**6.8**	**49.5**	**5,558**	**233**

The increase during the period primarily reflects new investments in multi-asset, harmonised open-end funds of the UCITS type.

Regarding derivative transactions, at 30 June 2017 the only derivative instruments held include the warrants purchased to hedge the indexed component of certain Class III products. The following table shows the nominal and fair values at 30 June 2017, compared with the end of 2016, and the first-half performance for each product:

Warrants	At 30 June 2017				At 31 December 2016	
Policy	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses	Nominal value	Fair value
Alba	-	-	1,6	-	712	17
Terra	1.282	36	1,3	10,7	1.355	27
Quarzo	1.176	44	1,2	11,0	1.254	35
Titanium	621	40	0,9	8,4	656	34
Arco	165	33	0,5	5,1	174	30
Prisma	166	28	0,4	3,8	175	25
6Speciale	200	0	-	-	200	0
6Aavanti	200	0	-	-	200	0
6Sereno	173	17	0,2	2,4	181	15
Primula	176	16	0,2	2,1	184	15
Top5	224	18	0,2	2,6	233	16
Top5 edizione II	226	21	0,3	3,4	234	19
Total	**4.607**	**254**	**6,8**	**49,5**	**5.558**	**233**

The composition of the portfolio according to issuing country is in line with the situation in 2016, being marked by a strong prevalence of Italian government bonds, as shown in the following table.

(€m)

Country	AFS	FVTPL	TOTAL
AUSTRALIA	343	67	410
AUSTRIA	20	36	56
BELGIUM	192	146	338
CANADA	87		87
DENMARK	72	60	133
FINLAND	64	3	67
FRANCE	2,711	913	3,624
GERMANY	455	179	635
JAPAN	10		10
IRELAND	727	450	1,177
ITALY	76,883	5,963	82,845
LUXEMBOURG	509	17,988	18,496
MEXICO	44	22	66
NORWAY	39		39
NEW ZEALAND	11		11
NETHERLANDS	1,944	580	2,523
PORTUGAL	88		88
UK	1,546	466	2,012
SLOVENIA	23		23
SPAIN	2,939	121	3,060
SWEDEN	245	63	308
SWITZERLAND	242	10	252
USA	2,114	1,006	3,120
Total	**91,306**	**28,074**	**119,381**

The distribution of the securities portfolio at 30 June 2017 by duration class is shown below:

		(€m)
Duration	**AFS**	**FVTPL**
up to 1	2,098	4,615
from 1 to 3	13,766	1,775
from 3 to 5	18,579	654
from 5 to 7	19,857	1,652
from 7 to 10	9,082	1,038
from 10 to 15	12,390	365
from 15 to 20	7,614	372
from 20 to 30	6,580	271
over 30	1,340	17,332
Total	**91,306**	**28,074**

Returns on Poste Vita's separately managed accounts, in the specific period under review (from 1 January 2017 to 30 June 2017) are as follows:

Separately managed accounts	**Gross return**	**Average invested capital**
	% rate	**€m**
Posta Valore Più	2.93%	98,171.6
Posta Pensione	3.70%	4,628.4

EQUITY AND SOLVENCY MARGIN

Equity amounts to €3,503.4 million at 30 June 2017, marking an increase of €201.4 million compared with the beginning of the year. Changes during the period primarily reflect: i) profit for the period of €234.6 million and ii) the reduction in the valuation reserve for available-for-sale financial assets included in the Parent Company's free capital (€33.2 million).

Equity

(€m)	At 31 December 2016	Appropriation of profit for 2016	Change in AFS reserve	Other gains and losses recognised directly through equity	Profit for first half of 2017	At 30 June 2017
Share capital	1,216.6					1,216.6
Revenue reserves and other equity reserves:	1,501.5					1,897.7
Legal reserve	102.0	18.5				120.5
Extraordinary reserve	0.6					0.6
Organisation fund	2.6					2.6
Negative goodwill	0.4					0.4
Retained earnings	1,395.9	377.7				1,773.6
Valuation reserve for AFS financial assets	187.8		(33.2)			154.6
Other gains or losses recognised through equity	(0.1)			0.1		(0.0)
Profit for the period	396.2	(396.2)			234.6	234.6
Total	**3,302.0**	**-**	**(33.2)**	**0.1**	**234.6**	**3,503.4**

In addition, the **subordinated debt** issued at 30 June 2017 amounts to €1,000.0 million (€1,000.0 million at 31 December 2016) including:

- €250 million in loan notes placed with the parent and having an undefined maturity;
- €750 million in subordinated bonds issued by the Parent Company.

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

With regard to the Poste Vita Group's solvency margin at 30 June 2017, applying the same calculation methods and accounting principles used when preparing the annual Solvency II submissions, the own funds that qualify for inclusion total €8,378 million, an increase (also taking into account expected dividends for 2017, decided on when drawing up the budget) of approximately €314 million on the €8,063 million of the end of 2016. This reflects the positive impact of financial market trends on the securities portfolio and on technical provisions (a reduction in the spread on government securities and an increase in risk-free interest rates).

In contrast, capital requirements have risen by approximately €136 million (from €2,743 million at the end of 2016 to €2,879 million at 30 June 2017), reflecting the increase in capital required to cover technical risk, primarily due to growth of the business, partially offset by the investment diversification policy adopted by the Group, which has resulted in an overall reduction in capital requirements in relation to market risk.

As a result of the above trends, whilst slightly down with respect to the figure for the end of 2016 (a decline from 294% to 291% at the end of June 2017), the solvency ratio continues to be well above the regulatory requirement and the market average.

ORGANISATION OF THE POSTE VITA GROUP

Corporate governance

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

The Board of Directors of the Parent Company, Poste Vita, which has 7 members (2 of whom, as confirmed at the time of the Board’s re-election in June 2017, are independent), meets periodically to review and adopt resolutions on strategy, operations, results, and proposals regarding the operational structure, strategic transactions and any other obligations under current industry legislation. This body thus has a central role in defining the strategic objectives of the Parent Company, Poste Vita and the policies needed to achieve them. The Board of Directors is responsible for managing corporate risks and approves the strategic plans and policies to be pursued. It promotes the culture of control and ensures its dissemination to the various levels within the organisation.

The Chairman is vested with the powers provided for by the articles of association and those conferred by the Board of Directors at the meeting of 19 June 2017.

The Board of Directors has established a Remuneration Committee, the composition of which changed following the re-election of Directors in June 2017. The Committee has an advisory role and makes recommendations to the Board regarding remuneration policies and and the remuneration of executive Directors. The Committee also assesses whether or not the remuneration paid to each executive Director is proportionate to that paid to other executive Directors and the Group’s other personnel.

On 19 June 2017, the Internal Audit and Related Party Transactions Committee was also re-elected, with the role of assisting the Board of Directors in determining internal control system guidelines, in assessing the system’s adequacy and effective functionality, and in identifying and managing the principal business risks.

The Board of Statutory Auditors of the Parent Company, Poste Vita, is made up of 3 standing members and 2 alternates appointed by the shareholders. Pursuant to art. 2403 of the Italian Civil Code, the Board of Statutory Auditors monitors compliance with the law and the articles of association and with good practices and, in particular, the adequacy of the organizational, administrative and accounting structure adopted by the Company and its functionality.

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

The Parent Company, Poste Vita, also has a system of procedural and technical rules that 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 number of Committees with the role of guiding and controlling corporate policies on strategic issues. In particular, the following committees have been established: (i) an Executive Committee, with responsibility for overseeing the operating performances of Poste Vita Group companies with respect to their budgets, implementing the Group's plans and the master plan for its strategic projects, assessing and discussing key, Group-wide issues in order to support decision-making by the senior management and corporate bodies of Poste Vita and Poste Assicura, and provide guidance for the functions responsible for achieving the companies' objectives; (ii) an Insurance Products Committee, which analyses, *ex ante*, proposals regarding insurance product offerings, with the related technical and financial characteristics, and verifies, *ex post*, the technical and profit performance and limits on risk taking for product portfolios; (iii) a Crisis Management Committee, responsible for managing crisis situations arising in connection with the Company's information system, to ensure business continuity on the occurrence of unexpected, exceptional events. The Committee operates in accordance with the policies established for the areas of interest by the parent, Poste Italiane; (iv) an Investment Committee, which plays a role in defining the investment policy, the strategic and tactical asset allocation policy and its monitoring over time; and (v) a Procurement Committee with responsibility – for both companies – for selecting suppliers for the provision of key goods and services with a value of over €100,000 per individual contract.

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

Internal control system

Within the Poste Vita Group, but tailored to meet the needs of each company, the risk management process is part of a wider internal control system that is divided into four lines of defence:

- Line, or first level, controls, carried out during operational processes managed by individual operating units (this also includes hierarchical controls and controls "embedded" in procedures); the system of proxies and of powers of attorney; the operating units therefore represent a "first line of defence" and are responsible for effectively and efficiently managing the risks that fall within their purview.
- Risk management controls (second level), carried out by the Risk Management function of the Parent Company, Poste Vita, which is separate and independent from other operating units and identifies the various types of risk, contributes to establishing methods for evaluation/measurement and verifies that the operating units comply with the assigned limits; it also identifies and recommends, where necessary, risk corrective and/or mitigation actions, checking consistency between the Company's operations and the risk objectives established by the competent corporate bodies.
- Controls on the risk of non-compliance with rules (second level), carried out by the Compliance department of the Parent Company, Poste Vita, which is separate and independent from operating units and has responsibility for preventing the risk of incurring legal or administrative sanctions, financial losses or reputational damage arising from non-

compliance with the relevant regulations. In this context, the Compliance unit is responsible for assessing the adequacy of internal processes to prevent the risk of non-compliance.

- Second level controls also include the Actuarial Department of the Parent Company, Poste Vita, which is tasked with coordination, management and control of technical provisions and with reviewing of the reinsurance strategy, whilst also contributing to effective application of the Risk Management System;
- Third Level Controls, assigned to Internal Auditing, Ethics and Internal Control Models unit, which is separate and independent from operating units. This department, based on an analysis of areas of risk affecting the Company's business, plans annual audits to check the effectiveness and efficiency of the Internal Control System with respect to operations/business processes.

The Board of Directors and senior management also participate in the above system ("the fourth line of defence"), having been included in the model as a result of the role assigned to them by ISVAP Regulation 20 with regard to determination, implementation, maintenance and monitoring of the internal control and risk management system. In particular:

- the Board of Directors guarantees and has ultimate responsibility for the system, drawing up the related guidelines, monitoring the results and ensuring its ongoing completeness, functionality and efficacy;
- senior management is responsible for implementing, maintaining and monitoring the system in accordance with the guidelines drawn up by the Board of Directors.

This organisational model aims to ensure, at each Poste Vita Insurance Group company, the presence of effective and efficient business processes, the control of current and future risks, procedures for reporting between the different lines of defence, reliable and complete information and protection of the Group's assets over the medium and long term.

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

Regarding the organisation of control functions, controls for the subsidiary, Poste Assicura, are conducted on a centralised basis by the Parent Company, Poste Vita, pursuant to art. 36 of ISVAP Regulation 20, dated 26 March 2008.

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 within the Insurance Group and is constantly upgraded.

In this context, the Parent Company's Internal Auditing function assists the Group in achieving its goals, providing independent and objective assurance with the aim of assessing and improving the control, risk management and corporate governance systems. This function, using a systematic, risk-based approach, monitors and assesses the effectiveness and efficiency of the internal control system and, more generally, the governance system as a whole. This involves coordinating audit activities at Group level, in accordance with the requirements set out in the Parent Company's Internal Audit Policy document, revised and approved by the Board of Directors in December 2016.

Internal Auditing also 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 within the Parent Company, Poste Vita, has also been established to develop risk measurement methods and propose action plans to mitigate the financial, technical and process risks to which the Company is exposed. This 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 Parent Company's Compliance unit guarantees organisational and procedural adequacy to prevent the risk of non-compliance with regulations, as per the Compliance Policy approved by the Board of Directors on 21 December 2016.

The Actuarial Department set up by the Parent Company, Poste Vita, 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 231/01, the Parent Company, Poste Vita, has adopted a Compliance Programme with the objective of preventing the perpetration of the different types of offence contemplated by the law, and has appointed a Supervisory Board.

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

Organizational structure and personnel

The Poste Vita Group continued to strengthen its organisational structure during the year, in order to meet the requirements associated with its growing size, the increase in business and its plans for the future.

The Parent Company, Poste Vita, continues to carry out certain activities for the subsidiary, Poste Assicura, relating to administration, IT systems, marketing and internal controls (internal auditing, compliance and risk management), as well as corporate functions (human resources, legal affairs, general services and management control, etc.).

The Poste Vita Insurance employs a total of 522 people at 30 June 2017, compared with 494 at 31 December 2016.

Workforce breakdown	At 30 June 2017	At 31 December 2016	Increase/ (decrease)
Executives	40	42	-2
Middle managers	208	199	9
Operational staff	267	249	18
Personnel on fixed-term contracts	7	4	3
Direct employees	**522**	**494**	**28**

The staff hired during the year were primarily recruited to provide support for the business and for new and ongoing projects, partly with a view to strengthening technical and specialist expertise, as well as governance and control.

In this connection, and in order to boost its human capital, the Poste Vita Insurance Group carried out specific development courses focusing on matters relating to insurance (with particular attention to Solvency II issues).

The development of management skills within the Group was also a priority during the period.

RELATIONS WITH THE PARENT AND OTHER POSTE ITALIANE GROUP COMPANIES

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

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

- the sale and distribution of insurance products at post offices and related activities;
- post office current accounts;
- 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.

Furthermore, at 30 June 2017, subordinated loan notes, totalling €250 million (€250 million at 31 December 2016), issued by the Parent Company, Poste Vita, have been subscribed for by Poste Italiane SpA. The notes provide a market rate of return reflecting the Company's creditworthiness.

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

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

Poste Vita conducts transactions with the subsidiary, Poste Welfare Servizi, primarily in relation to the secondment of personnel and the provision of services.

In addition to the relationship with the parent and the subsidiary, Poste Assicura, Poste Vita also maintains operational relations with other Poste Italiane Group companies, with regard to:

- management of the Company's free capital and of a part of the portfolio investments attributable to separately managed accounts (Bancoposta Fondi SGR, Anima SGR);
- printing, enveloping and mail delivery through information systems; management of incoming mail, the dematerialization and filing of printed documentation (Postel);
- services related to network connections with Poste Italiane's post offices (Postecom);

- mobile telephone services (Poste Mobile);
- advice on obligations pertaining to occupational health and safety (Poste Tutela);
- Term Life Insurance policies (Postel, EGI, PosteCom, Poste Mobile, Poste Assicura, Mistral Air, Poste Tributi and Bancoposta Fondi SGR).

In addition, Poste Assicura engages in transactions with Poste Welfare Servizi regarding claims management for certain products.

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

OTHER INFORMATION

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

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

Related party transactions

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

At 30 June 2017, Poste Vita and Poste Assicura hold bonds issued by Cassa Depositi e Prestiti, acquired under market conditions, whilst during the fourth quarter of 2016, the Parent Company, Poste Vita, acquired a 9.9% interest in FSI SGR from Cassa Depositi e Prestiti. The Company does not exercise either *de iure* or *de facto* control, whether on an individual or joint basis, with CDP and/or other shareholders of FSI SGR.

The Insurance Group's Directors and key management personnel have not conducted any related party transactions.

Research and development activities

During the period, the Poste Vita Insurance Group did not incur any research and development expenses, except for costs related to new products. These outlays were expensed as incurred.

Legal disputes

Approximately 400 proceedings have been initiated against the Parent Company, Poste Vita, mainly relating to "dormant policies" and the payment of claims. There was also an increase in enforcement procedures, involving the Company as garnishee in around 360 proceedings.

Approximately 50% of the disputes involving Poste Vita regard issues surrounding so-called "dormant policies", whilst the remaining disputes generally regard problems relating to i) the inability to settle claims due to a lack of documentation, ii) disputes between life policy beneficiaries and iii) problems regarding payments and index-linked products in general.

The Company has initiated approximately 130 bankruptcy proceedings against the same number of employers, who have failed to make voluntary and mandatory payments of contributions (for *TFR*, or post-employment benefits) for members of the *PostaPrevidenza Valore* individual pension plan. The proceedings have been brought by Poste Vita in order to recover the amounts due.

Approximately 170 proceedings have been filed against the Company, mostly regarding alleged offences relating in general to the falsification of insurance documents, embezzlement and the exploitation of people who are mentally incapable. The offences concerned have been committed by third parties or employees of Poste Italiane.

In terms of Poste Assicura, the subsidiary is involved in approximately 150 disputes, primarily regarding contested claims on Home, Accident and Condominium policies.
The likely outcome of these disputes was taken into account in calculating outstanding claims provisions.
Finally, a further 80 proceedings have been filed against Poste Assicura mostly regarding alleged offences relating in general to the falsification of insurance documents, embezzlement and the exploitation of people who are mentally incapable. The offences concerned have been committed by third parties or employees of Poste Italiane.

Principal proceedings pending and relations with the authorities

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

During the first half, IVASS conducted an inspection of the Parent Company, Poste Vita, pursuant to art. 189 of the *Codice delle Assicurazioni Private* (the Private Insurance Code - Legislative Decree 209 of 7 September 2005). The inspection began on 20 March 2017 and came to an end on 28 June 2017. The focus of the inspection was “an audit of the best estimate of liabilities and the assumptions used in computing such liabilities and solvency capital requirements (SCR), including on a prospective basis”. Poste Vita provided the documentation requested and is now waiting to know the regulator’s conclusions and the outcome of the inspection.

In addition, between September 2015 and December 2016, IVASS notified the Parent Company, Poste Vita, of eleven violations of art. 183, paragraph 1.a) of the Private Insurance Code relating to delays in the payment of claims. Having ascertained that four of the above violations had been committed, IVASS notified Poste Vita that it was imposing the relevant fines for three of the violations in August 2016 and for a further violation in January 2017. No fine is to be imposed for one of the remaining violations, whilst the other proceedings are still pending.

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

In December 2015, the Bank of Italy's Financial Intelligence Unit (UIF) launched an investigation of the Parent Company, Poste Vita, relating to money laundering prevention as per art. 47 and art. 53, paragraph 4, of Legislative Decree 231 of 2007. The above investigation came to an end on 8 April 2016, with receipt of the final document from the Company, containing the clarifications and information requested by the UIF.

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 231/2007. The violation in question (punishable, in accordance with art. 57, paragraph 4 of Legislative Decree 231/2007, with a fine amounting to between 1% and 40% of the value of the transactions) may result in a fine of up to approximately €400,000. Poste Vita sent the Ministry of the Economy and

Finance a defence memorandum and requested a hearing. Following the investigations, on 27 July 2016, the Bank of Italy requested the Company to take corrective action to resolve a number of issues emerging during the checks carried out, and asking the Company to report back.
The Parent Company, Poste Vita, first informed the Bank that it was taking the necessary steps, after which it would report on the initiatives and corrective action undertaken. This report was submitted on 20 December 2016, with a description of the steps being taken in order to implement the UIF's recommendations.

In response to Poste Vita's request for a hearing when submitting its defence memorandum, following receipt of the notice of assessment received from the UIF in July 2016, the Company was requested to attend a hearing at the Ministry of the Economy and Finance on 22 March 2017. The Company duly appeared before the hearing to present additional evidence in its defence with respect to the arguments previously submitted on 3 August 2016. The related statement was attached to the minutes of the hearing. The Company is awaiting the Bank's decision.

c) COVIP - *Commissione di Vigilanza sui Fondi Pensione* (the pensions regulator)

On 4 October 2016, the pensions regulator launched an inspection focusing on the *PostaPrevidenza Valore* individual pension plan. The inspection at the offices of the Parent Company, Poste Vita, came to an end on 23 March 2017. On 14 July 2017, the regulator notified the Company that the inspection had been completed on 30 June 2017.

Tax disputes

In 2009, the Regional Tax Office for Large Taxpayers (Agenzia delle Entrate - *Direzione Regionale del Lazio - Ufficio Grandi Contribuenti*) notified the Parent Company, Poste Vita, of an alleged violation of the VAT regulations in the 2004 tax year, resulting in fines of approximately €2.3 million for the alleged failure to pay VAT on invoices for service commissions. The Company appealed the above findings before the Provincial Tax Tribunal of Rome. In December 2010 and September 2011, the tax authorities sent notices of two further small fines for the same violation in fiscal years 2005 and 2006. These fines were also appealed. The Provincial Tax Tribunal of Rome has in every case found in the Company's favour, ruling that the tax authorities' allegations are without grounds. The tax authorities have challenged such rulings by filing an appeal. The Regional Tax Tribunal of Rome has rejected all the appeals and confirmed the lack of grounds for the claims against Poste Vita. On 23 October 2015, the State Attorney's Office challenged the rulings regarding the disputes for 2004 and 2006 and summoned the Company to appear before the Court of Cassation. Counterclaims filed by Poste Vita before the Court of Cassation were served to the tax authorities on 3 December 2015 and subsequently entered in the Cassation's registry on 17 December 2015. The litigation is currently pending before the Court of Cassation. Regarding, on the other hand, the disputes relating to 2005, the deadline for the tax authorities to file an appeal before the Court of Cassation is 6 November 2017. The likely outcome of this tax dispute continues to be taken into account in determining provisions for risks and charges.

Tax inspection

On 30 November 2016, the Parent Company was notified of a tax assessment notice containing one violation regarding the alleged erroneous computation of outstanding claims provisions for the tax years ended 31 December 2012 and 31 December 2013. Following the Board of Directors' approval of the tax authorities' proposed settlement on 21 March 2017, the Parent Company, Poste Vita, paid the sums due on 27 March 2017. As the irregularity merely regarded a question of timing, the additional IRES and IRAP payable, amounting to approximately €357 thousand, will be recovered in the years in which the disputed amounts are paid to beneficiaries, with the company actually only incurring the penalties and interest, totalling approximately €258 thousand.

Atlante and Atlante 2 funds

In April 2016, the Parent Company, Poste Vita, decided to invest approximately €260 million in an alternative investment fund called "Atlante", and, on 27 July 2016, invested approximately a further €200 million in the alternative investment fund named "Atlante 2". Both funds, which are managed by Quaestio Capital Management, are closed-end funds restricted to institutional investors, investing in financial instruments issued by banks looking to strengthen their capital and non-performing loans held by various Italian banks.

At 30 June 2017, the Atlante fund has called up €228.1 million, including €201.8 million allocated to the separately managed account, *PostaValorePiù*, and €26.3 million allocated to the Company's free capital. The Atlante II fund's capital, subscribed and called up during the period under review, is entirely allocated by the company to the separately managed account, *PostaValorePiù*, and amounts to €71.9 million.

With specific regard to measurement of the value of the funds, already when preparing its financial statements for 2016, the Parent Company, PosteVita, had an impairment loss on the investment in the Atlante fund equal to approximately 50%, based on announcements from the management company and an appraisal carried out by a leading independent advisor.

On 21 July 2017, the management company announced that the value of the Atlante fund's units at 30 June 2017 was €78,100.986, a value that reflects, therefore, the write-off of the value of the Veneto-based banks in which the fund has invested and representing a reduction of around 80% with respect to the nominal value. The value of the fund is, therefore, represented solely by the investment in the Atlante II fund. In contrast, the value of the Atlante II fund's units at 30 June 2017 amounts to €352,175.666, reflecting the historical cost of the investments made. In view of the above, the management company has announced that it is considering the possibility of winding up the Atlante fund, which it plans to assess and discuss with investors' representatives.

As a result of the above, the Parent Company, Poste Vita has recognised a further impairment loss of €104.7 million, including:

- €92.6 million allocated to separately managed accounts and thus deducted from deferred liabilities due to policyholders;
- €12.1 million relating to the Company's free capital.

Regulatory developments

Regulatory developments during the period or prior to the date of presentation of this report, having an impact, or that might have an impact, on the Company’s business are as follows:

- On 7 February 2017, IVASS issued Regulation 34, concerning provisions on corporate governance relating to the valuation of assets and liabilities other than technical provisions and the criteria used for their valuation and the related report on the Regulation.
- On 7 February 2017, IVASS issued Regulation 35, concerning adjustment of the loss-absorbing capacity of technical provisions and deferred taxation in determining the solvency capital requirement using the standard formula.
- On 9 February 2017, IVASS issued Ruling 56, concerning the temporary suspension of the payment of premiums for private insurance due to earthquakes.
- On 28 February 2017, IVASS issued Ruling 36, containing provisions regarding the communication to IVASS of data and information for statistical surveys, studies and analyses of the insurance market, as referred to in Title xiv (supervision of undertakings and intermediaries), Chapter i (general provisions), art. 190-bis (statistical information) of Legislative Decree 209 of 7 September 2005 – the private insurance code.
- On 4 July 2017, IVASS issued Ruling 61, containing amendments to ISVAP 24 of 19 May 2008, concerning the procedure for submitting complaints to ISVAP and the management of complaints by insurance undertakings.

EVENTS AFTER 30 JUNE 2017

No material events have occurred after the end of the reporting period.

OUTLOOK

In keeping with the business plan, the Poste Vita Insurance Group will continue to pursue growth by providing an innovative and effective response to the insurance needs of consumers and businesses. This will see the Group combine investment and protection products in order to offer simple, but highly professional, solutions to meet growing and socially relevant demand for insurance. In addition to consolidating its leadership in the life market by increasing its customer base, the Group is committed to developing a new "integrated" offering of Savings, Protection and Services, partly by strengthening the offerings and operating models of the Company and Poste Welfare Servizi, taking advantage of the Poste Italiane Group's assets and role in society.

In addition, the Poste Vita Group will continue to reinforce our business support systems, through initiatives designed to complete the review and upgrade of IT platforms, and will adapt our organisational and operating structure in order to improve decision-making processes and optimise risk management. This will be done with a view to increasing and safeguarding value creation and shareholder returns, whilst complying with Solvency requirements.

INCOME STATEMENT
for the six months ended 30 June

(€000)

		2017	2016
1.1	Net premium revenue	11,097,851	10,551,444
1.1.1	*Gross premium revenue*	11,122,471	10,573,531
1.1.2	*Outward reinsurance premiums*	- 24,620	- 22,087
1.2	Fee and commission income	4,623	2,109
1.3	Net income (expenses) from financial assets at fair value through profit or loss	485,791	701,926
1.4	Income from investments in subsidiaries, associates and joint ventures	388	160
1.5	Income from other financial instruments and investment property	1,401,632	1,332,240
1.5.1	*Interest income*	1,221,687	1,121,257
1.5.2	*Other income*	10,685	10,508
1.5.3	*Realised gains*	169,261	200,475
1.5.4	*Unrealised gains*	-	-
1.6	Other income	6,927	5,109
1	**TOTAL REVENUE**	**12,997,213**	**12,592,989**
2.1	Net claims expenses	- 12,195,346	- 11,950,903
2.1.1	*Claims paid and change in technical provisions*	- 12,209,766	- 11,962,400
2.1.2	*Share attributable to reinsurers*	14,420	11,497
2.2	Commission expenses	-	-
2.3	Expenses arising from investments in subsidiaries, associates and joint ventures	-	-
2.4	Expenses arising from other financial instruments and investment property	- 83,536	- 22,583
2.4.1	*Interest expense*	- 13,638	- 18,667
2.4.2	*Other expenses*	- 3,461	- 803
2.4.3	*Realised losses*	- 66,438	- 3,113
2.4.4	*Unrealised losses*	-	-
2.5	Operating costs	- 289,460	- 299,136
2.5.1	*Commissions and other acquisition costs*	- 237,658	- 244,157
2.5.2	*Investment management expenses*	- 20,116	- 20,147
2.5.3	*Other administrative expenses*	- 31,686	- 34,831
2.6	Other costs	- 59,421	- 37,278
2	**TOTAL COSTS AND EXPENSES**	**- 12,627,764**	**- 12,309,900**
	PROFIT/(LOSS) BEFORE TAX	**369,449**	**283,089**
3	Income tax expense	- 134,870	- 112,834
	PROFIT/(LOSS) FOR THE PERIOD	**234,579**	**170,255**
4	**PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**	**-**	**-**
	CONSOLIDATED PROFIT/(LOSS)	**234,579**	**170,255**
	of which attributable to owners of the Parent	**234,579**	**170,255**
	of which attributable to non-controlling interests	**-**	**-**