

# **POSTE ITALIANE**

## **2Q & 1H 2019 FINANCIAL RESULTS**

Rome, July 31, 2019



**EXECUTIVE SUMMARY**

**BUSINESS REVIEW**

**APPENDIX**

# **EXECUTIVE SUMMARY**

OPERATING PROFIT UP 2.6% TO 1.1BN IN 1H19, LEADING TO A NET PROFIT OF 0.8BN

**CONTINUED REVENUE GROWTH, POSITIVE CONTRIBUTION FROM ALL SEGMENTS IN 2Q19 DRIVEN BY COMMERCIAL FOCUS**

**ROBUST PARCEL REVENUE GROWTH – SUPPORTED BY INDUSTRIAL TRANSFORMATION, OFFSETTING MAIL DECLINE**

**STRONG COMMERCIAL PERFORMANCE IN INSURANCE – SOLVENCY II RATIO IN LINE WITH MANAGERIAL AMBITION**

**ONGOING COST DISCIPLINE ALONG WITH CAPEX DEPLOYMENT TO SUPPORT DELIVER 2022**

**ALL 2019 GUIDANCE CONFIRMED, INTRODUCING INTERIM DIVIDEND**

# 2Q & 1H 2019 RESULTS OVERVIEW

CONTINUED REVENUE GROWTH DELIVERING IMPROVED EBIT AND NET PROFIT, IN LINE WITH 2019 TARGETS

€ m unless otherwise stated

|                                  | 2Q 2018 | 2Q 2019 | Var. | Var. (%) | 1H 2018 | 1H 2019 | Var. | Var. (%) |
|----------------------------------|---------|---------|------|----------|---------|---------|------|----------|
| REPORTED REVENUES                | 2,546   | 2,679   | +134 | +5.3%    | 5,430   | 5,521   | +92  | +1.7%    |
| ADJUSTED REVENUES <sup>1</sup>   | 2,535   | 2,674   | +139 | +5.5%    | 5,017   | 5,242   | +225 | +4.5%    |
| REPORTED EBIT                    | 350     | 464     | +114 | +32.5%   | 1,053   | 1,081   | +28  | +2.6%    |
| ADJUSTED EBIT <sup>1</sup>       | 370     | 474     | +104 | +28.0%   | 701     | 825     | +123 | +17.6%   |
| REPORTED NET PROFIT              | 250     | 324     | +75  | +29.9%   | 735     | 763     | +28  | +3.9%    |
| ADJUSTED NET PROFIT <sup>1</sup> | 262     | 339     | +77  | +29.4%   | 482     | 570     | +88  | +18.3%   |

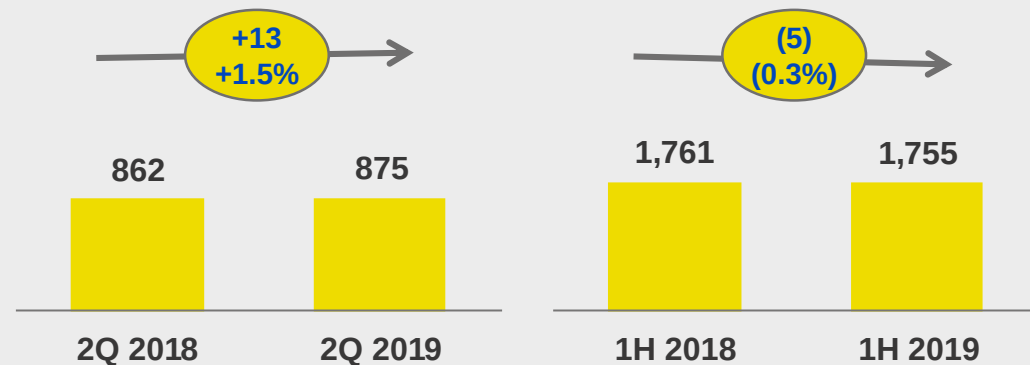
# SEGMENT REVENUES – 2Q & 1H19

POSITIVE CONTRIBUTION TO REVENUE GROWTH FROM ALL SEGMENTS IN THE QUARTER

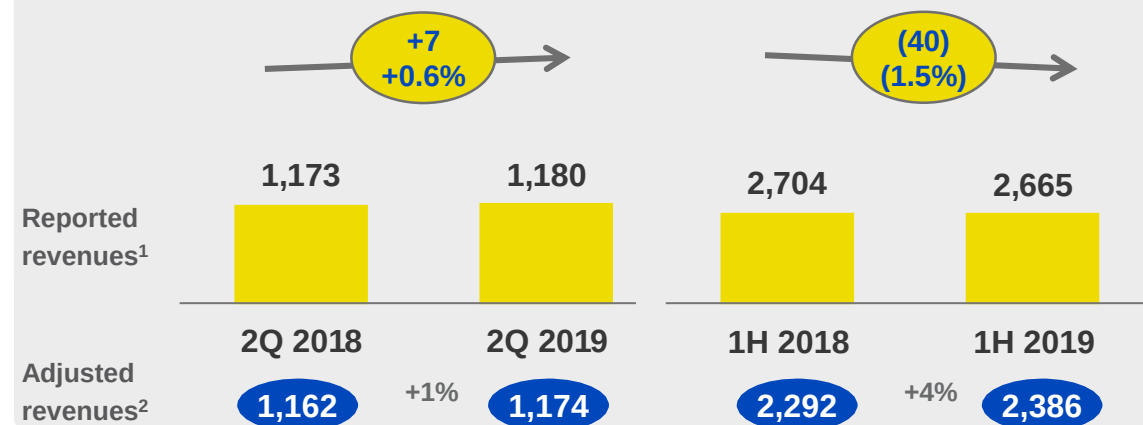
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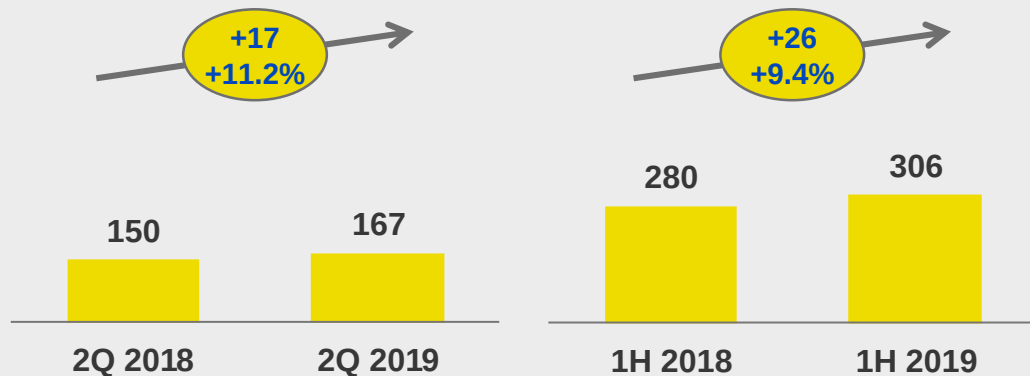
## MAIL, PARCEL & DISTRIBUTION



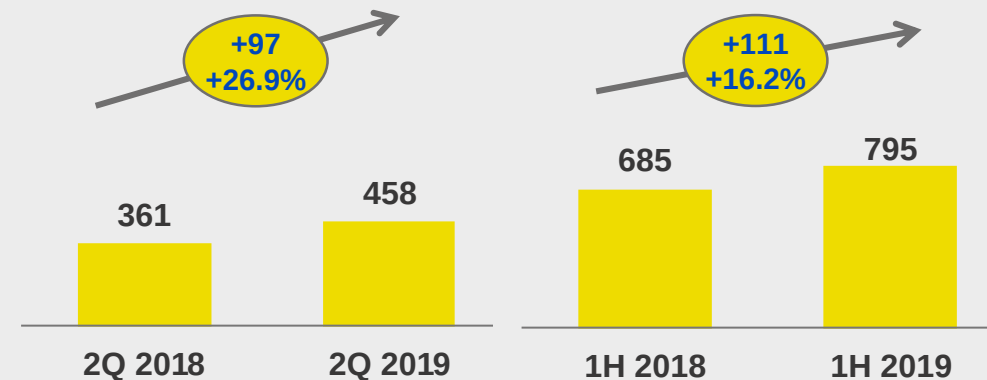
## FINANCIAL SERVICES



## PAYMENTS, MOBILE & DIGITAL



## INSURANCE SERVICES



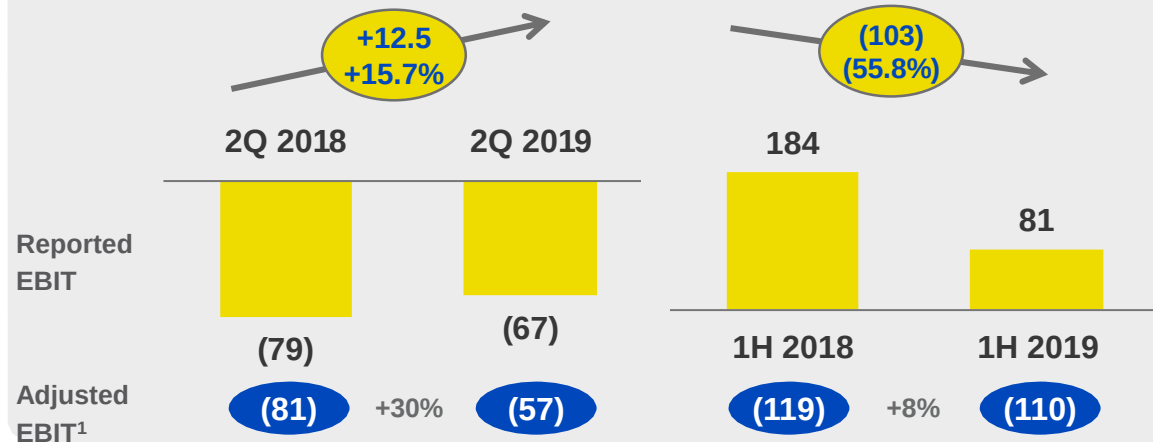
# SEGMENT EBIT – 2Q & 1H19

EBIT PROGRESSION ACROSS ALL SEGMENTS IN 1H19, DEMONSTRATING BUSINESS DIVERSIFICATION

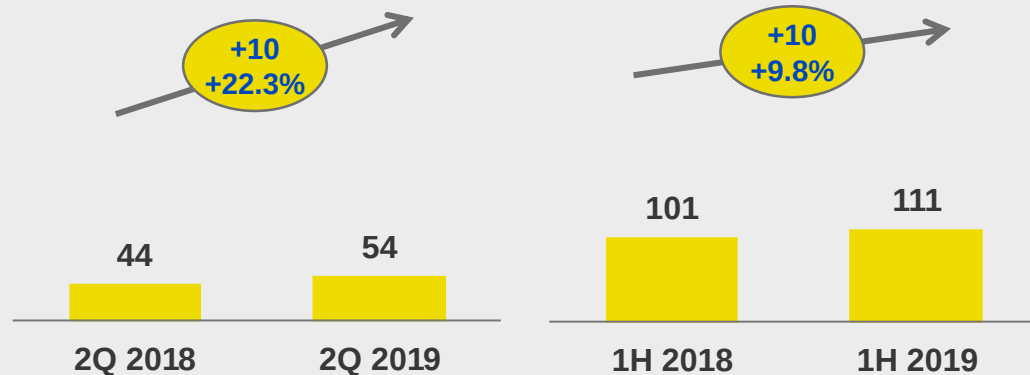
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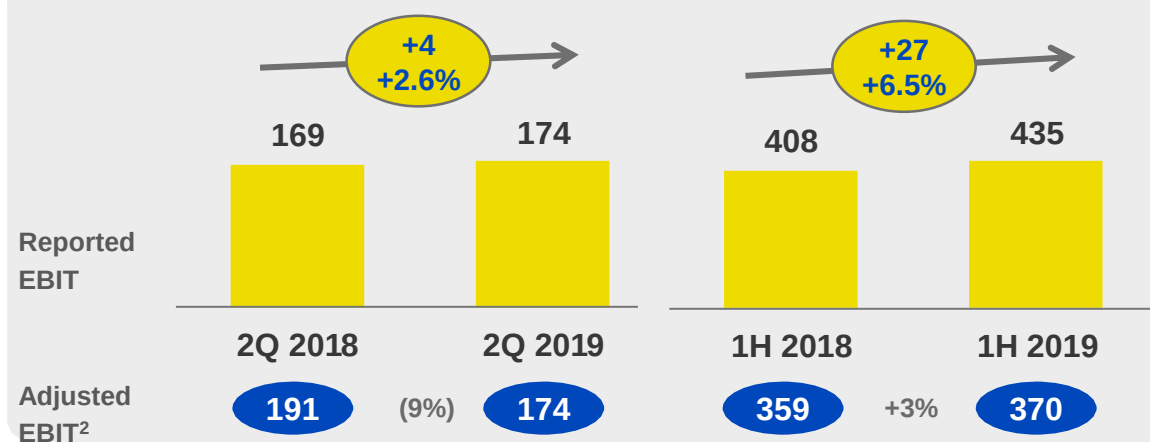
## MAIL, PARCEL & DISTRIBUTION



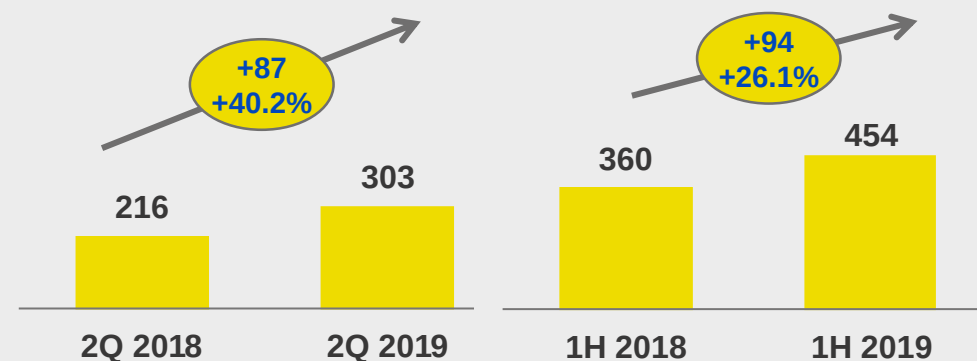
## PAYMENTS, MOBILE & DIGITAL



## FINANCIAL SERVICES



## INSURANCE SERVICES



- 2Q18 Mail, Parcel and Distribution EBIT adjusted for 1m related to capital gains commissioning (307m in 1H18), 7m for capital gain on Visa share disposal commissioning (7m in 1H18), 7m for early retirement incentives (11m in 1H18). 2Q19 Mail, Parcel and Distribution EBIT adjusted for -4m related to capital gain commissioning (199m in 1H19), 6m for early retirement incentives (8m in 1H19)
- Refer to slide 25 for further details on adjustments

# MAIL, PARCEL & DISTRIBUTION OPERATIONAL ACHIEVEMENTS

## COMMERCIAL INITIATIVES AND CAPEX PLAN SUPPORTING DELIVER 2022 TRANSFORMATION



### AUTOMATIC SORTING

- **New parcel sorting center in Bologna** – state-of-the-art 250k parcels/day sorting facility, 50% of total Poste Italiane's daily capacity
- **Automation program: 4 new mail and 1 parcel sorting machines to be implemented by end-2019** – new sorting machine up and running in Turin



### LOGISTICS

- **New air cargo connection** in place between air hub in Brescia and Palermo, improving next day parcel delivery in western Sicily
- **Digital Full Truck Load (FTL)**: set-up of the JV with **sennder**<sup>1</sup> on track to ensure full capacity in our long-haul network

### STRONG CAPEX PLAN TO SUPPORT TRASFORMATION:

+68% VS. 1H18  
€ 184M IN 1H19  
c.80% OF GROUP  
CAPEX



### CUSTOMER EXPERIENCE

- **Strengthening Amazon partnership**, including same day delivery options in main Italian cities and improving Saturday delivery to the islands<sup>2</sup>
- **Exclusive agreement with Zalando**, to manage returns for all customers in Italy to over 12,000 post offices and c.3,500 alternative delivery points
- **Working on partnerships and pilot schemes to provide customers with time-definite deliveries**



### DELIVERY

- **Joint Delivery Model deployed across more than 80% of targeted delivery centers**
- **Around 3,500 Alternative Delivery Points** (c. +3,100 vs Dec. 2018) reaching 2019 full year target and leveraging FIT agreement
- **City logistic**: more efficient eco-friendly deliveries in the city centers; pilot in Genoa



EXECUTIVE SUMMARY

**BUSINESS REVIEW**

APPENDIX

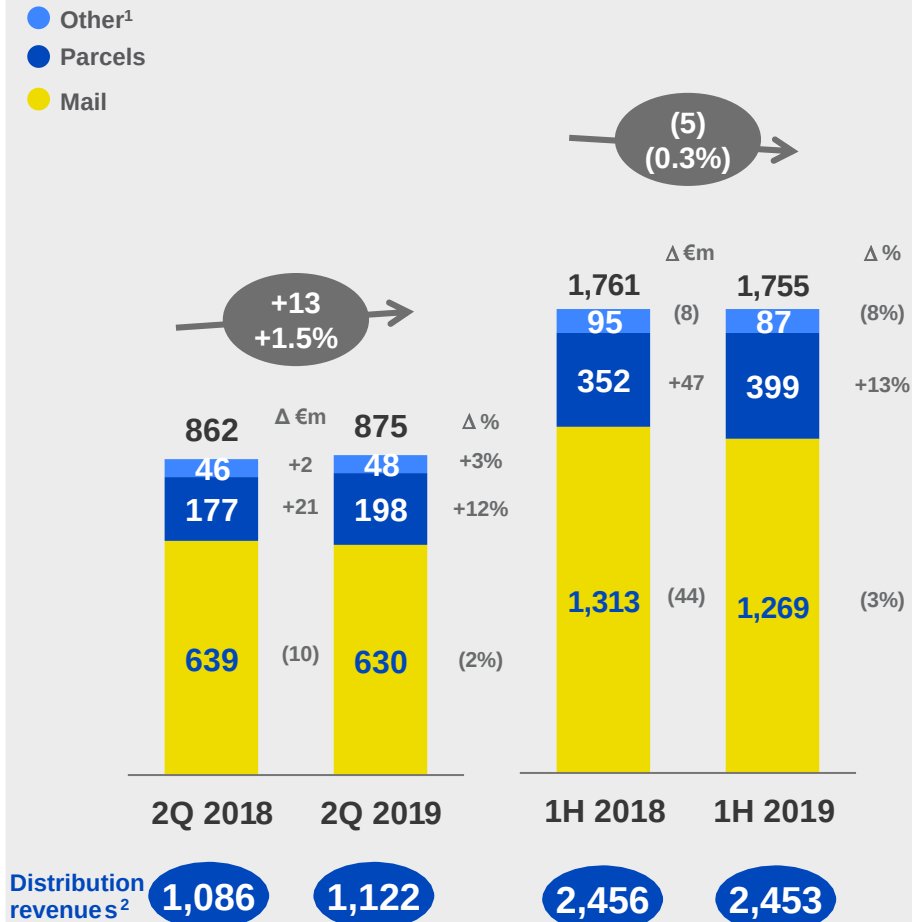
# MAIL, PARCEL & DISTRIBUTION

## PARCEL GROWTH OFFSETTING MAIL DECLINE BOTH IN THE QUARTER AND HALF

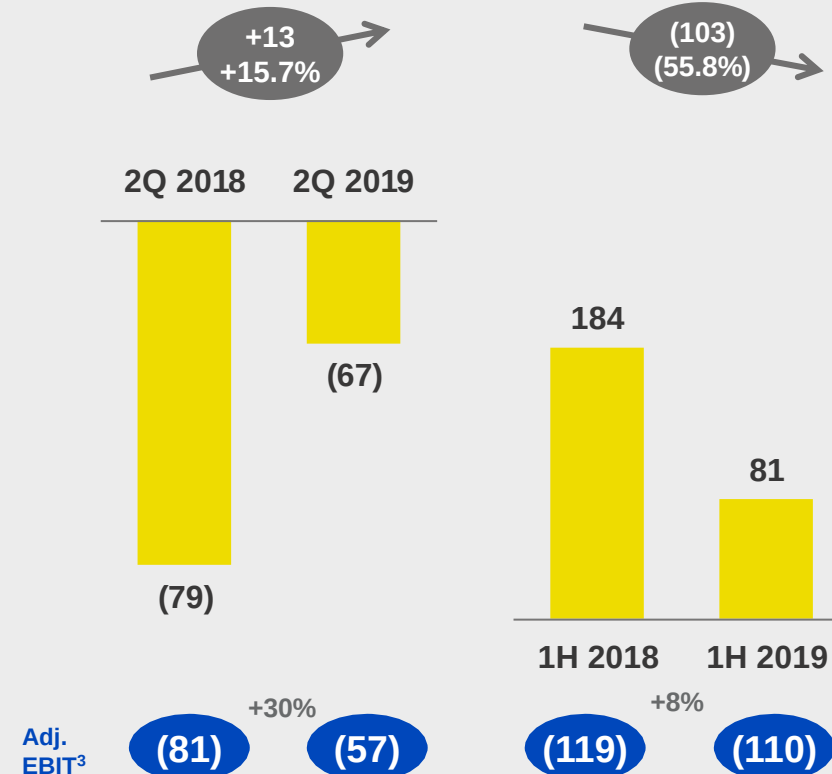


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### SEGMENT REVENUE



### EBIT



### KEY HIGHLIGHTS

- 1H19 EBIT progression in line with 2019 target
- Mail revenues down 3% in 1H19, in line with 2019 target
- Continued double digit growth in parcel revenues, outpacing the market
- Other revenues improve with Mistral Air now 100% cargo to support Parcel growth – EBIT positive in each quarter of 2019

1. Includes Philately, Patenti Via Poste, Poste Motori, Mistral Air and other revenues

2. Includes income received by Other Segments in return for use of the distribution network and Corporate Services

3. 2Q18 and 1H18 Mail, Parcel and Distribution EBIT adjusted for 1m related to capital gains commissioning (307m in 1H18), 7m for VISA – IFRS 9 valuation (7m in 1H18), 7m for early retirement incentives (1m in 1H18). 2Q19 and 1H19 Mail, Parcel and Distribution EBIT adjusted for -4m related to capital gain commissioning (199m in 1H19), 6m for early retirement incentives (8m in 1H19)

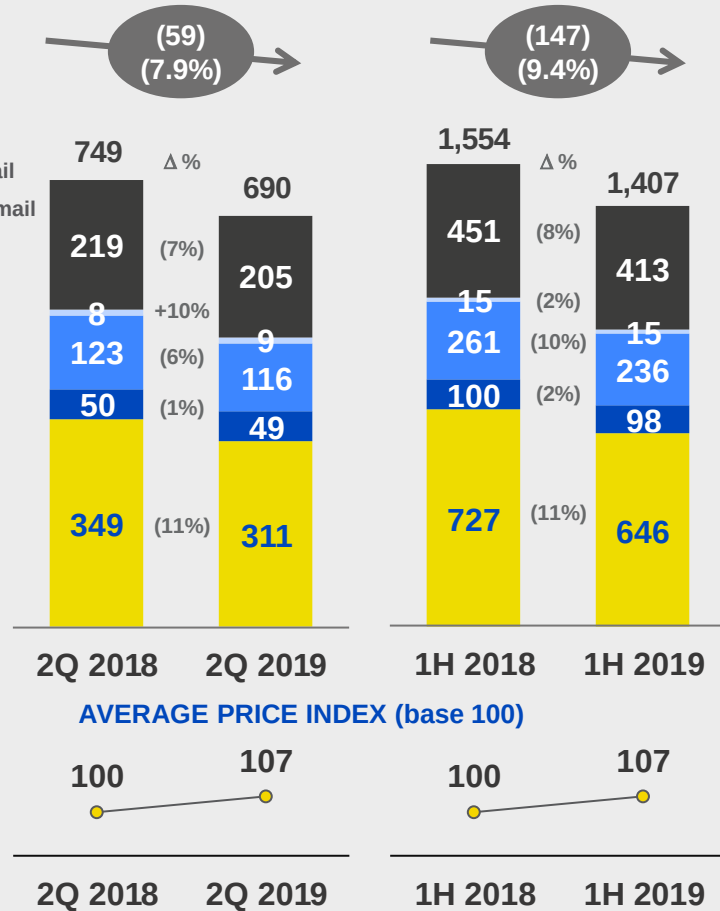
# MAIL, PARCEL & DISTRIBUTION VOLUMES

HIGHER AVERAGE PRICE MITIGATING LOWER MAIL VOLUMES; STRONG B2B AND B2C PARCEL GROWTH



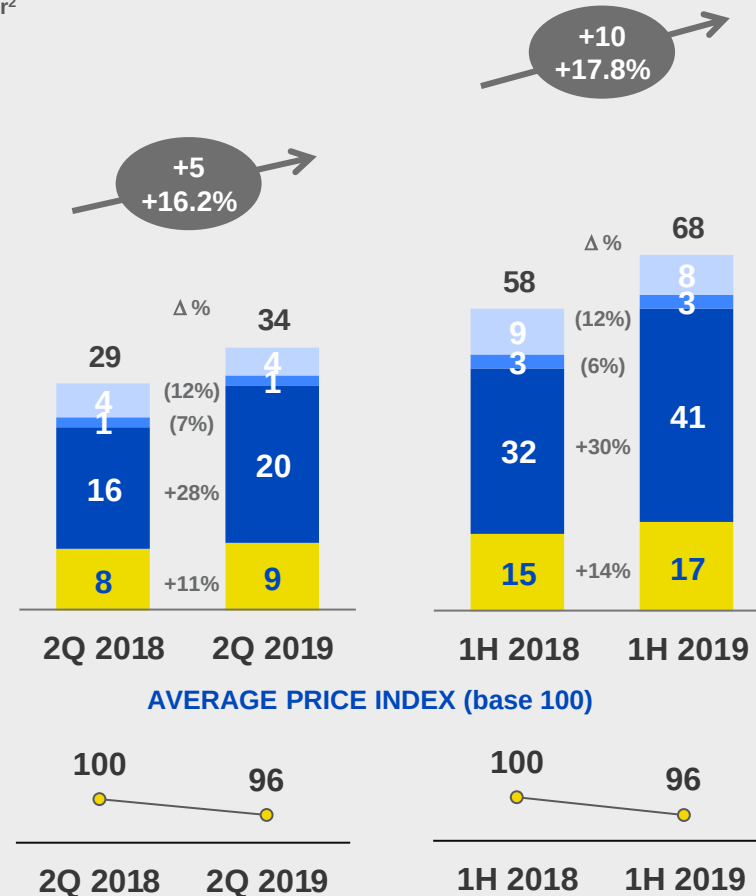
## MAIL VOLUMES (m/pc)

- Other<sup>1</sup>
- Integrated services
- Direct marketing
- Recorded mail
- Unrecorded mail



## PARCEL VOLUMES (m/pc)

- Other<sup>2</sup>
- C2C
- B2C
- B2B



## KEY HIGHLIGHTS

- Mail volumes down, resilient in higher margin products
- Average price per mail up on mix and July 2018 repricing
- B2B and B2C growth driven by parcel volumes
- Lower average price per parcel due to volume mix effect; average tariff up in B2B and stable in B2C

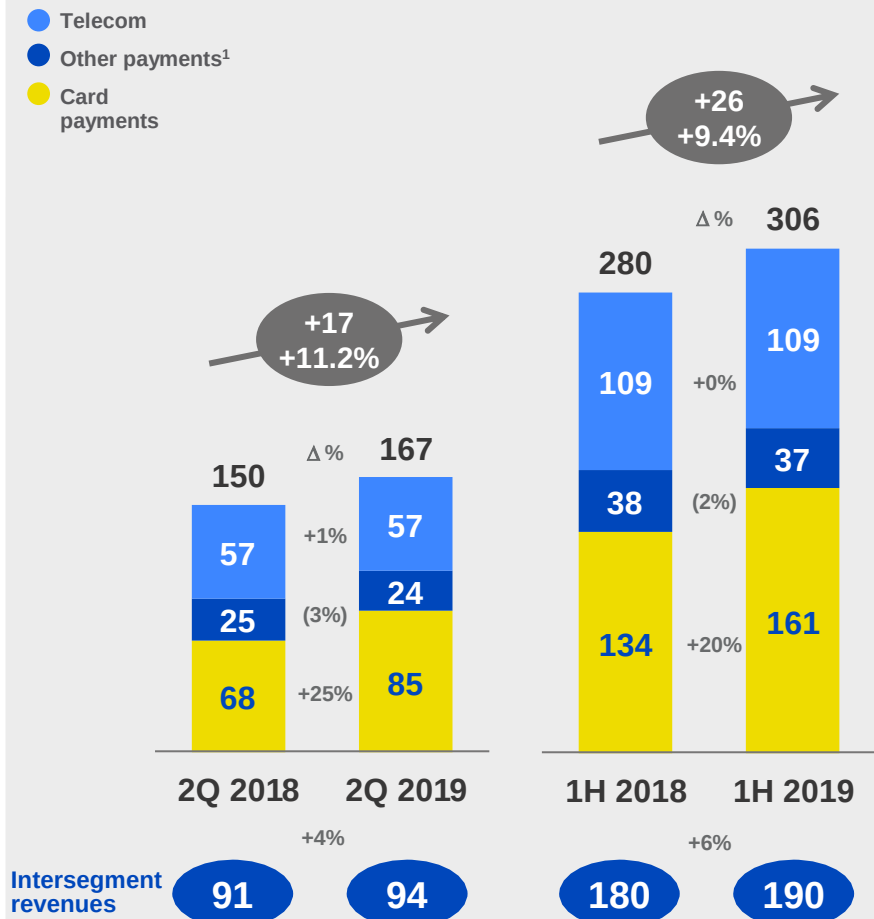
# PAYMENTS, MOBILE & DIGITAL

## INCREASED CARD STOCK AND TRANSACTIONS DRIVING REVENUE PROGRESSION

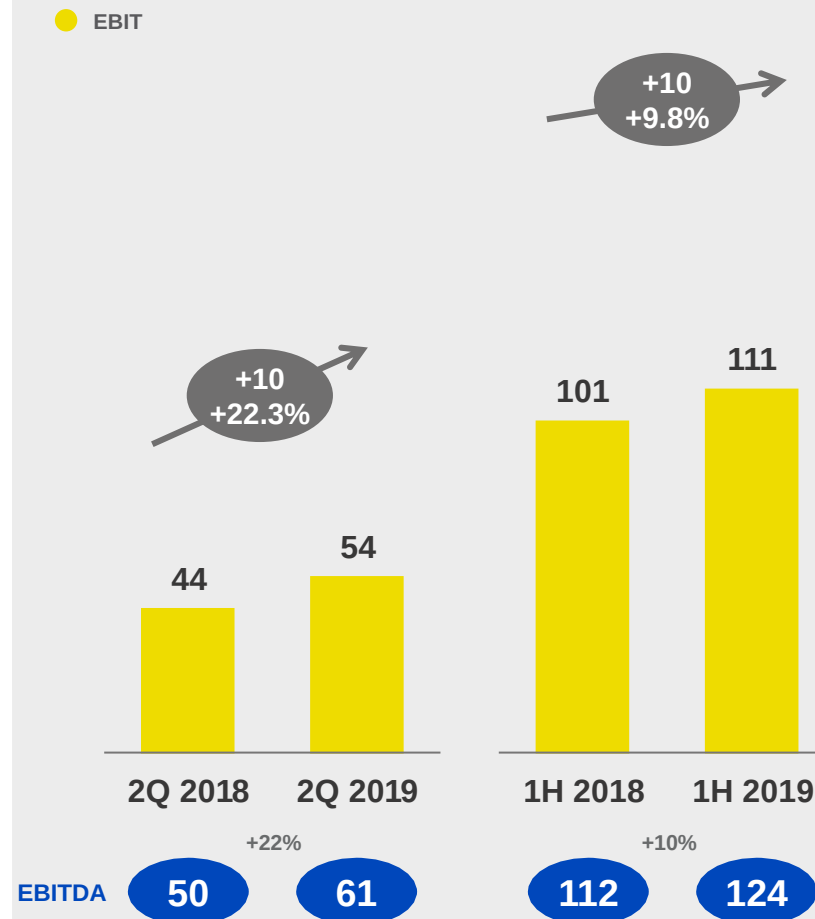


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### SEGMENT REVENUE



### EBITDA & EBIT



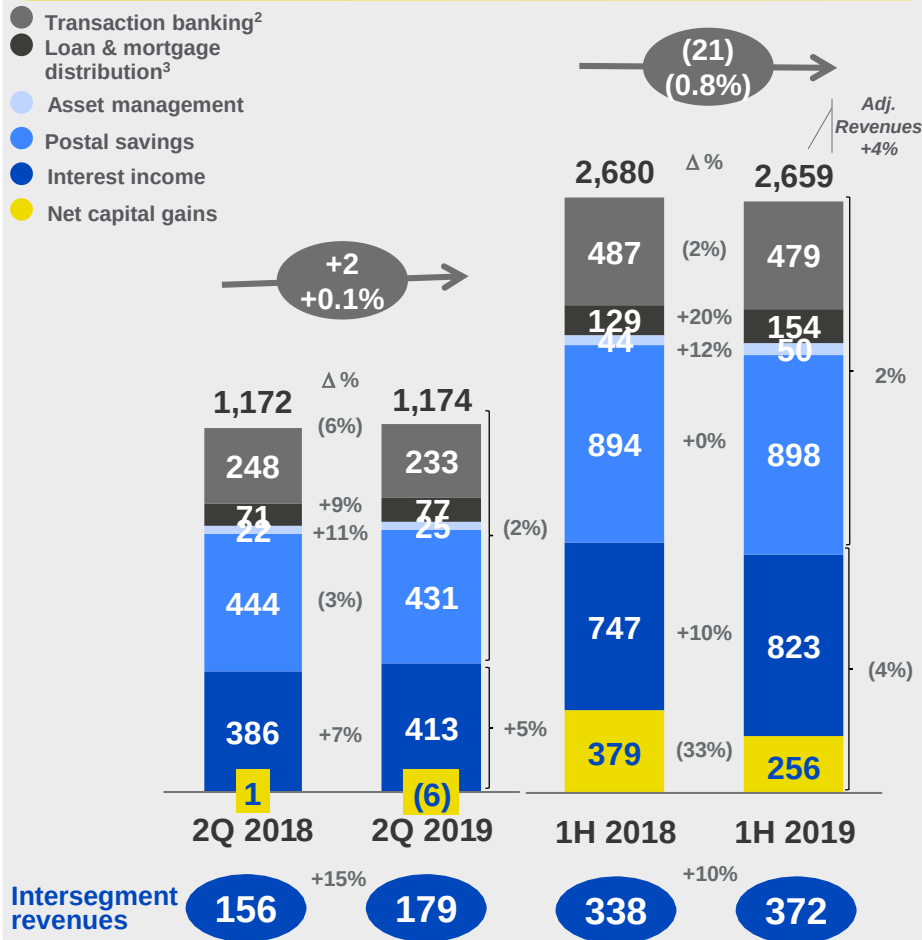
### KEY HIGHLIGHTS

- 1H19 EBIT progression in line with 2019 target
- Increasing card stock and transactions driving strong revenue growth
- Traditional payment services decreasing due to lower revenues mainly related to payment slips and tax payments
- Telecom revenues resilient in a challenging competitive environment
- Enhanced commercial offer to customers with telco and payments integrated platform

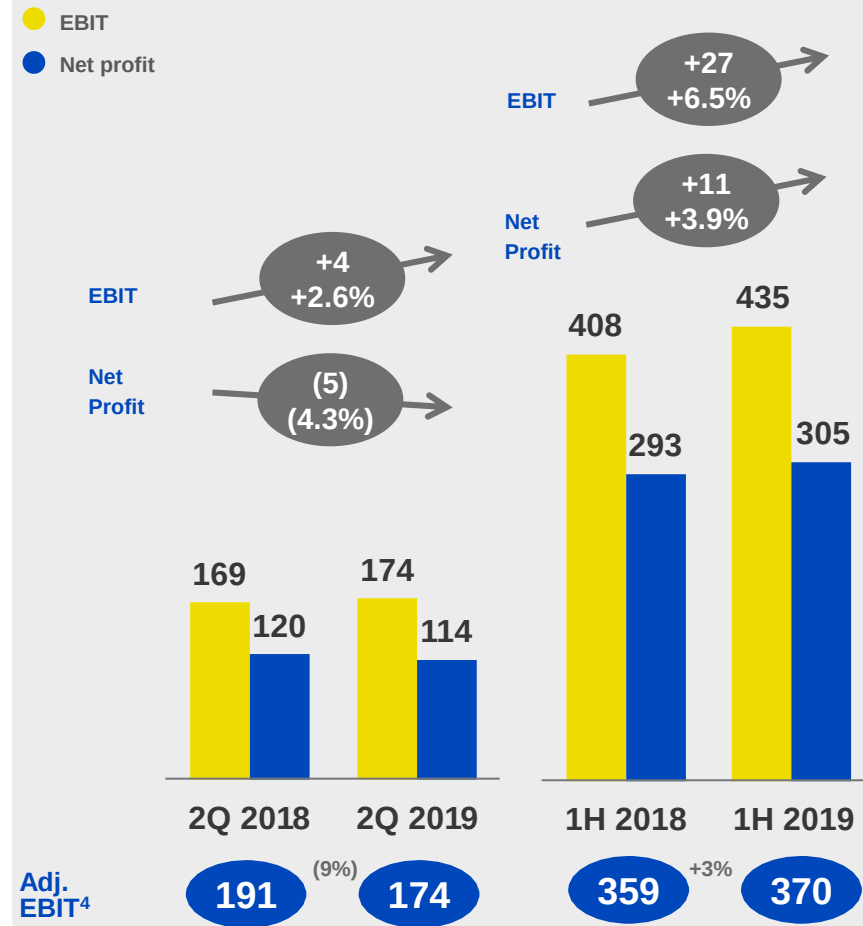


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### SEGMENT REVENUES<sup>1</sup>



### REPORTED & ADJUSTED EBIT AND NET PROFIT



### KEY HIGHLIGHTS

- 1H19 EBIT progression in line with 2019 target
- Reduced reliance on capital gains continues
- Sustained recurring revenues thanks to distribution focus
- Interest income up on proactive investments in 4Q18 and 1Q19, anticipating 2019 maturities and new flows
- Postal savings on track to meet 2019 target
- Loan and mortgage distribution fees up thanks to higher volumes

1. Figures presented in this slide include net capital gains whereas figures on slide 5 are based on gross capital gains  
 2. Includes revenues from bollettino, banking accounts related revenues, commissions from INPS and money transfers, Postamat  
 3. Includes reported revenues from custody accounts, credit cards, other revenues from distribution of third parties products  
 4. Refer to slide 25 for further details on adjustments

# GROUP TOTAL FINANCIAL ASSETS

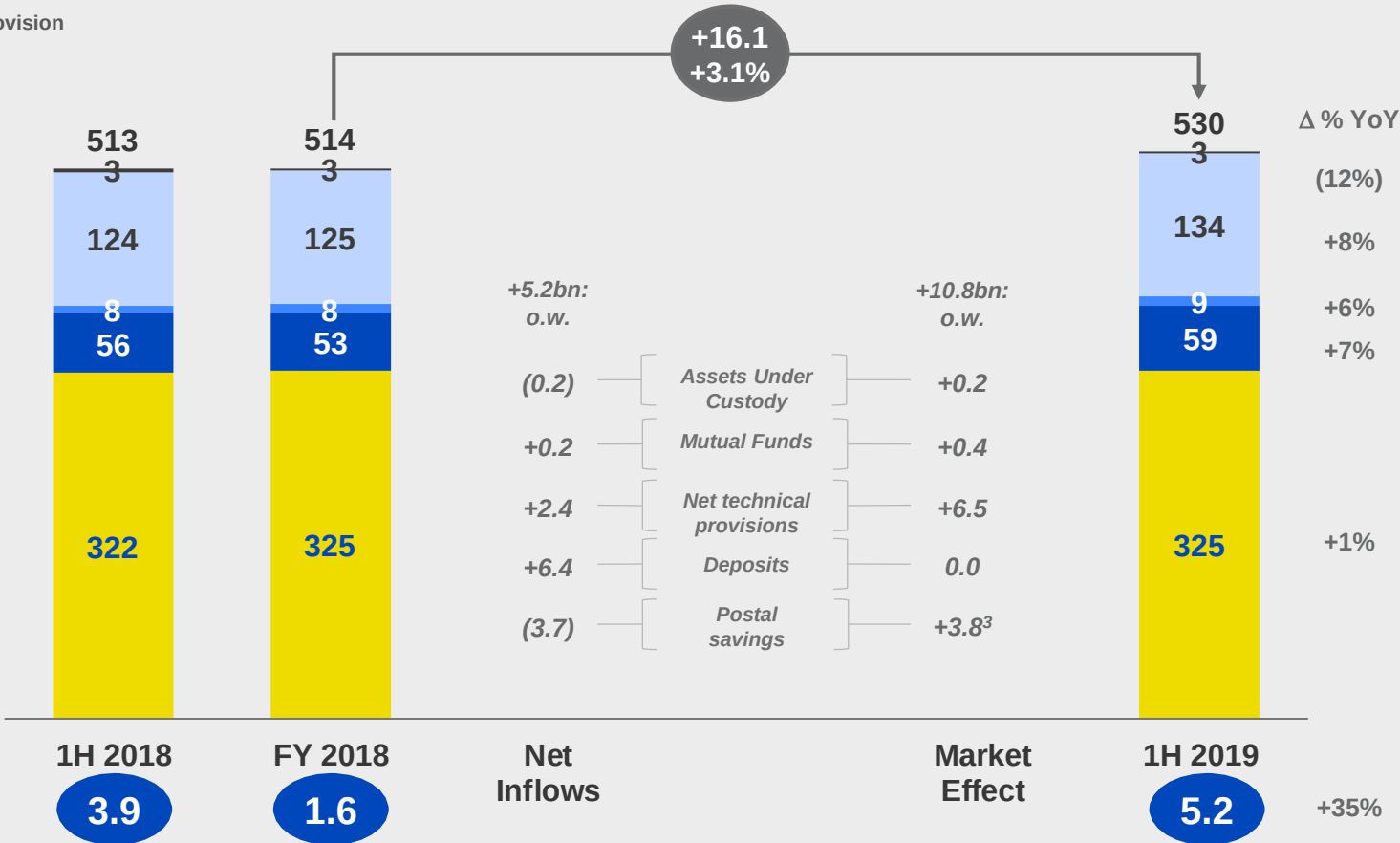
POSITIVE NET INFLOWS CONFIRM EFFECTIVE COMMERCIAL STRATEGY



€ bn unless otherwise stated

## TFA EVOLUTION<sup>1</sup>

- Assets under custody
- Net technical provision
- Mutual funds
- Deposits<sup>2</sup>
- Postal savings



## KEY HIGHLIGHTS

- TFA at 530bn up by 16.1bn since Dec-18
- Net inflows driven by:
  - Deposits +6.4bn benefitting from quarterly inflows from Public Administration and Postepay
  - Insurance +2.4bn supported by successful multiclass products
  - Mutual funds +0.2bn whilst market experiences negative flows
  - Postal savings distribution in line with 2019 target

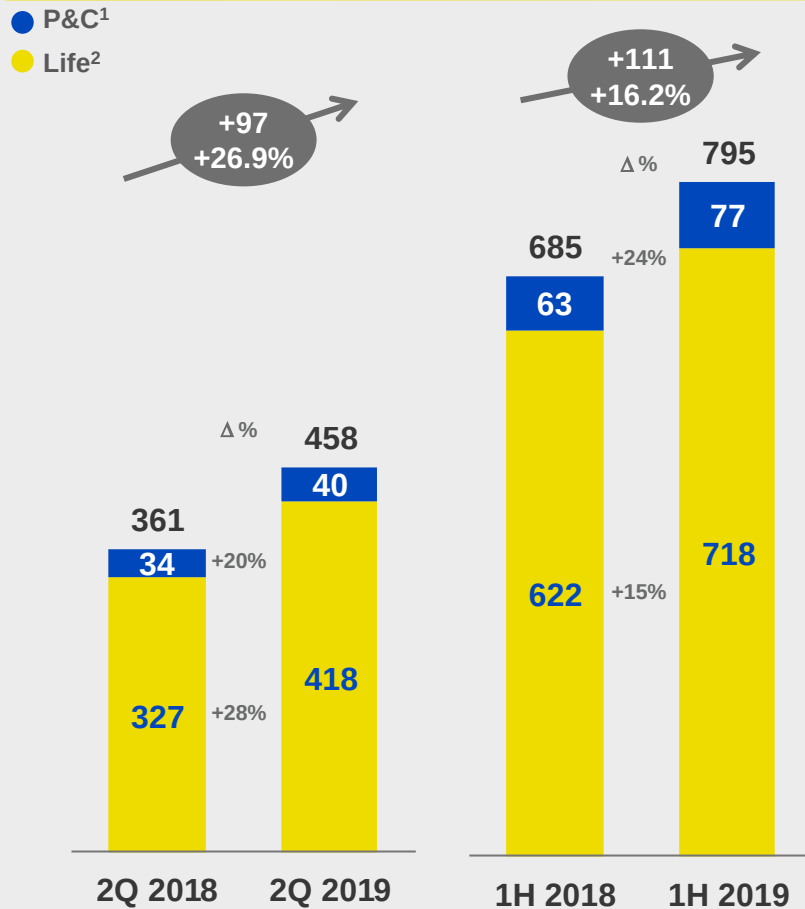
# INSURANCE SERVICES

CONTINUED OPERATING PROFIT GROWTH DRIVEN BY LIFE DIVERSIFICATION AND EXPANDED P&C OFFER

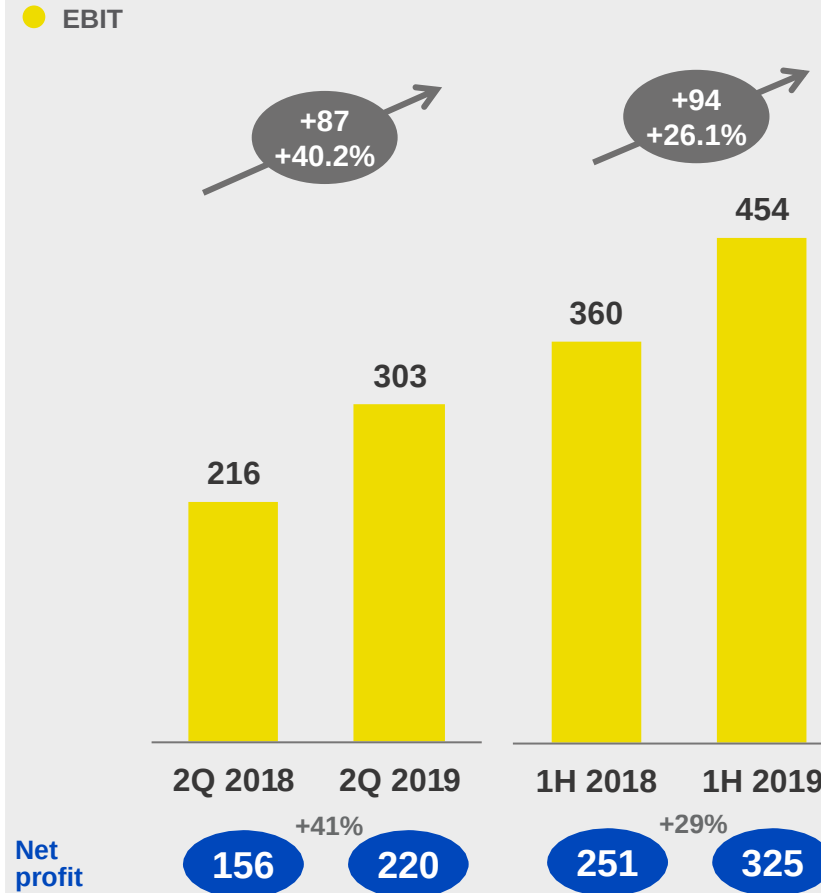


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## SEGMENT REVENUE



## EBIT & NET PROFIT



## KEY HIGHLIGHTS

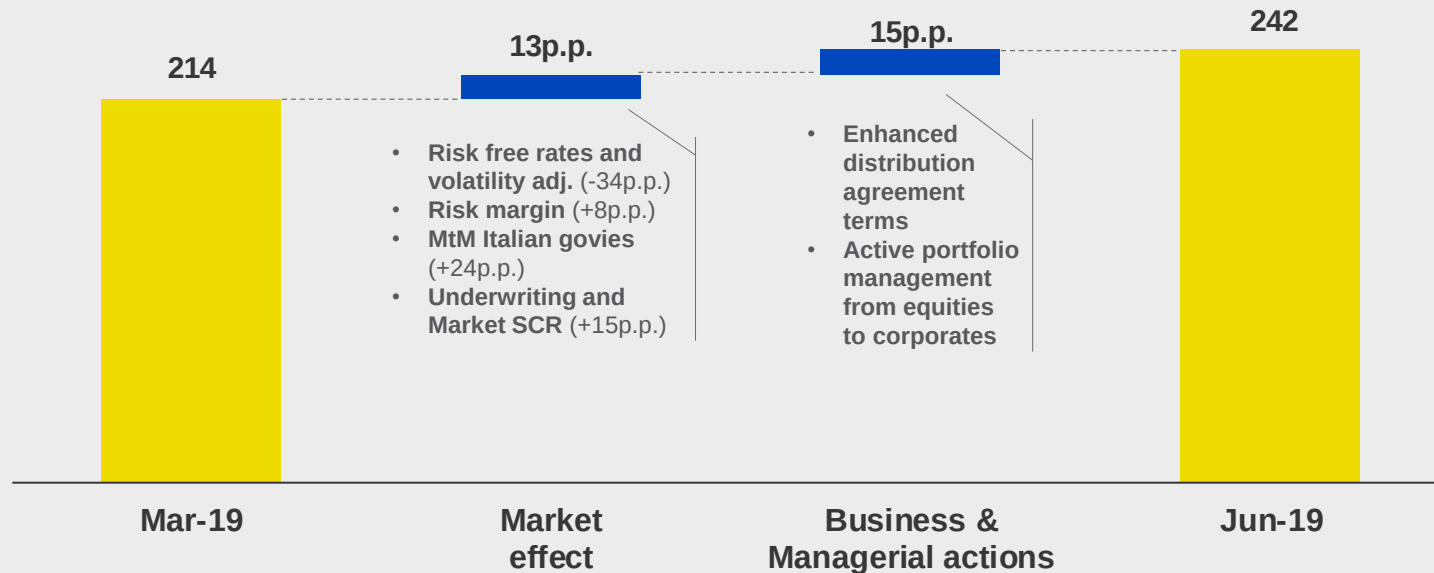
- 1H19 EBIT progression in line with 2019 target
- Successful diversification towards multiclass products
- Enhanced margins on all life insurance products
- FY19 financial margin frontloaded, leveraging on favorable market conditions
- Strong growth in P&C revenues driven by contribution from all products

# SOLVENCY II RATIO

EARNINGS, IMPROVED MARKETS AND MANAGERIAL ACTIONS MORE THAN OFFSET IMPACT OF LOWER RATES



## SOLVENCY RATIO EVOLUTION (%)



10Y SWAP  
(bps)

47

-29

18

BTP-SWAP  
SPREAD  
(bps)

202

-10

192

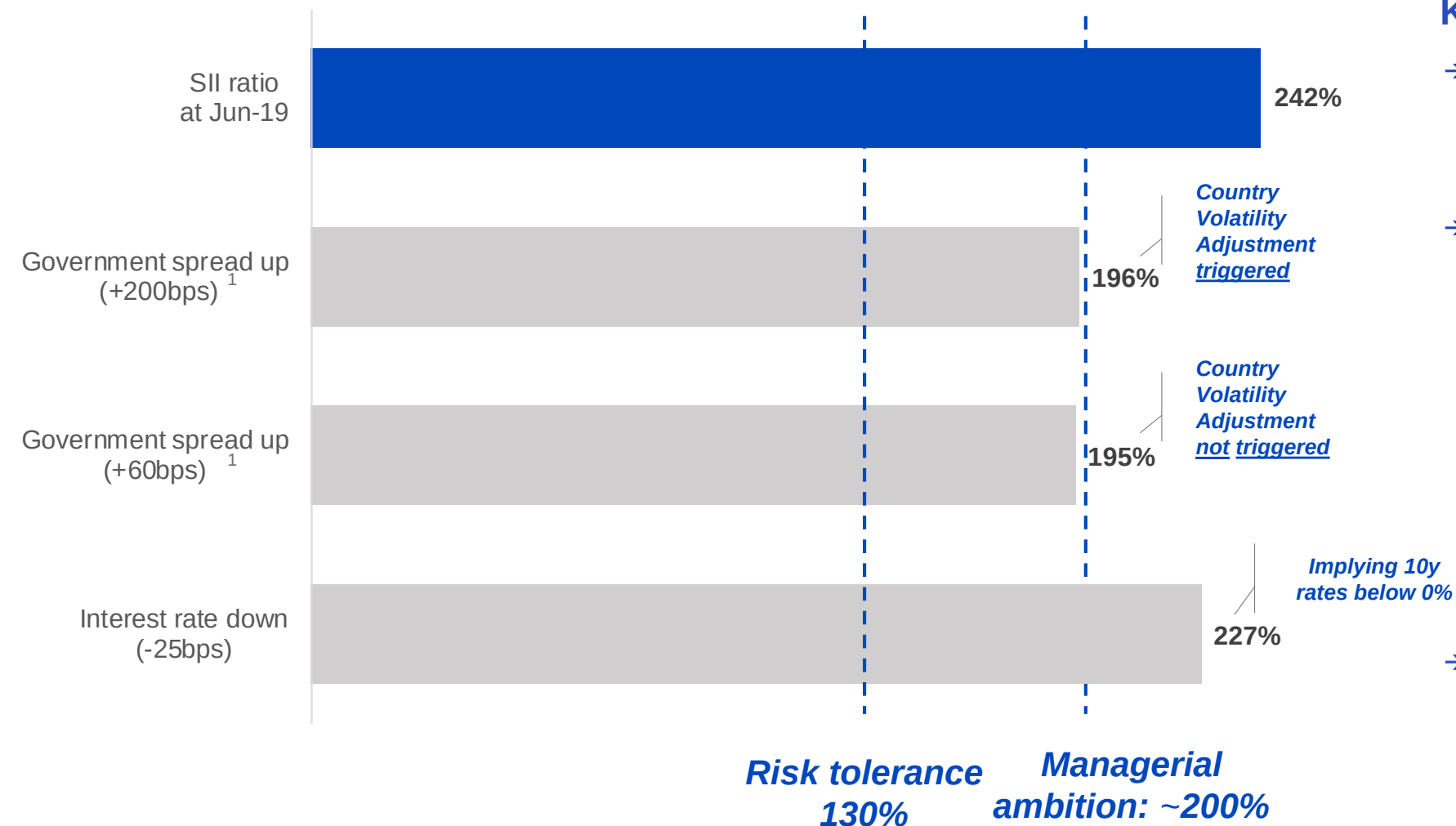
## KEY HIGHLIGHTS

- Managerial ambition confirmed at c.200% through the cycle
- Main market factors impacting Solvency II:
  - Lower risk free rates negatively affecting own funds
  - Italian govies positive mark-to-market driven by lower BTP yield
  - Lower underwriting risk thanks to higher unrealized gains
- Managerial actions continue to support SII ratio
- Solvency II ratio also supported by reduced dividend upstream to c.50%, with no impact on Group dividend policy

# SOLVENCY II – KEY SENSITIVITIES

A DISCIPLINED RISK APPETITE FRAMEWORK TO WEATHER VOLATILE MARKET SCENARIOS

## SOLVENCY RATIO AND SENSITIVITIES



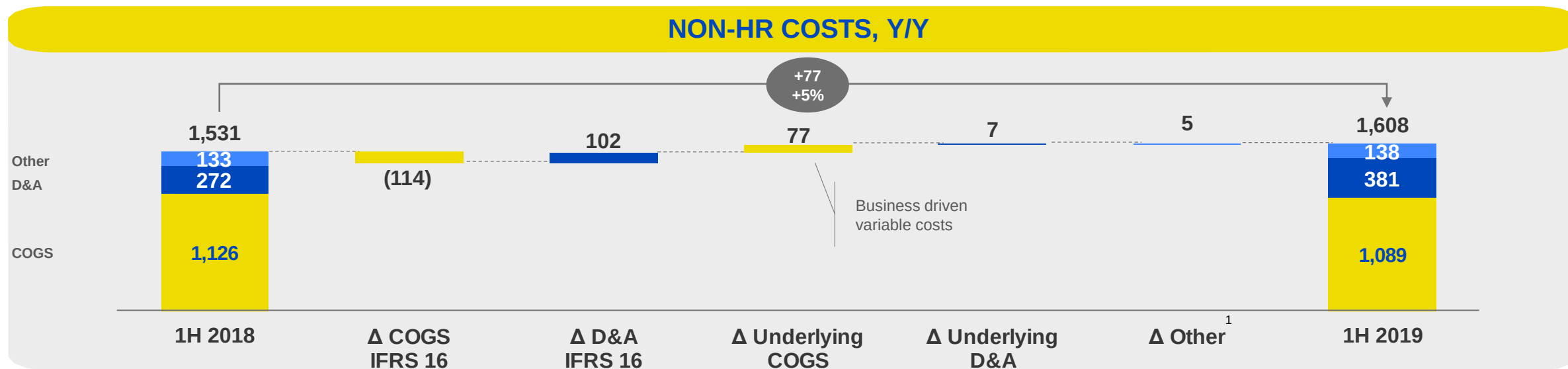
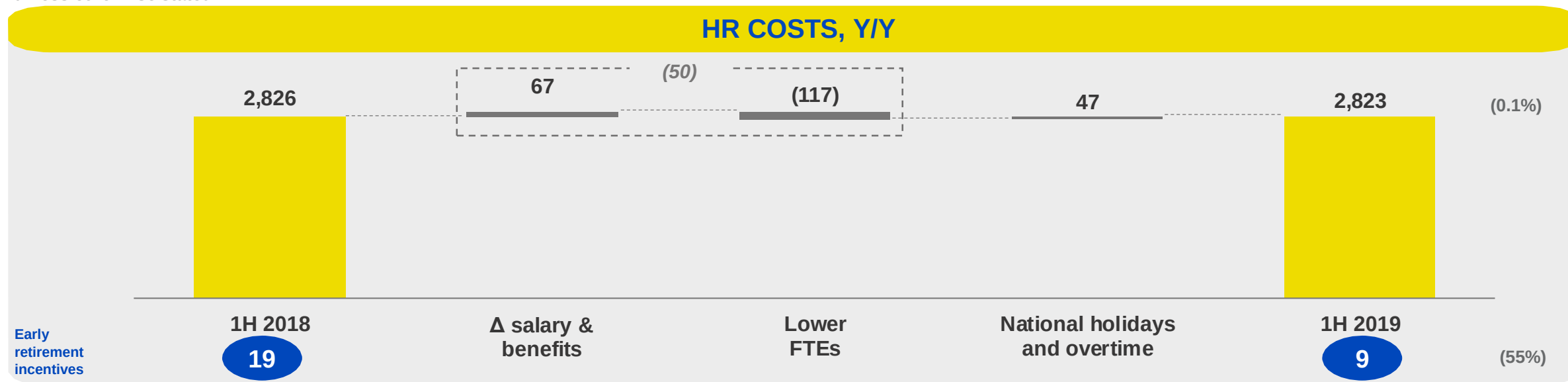
## KEY HIGHLIGHTS

- Effective managerial actions translate into a stronger ability to absorb potential shocks
- Solvency II ratio in line with managerial ambition through the cycle, thanks to:
  - Country volatility adjustment, mitigating impact from higher spreads
  - significant unrealized gains buffer in the investment portfolio
- Ongoing portfolio diversification contributing to Solvency II ratio resiliency over the plan horizon

# COST DISCIPLINE – 1H19 VS. 1H18

LOWER FTEs MORE THAN OFFSETTING AGREED SALARY INCREASE; NON-HR COSTS UP TO SUPPORT GROWTH

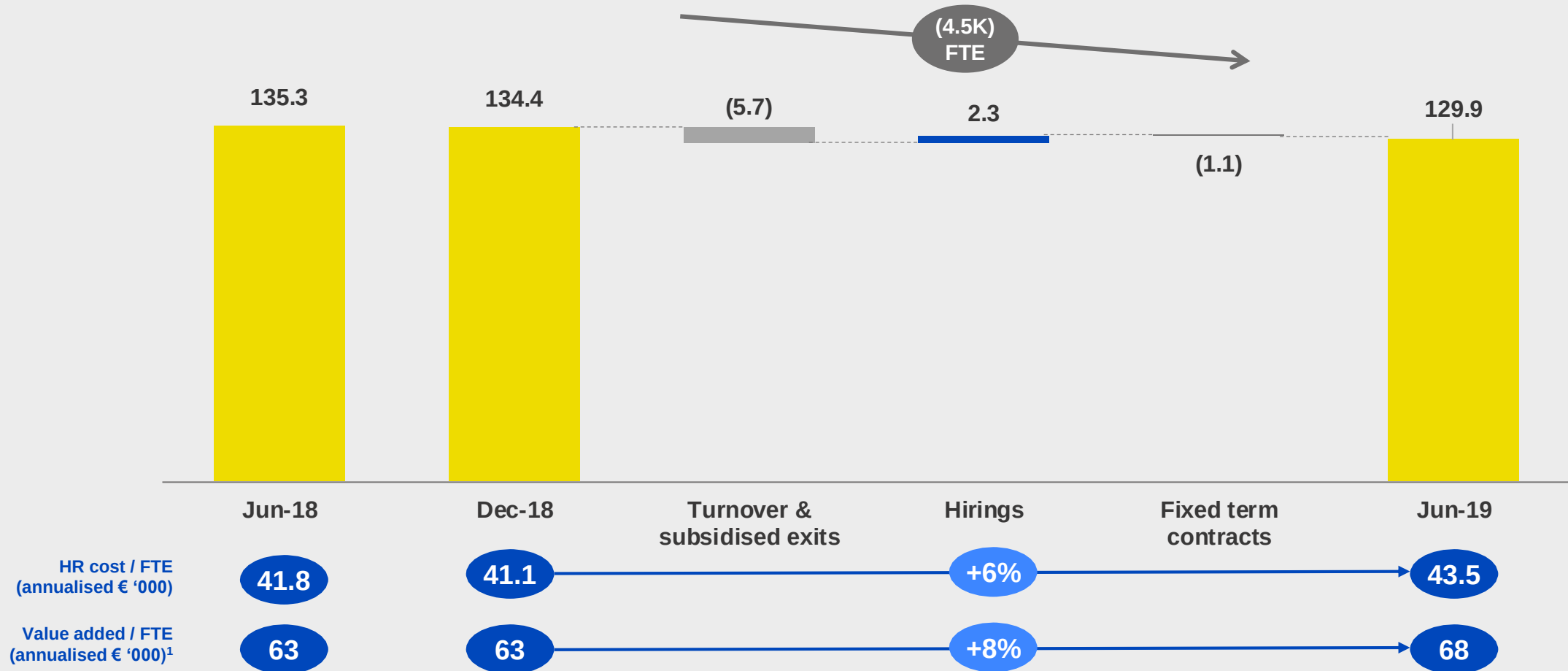
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# WORKFORCE EVOLUTION

ONGOING FTE REDUCTION SUPPORTING TRANSFORMATION; IMPROVING VALUE ADDED PER FTE

## AVERAGE HEADCOUNT ('000)



**INCREASED PROFITABILITY CONFIRMS EFFECTIVENESS OF BUSINESS DIVERSIFICATION**

**CONTINUED COMMITMENT TO COST DISCIPLINE, ABILITY TO DELIVER FTE REDUCTION**

**ACCELERATION IN CAPEX DEPLOYMENT TO SUPPORT INDUSTRIAL TRANSFORMATION**

**NET PROFIT AT 0.8BN IN 1H19; FULLY ON TRACK TO MEET 2019 TARGETS**



EXECUTIVE SUMMARY

BUSINESS REVIEW

**APPENDIX**

# POSTE GROUP: 2Q & 1H19 ONE-OFFS

## EXPLANATORY NOTES TO ADJUSTED FIGURES

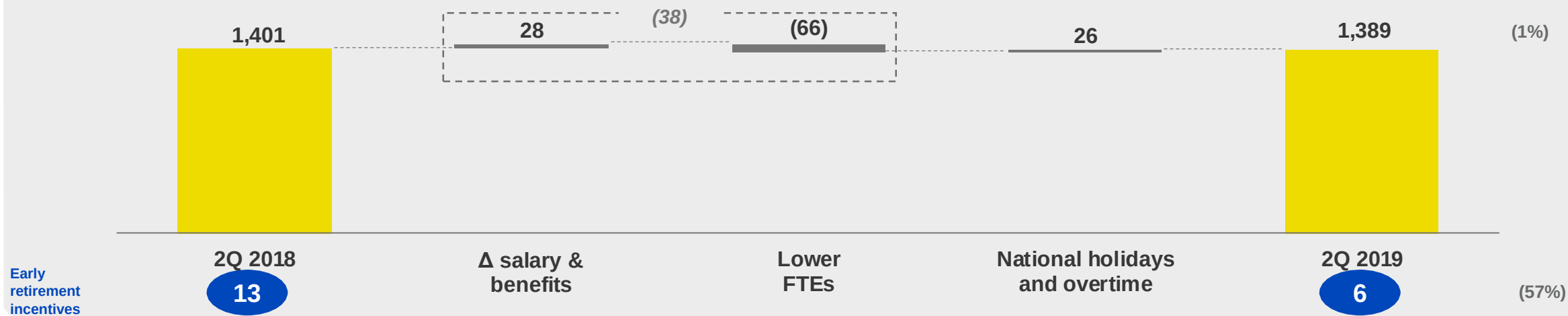
|                                             | 2Q 2018 | 2Q 2019 | Δ<br>(€ m) | Δ<br>(%) | 1H 2018 | 1H 2019 | Δ<br>(€ m) | Δ<br>(%) |
|---------------------------------------------|---------|---------|------------|----------|---------|---------|------------|----------|
| <b>REPORTED REVENUES</b>                    | 2,546   | 2,679   | 134        | 5%       | 5,430   | 5,521   | 92         | 2%       |
| GROSS CAPITAL GAINS ON INVESTMENT PORTFOLIO | 1       | 0       |            |          | 404     | 261     |            |          |
| VISA - IFRS 9 VALUATION                     | 9       | 5       |            |          | 9       | 17      |            |          |
| VISA - CAPITAL GAIN ON SHARES DISPOSAL      | 0       | 1       |            |          | 0       | 1       |            |          |
| <b>ADJUSTED REVENUES</b>                    | 2,535   | 2,674   | 139        | 5%       | 5,017   | 5,242   | 225        | 4%       |
| <b>REPORTED COSTS</b>                       | 2,196   | 2,216   | 20         | 1%       | 4,377   | 4,441   | 64         | 1%       |
| CAPITAL LOSSES ON INVESTMENT PORTFOLIO      | 0       | 6       |            |          | 25      | 6       |            |          |
| EARLY RETIREMENT INCENTIVES                 | 13      | 6       |            |          | 19      | 9       |            |          |
| REAL ESTATE FUNDS PROVISIONS                | 17      | 0       |            |          | 17      | 0       |            |          |
| VISA - FAIR VALUE HEDGE                     | 0       | 5       |            |          | 0       | 9       |            |          |
| <b>ADJUSTED COSTS</b>                       | 2,165   | 2,200   | 35         | 2%       | 4,316   | 4,418   | 102        | 2%       |
| <b>REPORTED EBIT</b>                        | 350     | 464     | 114        | 32%      | 1,053   | 1,081   | 28         | 3%       |
| <b>ADJUSTED EBIT</b>                        | 370     | 474     | 104        | 28%      | 701     | 825     | 123        | 18%      |
| <b>REPORTED NET PROFIT</b>                  | 250     | 324     | 75         | 30%      | 735     | 763     | 28         | 4%       |
| <b>ADJUSTED NET PROFIT</b>                  | 262     | 339     | 77         | 29%      | 482     | 570     | 88         | 18%      |

# COST DISCIPLINE – 2Q19 VS. 2Q18

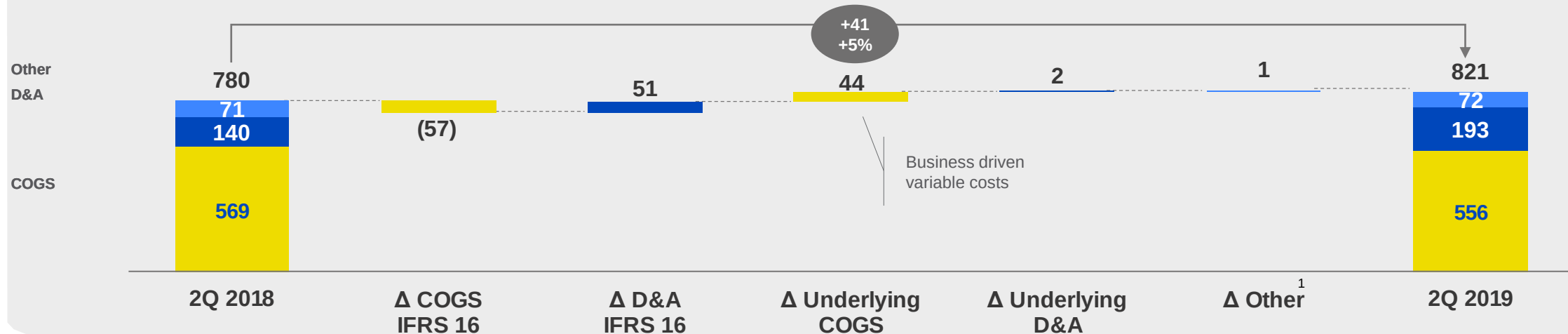
LOWER FTEs BALANCED BY TRANSFORMATION PRIORITIES; NON-HR COSTS UP TO SUPPORT GROWTH

€ m unless otherwise stated

## HR COSTS, Q/Q



## NON-HR COSTS, Q/Q



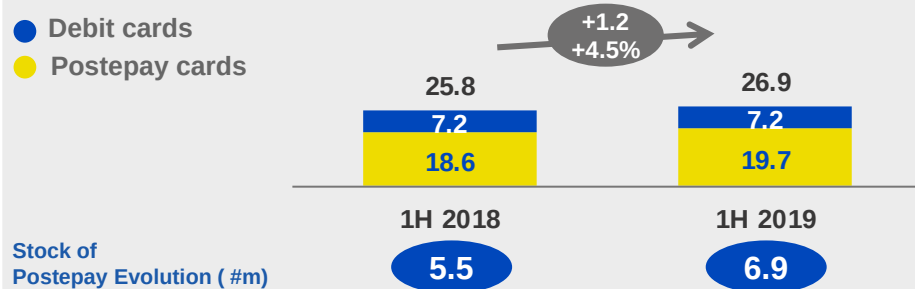
# GROWTH IN PAYMENTS, MOBILE & DIGITAL

## KEY METRICS STEADILY IMPROVING



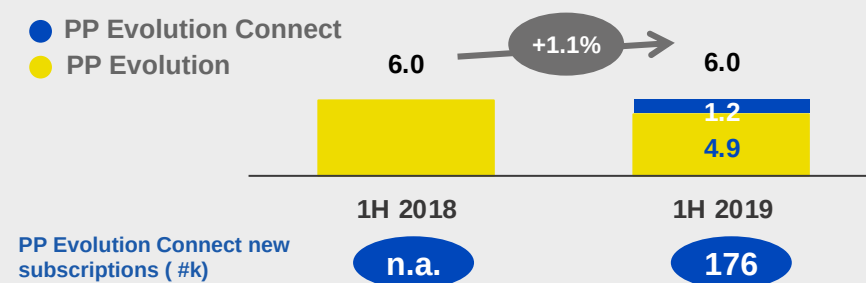
### CARDS STOCK, # M

- Debit cards
- Postepay cards

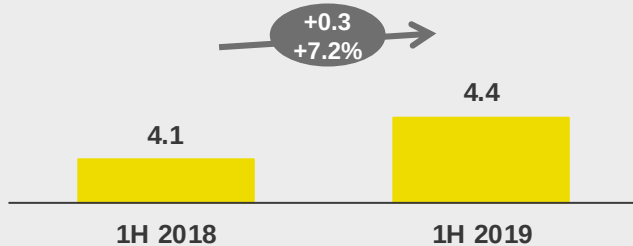


### POSTEPAY EVOLUTION CARDS DAILY SALES AVERAGE # K

- PP Evolution Connect
- PP Evolution

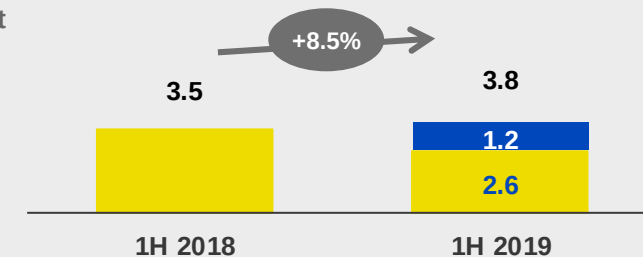


### MOBILE & LAND-LINE, STOCK # M

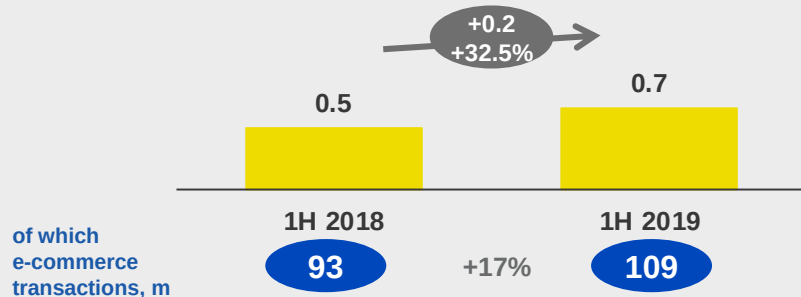


### MOBILE SIM DAILY SALES AVERAGE, # K

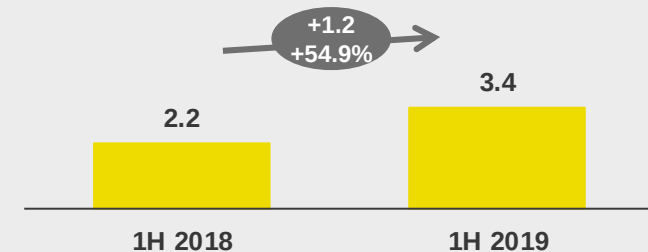
- Sim Connect
- SIM



### TOTAL PAYMENT CARDS TRANSACTIONS, # BN

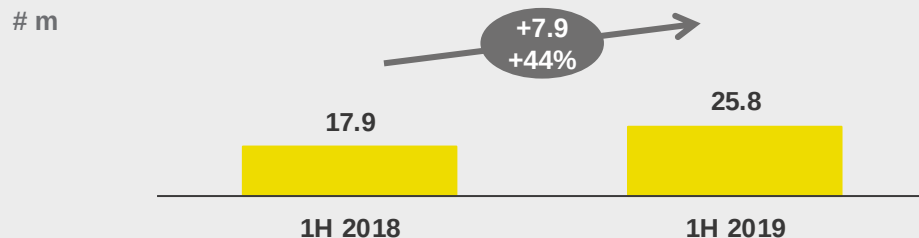


### DIGITAL E-WALLET<sup>1</sup>, STOCK # M

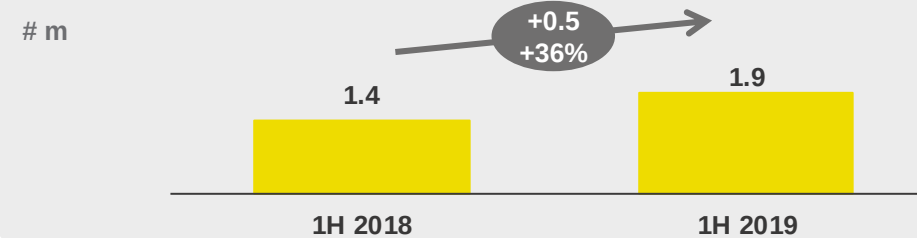




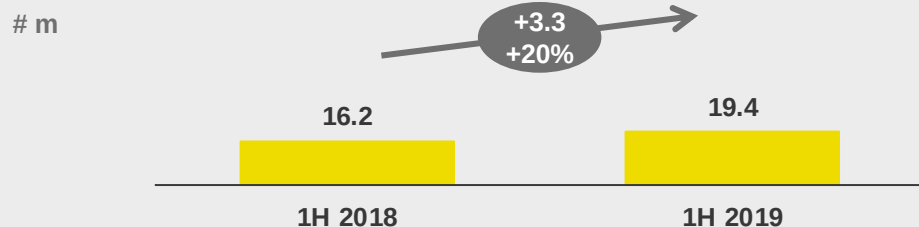
### GROWTH IN CUMULATED APPS DOWNLOADS<sup>1</sup>



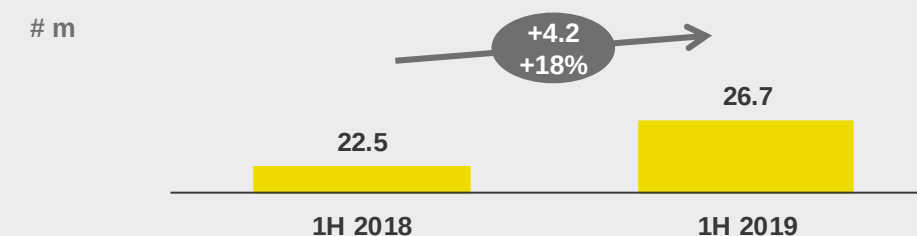
### DAILY ONLINE USERS



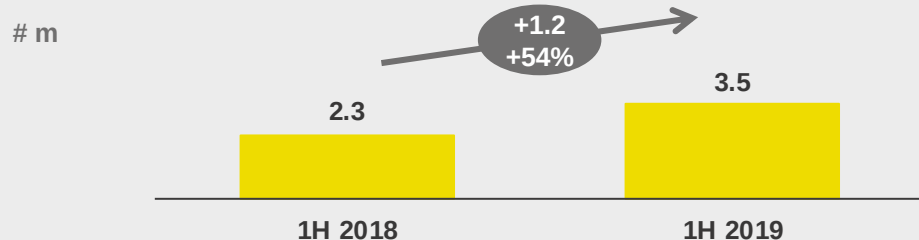
### REGISTERED ONLINE USERS STOCK



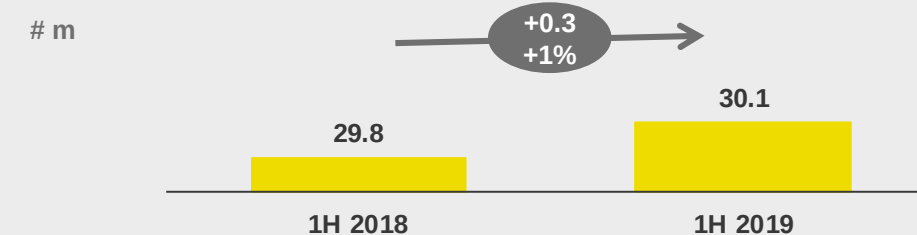
### GROWTH IN CONSUMER FINANCIAL TRANSACTIONS



### ELECTRONIC IDENTIFICATION<sup>2</sup> STOCK



### GROWTH IN TRACK&TRACE SEARCHES<sup>3</sup>



# FINANCIAL SERVICES: 2Q & 1H19 ONE-OFFS

## EXPLANATORY NOTES TO ADJUSTED FIGURES



|                                        | 2Q 2018      | 2Q 2019      | Δ<br>(€ m) | Δ<br>(%)    | 1H 2018      | 1H 2019      | Δ<br>(€ m) | Δ<br>(%)     |
|----------------------------------------|--------------|--------------|------------|-------------|--------------|--------------|------------|--------------|
| <b>REPORTED REVENUES <sup>1</sup></b>  | <b>1,329</b> | <b>1,359</b> | <b>30</b>  | <b>2%</b>   | <b>3,043</b> | <b>3,037</b> | <b>-6</b>  | <b>-0.2%</b> |
| GROSS CAPITAL GAINS ON INV. PORTFOLIO  | 1            | 0            |            |             | 404          | 261          |            |              |
| VISA - IFRS 9 VALUATION                | 9            | 5            |            |             | 9            | 17           |            |              |
| VISA - CAPITAL GAIN ON SHARES DISPOSAL | 0            | 1            |            |             | 0            | 1            |            |              |
| <b>ADJUSTED REVENUES</b>               | <b>1,318</b> | <b>1,353</b> | <b>35</b>  | <b>3%</b>   | <b>2,630</b> | <b>2,758</b> | <b>128</b> | <b>5%</b>    |
| <b>REPORTED COSTS</b>                  | <b>1,159</b> | <b>1,185</b> | <b>26</b>  | <b>2%</b>   | <b>2,635</b> | <b>2,602</b> | <b>-33</b> | <b>-1%</b>   |
| EARLY RETIREMENT INCENTIVES            | 6            | 0            |            |             | 7            | 1            |            |              |
| CAPITAL LOSSES ON INV. PORTFOLIO       | 0            | 6            |            |             | 25           | 6            |            |              |
| CAPITAL GAINS COMMISSIONING            | 1            | -4           |            |             | 307          | 199          |            |              |
| VISA - FAIR VALUE HEDGE                | 0            | 5            |            |             | 0            | 9            |            |              |
| REAL ESTATE FUNDS PROVISIONS           | 17           | 0            |            |             | 17           | 0            |            |              |
| VISA - COMMISSIONING                   | 7            | 0            |            |             | 7            | 0            |            |              |
| <b>ADJUSTED COSTS</b>                  | <b>1,128</b> | <b>1,179</b> | <b>51</b>  | <b>5%</b>   | <b>2,271</b> | <b>2,388</b> | <b>116</b> | <b>5%</b>    |
| <b>REPORTED EBIT</b>                   | <b>169</b>   | <b>174</b>   | <b>4</b>   | <b>3%</b>   | <b>408</b>   | <b>435</b>   | <b>27</b>  | <b>7%</b>    |
| <b>ADJUSTED EBIT</b>                   | <b>191</b>   | <b>174</b>   | <b>-17</b> | <b>-9%</b>  | <b>359</b>   | <b>370</b>   | <b>11</b>  | <b>3%</b>    |
| <b>REPORTED NET PROFIT</b>             | <b>120</b>   | <b>114</b>   | <b>-5</b>  | <b>-4%</b>  | <b>293</b>   | <b>305</b>   | <b>11</b>  | <b>4%</b>    |
| <b>ADJUSTED NET PROFIT</b>             | <b>135</b>   | <b>115</b>   | <b>-20</b> | <b>-15%</b> | <b>258</b>   | <b>257</b>   | <b>-1</b>  | <b>-0.4%</b> |

# BANCOPOSTA ASSETS AND LIABILITIES STRUCTURE

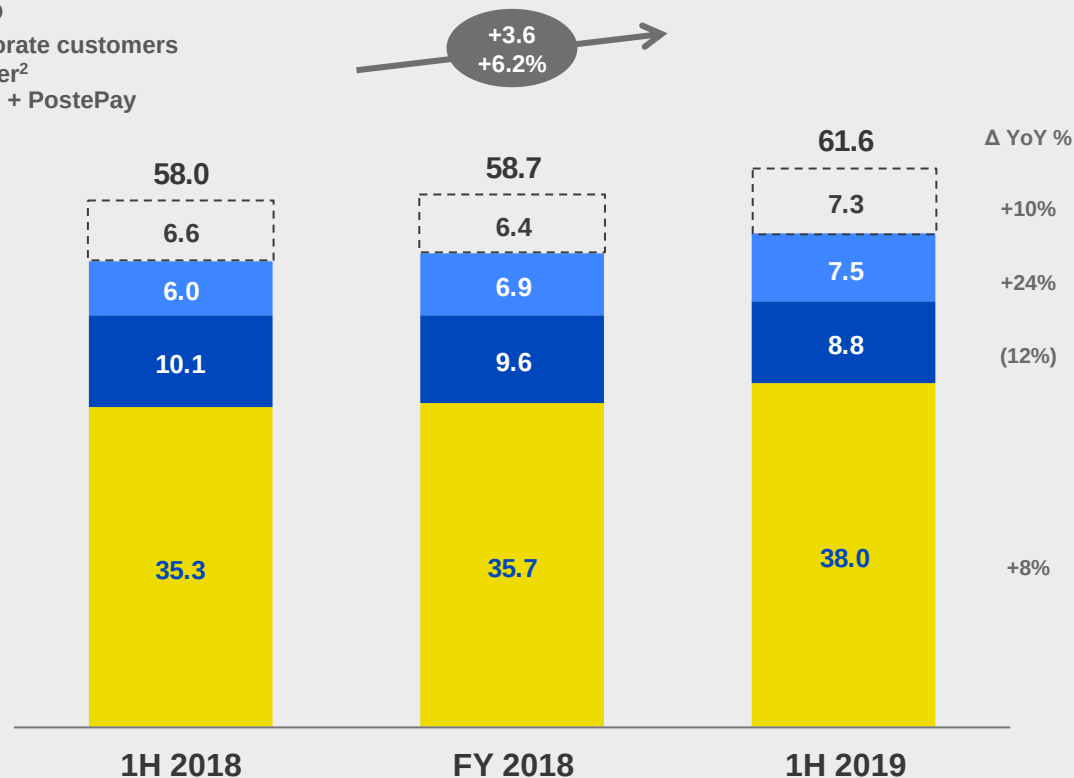
## PRUDENT ALM STRATEGY TO MATCH ASSETS AND LIABILITIES

€ bn unless otherwise stated



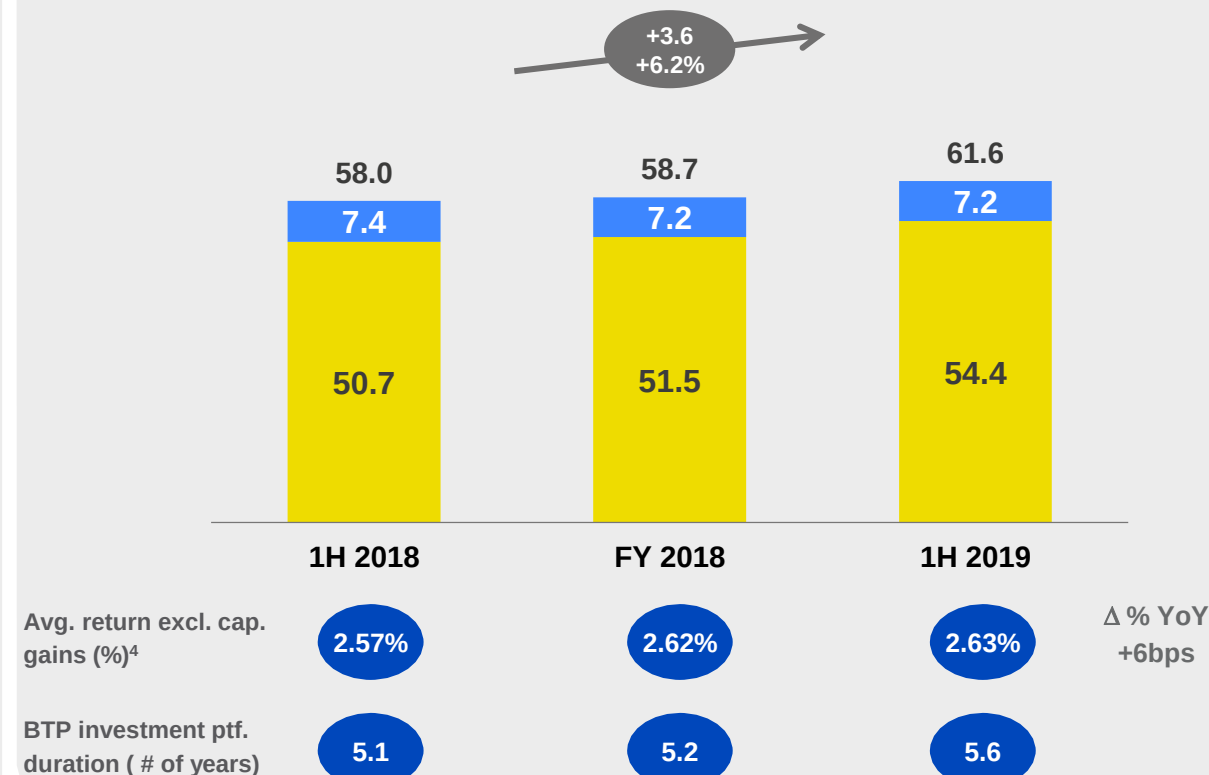
### AVERAGE CURRENT ACCOUNTS DEPOSITS

- Public Administration<sup>1</sup>
- REPO
- Corporate customers & other<sup>2</sup>
- Retail + PostePay



### AVERAGE INVESTMENT PORTFOLIO

- Deposit @ MEF<sup>3</sup>
- Italian Government Bonds



# FINANCIAL SERVICES: FOCUS ON INVESTMENT PORTFOLIO

UNREALISED LOSSES IMPROVING TO -1.9BN



€m

## UNREALIZED GAINS/LOSSES

Fair Value reserve

152

(71)

(666)

(171)

1H 2018

FY 2018

1Q 2019

1H 2019

(1,291)

(1,687)

(3,093)

(1,889)

## UNREALIZED GAINS SENSITIVITIES<sup>1</sup>

SWAP RATE -1 bps

11

SWAP RATE +1 bps

(11)

BTP SWAP SPREAD -1 bps

60

BTP SWAP SPREAD +1 bps

(60)

1H 2018 FY 2018 1Q 2019 1H 2019 Var (bps)  
1H19 vs 1Q19

BTP 10Y 2.68 2.74 2.48 2.10 (38)

SWAP 10Y 0.87 0.81 0.46 0.18 (28)

BTP 15Y 2.99 3.03 3.08 2.55 (53)

SWAP 15Y 1.23 1.17 0.82 0.49 (33)

BTP 30Y 3.45 3.53 3.47 3.09 (38)

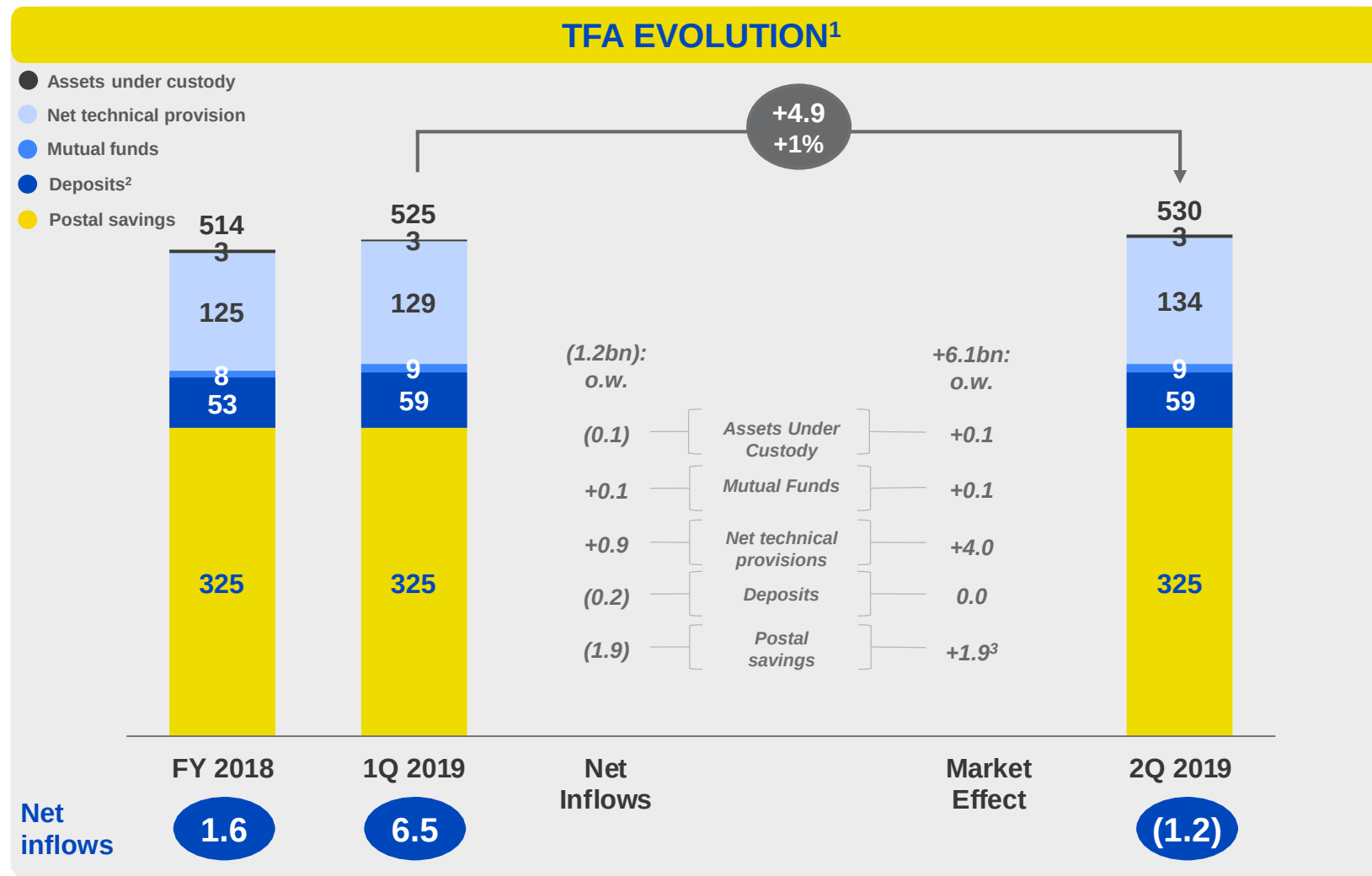
SWAP 30Y 1.46 1.38 1.07 0.72 (35)

# GROUP TOTAL FINANCIAL ASSETS IN 2Q 2019

POSITIVE MARKET PERFORMANCE IN RETAIL PRODUCTS LEADING TO HIGHER TFA



€ bn unless otherwise stated



## KEY HIGHLIGHTS

- TFA at 530bn up by 4.9bn vs. 1Q19
- Net inflows driven by:
  - Insurance +0.9bn supported by multiclass products
  - Mutual funds +0.1bn

# POSTAL SAVINGS

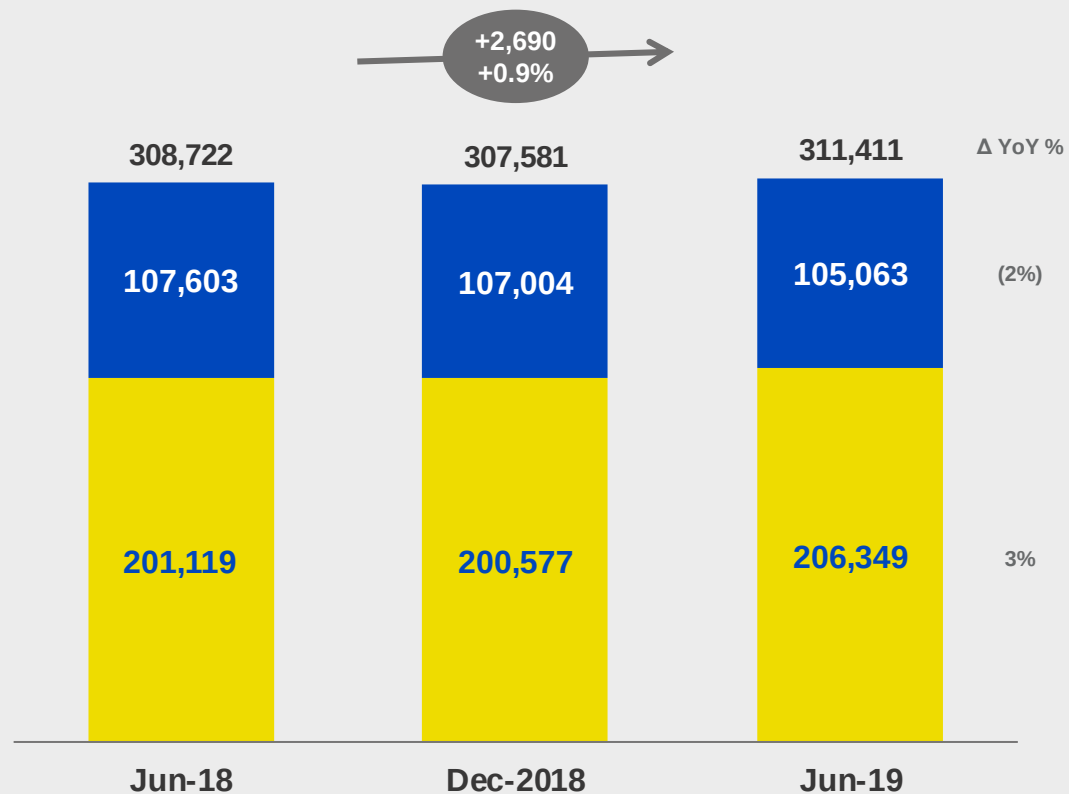
## NET INFLOWS AND DISTRIBUTION FEES ON TRACK WITH PLAN



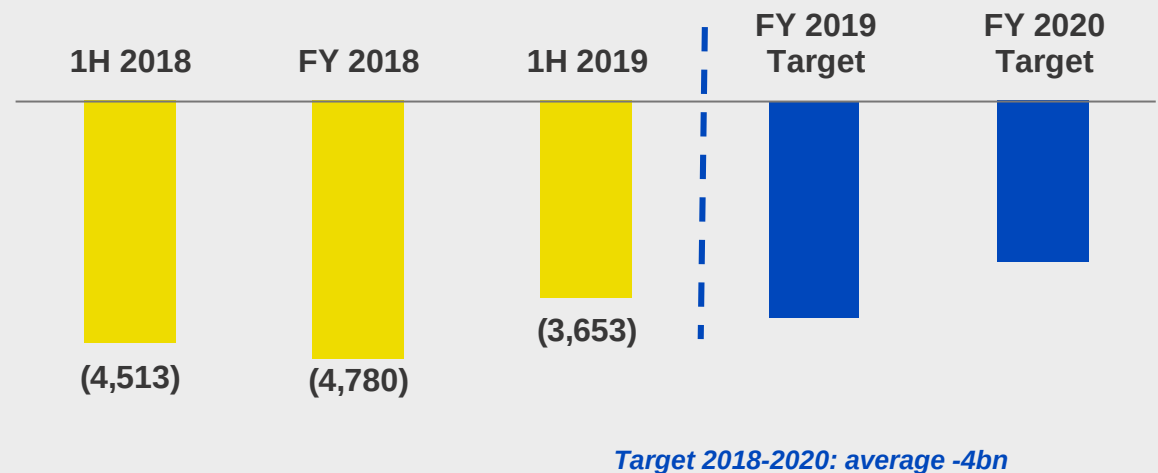
€ m unless otherwise stated

### AVERAGE POSTAL SAVINGS<sup>1</sup>

- Postal saving books
- Postal bonds



### POSTAL SAVING NET INFLOWS



|      | 2Q 2018 | 2Q 2019 | Var. % | 1H 2018 | 1H 2019 | Var. % |
|------|---------|---------|--------|---------|---------|--------|
| Fees | 444     | 431     | (2.9%) | 894     | 898     | +0.4%  |

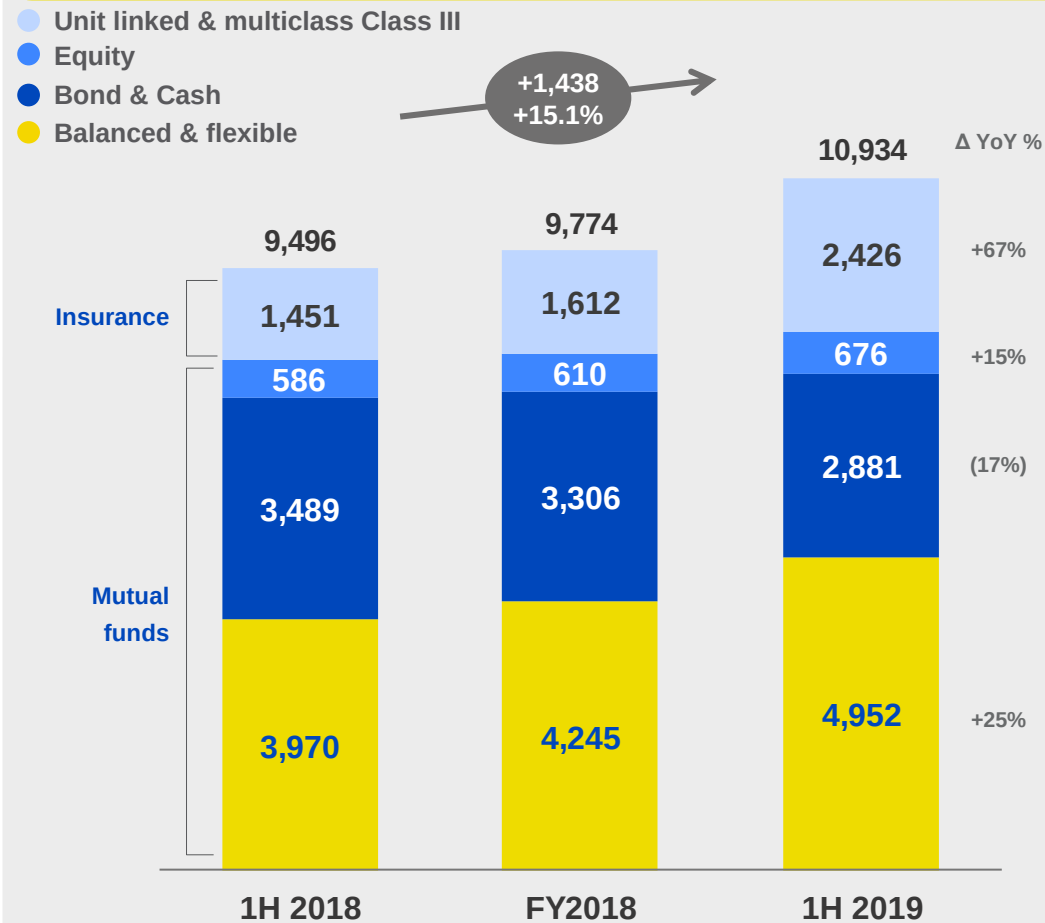
# ASSET MANAGEMENT PROGRESSING

## MULTICLASS INSURANCE PRODUCTS AND MUTUAL FUNDS NET SALES DRIVING AUM GROWTH

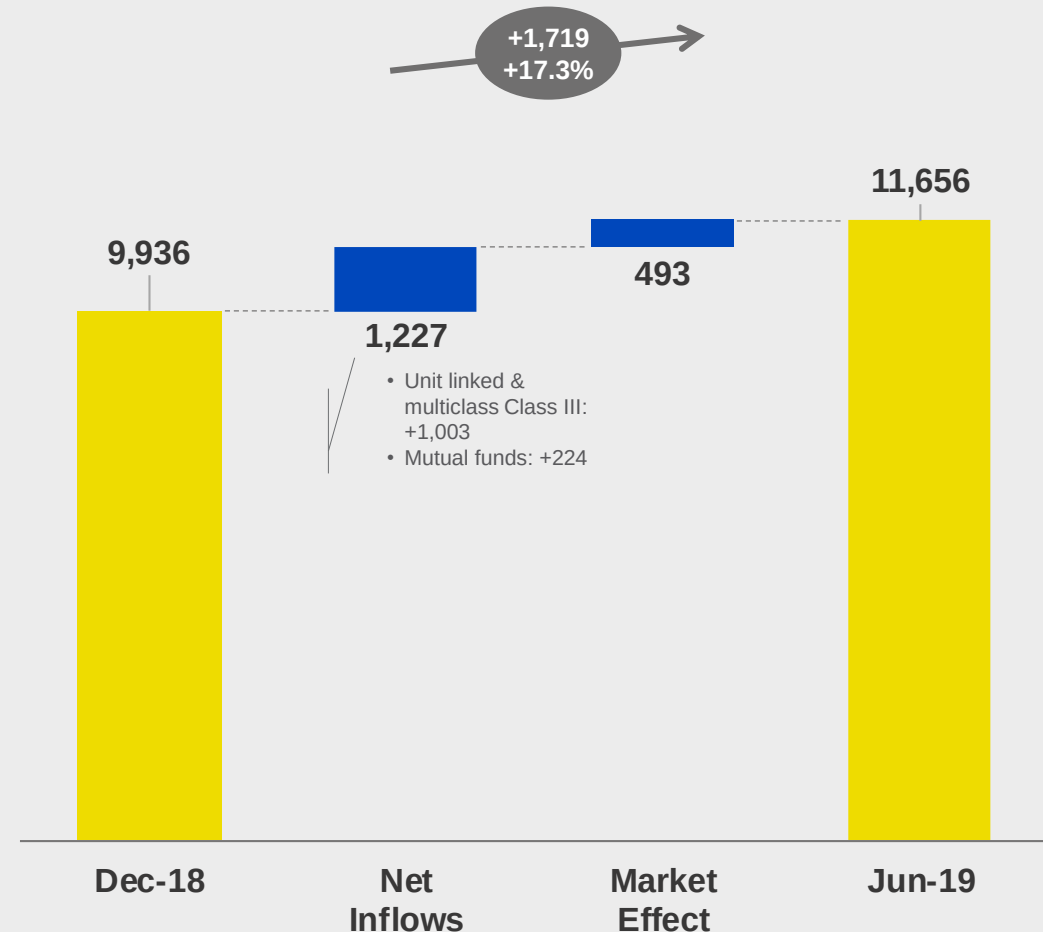


€ m unless otherwise stated

### AVERAGE ASSETS UNDER MANAGEMENT



### ASSETS UNDER MANAGEMENT EVOLUTION<sup>1</sup>



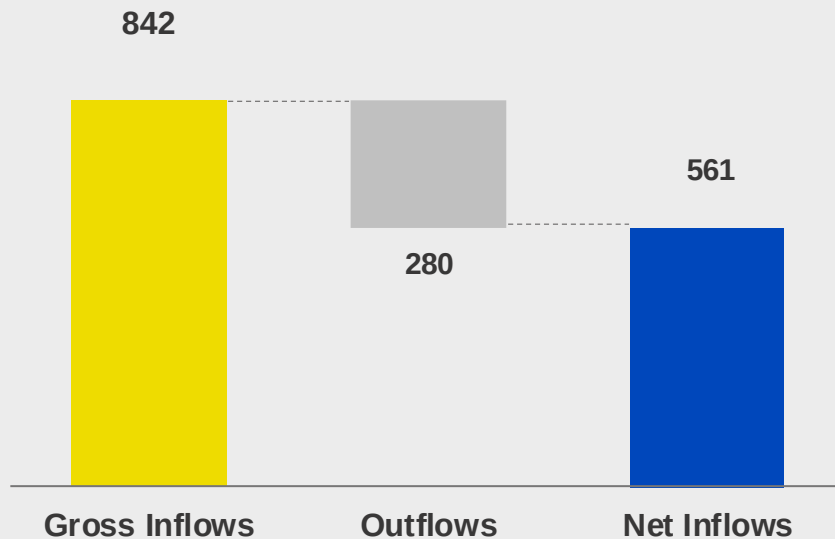
# ASSET MANAGEMENT NET INFLOWS INCREASING IN 2Q19

## INSURANCE PRODUCTS AND MUTUAL FUNDS NET SALES RESULTING IN POSITIVE NET INFLOWS



€ m unless otherwise stated

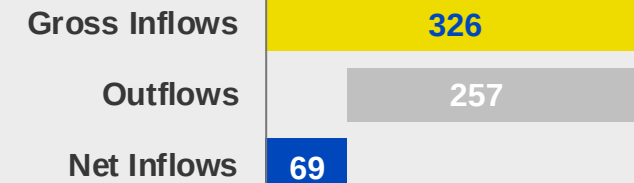
### TOTAL NET INFLOWS – 2Q 2019



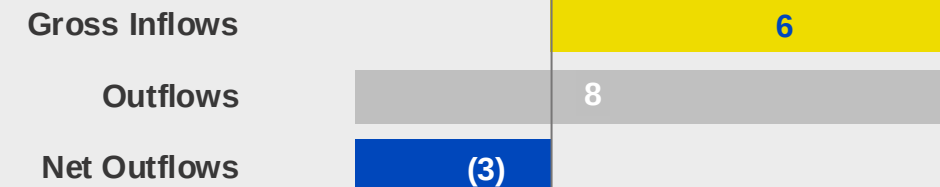
### Multiclass Class III<sup>1</sup>



### Mutual funds



### Unit Linked (class III)

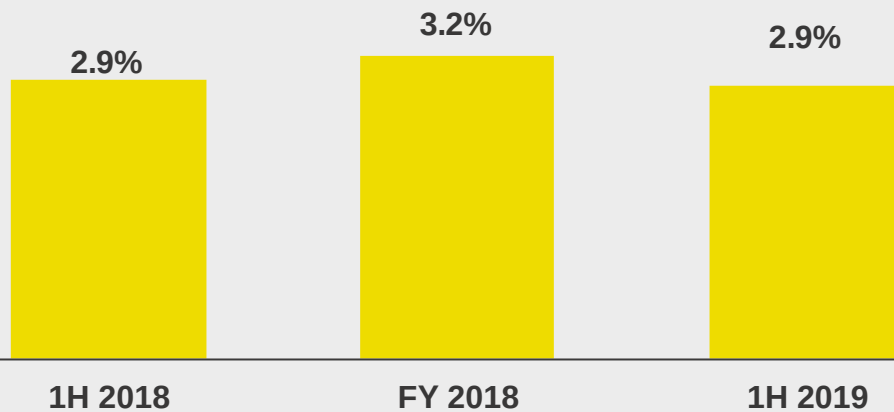


# SOLID AND EFFICIENT CAPITAL POSITION IN BANCOPOSTA

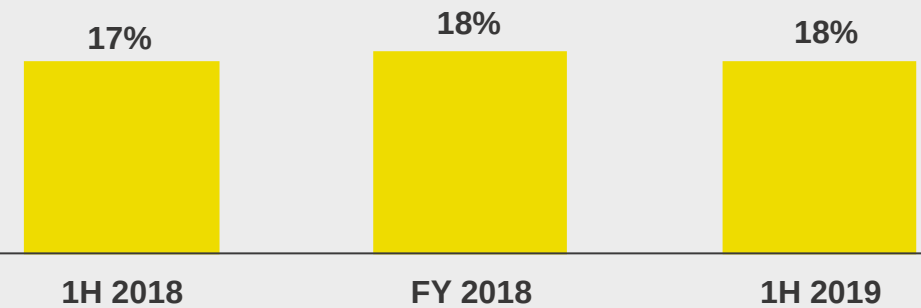
AN ASSET GATHERER, WITH A LOW RISK BALANCE SHEET



## LEVERAGE RATIO (%)

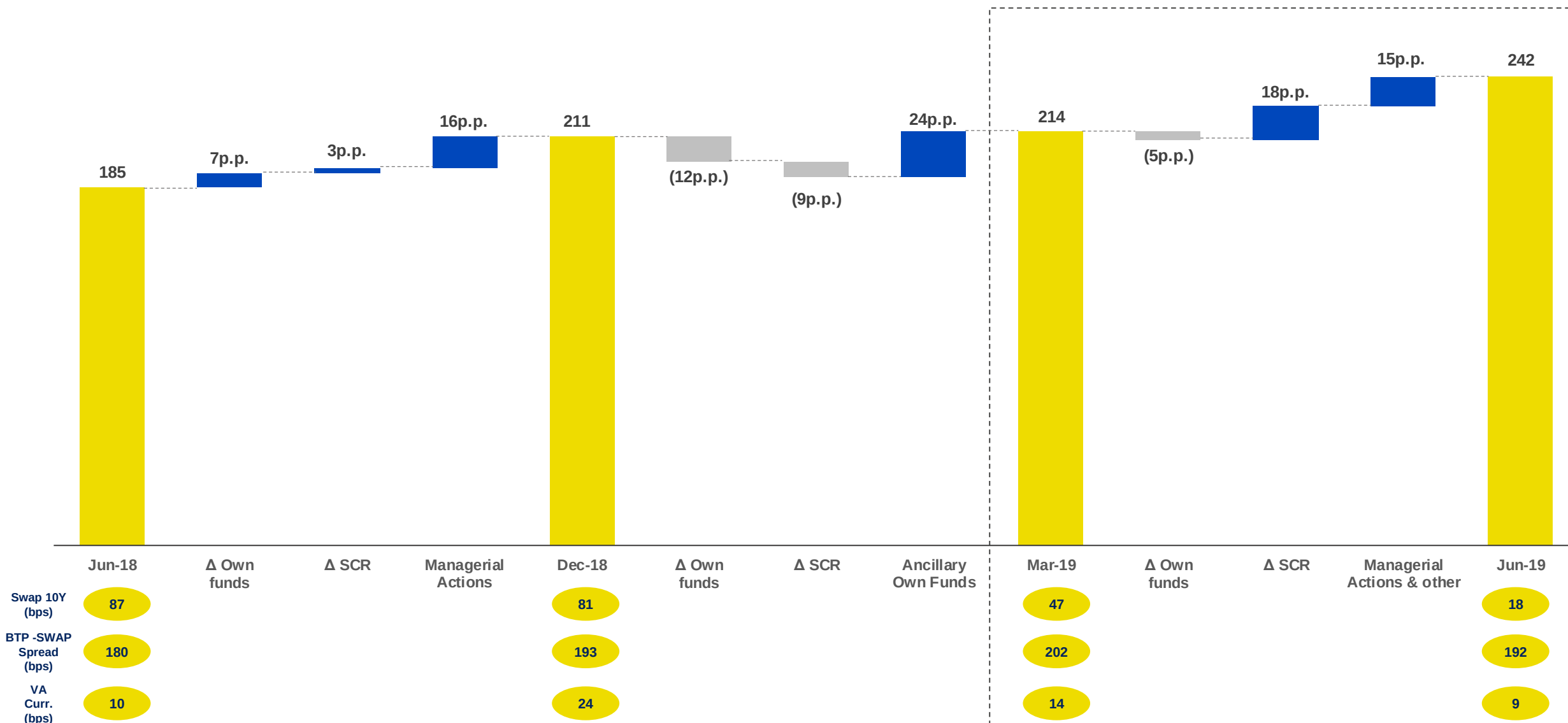


## CET 1 RATIO (%)



# SOLVENCY II EVOLUTION

MANAGERIAL AMBITION CONFIRMED AT C. 200% THROUGH THE CYCLE

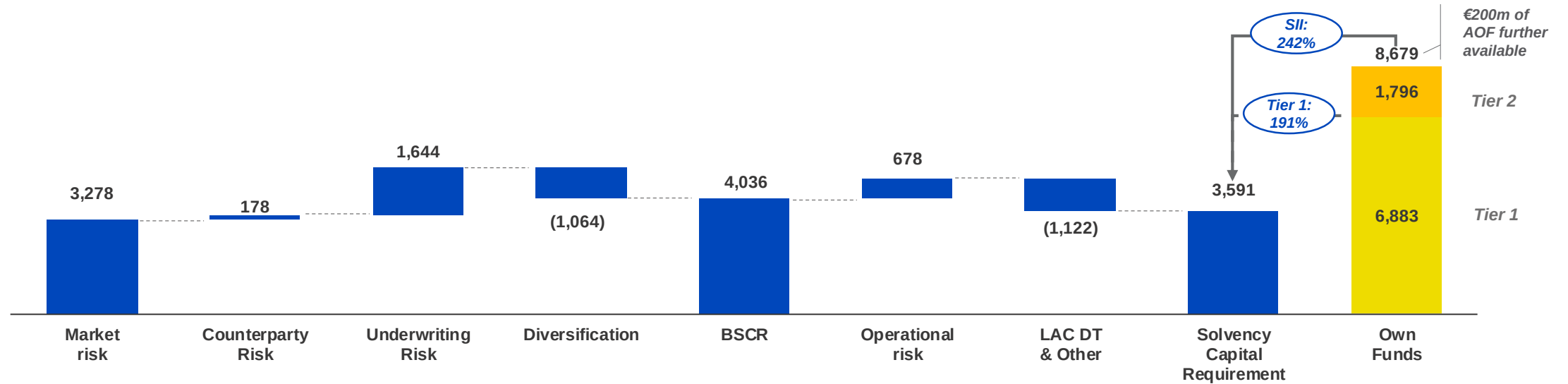


# SOLVENCY II: OWN FUNDS TIERING AND SCR BREAKDOWN

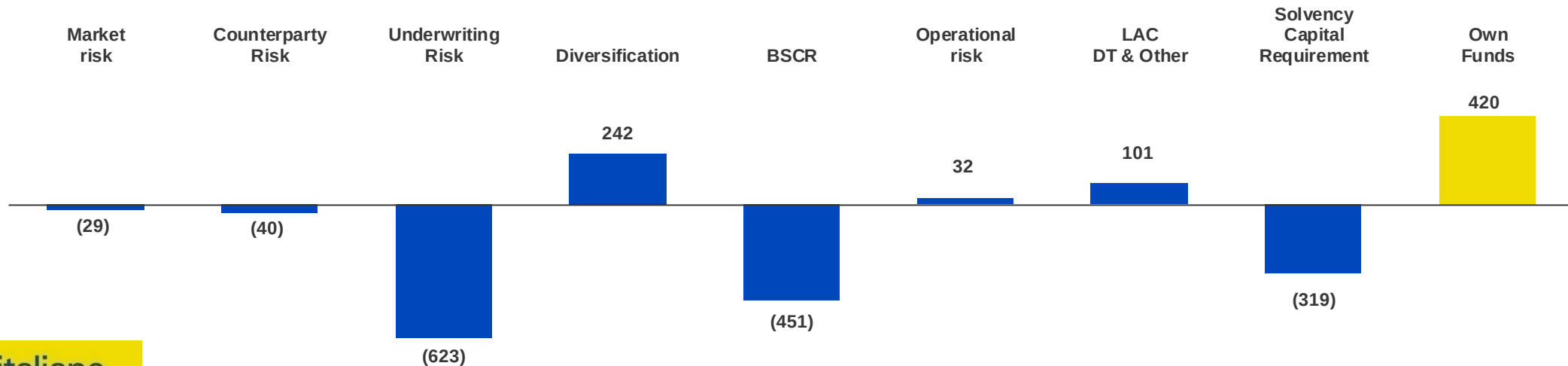
MANAGERIAL AMBITION CONFIRMED AT C. 200% THROUGH THE CYCLE



## SOLVENCY II CAPITAL AND SOLVENCY CAPITAL REQUIREMENT EVOLUTION (€ bn)



## CHANGE VS. DEC-18 (€ bn)



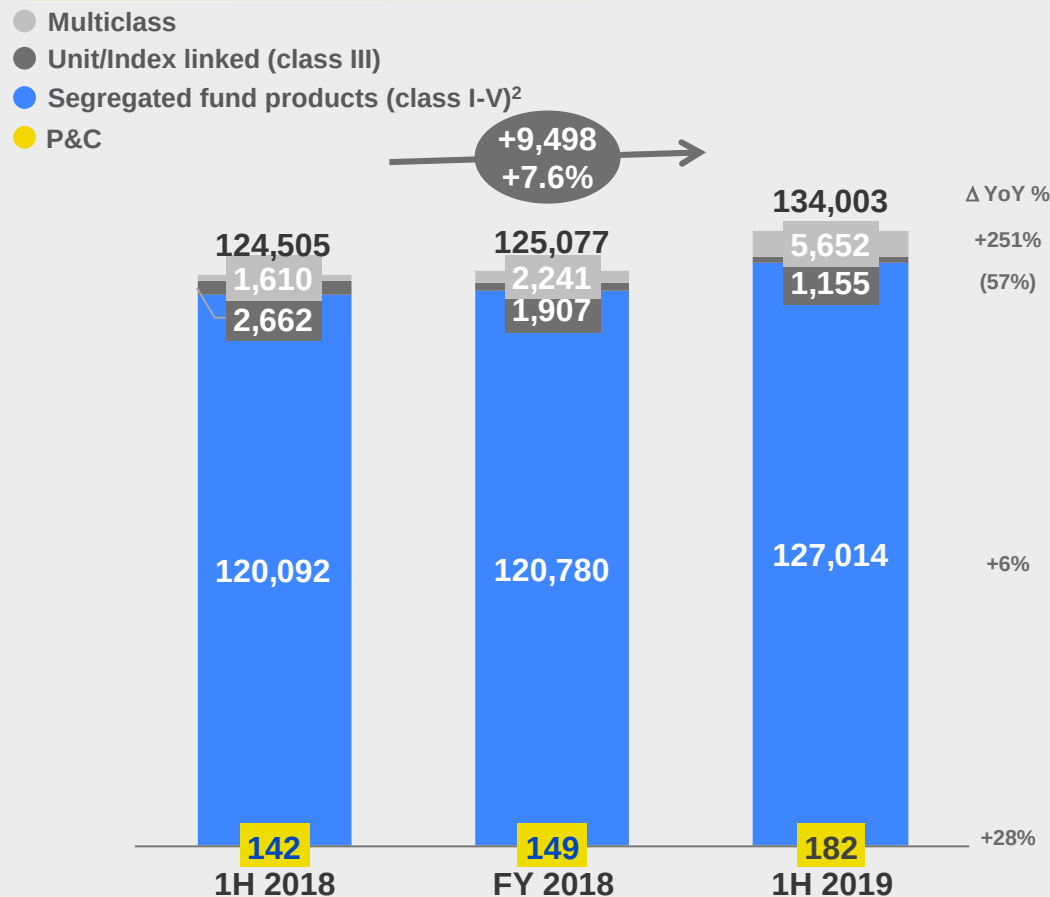
# NET TECHNICAL PROVISIONS INCREASING WHILE CHANGING MIX

## ONGOING DIVERSIFICATION TOWARDS CAPITAL EFFICIENT PRODUCTS

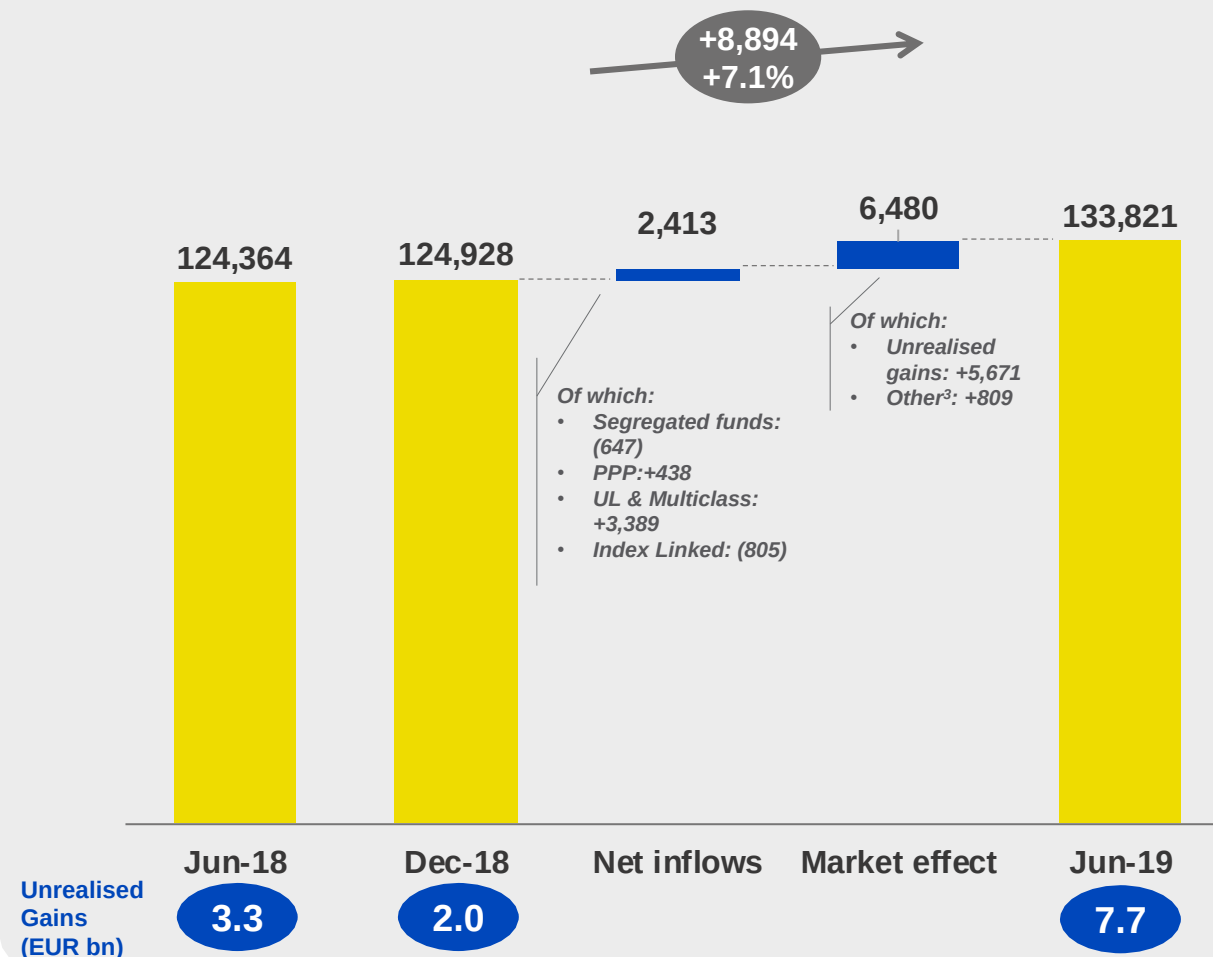
€ m unless otherwise stated



### GROUP NET TECHNICAL PROVISIONS<sup>1</sup>



### LIFE NET TECHNICAL PROVISIONS EVOLUTION

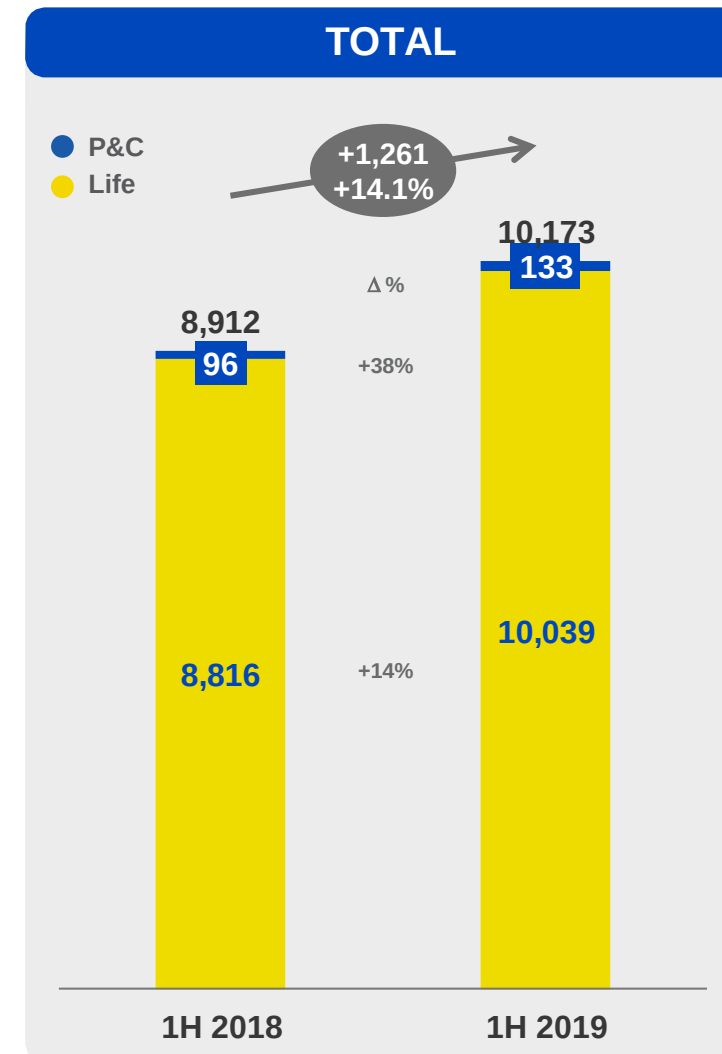
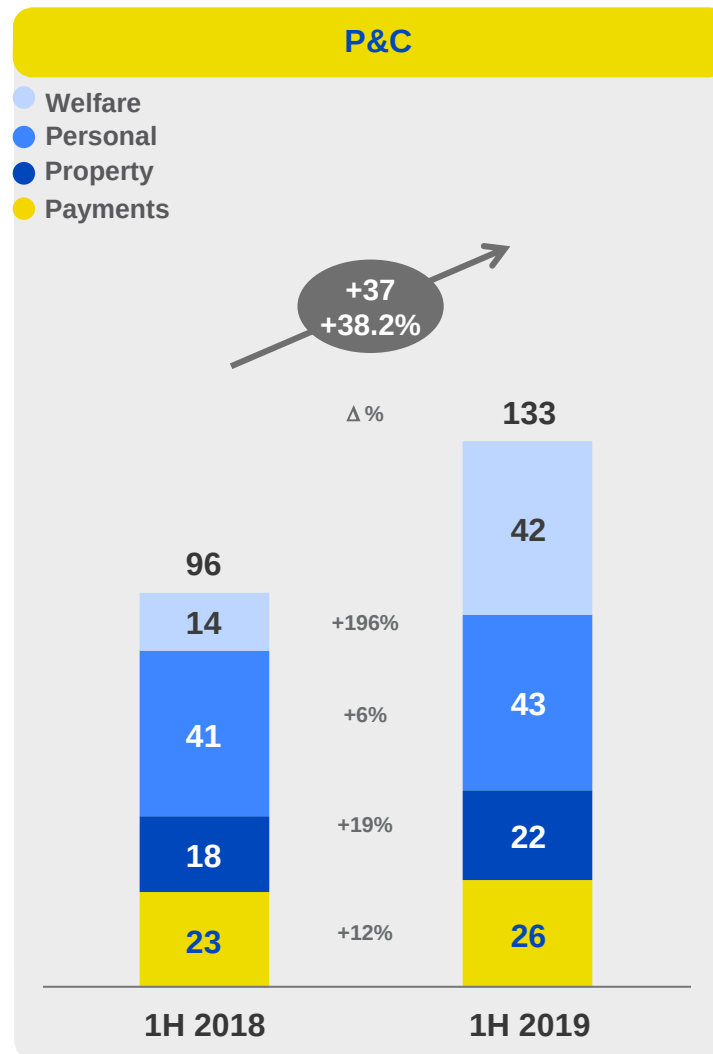
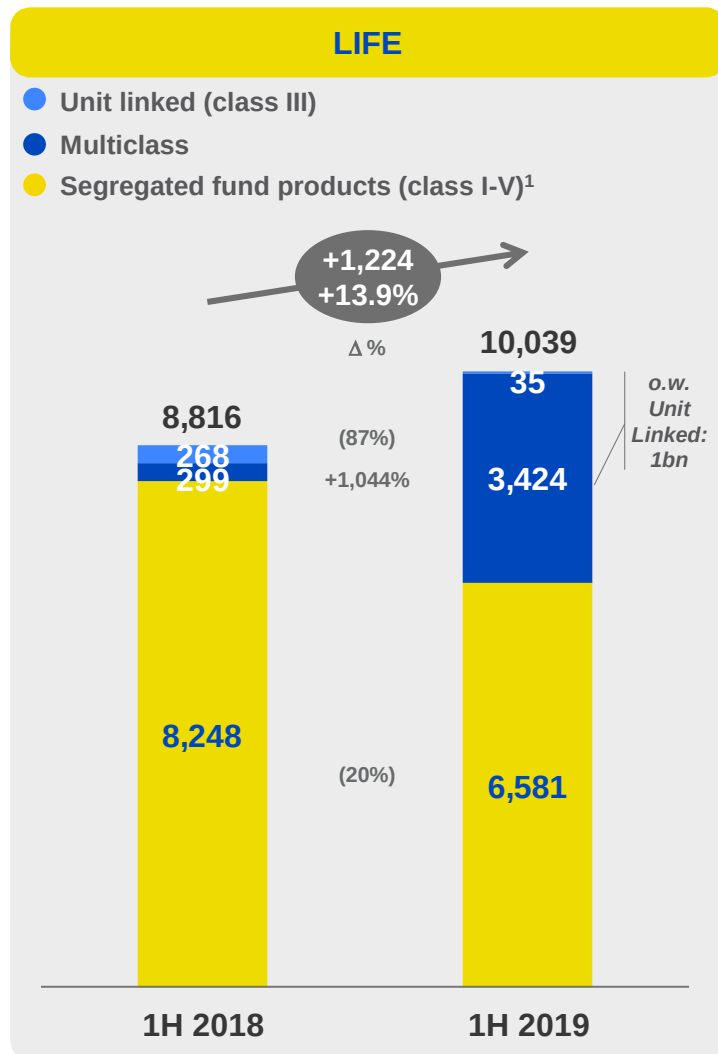


# INSURANCE SERVICES: GROSS WRITTEN PREMIUM MIX IN 1H 2019

## MULTICLASS AND P&C PRODUCTS AS KEY DRIVERS OF NEW PRODUCTION



€ m unless otherwise stated

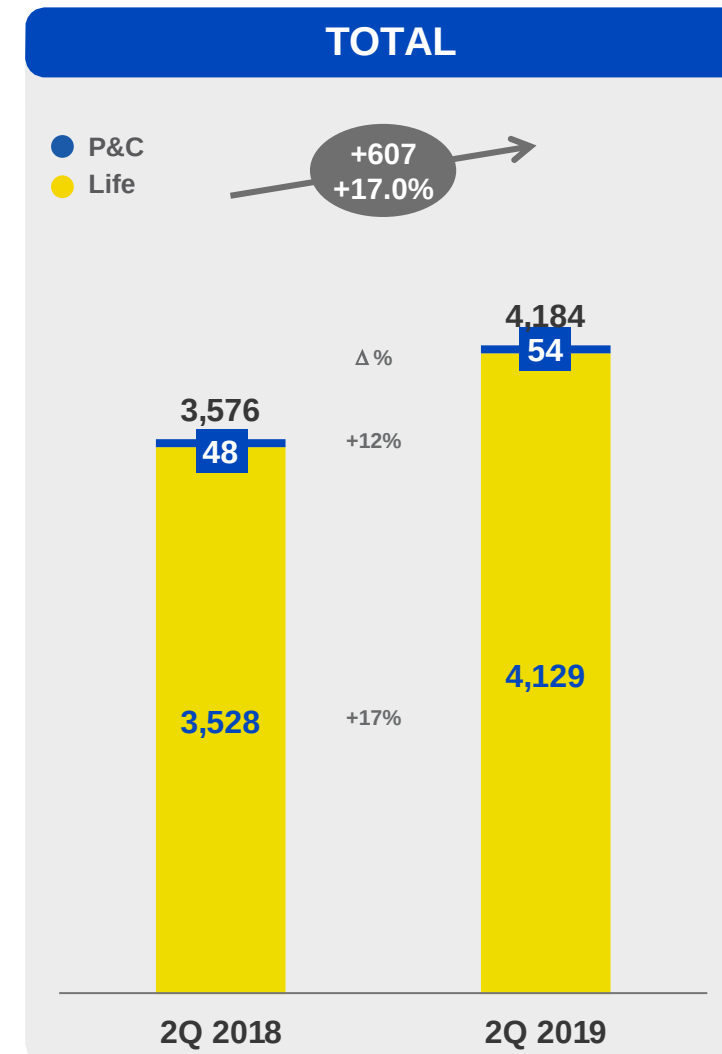
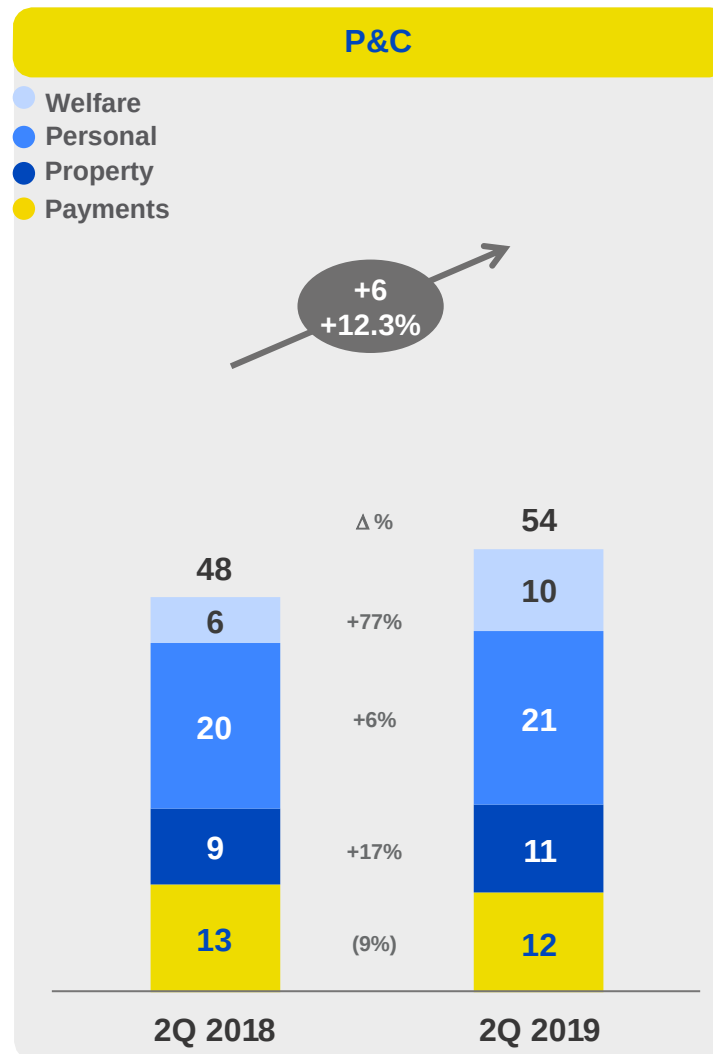
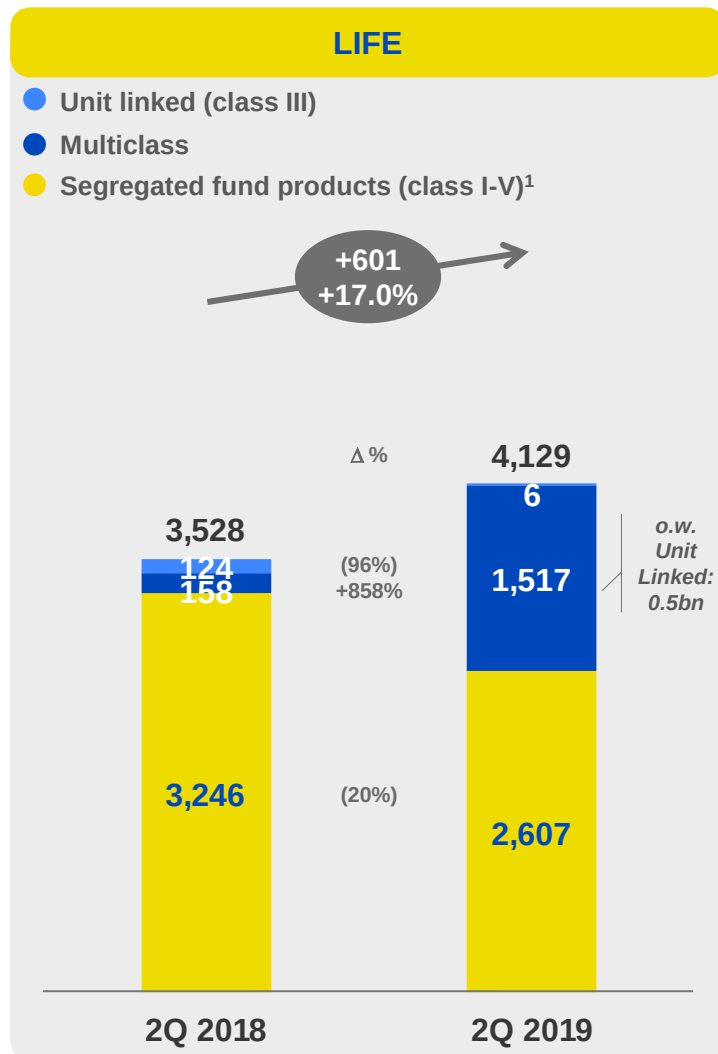


# INSURANCE SERVICES: GROSS WRITTEN PREMIUM MIX IN 2Q 2019

## MULTICLASS AND P&C PRODUCTS AS KEY DRIVERS OF NEW PRODUCTION



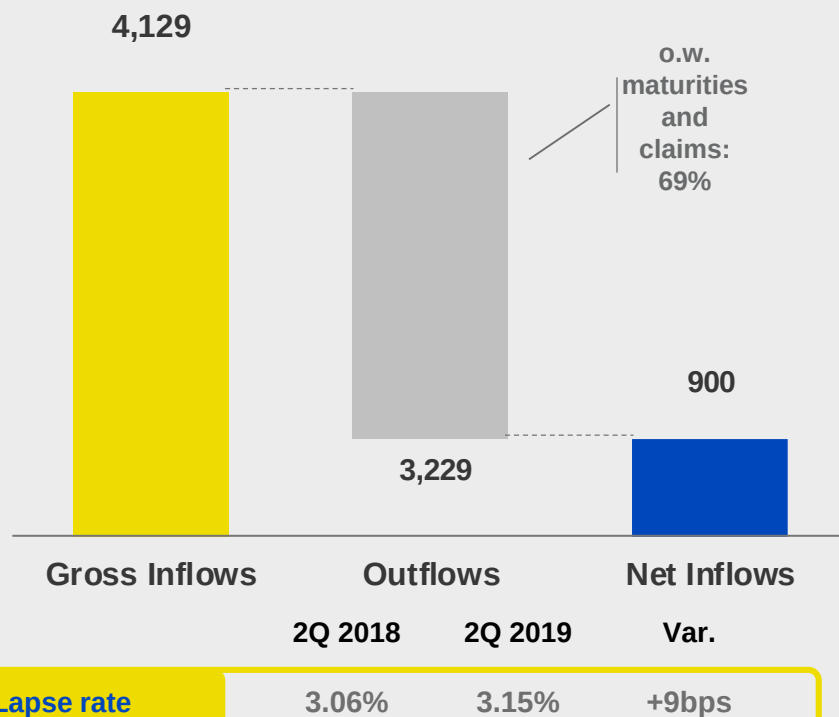
€ m unless otherwise stated





€ m unless otherwise stated

### TOTAL NET INFLOWS – 2Q 2019



### Unit Linked (Class III)

|                        |     |     |
|------------------------|-----|-----|
| Gross written premiums |     | 6   |
| Outflows               |     | (8) |
| Net Outflows           | (3) |     |

### Multiclass

|                        |       |
|------------------------|-------|
| Gross written premiums | 1,517 |
| Outflows               | 33    |
| Net Inflows            | 1,484 |

### Segregated Fund Products & PPP<sup>1</sup>

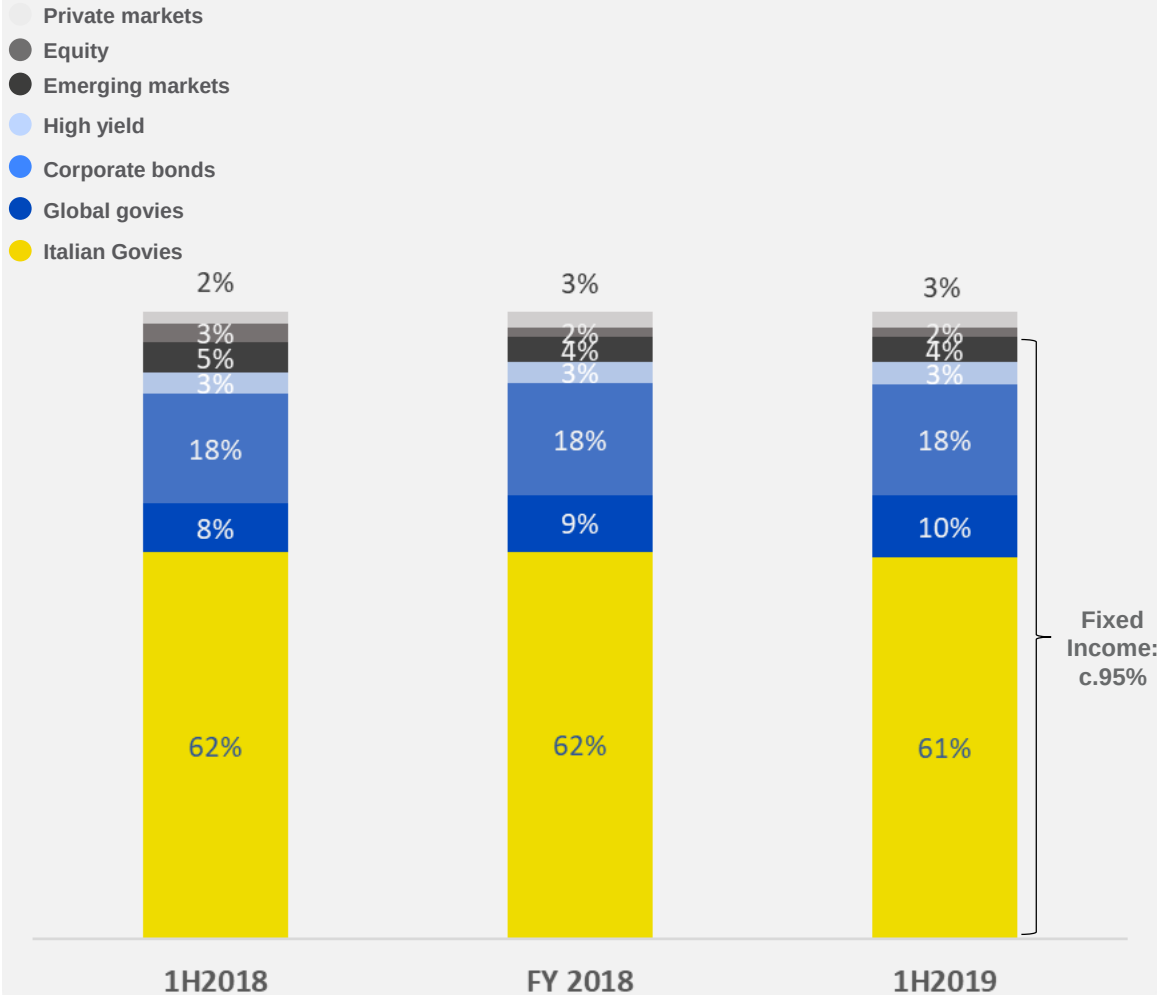
|                        |         |
|------------------------|---------|
| Gross written premiums | 2,607   |
| Outflows               | (3,188) |
| Net Outflows           | (581)   |

# INSURANCE SERVICES

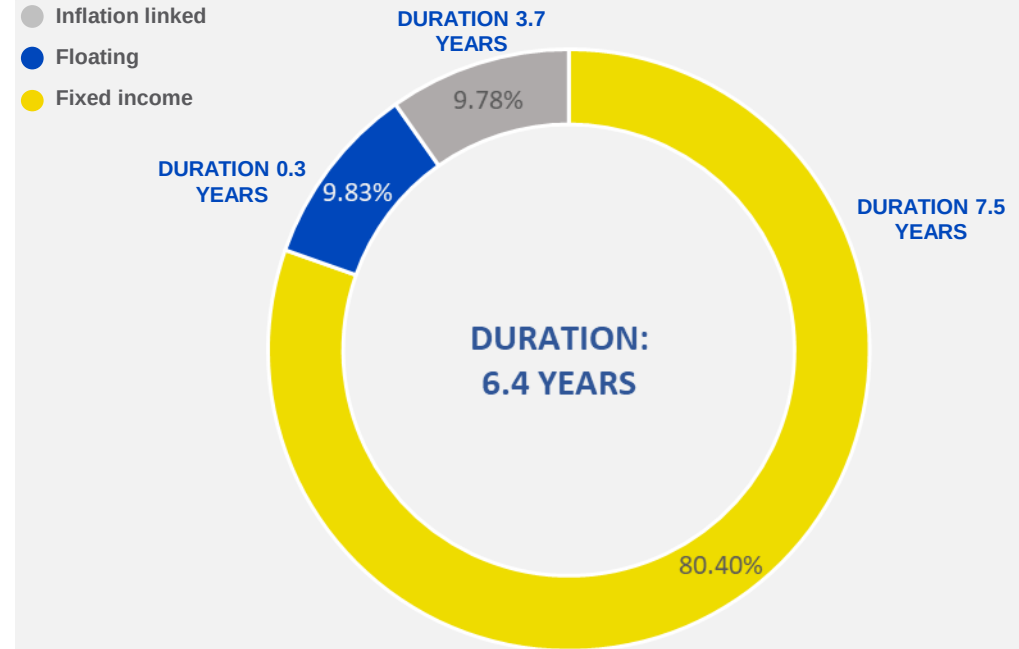
## UNREALIZED CAPITAL GAINS UP TO c.7.7BN



### INVESTMENT PORTFOLIO BREAKDOWN



### FIXED INCOME BREAKDOWN BY RATE TYPE



|                                         | 1H 2018 | FY 2018 | 1Q 2019 | 1H 2019 | Var. YoY |
|-----------------------------------------|---------|---------|---------|---------|----------|
| Minimum guaranteed return (Class I) (%) | 0.84%   | 0.78%   | 0.75%   | 0.72%   | (12bps)  |
| Asset return (%)                        | 2.76%   | 2.82%   | 1.92%   | 2.36%   | (40bps)  |

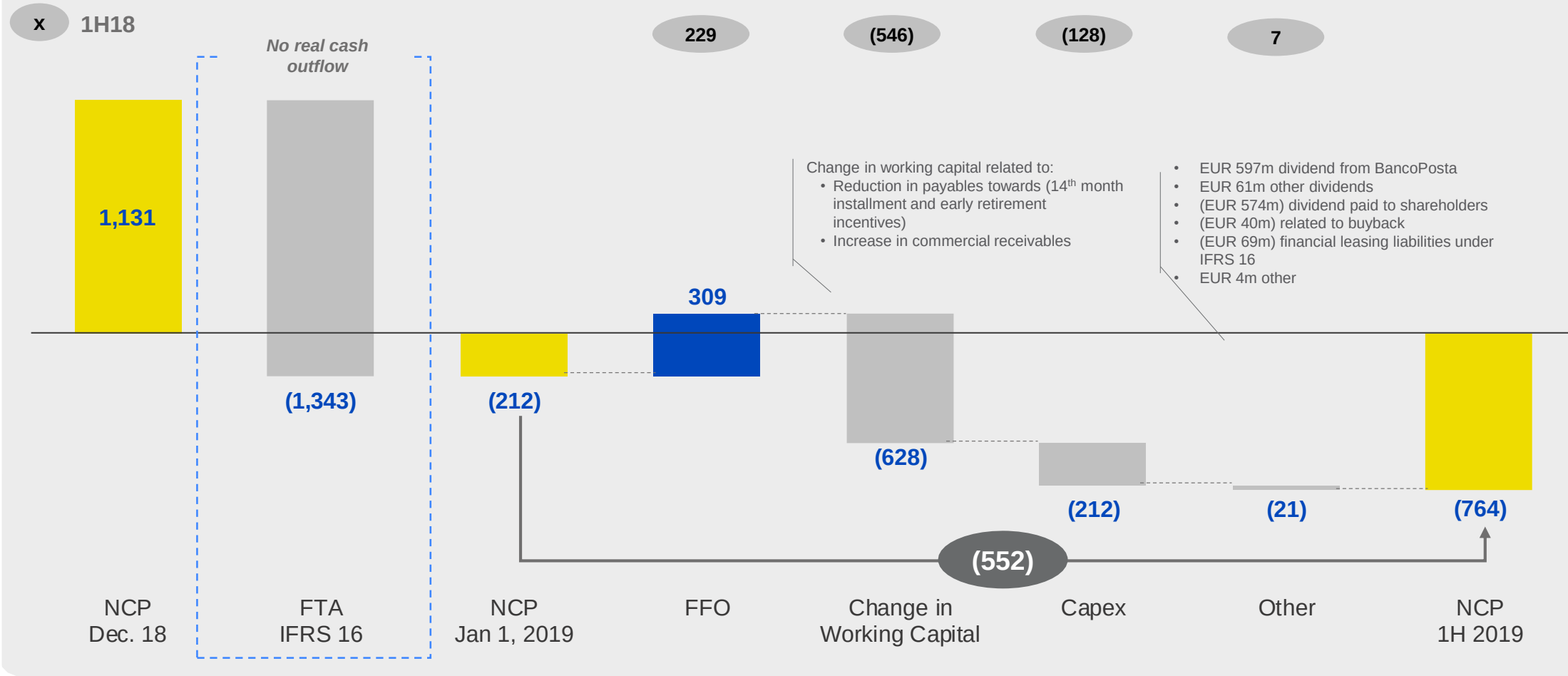
# MAIL, PARCEL & DISTRIBUTION NET CASH POSITION

## SOLID CASH POSITION IMPACTED BY THE FIRST TIME ADOPTION OF IFRS 16



€ m unless otherwise stated

### NET CASH POSITION (+ Cash - Debt)



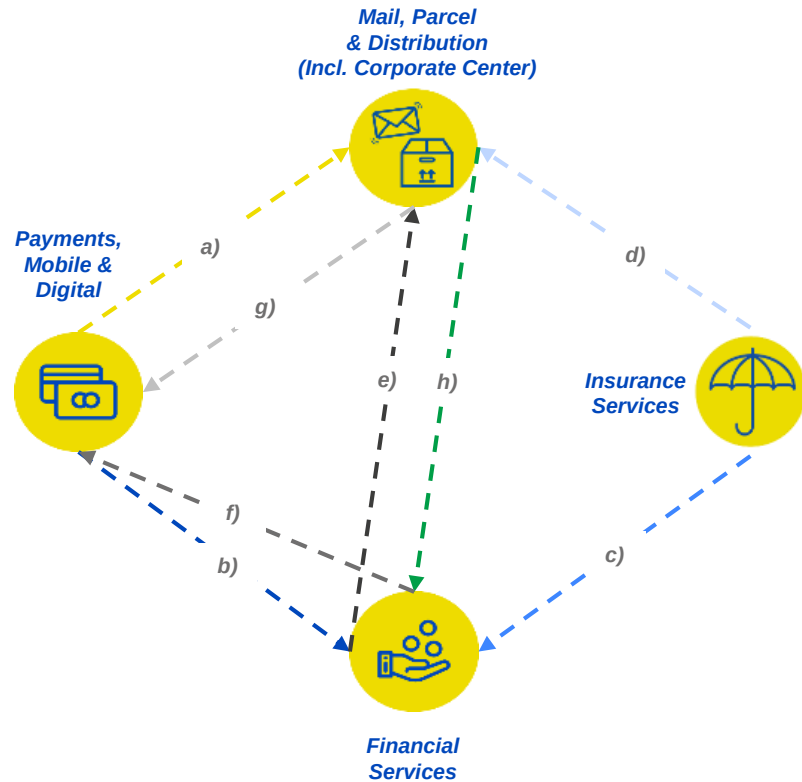
# GROUP PERFORMANCE

## MAIN KPI'S

| OPERATIONAL KPI's                                                                                                       |                                               | 2Q 2018 | 2Q 2019 | Δ%  | 1H 2018 | 1H 2019 | Δ%   |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------|---------|-----|---------|---------|------|
|  <b>MAIL PARCELS &amp; DISTRIBUTION</b> | Mail Volumes (#m)                             | 749     | 690     | -8% | 1,554   | 1,407   | -9%  |
|                                                                                                                         | Parcels delivered by mailmen (#m)             | 9       | 11      | 22% | 19      | 24      | 22%  |
|                                                                                                                         | Parcel volumes (#m)                           | 29      | 34      | 16% | 58      | 68      | 18%  |
|                                                                                                                         | B2C Revenues (€m)                             | 66      | 81      | 23% | 129     | 167     | 29%  |
|  <b>PAYMENTS, MOBILE &amp; DIGITAL</b>  | PostePay cards (#m)                           |         |         |     | 18.6    | 19.7    | 6%   |
|                                                                                                                         | <i>of which PostePay Evolution cards (#m)</i> |         |         |     | 5.5     | 6.9     | 27%  |
|                                                                                                                         | Total payment cards transactions (#bn)        |         |         |     | 0.51    | 0.68    | 32%  |
|                                                                                                                         | <i>of which eCommerce transactions (#m)</i>   |         |         |     | 93.2    | 108.8   | 17%  |
|                                                                                                                         | Mobile & land-line (#m)                       |         |         |     | 4.1     | 4.4     | 7%   |
|  <b>FINANCIAL SERVICES</b>              | Digital e-Wallets (#m)                        |         |         |     | 2.2     | 3.4     | 55%  |
|                                                                                                                         | Total Financial Assets - TFAs (€/bn)          |         |         |     | 513     | 530     | 3%   |
|                                                                                                                         | Product Sales (#m)                            |         |         |     | 4.2     | 4.2     | 0%   |
|  <b>INSURANCE SERVICES</b>            | Unrealized gains (€m)                         |         |         |     | -1,291  | -1,889  | -46% |
|                                                                                                                         | Gross Written Premiums (€m)                   | 3,576   | 4,184   | 17% | 8,912   | 10,173  | 14%  |
|                                                                                                                         | GWP – Life (€m)                               | 3,290   | 3,903   | 19% | 8,305   | 9,540   | 15%  |
|                                                                                                                         | GWP – Private Pension Plan (€m)               | 238     | 227     | -5% | 510     | 499     | -2%  |
|                                                                                                                         | GWP – P&C (€m)                                | 48      | 54      | 12% | 96      | 133     | 38%  |

# INTERSEGMENT COSTS AS OF 1H 2019

## INTERSEGMENT COST FLOWS



## MAIN RATIONALE

- **Payments, Mobile and Digital remunerates:**
  - a) **Mail, Parcel and Distribution** for providing IT and other corporates services<sup>1</sup>
  - b) **Financial Services** for promoting and selling payment and other products (e.g. Telecom) throughout the network
- **Insurance Services remunerates:**
  - c) **Financial Services** for promoting and selling insurance products<sup>2</sup> and for investment management services<sup>3</sup>
  - d) **Mail, Parcel and Distribution** for providing corporate services<sup>1</sup>
- **Financial Services remunerates:**
  - e) **Mail, Parcel and Distribution** for promoting and selling Financial, Insurance and PMD products throughout the network and for proving corporate services<sup>4</sup>
  - f) **Payments, Mobile and Digital** for providing certain payment services<sup>5</sup>
- **Mail, Parcel and Distribution remunerates:**
  - g) **Payments, Mobile and Digital** for corporate telecommunication services and postman electronic devices
  - h) **Financial Services** as distribution fees related to «Bollettino DTT»

## INDICATIVE REMUNERATION SCHEME

- a) Number of payment transactions x flat fee (depending on the product)
- b) Fixed % of revenues
- c) Fixed % of upfront fees and managed assets
- d) Depending on service/product
- e) Fixed % (depending on the product) of revenues
- f) Depending on service/product
- g) Annual fee
- h) Flat fee for each «Bollettino»

# CONSOLIDATED ACCOUNTS

## PROFIT & LOSS

| €m                                                                                            | 2Q 2018      | 2Q 2019      | Var.       | Var.%       | 1H 2018      | 1H 2019      | Var.       | Var.%       |
|-----------------------------------------------------------------------------------------------|--------------|--------------|------------|-------------|--------------|--------------|------------|-------------|
| <b>Total revenues</b>                                                                         | <b>2,546</b> | <b>2,679</b> | <b>134</b> | <b>5%</b>   | <b>5,430</b> | <b>5,521</b> | <b>92</b>  | <b>2%</b>   |
| of which:                                                                                     |              |              |            |             |              |              |            |             |
| Mail, Parcel and Distribution                                                                 | 862          | 875          | 13         | 2%          | 1,761        | 1,755        | -5         | 0%          |
| Payments, Mobile and Digital                                                                  | 150          | 167          | 17         | 11%         | 280          | 306          | 26         | 9%          |
| Financial Services                                                                            | 1,173        | 1,180        | 7          | 1%          | 2,704        | 2,665        | -40        | -1%         |
| Insurance Services                                                                            | 361          | 458          | 97         | 27%         | 685          | 795          | 111        | 16%         |
| <b>Total costs</b>                                                                            | <b>2,196</b> | <b>2,216</b> | <b>20</b>  | <b>1%</b>   | <b>4,377</b> | <b>4,441</b> | <b>64</b>  | <b>1%</b>   |
| of which:                                                                                     |              |              |            |             |              |              |            |             |
| Total personnel expenses                                                                      | 1,416        | 1,395        | -20        | -1%         | 2,846        | 2,833        | -13        | 0%          |
| <i>of which personnel expenses</i>                                                            | <i>1,402</i> | <i>1,390</i> | <i>-13</i> | <i>-1%</i>  | <i>2,826</i> | <i>2,824</i> | <i>-2</i>  | <i>0%</i>   |
| <i>of which early retirement incentives</i>                                                   | <i>13</i>    | <i>6</i>     | <i>-8</i>  | <i>-57%</i> | <i>19</i>    | <i>9</i>     | <i>-11</i> | <i>-55%</i> |
| Other operating costs                                                                         | 640          | 628          | -12        | -2%         | 1,259        | 1,227        | -33        | -3%         |
| Depreciation, amortisation and impairments                                                    | 140          | 193          | 53         | 38%         | 272          | 381          | 109        | 40%         |
| <b>EBIT</b>                                                                                   | <b>350</b>   | <b>464</b>   | <b>114</b> | <b>32%</b>  | <b>1,053</b> | <b>1,081</b> | <b>28</b>  | <b>3%</b>   |
| EBIT Margin                                                                                   | 14%          | 17%          |            |             | 19%          | 20%          |            |             |
| Finance income/(costs) and profit/(loss) on investments accounted for using the equity method | 14           | 12           | -2         | -14%        | 22           | 18           | -4         | -17%        |
| <b>Profit before tax</b>                                                                      | <b>364</b>   | <b>476</b>   | <b>112</b> | <b>31%</b>  | <b>1,075</b> | <b>1,099</b> | <b>24</b>  | <b>2%</b>   |
| Income tax expense                                                                            | 114          | 151          | 37         | 32%         | 340          | 336          | -4         | -1%         |
| <b>Profit for the period</b>                                                                  | <b>250</b>   | <b>324</b>   | <b>75</b>  | <b>30%</b>  | <b>735</b>   | <b>763</b>   | <b>28</b>  | <b>4%</b>   |

# MAIL, PARCEL & DISTRIBUTION

## PROFIT & LOSS



| €m                                          | 2Q 2018      | 2Q 2019      | Var.       | Var.%       | 1H 2018      | 1H 2019      | Var.        | Var.%       |
|---------------------------------------------|--------------|--------------|------------|-------------|--------------|--------------|-------------|-------------|
| Segment revenue                             | 862          | 875          | 13         | 2%          | 1761         | 1755         | -5          | 0%          |
| Intersegment revenue                        | 1,086        | 1,122        | 36         | 3%          | 2,456        | 2,453        | -3          | 0%          |
| <b>Total revenues</b>                       | <b>1,948</b> | <b>1,997</b> | <b>49</b>  | <b>3%</b>   | <b>4,216</b> | <b>4,208</b> | <b>-8</b>   | <b>0%</b>   |
| Personnel expenses                          | 1,370        | 1,368        | -2         | 0%          | 2,760        | 2,775        | 15          | 1%          |
| <i>of which personnel expenses</i>          | 1,363        | 1,362        | -1         | 0%          | 2,749        | 2,767        | 18          | 1%          |
| <i>of which early retirement incentives</i> | 7            | 6            | -1         | -17%        | 11           | 8            | -3          | -30%        |
| Other operating costs                       | 510          | 499          | -11        | -2%         | 987          | 959          | -28         | -3%         |
| Intersegment costs                          | 18           | 17           | -1         | -7%         | 34           | 37           | 3           | 10%         |
| <b>Total costs</b>                          | <b>1,898</b> | <b>1,884</b> | <b>-14</b> | <b>-1%</b>  | <b>3,781</b> | <b>3,770</b> | <b>-10</b>  | <b>0%</b>   |
| <b>EBITDA</b>                               | <b>50</b>    | <b>114</b>   | <b>63</b>  | <b>126%</b> | <b>436</b>   | <b>438</b>   | <b>2</b>    | <b>0%</b>   |
| Depreciation, amortisation and impairments  | 130          | 181          | 51         | 39%         | 252          | 357          | 104         | 41%         |
| <b>EBIT</b>                                 | <b>-79</b>   | <b>-67</b>   | <b>13</b>  | <b>16%</b>  | <b>184</b>   | <b>81</b>    | <b>-103</b> | <b>-56%</b> |
| EBIT MARGIN                                 | -4.1%        | -3.4%        |            |             | 4.4%         | 1.9%         |             |             |
| Finance income/(costs)                      | -6           | 2            | 8          | 133%        | -14          | 4            | 18          | 131%        |
| <b>Profit/(Loss) before tax</b>             | <b>-85</b>   | <b>-65</b>   | <b>20</b>  | <b>24%</b>  | <b>170</b>   | <b>85</b>    | <b>-84</b>  | <b>-50%</b> |
| Income tax expense                          | -25          | -14          | 11         | 44%         | 56           | 35           | -21         | -37%        |
| <b>Profit for the period</b>                | <b>-60</b>   | <b>-51</b>   | <b>9</b>   | <b>15%</b>  | <b>114</b>   | <b>50</b>    | <b>-64</b>  | <b>-56%</b> |

# PAYMENTS, MOBILE & DIGITAL

## PROFIT & LOSS



| €m                                          | 2Q 2018    | 2Q 2019    | Var.      | Var.%       | 1H 2018    | 1H 2019    | Var.      | Var.%       |
|---------------------------------------------|------------|------------|-----------|-------------|------------|------------|-----------|-------------|
| Segment revenue                             | 150        | 167        | 17        | 11%         | 280        | 306        | 26        | 9%          |
| Intersegment revenue                        | 91         | 94         | 3         | 4%          | 180        | 190        | 10        | 5.6%        |
| <b>Total revenues</b>                       | <b>241</b> | <b>261</b> | <b>20</b> | <b>8%</b>   | <b>460</b> | <b>496</b> | <b>36</b> | <b>8%</b>   |
| Personnel expenses                          | 8          | 6          | -1        | -17%        | 16         | 15         | 0         | -3%         |
| <i>of which personnel expenses</i>          | 8          | 6          | -1        | -17%        | 16         | 15         | 0         | -3%         |
| <i>of which early retirement incentives</i> | 0          | 0          | 0         | <i>n.m.</i> | 0          | 0          | 0         | <i>n.m.</i> |
| Other operating costs                       | 74         | 62         | -12       | -16%        | 140        | 135        | -5        | -4%         |
| Intersegment costs                          | 109        | 132        | 23        | 21%         | 192        | 223        | 30        | 16%         |
| <b>Total costs</b>                          | <b>191</b> | <b>200</b> | <b>9</b>  | <b>5%</b>   | <b>348</b> | <b>372</b> | <b>25</b> | <b>7%</b>   |
| <b>EBITDA</b>                               | <b>50</b>  | <b>61</b>  | <b>11</b> | <b>22%</b>  | <b>112</b> | <b>124</b> | <b>12</b> | <b>10%</b>  |
| Depreciation, amortisation and impairments  | 6          | 7          | 1         | 18%         | 12         | 13         | 2         | 15%         |
| <b>EBIT</b>                                 | <b>44</b>  | <b>54</b>  | <b>10</b> | <b>22%</b>  | <b>101</b> | <b>111</b> | <b>10</b> | <b>10%</b>  |
| EBIT MARGIN                                 | 18%        | 21%        |           |             | 22%        | 22%        |           |             |
| Finance income/(costs)                      | -1         | 2          | 3         | 347%        | 0          | 4          | 4         | <i>n.m.</i> |
| <b>Profit/(Loss) before tax</b>             | <b>43</b>  | <b>56</b>  | <b>13</b> | <b>30%</b>  | <b>101</b> | <b>115</b> | <b>14</b> | <b>13%</b>  |
| Income tax expense                          | 9          | 15         | 6         | 67%         | 25         | 32         | 7         | 28%         |
| <b>Profit for the period</b>                | <b>34</b>  | <b>41</b>  | <b>7</b>  | <b>20%</b>  | <b>76</b>  | <b>83</b>  | <b>7</b>  | <b>9%</b>   |



| €m                                          | 2Q 2018      | 2Q 2019      | Var.      | Var.%      | 1H 2018      | 1H 2019      | Var.       | Var.%       |
|---------------------------------------------|--------------|--------------|-----------|------------|--------------|--------------|------------|-------------|
| <b>Segment revenue</b>                      | <b>1,173</b> | <b>1,180</b> | 7         | 1%         | <b>2,704</b> | <b>2,665</b> | -40        | -1%         |
| <b>Intersegment revenue</b>                 | <b>156</b>   | <b>179</b>   | 23        | 15%        | <b>338</b>   | <b>372</b>   | 34         | 10%         |
| <b>Total revenues</b>                       | <b>1,329</b> | <b>1,359</b> | <b>30</b> | <b>2%</b>  | <b>3,043</b> | <b>3,037</b> | <b>-6</b>  | <b>0%</b>   |
| Personnel expenses                          | 28           | 10           | -18       | -64%       | 50           | 22           | -28        | -56%        |
| <i>of which personnel expenses</i>          | 22           | 10           | -12       | -54%       | 43           | 21           | -22        | -50%        |
| <i>of which early retirement incentives</i> | 6            | 0            | -6        | -98%       | 7            | 1            | -7         | -90%        |
| Other operating costs                       | 38           | 48           | 10        | 26%        | 93           | 91           | -1         | -1%         |
| Depreciation, amortisation and impairments  | 0            | 0            | 0         | 107%       | 0            | 0            | 0          | 90%         |
| Intersegment costs                          | 1,094        | 1,127        | 33        | 3%         | 2,492        | 2,488        | -3         | 0%          |
| <b>Total costs</b>                          | <b>1,159</b> | <b>1,185</b> | <b>26</b> | <b>2%</b>  | <b>2,635</b> | <b>2,602</b> | <b>-33</b> | <b>-1%</b>  |
| <b>EBIT</b>                                 | <b>169</b>   | <b>174</b>   | <b>4</b>  | <b>3%</b>  | <b>408</b>   | <b>435</b>   | <b>27</b>  | <b>7%</b>   |
| EBIT MARGIN                                 | 13%          | 13%          | 0         | 0%         | 13%          | 14%          |            |             |
| Finance income/(costs)                      | 4            | (4)          | -7        | -204%      | 6            | (2)          | -9         | <i>n.m.</i> |
| <b>Profit/(Loss) before tax</b>             | <b>173</b>   | <b>170</b>   | <b>-3</b> | <b>-2%</b> | <b>414</b>   | <b>432</b>   | <b>18</b>  | <b>4%</b>   |
| Income tax expense                          | 53           | 55           | 2         | 4%         | 121          | 128          | 7          | 5%          |
| <b>Profit for the period</b>                | <b>120</b>   | <b>114</b>   | <b>-5</b> | <b>-4%</b> | <b>293</b>   | <b>305</b>   | <b>11</b>  | <b>4%</b>   |



| €m                                          | 2Q 2018    | 2Q 2019    | Var.      | Var. %     | 1H 2018    | 1H 2019    | Var.       | Var. %     |
|---------------------------------------------|------------|------------|-----------|------------|------------|------------|------------|------------|
| Segment revenue                             | 361        | 458        | 97        | 27%        | 685        | 795        | 111        | 16%        |
| Intersegment revenue                        | 1          | 0          | -1        | -98%       | 1          | 0          | -1         | -69%       |
| <b>Total revenues</b>                       | <b>362</b> | <b>458</b> | <b>96</b> | <b>27%</b> | <b>685</b> | <b>796</b> | <b>110</b> | <b>16%</b> |
| Personnel expenses                          | 10         | 10         | 0         | 2%         | 20         | 20         | 1          | 3%         |
| <i>of which personnel expenses</i>          | 9          | 10         | 1         | 8%         | 19         | 20         | 1          | 6%         |
| <i>of which early retirement incentives</i> | 1          | 0          | -1        | -100%      | 1          | 0          | -1         | -100%      |
| Other operating costs                       | 20         | 20         | 1         | 3%         | 41         | 43         | 2          | 4%         |
| Depreciation, amortisation and impairments  | 4          | 6          | 2         | 42%        | 8          | 11         | 4          | 44%        |
| Intersegment costs                          | 112        | 118        | 7         | 6%         | 256        | 267        | 10         | 4%         |
| <b>Total costs</b>                          | <b>145</b> | <b>155</b> | <b>9</b>  | <b>6%</b>  | <b>325</b> | <b>341</b> | <b>16</b>  | <b>5%</b>  |
| <b>EBIT</b>                                 | <b>216</b> | <b>303</b> | <b>87</b> | <b>40%</b> | <b>360</b> | <b>454</b> | <b>94</b>  | <b>26%</b> |
| EBIT MARGIN                                 | 60%        | 66%        |           |            | 53%        | 57%        |            |            |
| Finance income/(costs)                      | 17         | 12         | -6        | -33%       | 29         | 12         | -17        | -59%       |
| <b>Profit/(Loss) before tax</b>             | <b>234</b> | <b>315</b> | <b>81</b> | <b>35%</b> | <b>390</b> | <b>466</b> | <b>77</b>  | <b>20%</b> |
| Income tax expense                          | 77         | 95         | 18        | 23%        | 138        | 141        | 3          | 2%         |
| <b>Profit for the period</b>                | <b>156</b> | <b>220</b> | <b>64</b> | <b>41%</b> | <b>251</b> | <b>325</b> | <b>74</b>  | <b>29%</b> |

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