Single Solvency and Financial Condition Report of Poste Vita Group at 31 December 2019

Contents

Summary and objectives of the document

This Solvency and Financial Condition Report is the annual disclosure to the market of the Poste Vita Group and Poste Assicura S.p.A. and Poste Vita S.p.A. for the year 2019, prepared on the basis of the requirements of Chapter XII of the Delegated Regulation (EU) no. 2015/35 and Implementing Regulation (EU) 2015/2452 - supplementing the provisions of Directive no. 2009/138/EC on Solvency II - and of IVASS Regulation no. 33 of 6 December 2016. The Report was approved by the Board of Directors of the Parent Company, Poste Vita S.p.A., on 17 June 2020.

This report is also consistent with the provisions of Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code or CAP), subsequently amended by Legislative Decree no. 74 of 12 May 2015.

Pursuant to IVASS Regulation no. 42/2018 laying down provisions for the external audit of Public Disclosures, the document is accompanied by the independent auditors' reports on the following information contained in this Report, and relating to the Poste Vita Group, the Parent Company, Poste Vita S.p.A., and the subsidiary, Poste Assicura S.p.A.:

- Balance Sheet at replacement cost, consisting of the "S.02.01.02 - Balance Sheet" models and the related information in section "D Valuation for solvency purposes";
- Own Funds, consisting of the models "S.23.01.22 - Own Funds" (excluding the Solvency Capital Requirement and the Consolidated Minimum Capital Requirement) at Group level and "S.23.01.01 - Own Funds" at individual level (excluding the Solvency Capital Requirement and the Minimum Capital Requirement) and the related information in section "E.1 Own Funds".

In accordance with articles 4, paragraph 1, letter c) and 5, paragraph 1, letter c) of IVASS Regulation no. 42/2018, the independent auditors' reports also contain the checks carried out on the individual and Group Solvency Capital Requirements, through a limited audit, and relating to the following sections of the document:

- Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), included in the models "S.25.01.21 - Solvency capital requirement for companies using the standard formula" (individual SCR), "S.25.01.22 - Solvency capital requirement for groups using the standard formula" (group SCR) and "S.28.02.01 - Minimum capital requirement in the case of Joint Company" (MCR of Poste Vita S.p.A.) "S.28.01.01 - Minimum capital requirement" (MCR of Poste Assicura S.p.A.) and the disclosure contained in section "E.2. - Solvency Capital Requirement and Minimum Capital Requirement".

In continuity with the previous year, the audit assignment for 2019 was carried out by PricewaterhouseCoopers S.p.A. Finally, all the Quantitative Reporting Templates required by articles 4 and 5 of the Implementing Regulation (EU) 2015/2452 are annexed to this report, respectively for individual Companies and for the Poste Vita Group.

The report, which aims to provide the market with clear and comprehensive disclosure on Solvency II, is structured as follows:

- Section A illustrates the activities carried out by the Group, its composition and the underwriting and investment results achieved during the year by the Group and the individual Companies.
- Section B provides an overview of the structure of the system of governance, including the requirements of the management and control bodies, as well as a description of the Control Functions of the Group and the Individual Companies.
- Section C is dedicated to the analysis of the risks to which the Poste Vita Group is exposed and the related assessment methods, indicating the main risk mitigation techniques and the results of stress tests.
- Section D explains the valuation methods for Solvency II purposes of assets and liabilities (including BEL and Risk Margin) with respect to Local GAAP standards.
- Section E focuses on the representation of the Group's solvency position and provides information on the composition and classification of own funds and the individual risk sub-modules of the Solvency Capital Requirement (SCR).

In accordance with the provisions of the Recommendation issued by EIOPA on 20 March 2020 and implemented by IVASS with a communication dated 30 March 2020, this report contains, in paragraph A.5, the relevant information on the effects of Coronavirus-Covid 19, considering the current situation as a "major development" envisaged by article 54 of the Solvency II Directive.

The disclosure reports figures expressing monetary amounts, unless otherwise stated, in €k, which is the functional currency in which the Poste Vita Group operates. Therefore, misalignments of the last digit in the sum of values are possible due to rounding.

This report has been published on the Poste Vita Group's website www.postevita.poste.it.

Executive summary

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

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

The figures below are expressed in €m and are valued in accordance with IAS/IFRS international accounting standards. It is also noted that the non-life business includes figures from Poste Assicura S.p.A., Poste Welfare Servizi S.r.l. and Poste Insurance Broker S.r.l.

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

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

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

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

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

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

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

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

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

With reference to the main **Solvency II indicators**, the Insurance Group's solvency position at 31 December 2019 showed eligible own funds of €11,469 million, an increase of €3,209 million compared to €8,259 million at the end of 2018. In contrast, capital requirements decreased in 2019 by approximately €231 million (from €3,910 million at the end of 2018 to €3,679 million at 31 December 2019). These dynamics led to an increase in the Solvency Ratio compared to 31.12.2018 from 211% to 312% in December 2019.

(€k)

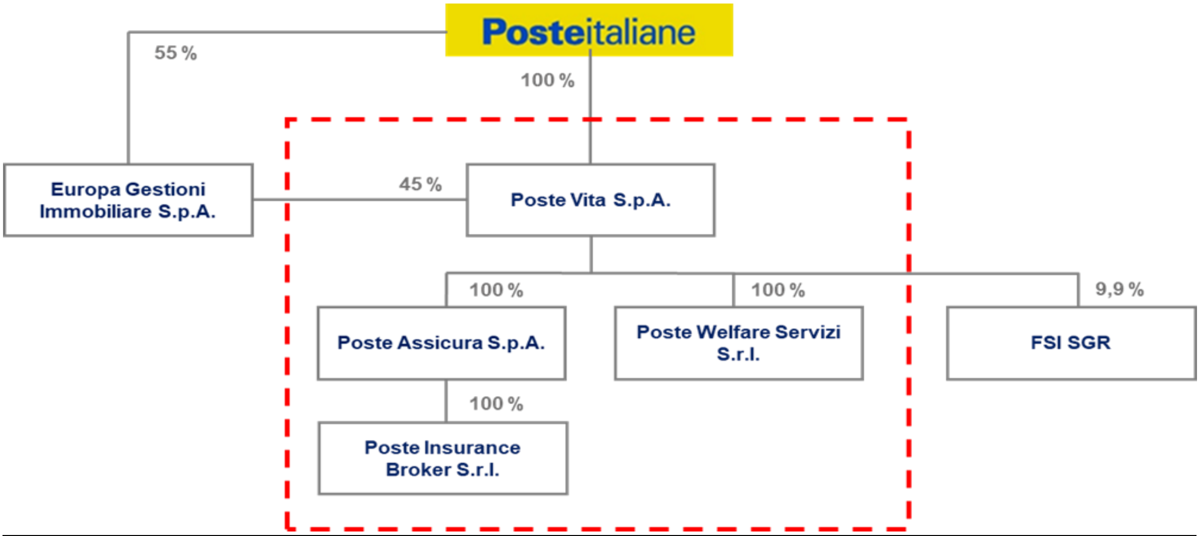
Main KPI Solvency II	31/12/2019	31/12/2018	Delta
Eligible Own Funds to cover the SCR	11,468,565	8,259,119	3,209,446
Eligible Own Funds to cover the MCR	9,889,028	7,616,110	2,272,918
Solvency Capital Requirement (SCR)	3,679,275	3,909,824	(230,549)
Minimum Capital Requirement (MCR)	1,686,942	1,781,552	(94,610)
Solvency Ratio	311.71%	211.24%	100.47%
Ratio between Eligible Own Funds and MCR	586.21%	427.50%	158.71%

The increase in the Solvency Ratio compared to 31 December 2018 is mainly due to the trends of financial markets that have led to an increase in the value of the Companies' portfolio. In addition, the adoption of the transitional measures on technical provisions for the Parent Company, Poste Vita, has resulted in a benefit of around 36 percentage points on the Solvency Index, as it has generated a decrease in liabilities of around €1,908 million gross of the tax effect. Finally, the inclusion of Ancillary Own Funds allowed an increase in eligible Tier 2 capital of €839 million compared to December 2018.

With reference to the Capital Requirement, there was a decrease of approximately €230 million mainly due to the lower SCR for life underwriting risks due to the trends of financial markets and in particular to the decrease in the Italian Spread (-90 bps) with a relative increase in latent net gains.

A - BUSINESS AND PERFORMANCE

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



The Poste Vita Insurance Group operates mainly in the life and non-life insurance sectors and has a leading position in the life sector and a growth strategy in the non-life sector.
The scope of consolidation includes the subsidiary, Poste Assicura S.p.A., an insurance company founded in 2010 to provide non-life insurance, excluding motor insurance, and a wholly-owned subsidiary of the Parent Company, Poste Vita, and Poste Welfare Servizi S.r.l, a company that primarily provides its customers with administrative, technical and software assistance relating to the management of Healthcare Funds and data acquisition and validation. The latter company is also a wholly-owned subsidiary of Poste Vita. In addition, Poste Insurance Broker S.r.l. (a wholly-owned subsidiary of Poste Assicura S.p.A.) was incorporated on 12 April 2019 and has been engaged in insurance brokerage activities since December 2019, in accordance with its Bylaws.

Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l. have relations with the Parent Company, Poste Vita, which are governed by specific service contracts, written and regulated at market conditions.
The Parent Company also holds a non-controlling participation in Europa Gestioni Immobiliari S.p.A. (EGI); this company operates mainly in the real estate sector for the management and development of real estate assets no longer used by Poste Italiane.
This participation is not consolidated on a line-by-line basis, but accounted for using the adjusted equity method, as further detailed in the following paragraphs.

Lastly, the Parent Company, Poste Vita, holds a 9.9% interest in FSI SGR share capital (acquired from Cassa Depositi e Prestiti during the fourth quarter of 2016), which is not a

controlling participation either in law or in fact, either individually or jointly, nor is it linked to Cassa Depositi e Prestiti and/or other shareholders of FSI SGR.
This participation is measured at fair value through profit or loss in accordance with IFRS 9.

Performance of Poste Vita Group Subsidiaries and Associates

Regarding the Subsidiary, Poste Assicura S.p.A., in 2019, management of the Company was also along the lines set out in the business plan and promoting, in particular, the development of the new needs of customers in the areas of welfare and health insurance, expanding the offering and enhancing the model for network support.
The commercial results achieved recorded total production of approximately €240.2 million, an increase of 28% compared to the figure for the same period of 2018 (€187.2 million), driven by all lines of business.

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

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

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

As a result of the above trends, gross profit for the period amounts to €71.7 million compared to €61.3 million at 31 December 2018. Considering the tax burden, the Company closed the period with a net profit of €49.9 million, an increase of €7.4 million on the €42.5 million recorded in the same period of 2018.

With reference to the **subsidiary, Poste Welfare Servizi S.r.l.**, revenue for the period amount to €13.5 million, up €2.2 million on the same period of 2018, due to an increase in revenue from the management of the liquidation of certain products on behalf of the associate Poste Assicura S.p.A.
With regard to organisational aspects, during the period, project activities continued in support of industrial development. In relation to this, costs total €8.8 million, an increase of €1.9 million compared to the figure recorded in the same period of 2018 (€6.9 million) and mainly related to personnel and service costs.
Based on the dynamics described above, the net result for the period at 31 December 2019 amounts to €3.5 million, an increase of €0.3 million compared to the figure at 31 December

2018 of €3.2 million.
With regard to the new company **Poste Insurance Broker S.r.l.** (wholly owned by Poste Assicura S.p.A.), incorporated on 12 April 2019. It carries out insurance brokerage and only started operating in the second half of December. Therefore, at the end of the period, there was a net loss of €39 thousand, given the incurrence of ordinary operating costs relating mainly to the costs of auditing the financial statements and the fees due to the Sole Auditor.

Lastly, the Company **Europa Gestioni Immobiliari S.p.A.**, which is owned by Poste Vita S.p.A. and Poste Italiane S.p.A. with 45% and 55% equity interests, respectively, operates primarily in the real estate sector for the management and development of real estate assets no longer used by the Parent Company. Moreover, following the merger by incorporation of Poste Energia, the company began operating in the electricity market in 2015 as a specifically authorised "wholesale" purchaser, continuing the supply activities previously carried out by the merged company in favour of the Poste Italiane Group. The figures for 2019 show equity of €238.4 million and a net profit for the year of approximately €0.8 million, up compared to the figure reported in the corresponding period of 2018 of €0.4 million.

Outlook

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

Qualitative and quantitative information on significant intra-group transactions

The Parent Company, Poste Vita S.p.A., is wholly owned by Poste Italiane S.p.A., which directs and coordinates the Group.
Transactions with the Parent Company, Poste Italiane S.p.A., which owns all the shares outstanding, are governed by written agreements and conducted on an arm's length basis. They primarily regard:

- underwriting of the subordinated loan (€260,100 thousand) by Poste Italiane S.p.A.;

- bank deposits of approximately €329,927 thousand;
- acquisition commissions for €439,425 thousand;
- distribution of dividends in 2019 for an amount equal to €285.00 thousand;
- commissions of €39,385 thousand, linked to Ancillary Own Funds made available by Poste Italiane S.p.A.

With reference to the Subsidiary, Poste Assicura S.p.A., the main relationships with Poste Italiane are mainly related to:

- bank deposits of approximately €7,383 thousand;
- trade payables for €5,887 thousand;
- acquisition commissions for €42,262 thousand;
- software maintenance services for €748 thousand.

Finally, Poste Vita S.p.A. and Poste Assicura S.p.A. have significant intra-group transactions relating primarily to the secondment of staff from and to the subsidiary, centralisation of functions, operational marketing and communications; while Poste Assicura has carried out significant intra-group transactions with Postel S.p.A. and Poste Welfare Servizi S.r.l. relating to the management of the mail room and the settlement of claims, respectively.
For a more detailed discussion, refer to Chapter C.6.

A.1 Business

The **Parent Company, Poste Vita S.p.A.**, a joint-stock company with Sole Shareholder, is an Italian insurance company, with registered office at Viale Beethoven 11 - 00144 Rome, Tax ID, VAT and registration number with the Rome Register of Companies 07066630638, REA (Economic Administrative Index) no. 934547.
Poste Vita S.p.A. has been authorised to carry out insurance and reinsurance business under ISVAP measures no. 1144 of 12/03/1999, no. 1735 of 20/11/2000, no. 2462 of 14/09/2006 and no. 2987 of 27/06/2012 and is registered in section I of the Register of insurance companies with no. 1.00133. The Company is the Parent Company of the "Poste Vita Insurance Group", registered in the Register of Insurance Groups with no. 043.

The **Subsidiary, Poste Assicura S.p.A.**, a joint-stock company with Sole Shareholder, is an Italian insurance company, with registered office at Viale Beethoven 11 - 00144 Rome, Tax ID, VAT and registration number with the Rome Register of Companies 07140521001, REA (Economic Administrative Index) no. 1013058.
Poste Assicura S.p.A. was authorised to carry out insurance business by ISVAP measure no. 2788 of 25/03/2010 and is registered in section I of the Register of insurance companies with no. 1.00174. The Company belongs to the "Poste Vita Insurance Group", registered in the Register of Insurance Groups with no. 043 and is also subject to the supervision of IVASS, the Insurance Regulator;

Poste Vita S.p.A. and Poste Assicura S.p.A. are subject to the supervision of IVASS, the Insurance Regulator.

For the **Parent Company, Poste Vita S.p.A.**, the Company's General Meeting of Shareholders of 29 April 2014 conferred the audit of accounts for the years 2014 - 2022 to BDO S.p.A., with registered office in Milan, Viale Abruzzi, 94, share capital of €1,000,000 fully paid-up, tax ID, VAT and Milan Register of Companies no. 07722780967 - REA (Economic Administrative Index) Milan 1977842, registered in the Register of Statutory Auditors with no. 167911 with Ministerial Decree of 15/03/2013 OJ no. 26 of 02/04/2013.
BDO Italia S.p.A., an Italian limited company, is a member of BDO International Limited, a company limited by guarantee under English law, and is part of the BDO international network of independent companies.

For the **Subsidiary, Poste Assicura S.p.A.,** on 29 April 2019, the General Meeting of Shareholders approved the appointment of PricewaterhouseCoopers S.p.A. ("PWC") and Mazars Italia S.p.A. for the 2019 financial year, pursuant to art. 14 of Legislative Decree no. 39/2010, as independent auditors registered in the Register of Statutory Auditors and in the Register held by the MEF; this following the communication of 6 March 2019 by means of which Consob, pending completion of the selection process for the Group Sole Auditor, accepted the Company's request to extend the statutory audit to PWC by one year, with the simultaneous conferral, for the same duration, of an audit engagement to another auditor or independent auditors.[1]

The **Parent Company, Poste Vita S.p.A.,** is wholly owned by Poste Italiane S.p.A., a company issuing securities listed on the Electronic Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A., with registered office at Viale Europa 190, 00144 - Rome, tax ID and Rome Register of Companies no. 97103880585, REA (Economic Administrative Index) registration number 842633 and VAT 01114601006.

Poste Assicura S.p.A. is wholly owned by Poste Vita S.p.A., Parent Company of the "Poste Vita Insurance Group", which in turn is part of the larger Poste Italiane Group.

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

Poste Vita S.p.A., the parent company of the "Poste Vita Insurance Group", belongs to the Poste Italiane Group and is subject to management and coordination by Poste Italiane S.p.A.
Poste Vita S.p.A. is an insurance company specialising in life products and is authorised to carry out the following insurance businesses:

Life business:
- Class I - Human lifespan insurance;
- Class III - Class I insurance linked to investment funds;
- Class IV - Illness insurance and against the risk of non-self-sufficiency;
- Class V - Capitalisation operations;
- Class VI - Management operations of collective funds (pension funds).

Non-life business:
- Class 1 - Accidents;
- Class 2 - Illness.

The **Parent Company, Poste Vita S.p.A.,** mainly distributes its products via Poste Italiane S.p.A. - BancoPosta Ring-Fenced Capital - RFC, an insurance broker registered in section D of the RUI which, in addition to placement activities, provides training to sales staff with the support of the Company, carrying out its activities in Italy.

The **Subsidiary, Poste Assicura S.p.A.,** is an insurance company specialising in non-life products and has been authorised (since March 2010) for the following insurance businesses:
- Class 1 - Accidents;
- Class 2 - Illness;
- Class 8 - Fire and natural elements;
- Class 9 - Other damage to property;
- Class 13 - General Civil Liability;
- Class 16 - Financial losses of various kinds;
- Class 17 - Legal protection;
- Class 18 - Assistance.

Poste Assicura S.p.A. operates in Italy and mainly distributes its insurance products through Poste Italiane S.p.A. - BancoPosta Ring-Fenced Capital - RFC, which, in addition to placement activities, provides training to sales staff with the support of the Company.

Significant events during the reporting period

As already reported in last year's Solvency and Financial Condition Report of the Poste Vita Group, it is noted that on 13 February 2019, IVASS authorised, by means of measure prot. no. 0052335/19, the Parent Company, Poste Vita S.p.A., to use as part of level 2 own funds to cover the capital requirement, ancillary own funds represented by a letter of irrevocable and unconditional commitment from Poste Italiane S.p.A. to participate in one or more share capital

increases of Poste Vita S.p.A. for a maximum amount of €1.75 billion and with a duration of five years.
It has also approved, with measure prot. no. 0052336/19, the amendment to article 6 of the Bylaws "Share capital and shares", which grants the Board of Directors of Poste Vita the power to increase the share capital in a divisible manner, for five years from the date of the resolution, on one or more occasions by issuing ordinary shares with regular dividend rights, for a subscription price, including share premium, of €1.75 billion.
In addition, on 12 April 2019 was the incorporation of Poste Insurance Broker S.r.l., a limited liability company with registered office in Rome, Viale Beethoven 11, tax ID, VAT and registration number with the Rome Register of Companies 15246481004, REA (Economic Administrative Index) RM - 1577571. The company, wholly owned by Poste Assicura S.p.A. and subject to its management and coordination, carries out insurance distribution and brokerage activities.
Finally, on 6 December 2019, the Board of Directors of Poste Vita S.p.A., after receiving the favourable opinion of the Internal Audit and Related Party Transactions Committee, approved the sale of the IT business unit and the outsourcing of information systems development and management activities to Poste Italiane S.p.A., with effect from 1 March 2020.
The same implementation process, albeit with the appropriate specifications/differentiations, was also followed by the other Poste Vita Group companies and, specifically, with regard to the Subsidiary, Poste Assicura S.p.A., the transaction was approved by the Company's Board of Directors on 10 December.
On 26 February, after the deadline for any observations by the Supervisory Authority, the deeds of sale of the business units of each of the companies involved were signed with effect from 1 March 2020.
Finally, it is noted that

Organisational structure of the Poste Vita Group

Poste Vita S.p.A. is wholly owned by Poste Italiane S.p.A. and

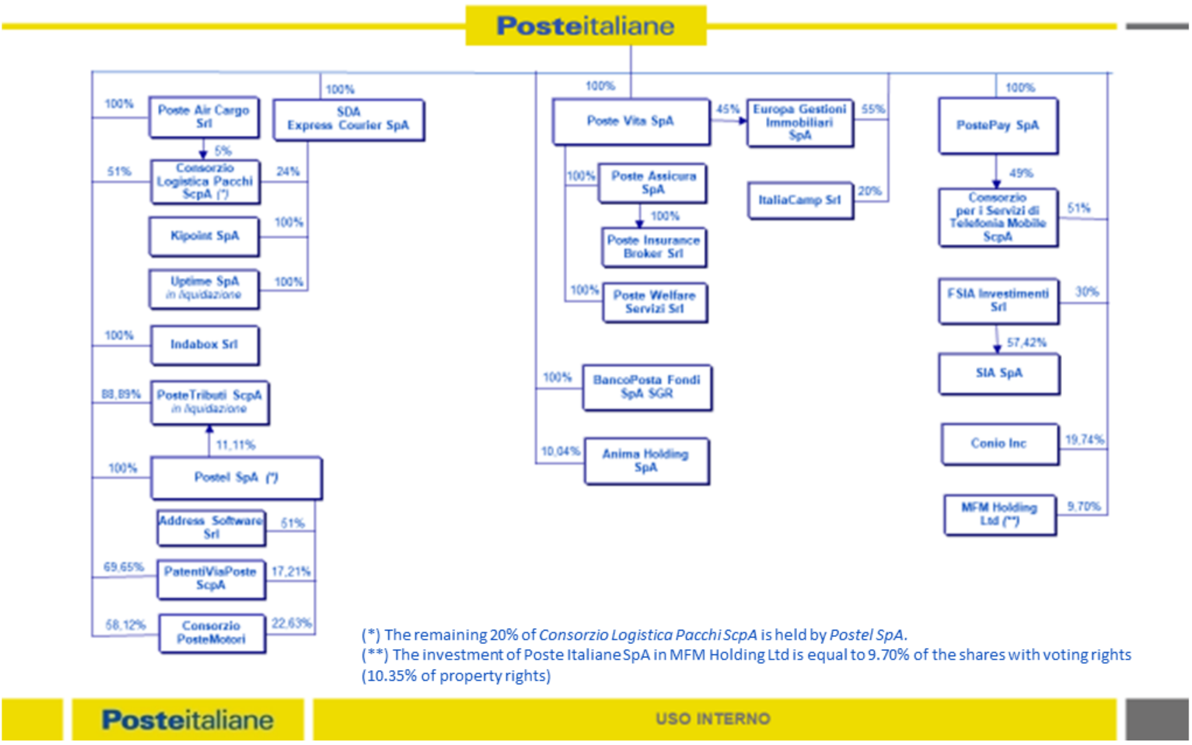
- as the parent company of the Poste Vita Insurance Group, it wholly controls the insurance company Poste Assicura S.p.A. with registered office in Italy;
- holds 45% of the capital of the company Europa Gestioni Immobiliari S.p.A. - the remaining 55% is held by Poste Italiane S.p.A. - with registered office in Italy and which operates for the management and development of unused real estate assets transferred by Poste Italiane S.p.A. in 2001;
- holds a controlling participation in the company Poste Welfare Servizi S.r.l., a company with registered office in Italy, operating in the services management and settlement sector on behalf, among others, of private healthcare funds for supplementary assistance and active in the design, development and maintenance of management software products and the provision of professional IT services.

In addition, for the sake of completeness of information, it is noted that Poste Vita holds an unqualified and non-controlling participation of 9.9% in the share capital of FSI Società di

Gestione del Risparmio S.p.A. or, in abbreviated form, FSI S.G.R. S.p.A., having its registered office in Italy and carrying out activities for the promotion and management of investment funds pursuant to Legislative Decree no. 58 of 24 February 1998, as amended (Consolidated Law on Finance) and related implementing provisions.
The **Subsidiary, Poste Assicura S.p.A.,** is wholly owned by Poste Vita S.p.A. and, at the date of preparation of this document, it in turn holds a wholly-owned participation in Poste Insurance Broker S.r.l., a company with registered office in Italy, which carries out insurance distribution and brokerage activities.

Below is a representation at 31 December 2019 of the organisational structure that is considered significant for the Poste Italiane Group:

PRINCIPAL DIRECT AND INDIRECT INVESTMENTS HELD BY POSTE ITALIANE S.P.A. AT 31 DECEMBER 2019



Without prejudice to the above, with regard to the classification of intra-group transactions, it is noted that, according to the "Policy for intra-group Transactions" of Poste Vita (Document prepared pursuant to IVASS Reg. no. 30 of 26 October 2016):

a) they are not among the intra-group counterparties of Poste Vita S.p.A., in line with the orientation expressed by the Supervisory Authority, the Ministry of Economy and Finance and its subsidiaries or investees, which are not in turn parent companies or investors of Poste Vita;

b) for the purposes of the above Policy, Cassa Depositi e Prestiti S.p.A. and the companies subject to its management and coordination are included within the "intra-group counterparties" of Poste Vita S.p.A., on a voluntary basis due to the Cassa Depositi e Prestiti S.p.A. participation of 35% of the capital of Poste Italiane;

c) in line with the provisions of the Single Perimeter of Related and Connected Parties of Poste Italiane S.p.A. at 31 December 2019, Anima Holding and its subsidiaries are currently, for the purposes of the said Policy, "intra-group counterparties".

A.2 Underwriting Performance

The results presented below are contained in QRT S.05.01.02, which provides detailed information on premiums, claims and expenses in terms of Line of Business (LoB) defined by Delegated Regulation (EU) 2015/35, adopting the national standards for the preparation of Local GAAP financial statements.

Underwriting results - Poste Vita S.p.A.

During 2019, the Parent Company followed the lines and industrial priorities already outlined in the previous year. In particular, it has focused on strengthening its leadership in the life market. Premium revenue amounts to €17.7 billion in 2019, an increase of 6.8% compared to 2018. The results by LoB are reported below.

(€k)

Line of Business	31/12/2019	31/12/2018	Delta
Insurance with profit participation	15,696,911	15,770,984	(0.5%)
Index-linked and unit-linked insurance	1,938,823	740,129	162.0%
Other life insurance	85,059	79,750	6.7%
Health insurance (direct business)	11,282	19,042	(40.8%)
Total	**17,732,075**	**16,609,905**	**6.8%**

In 2019, there was a moderate increase in pure risk products (+6.7% compared to 2018) and a substantial increase in index-linked and unit-linked products (+162.0% compared to 2018), while there was a significant decrease in illness products (-40.8% compared to 2018) and a slight decrease in savings products (-0.5% compared to 2018).

Expenses relating to claims, gross of outward reinsurance, for insurance benefits total €13.8 billion in 2019 compared to €10.9 billion in the same period of 2018, and are detailed in the following table:

(€k)

Line of Business	31/12/2019	31/12/2018	Delta
Insurance with profit participation	12,921,948	9,369,864	37.9%
Index-linked and unit-linked insurance	894,245	1,487,411	(39.9%)
Other life insurance	29,579	23,398	26.4%
Health insurance (direct business)	3,137	2,193	43.0%
Total	**13,848,909**	**10,882,866**	**27.3%**

The trend in these expenses in 2019 was substantially higher for illness products (+43.0% compared with 2018), savings products (+37.9% compared with 2018) and pure risk products (+26.4% compared with 2018).
There was a decrease in expenses for index-linked and unit-linked products (-39.9%).

The total expenses incurred by LoB in 2019, also with reference to the data contained in QRT S.05.01, net of reinsurance, are reported below and remain in line with the figure at the end of 2018.

(€k)

Line of Business	31/12/2019	31/12/2018	Delta
Insurance with profit participation	424,005	443,142	(4.3%)
Index-linked and unit-linked insurance	33,753	25,653	31.6%
Other life insurance	24,901	13,259	87.8%
Health insurance (direct business)	(820)	388	n.s
Total	**481,839**	**482,443**	**(0.1%)**

In particular, details by type of expenses are reported in the table below:

(€k)

Line of Business	31/12/2019	31/12/2018	Delta
Administrative expenses	56,886	38,485	47.8%
Investment management expenses	39,935	41,366	(3.5%)
Claims management expenses	8,389	11,125	(24.6%)
Acquisition expenses	363,553	375,178	(3.1%)
Overhead expenses	13,076	16,288	(19.7%)
Total	**481,839**	**482,443**	**(0.1%)**

Information on possible material risk mitigation techniques

Poste Vita S.p.A., with a view to sound and prudent business management and risk governance, as it has already done in recent years, has chosen to refer to the reinsurance policy in the life insurance sector also for 2020. In particular, it chose to use Reinsurance by treaties.

This type of reinsurance includes "proportional" and "non-proportional" treaties. The use of one or other technique is applied having regard to the characteristics of the portfolio in terms of its size and the homogeneity of the insured capital.

The sufficiently broad and homogeneous risk portfolio has allowed Poste Vita S.p.A. not to resort to the underwriting of proportional "quota share" treaties in the retail market in 2020, as it did in 2019.

The specific nature of the Corporate portfolio, on the other hand, requires flexibility on possible reinsurance choices based on the risks to be insured. The substantial homogeneity of the insured capital in the individual group contracts allows Poste Vita S.p.A. to move independently in sectors, such as Group TCM and IPT, where the availability of Poste Vita S.p.A. own technical bases allows managing risk within common and well-known areas, assessed with the confidence intervals with which the technical bases have been developed. However, in order to mitigate the risk associated with Group TCM and IPT guarantees and specifically to reduce any random fluctuations caused by claims with very high capital in relation to the expected margins on the collective policy portfolio, the Parent Company has deemed it appropriate, after appropriate stress analyses, to confirm the decision, also for 2020, to maintain the surplus treaty, aimed at transferring the insured capital exceeding €300 thousand to the individual insured of collective policies.

The experience of Poste Vita S.p.A. with the Group Critical Illness and LTC products (limited availability of technical bases and underwriting know-how) does not always allow proceeding autonomously. However, in view of the decrease in the volume of premiums acquired, it was not considered appropriate, at least for the time being, to renew the treaties previously entered into. The Parent Company will continue to monitor future new portfolio acquisitions and the related risk and to carry out new analyses of reinsurance needs in order to enter into new treaties where necessary.

Reinsurance by treaty

Poste Vita currently has the following treaties in force:

1. ***TCM Catastrophe Treaty***: for Temporanea Caso Morte Affetti Protetti (Retail market) and Group products (which includes Permanent Disability cover for some policies), Poste Vita S.p.A. has entered into a catastrophe treaty to cover several deaths due to a single catastrophic event at the same time, with effect from 1 January 2020 and for a duration of one year; the treaty was stipulated with Swiss Re Europe S.A.;
2. ***Excess Treaty***: for Temporanea Caso Morte Group products (which includes Permanent Disability cover), an excess reinsurance treaty has also been entered into where 100% of the amounts of insured capital in excess of €300,000 are transferred at reinsurance premium with an automatic flow of €1,700,000 of insured capital, with a "profit sharing" clause in favour of the transferrer equal to 50% of the profit. The treaty is effective from 1 January 2019 and has an unlimited duration, with the right for both parties to withdraw from it, by 30 September of each year; the treaty was stipulated with Swiss Re Europe S.A.

As a result of the above, in terms of the size and homogeneity of the portfolio, the proportional treaty entered into with Swiss Re Europe SA for TCM Affetti Protetti (Retail Market) was terminated in January 2016. This treaty provided for the transfer of premiums and claims at 50% for insured capital up to €100,000 and 100% for higher amounts. As these are annual premium policies, the Company therefore transfers the premiums from the policies underwritten before the termination of the treaty.
At the end of 2017, the reinsurance treaties were terminated regarding CPI Loans and Mortgages at single premium for which the reinsurer will continue to participate for claims and returns of premiums not used in the event of early termination; moreover, those regarding LTC retail and Da Grande product death guarantees were not renewed, for which, similarly to TCM, the Company will transfer the recurring premiums of policies underwritten before the expiry of the treaties.

Reinsurance as optional
Generally speaking, this type of reinsurance makes it possible to reinsure special risks not provided for in other treaties, reinsure sums and values that are in excess of the limits provided for in existing treaties, reduce exposure in particular areas of accumulation where the insurer is already over-exposed.

The guidelines that guide the stipulation of optional contracts follow the same general guidelines that guide the choice of reinsurance by treaty. In particular, the reinsurance policy as optional is also aimed at finding a balance in the corporate segment's portfolio through a prudent distribution of risks aimed at stabilising medium-term results.

During 2019, Poste Vita S.p.A. made use of reinsurance as optional under the following contracts:

1. As of 1 January 2018, for the TCM and TCM + IPT portfolio of the Victor Agency acquired through the broker Marsh S.p.A., a portion of the business was transferred in quota share, based on the commercial agreements stipulated, under an agreement as optional. The hedged portfolio is in co-insurance (80% Poste Vita and 20% Swiss Life). The part acquired by Poste Vita S.p.A. was then transferred in part to five reinsurers (Axa France Vie, CATLIN UNDERWRITING AGENCIES LIMITED, Scor Global Life SE, Mapfre Re Compañía De Reaseguros, S.A Toa Re Insurance Co. Ltd., according to different percentages, respectively 10%, 10%, 22.5%, 12.5%, 10% of the original premium). The contract was renewed for one year on 1 January 2019, but was then cautiously terminated with effect from 1 January 2020, pending the outcome of the evolution of the commercial agreements on the acquisition of the direct business.
2. Moreover, as of 1 January 2019, for a second part of the TCM and TCM + IPT portfolio of the Victor Agency (acquired through the broker Marsh S.p.A.), the EH&B MGA Wave 3 Portfolio, of which Poste Vita S.p.A. is co-insurer for 25% of the lead agent Zurich), a portion of the business was transferred in quota share under the commercial

agreements stipulated, in accordance with an agreement as optional. The part acquired by Poste Vita S.p.A. was then transferred in part to two reinsurers (Scor Global Life SE and Achmea Reinsurance Company NV according to different percentages, respectively 6.5% and 3.5% of the original portfolio). This agreement expired on 31.12.2019.

A necessary condition for collaboration in the various reinsurance areas with Poste Vita S.p.A. is the assignment by one of the rating agencies identified (Standard & Poor's - Moody's - Fitch) of a rating of no less than:

- ✓ Standard & Poor's: [A-]
- ✓ Moody's: [A3]
- ✓ Fitch: [A-].

Impact of risk mitigation techniques

Reinsurance is a key tool for managing and mitigating risk and optimising capital requirements. The first result is obtained through the transfer of risk to the reinsurer, which generates a reduction in the risk capital of the transferring company.

The optimisation of capital requirements is obtained by "stabilising results", as the use of reinsurance minimises deviations due to higher claims frequency or catastrophic claims, limiting the exposure to individual risks and reducing the claims to which the portfolio is subject during the underwriting period.

These results can be achieved through a careful analysis of premiums collected and transferred. The impact of reinsurance must be assessed for each line of business.

The analysis carried out on the two lines of business currently reinsured showed a significant increase in the year under review for "Health insurance" in the post-reinsurance margin of Poste Vita S.p.A. (from 72% to 159%): this is due to the time lag with which claims are settled in direct business compared to what is recovered by the reinsurer under the collective LTC treaty. While Poste Vita S.p.A. will continue to settle monthly annuity instalments on LTC claims for as long as the policyholder remains alive, with the treaty concluded in April 2019, the reinsurer, estimating the future annuity instalments and profit sharing to be paid back to the Company, has proceeded with settlement, putting an end to its commitments with Poste Vita S.p.A.

As far as the "Other Life Insurance" segment is concerned, the higher post-reinsurance margin (from 65% to 70%) confirms the correct choice made in using reinsurance for pure risk products (take into account the fact that this assessment also includes the retail portfolio, on which there has been a run-off treaty since December 2017).

Indication of the effectiveness of risk mitigation techniques

To verify the effectiveness of reinsurance techniques, Poste Vita S.p.A. carries out periodic analyses to assess their profitability and necessity.

The analyses carried out are based on both statistical and probabilistic methods depending on the business to which they refer.

For example, for the use of reinsurance for class I individual and collective policies, statistical simulations are carried out to project the premiums collected and benefits paid and to assess their profitability using pre- and post-reinsurance scenarios.
Through these analyses, Poste Vita S.p.A. constantly assesses any amount of capital to be transferred.

The analysis conducted in 2017 on the retail treaties still in force led the Parent Company to decide not to renew the expiring treaties (LTC Postapersona SemprePresente and the Postafuturo Da grande product death guarantee) and to cancel those that are tacitly renewed annually (CPI Postaprotezione loans and mortgages).
In fact, for CPI, as shown by the simulations, Poste Vita S.p.A. transferred through reinsurance profits and premiums in greater form than was necessary to mitigate risks.
For 2020, it was considered appropriate to continue to not transfer new portfolios; this decision was taken following the observation of the removal of the amounts divested on the run-off portfolio in 2019.
In the case of LTC, a more recently marketed product for which Poste Vita S.p.A. had decided to enter into a reinsurance treaty because it did not have its own demographic statistics available, a simulation of the product performance over the next 40 years was carried out to assess the effectiveness of the outward reinsurance, using those provided by the reinsurer as morbidity rates. In the absence of further historical data on LTC claims, it had been decided to use as the assumed duration of the annuity payment the one taken from the mortality tables of a dependent person, also provided by Swiss Re. A simulation was also carried out to compare the performance of claims, assuming that Poste Vita S.p.A. will pay each policyholder an average annuity for at least 10 years (an even more cautious assumption for Poste Vita S.p.A.).
The results for both simulations showed that, even in 40 years, in the absence of outward reinsurance, the Poste Vita S.p.A. margin would still remain positive, thanks to the good pricing defined within the Company.
Hence the decision not to renew the treaty, also supported by the fact that the portfolio has not increased in recent years.
On the other hand, with a view to the automatic renewal at the end of 2019 of the Excess Treaty for TCM and TCM + ITP capital in excess of €300,000, an analysis of reinsurance needs was once again carried out for the collective portfolio which confirms, under appropriate stress assumptions, the need for recourse to said type of reinsurance.

Underwriting Results – Poste Assicura S.p.A.

With reference to the data reported in QRT *S.05.01 - Premiums, claims and expenses by line of business*, the following is a summary of the performance in claims premiums and expenses for the year of the Subsidiary, Poste Assicura S.p.A., compared to 31.12.2018.

The technical indicators observed in 2019 show the following:

- continued growth in production for the entire business, with an increase of 28.3% over the previous year;
- increase in the overall Loss Ratio to around 33.0%.

At 31 December 2019, gross premium revenue recorded by the Subsidiary total approximately €240.2 million (+28.3% compared to the same period of the previous year) and are broken down, at segment level, as shown in the table below:

(€k)

Segment	PLC 31/12/2019	Distr. %	PLC 31/12/2018	Distr. %	Delta	Delta %
Assets & property protection	43,020	17.9%	37,562	20.1%	5,458	14.5%
Personal protection	83,372	34.7%	79,747	42.6%	3,625	4.5%
Credit protection	47,809	19.9%	44,408	23.7%	3,401	7.7%
Executive Policies	66,014	27.5%	25,449	13.6%	40,565	159.4%
Total	**240,215**	**100.0%**	**187,166**	**100.0%**	**53,049**	**28.3%**

The volume of premiums related to the Assets & Property protection line increased 14.5% compared to the previous year attributable to the issue of the new *Poste Casa 360* product introduced in June 2018. With reference to the personal protection line, there was an increase of 4.5% compared with the previous year due to the good performance of modular health and prevention products; in fact, it is recalled that in the current year, Poste Assicura S.p.A. reviewed the offer aimed at accident and personal protection. In particular, with regard to accident protection, there was the restyling of the product *PosteProtezione Infortuni*, replaced by the new product *Poste Infortuni* and the product *PosteProtezione Infortuni Senior Più* was revised, replacing it with the new product *Poste Infortuni Senior*. For personal protection, Poste Assicura S.p.A. has revised its product *PosteProtezione Innova Salute Più*, replacing it, from July 2019, with the new product *Poste Salute*.

The increase in premium volume for the Credit Protection line was 7.7% higher than the previous year. There was also significant growth in the Employee Benefits business, which began in 2017, relating to the marketing of collective contracts to cover the risk of Death and Permanent Disability from Accident/Illness and Reimbursement of medical expenses. As part of this business, it is recalled that since April 2018, the Healthcare Fund for Poste Italiane Group employees has also been in operation.

The following table shows the distribution of premiums by Line of Business, which shows both the important prevalence of the Line of Business Income Protection (37.6%) compared to the total premiums and the increase of the incidence on the total of the Line of Business Medical expenses; this phenomenon is attributable, as mentioned, also to the development of the Employee Benefits business.

(€k)

Line of Business	31/12/2019	Dist. %	31/12/2018	Dist. %	Delta	Delta %
1. Medical expense insurance	84,482	35.2%	46,250	24.7%	38,231	82.7%
2. Income protection	90,245	37.6%	81,063	43.3%	9,182	11.3%
3. Workers' compensation						
7. Fire and other damage	18,344	7.6%	15,236	8.1%	3,108	20.4%
8. General liability	19,664	8.2%	18,292	9.8%	1,372	7.5%
10. Legal expenses	2,805	1.2%	2,848	1.5%	(43)	(1.5%)
11. Assistance	264	0.1%	359	0.2%	(95)	(26.5%)
12. Miscellaneous	24,412	10.2%	23,117	12.4%	1,294	5.6%
Total	**240,215**	**100.0%**	**187,166**	**100.0%**	**53,049**	**28.3%**

For distribution and collection activities, commissions totalling approximately €42.7 million were paid, which together with other acquisition costs determined the amount of the item "Acquisition expenses" of approximately €48.0 million, up 27.7% compared to the figure recorded in the same period of 2018; this effect is mainly due to the growth recorded on the products of the Person line, given the growth in revenue.

(€k)

Line of Business	31/12/2019	31/12/2018	Delta	Delta %
1. Medical expense insurance	8,795	5,889	2,906	49.3%
2. Income protection	21,436	16,688	4,748	28.4%
3. Workers' compensation				
7. Fire and other damage	3,798	3,208	590	18.4%
8. General liability	4,050	3,902	148	3.8%
10. Legal expenses	557	588	(31)	(5.2%)
11. Assistance	24	32	(8)	(25.3%)
12. Miscellaneous	9,352	7,285	2,067	28.4%
Total	**48,012**	**37,592**	**10,420**	**27.7%**

During 2019, Poste Assicura S.p.A. reviewed the offer for accident protection. In particular, a restyling of the *PostaProtezione Infortuni* product has been carried out, launching on the market the new product *Poste Infortuni* which, compared to the previous version, is characterised by a simpler product structure and greater clarity in the terminology used to describe the services offered within the product and the associated compensation. In the area of accidents, the product *PosteProtezione Infortuni Senior Più* has also been revised, replacing it with the new product *Poste Infortuni Senior* which, in order to create greater value for customers, offers higher compensation in case of accident than the previous version.

With reference to the personal line, Poste Assicura S.p.A. has completed the revision of its offer in the protection area by revising its product *PosteProtezione Innova Salute Più*, replacing it, from July 2019, with the new product *Poste Salute*. The new offer not only provides coverage that is easier to propose and more interesting for the customer, but also enhances the value of the assistance component, differentiating it by target and investing in prevention.

With reference to the credit line, Poste Assicura S.p.A. has revised CPI products by reducing the deductible for permanent disability, in order to create greater value for customers.

With regard to the Corporate segment, during 2019, Poste Assicura S.p.A. continued its consolidation policy by stipulating collective contracts to cover the risk of Death and Permanent Disability from Accident/Illness and Reimbursement of medical expenses for employees of large and medium-sized companies and the Public Administration entities sector. Among the most important groups are the insurance coverage for employees of the Monte Paschi di Siena Group, Credem Group, SIA Group, Findomestic Group, Nexi Group.

With regard to insurance coverage for Public Administration entities, Poste Assicura S.p.A. (either as lead agent or co-insurer) has been awarded contracts such as: Fondazione Enasarco, Cassa del Notariato, Presidenza del Consiglio, ATS Sardegna, Enav/Tecno Sky, Fijlkam.

The Subsidiary also extended the coverage spectrum in the Corporate segment to entities such as sports associations/volunteer associations. In this context, the associates/members have been insured of entities such as: CNS Libertas, AGESCI, Unione Italiana sport per tutti (UISP) against risks from Civil Liability, Accidents and Illness.

All guarantees are provided in accordance with the provisions of the National Labour Contract (CCNL) for the sector and/or the Supplementary Company Contract (CIA) or tender specifications/calls.

Claims expenses, which include provisions reserved for claims in previous years, of approximately €23.4 million (up compared to December 2018 when there was a provision of €18.3 million), amount to approximately €72.8 million at the end of 2019, compared to €40.0 million in 2018. Below is a table representing the distribution by Line of Business of the claims expenses at 31 December 2019:

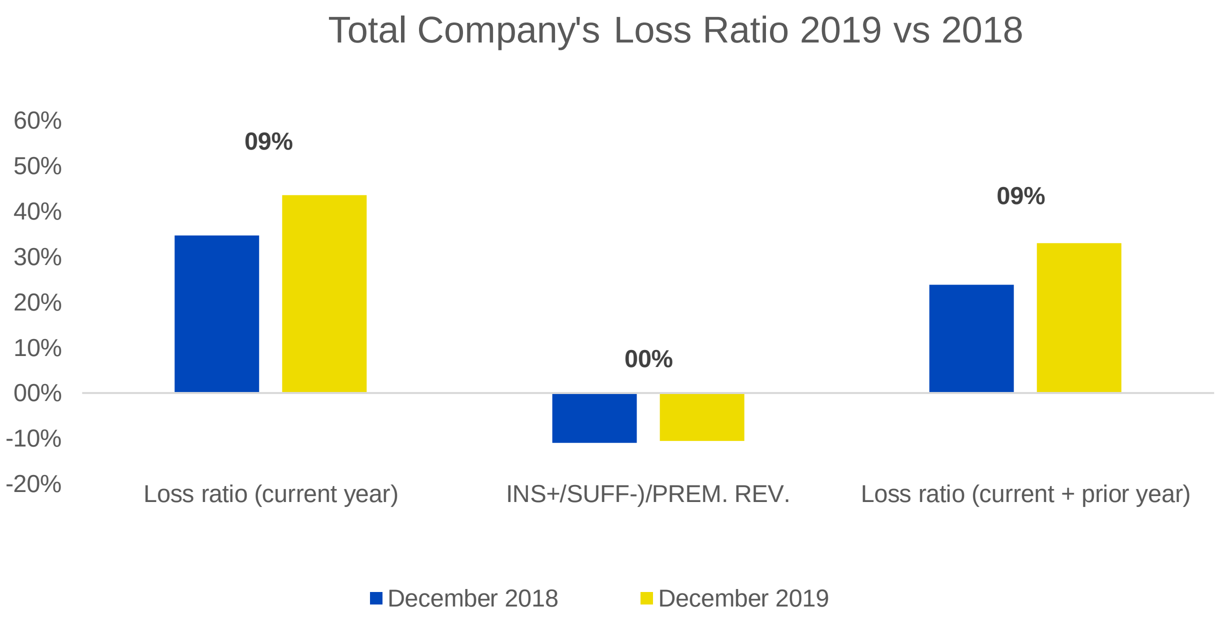
(€k)

	31/12/2019			31/12/2018		
Line of Business	Total claims for the year	(Sufficiency)/ Insufficiency	Claims expense	Total claims for the year	(Sufficiency)/ Insufficiency	Claims expense
1 Medical expenses	54,877	- 3,752	51,125	19,183	- 3,032	16,151
2 Income protection	26,802	- 12,221	14,581	25,322	- 9,073	16,250
3 Workers' compensation	-	-	-	-	-	-
7 Fire and other damage	4,959	- 2,272	2,686	4,474	- 1,930	2,544
8 General Liab	3,525	- 2,977	548	4,139	- 3,025	1,114
10 Legal expenses	552	- 264	288	606	- 153	453
11 Assistance	54	- 44	10	69	- 90	- 21
12 Miscellaneous	5,438	- 1,844	3,594	4,492	- 1,022	3,470
Total	**96,205**	**- 23,374**	**72,831**	**58,286**	**- 18,325**	**39,961**

The claims expenses for the year, defined as the sum of the amounts paid and reserved for claims in the current reporting year, including the provision for late claims, amounts to €96.2 million, with an increase of 65.1% compared to the previous year. The increase in the claims-to-premium ratio for the current year, combined with a substantially unchanged level of provisions for previous year claims provisions compared to premiums for the year, resulted in an increase in the total claims-to-premium ratio of 9.1 percentage points compared to the same period in 2018. Below is the detail by Line of Business.

	31/12/2019			31/12/2018			Change		
Line of Business	Ratio Claims EC / Premiums comp.	Ratio Claims EP / Premiums comp.	Ratio Claims (EC+EP) / Premiums comp.	Ratio Claims EC / Premiums comp.	Ratio Claims EP / Premiums comp.	Ratio Claims (EC+EP) / Premiums comp.	EC	EP	TOT
1 Medical expenses	66.8%	-4.6%	62.2%	41.6%	-6.6%	35.0%	25.2%	2.0%	27.2%
2 Income protection	33.1%	-15.1%	18.0%	36.1%	-12.9%	23.2%	-3.0%	-2.1%	-5.2%
3 Workers' compensation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7 Fire and other damage	30.2%	-13.8%	16.4%	31.7%	-13.7%	18.0%	-1.5%	-0.2%	-1.7%
8 General Liab	18.2%	-15.3%	2.8%	22.9%	-16.7%	6.2%	-4.7%	1.4%	-3.3%
10 Legal expenses	19.8%	-9.5%	10.3%	21.4%	-5.4%	16.0%	-1.5%	-4.1%	-5.6%
11 Assistance	18.6%	-15.2%	3.4%	17.6%	-22.9%	-5.3%	1.0%	7.7%	8.7%
12 Miscellaneous	28.7%	-9.7%	19.0%	28.1%	-6.4%	21.7%	0.6%	-3.3%	-2.7%
Total	**43.5%**	**-10.6%**	**33.0%**	**34.8%**	**-10.9%**	**23.8%**	**8.8%**	**0.4%**	**9.1%**

In order to understand the trend of this indicator, it is necessary to analyse separately the components that determine it; a summary table follows:



SP EC+EP	December 2019	December 2018	Delta PP
Loss ratio (current year)	43.5%	34.8%	8.8%
INS+/SUFF-)/PREM. REV.	-10.6%	-10.9%	0.4%
Loss ratio (current + prior year)	33.0%	23.8%	9.1%

It is noted that the 9.1 percentage points increase in the claims-to-premiums ratio is attributable to the current generation, which is 43.5%, up from a similar figure at the end of 2018 (34.8%), while a modest reduction in the level of provisions for previous generations is observed.

The increase in the claims-to-premium ratio of the current generation is entirely attributable to the Employee Benefits business, for which there was a more than proportional increase in claims compared to the increase in premiums; for the retail business, on the other hand, there was a slight improvement in claims due to a stable claims frequency and an increase in the total average cost that was less than the average premium growth. Part of this improvement is attributable to the effect of the significant increase in the volume of premiums relating to the Credit Protection line. These products recorded an average premium increase of around 20% in 2019, while the claims frequency remained unchanged and average costs rose by around 10 percentage points.

The provision of previous generations, on the other hand, is attributable:

- ✓ for approximately €13.9 million to the removal of the claims provision reported in previous years, taking account of reopening expenses (-6.3%);
- ✓ for approximately 9.5 million to the removal of the provision for late claims (-4.3%).

Information on possible material risk mitigation techniques

For the main retail risks, relating to *Income protection insurance (Lob 2), Fire and other damage to property insurance (Lob 7) and General liability insurance (Lob 8)* guarantees, the existing reinsurance policy provides for *Multiline Excess of loss* per risk and per event coverage to protect the company from peak claims, with a priority per risk/event of €200,000 at 100% (with the exception of the catastrophic component: priority per event of €1 million) and a capacity of up to €70 million for *Fire and other damage to property insurance* guarantees, particularly in relation to catastrophic earthquake/collapse components and €30 million for the *Income protection insurance* guarantee. For the main risks underwritten prior to 2013, the *Legacy* treaties in quota share remain valid, with risk attaching coverage base and 50% transfer rate. *Multiline Excess of loss* coverage covers 50% of these risks with priority of €100,000 over the retained portion.

For new production risks attributable to the *credit protection* segment, 100% retention is provided for, while the reinsurance policy for risks prior to 2018 with risk attaching base, now in run-off, continues to take the form of a *pure premium quota share* treaty by product with 50% transfer.

In the area of *Employee Benefits* risks, to cover *Income protection insurance (Lob 2)* and *General liability insurance (Lob 8)* guarantees, the reinsurance structure provides Mulitline *Excess of Loss* coverage with *Loss Occurring* transfer base. The structure has a priority per risk/event of €200,000 at 100% for the *Income Protection Insurance* component (capacity €50 million) and €500,000 at 100% for the *General Liability insurance* component (capacity €5 million). For risks attributable to the Lobs *Medical expense insurance and Income protection insurance*, relating to *Employee Benefits* policies, which do not have the qualitative and quantitative characteristics provided for by the existing reinsurance treaties, but which in any case fall within the underwriting philosophy of Poste Assicura S.p.A., recourse was made to reinsurance as optional. The entity of the risk retained by Poste Assicura has been defined, from time to time, based on the nature of the risk involved. If the exposure retained by Poste Assicura S.p.A. after the application of the optional was still particularly high, the integration of reinsurance coverage with the definition of non-proportional coverage was assessed. In particular, for the risks of the Fondo Poste Italiane, coverage is proportional, with 80% quota transfer and sliding-scale reinsurance commissions.

To cover the entire *Medical expense insurance (Lob 1)* line of business, a Stop Loss type treaty was introduced for the year, including the *Credit Protection* component, structured in a single layer with attack at 110% SP and capacity up to 140% SP.

For new risks developed in partnership during the year, a proportional quota share reinsurance approach was used with 50% transfer and loss occurring coverage base. In particular, for the Travel line, the transfer was pure premium while for the new Illness product, gross premium revenue recorded with recognition of fixed commissions and profit sharing.

For the specific risks relating to *Postaprotezione Albo* (run-off product) *and Postaprotezione Albo New*, as they involve highly specialised coverage (professional civil liability policy), a proportional quota share reinsurance approach is used with 90% transfer. The transfer base is according to gross premium revenue with recognition of fixed reinsurance commissions to Poste Assicura S.p.A., while the coverage base is risk attaching.

The risks relating to the Legal Protection lines of business, which fall under Lobs 1, 10 and 11, still provide for a quota share treaty on Loss Occurring basis for 2019, with recognition of fixed reinsurance commissions to Poste Assicura and profit sharing at the end of the year.

A.3 Investment Performance

Investment Results - Poste Vita Insurance Group

The Poste Vita Group's financial investments total €142,036,168 thousand at 31 December 2019, an increase of €15,566,319 thousand on 2018, reflecting the recovery in financial markets and the positive net inflows during the period.
Financial investments have been measured at fair value using quoted prices in active markets where available and, where not available, fair value has been determined using alternative methods. The table below shows the breakdown of financial investments at 31 December 2019 with a comparison with the figures at the end of 2018:

(€k)

	31/12/2019	31/12/2018	Delta
Equities	9,117	16,527	(7,410)
Government Bonds	87,198,857	80,963,071	6,235,786
Corporate Bonds	17,726,492	15,646,804	2,079,687
Structured notes	583,469	546,023	37,447
Collateralised securities	75,544	74,474	1,070
Collective Investments Undertakings	32,704,229	26,606,678	6,097,551
Assets held for index-linked and unit-linked	3,738,461	2,616,272	1,122,188
Total	**142,036,168**	**126,469,849**	**15,566,319**

The above investments generated, during the period, an overall positive result of approximately €13,113,783 thousand, mainly due to the positive financial performance recorded in the period, which gave rise to the recording of net gains from valuation for a total of €10,084,799 thousand. In addition, in the same period, ordinary income totalling €2,791,452 thousand was recorded.

Investment Results - Poste Vita S.p.A.

With reference to financial management of the Parent Company, Poste Vita S.p.A., the investment choices of the Parent Company were marked by the utmost prudence, based on the guidelines established by the Board of Directors. As a result, the portfolio is primarily invested in government bonds and corporate bonds, with an overall exposure that represents 73.8% of

the entire portfolio. In addition, during 2019, while maintaining a moderate overall risk appetite, Poste Vita's investment strategy continued to diversify its investments in separately managed accounts also through multi-asset strategies.
These strategies invest in liquid, global asset classes, mainly composed of bonds. Over the years, these investments have shown stable performance and limited volatility due to their ability to dynamically change exposure to the various asset classes in view of the different market trends; for example, in the three-year period 2017-2019, the average annual total return was approximately 2.9% with annual volatility of approximately 2.2%.

Financial investments at Solvency II values total €141,655,942 thousand at 31 December 2019, an increase of €15,471,376 thousand compared to 2018 mainly due to the positive performance of the financial markets and the positive net inflows recorded during the period. Financial investments were measured at fair value using prices quoted on active markets where available and, where not available, fair value was determined in accordance with the Fair Value Policy adopted by Poste Vita, which will be outlined in more detail in paragraph D.4 - Alternative Valuation Methods.
With reference to the "Statutory Account" column, it is noted that Poste Vita S.p.A. has decided not to exercise the option provided for by Law Decree no. 119 of 23 October and governed by IVASS Regulation no. 43 of 12 February 2019 for insurance companies.
The table below shows the breakdown of financial investments, excluding investments, at 31 December 2019 with a comparison with the figures recorded in the local financial statements and with the figures recorded at the end of 2018:

(€k)

	31/12/2019			31/12/2018		
	Solvency II value	Statutory accounts value	Change	Solvency II value	Statutory accounts value	Change
Equities	9,117	9,117		16,527	16,527	
Government Bonds	86,848,899	76,412,521	10,436,379	80,696,643	77,175,514	3,521,129
Corporate Bonds	17,696,224	16,774,320	921,903	15,627,950	15,263,662	364,288
Structured notes	583,469	545,119	38,350	546,023	521,773	24,250
Collateralised securities	75,544	52,200	23,344	74,474	52,200	22,274
Collective Investments Undertakings	32,704,229	31,781,270	922,958	26,606,678	27,506,436	(899,758)
Assets held for index-linked and unit-linked	3,738,461	3,738,461		2,616,272	2,616,272	
Total	**141,655,942**	**129,313,008**	**12,342,934**	**126,184,566**	**123,152,384**	**3,032,182**

There was a decrease in investments in Equities compared to 31 December 2018 for a total of €6,410 thousand, due to disinvestments made during the period.
Government bonds, amounting to €86,848,899 thousand (€80,696,643 thousand at 31 December 2018), mainly refer to quoted fixed income bonds issued by European countries of which approximately 98% are government bonds issued by the Italian government.
Corporate bonds amounting to €17,696,224 thousand (€15,627,950 thousand at the end of 2018), mainly refer to quoted fixed income bonds issued by leading European companies.
Structured notes, amounting to €583,469 thousand at the end of the period, refer to the private placement of Cassa Depositi e Prestiti (of the Constant Maturity Swap type).

Collateralised securities, amounting to €75,544 thousand, refer to a zero coupon security with a maturity of 10/2/2020 guaranteed through collateralisation with government and financial securities with the same maturity.

With regard to collective investments undertakings, amounting to €32,704,229 thousand at the end of the period (€26,606,678 thousand at 31 December 2018), the incidence on Poste Vita's entire portfolio rose from 21% to the current 23%. In line with strategic asset allocation, investments in funds investing in the real estate sector (with targets on retail and office properties) continued to be made mainly in Europe.

The assets acquired to cover Index-Linked or Unit-Linked policies are valued at the value of the last transaction day of the year and at the end of this year, and amounts to €3,738,461 thousand (€2,616,272 thousand at 31 December 2018). The increase in this item is attributable to both the positive effects of the financial market performance and the positive net inflows recorded during 2019.

The table below shows the change in the fair value of financial investments, including investments, during 2019:

(€k)

	Solvency II value 2018	Purchases and sales 2019	Net Unrealised Gains 2019	P/M Amortised Cost 2019	Solvency II value 2019
Equities & Participations	302,574	-9,130	56,706		350,150
Government Bonds	80,696,643	-1,459,198	7,368,074	243,380	86,848,899
Corporate Bonds	15,627,950	1,452,610	625,244	-9,581	17,696,224
Structured Notes	546,023	24,941	12,505		583,469
Collateralised securities	74,473	0	1,070		75,544
Collective investments undertaking	26,606,678	4,246,635	1,850,916		32,704,229
Assets held for index - linked contacts	2,616,273	918,748	203,440		3,738,461
Total	**126,470,613**	**5,174,607**	**10,117,955**	**233,800**	**141,996,975**

The above investments, with the exception of participations, generated a positive result of approximately €13,139,731 thousand during the period, mainly due to the positive financial performance recorded in the period which gave rise to the recording of net gains from valuation for a total of €10,117,613 thousand and the recording of ordinary income for a total of €2,785,637 thousand.

(€k)

	31/12/2019			
	Net gains and losses	Interest /Dividends	Net Unrealised Gains	Total
Equities	17,146	6,573	79,262	102,981
Government Bonds	119,893	1,983,068	7,369,143	9,472,104
Corporate Bonds	55,630	399,024	640,044	1,094,698
Structured notes		15,769	12,505	28,274
Collateralised securities			1,070	1,070
Collective Investments Undertakings	36,896	381,203	2,015,589	2,433,687
Forwards				
Call Options	6,916			6,916
Total	**236,481**	**2,785,637**	**10,117,613**	**13,139,731**

The investments held by the Parent Company at 31 December 2019 amount to €341,033 thousand and refer, as indicated above:

- for €221,777 thousand to Poste Assicura S.p.A., wholly-owned, which operates in the non-life business, excluding the auto classes;

- for €107,296 thousand to Europa Gestioni Immobiliari S.p.A., a company 45% owned by Poste Vita and 55% owned by Poste Italiane S.p.A., operating mainly in the real estate sector for the management and development of real estate assets no longer used by Poste Italiane;
- for €11,960 thousand to Poste Welfare Servizi S.r.l., a participation acquired in full on 4 November 2015, in order to enhance the Group's individual and collective health insurance offering.

For the purposes of preparing the Consolidated Financial Statements of the Poste Vita Group, the carrying amount of the participations held by the Parent Company, Poste Vita, in the subsidiaries, Poste Assicura and Poste Welfare Servizi, has been eliminated against the corresponding portion of equity on assumption of all the assets and liabilities of the subsidiaries.

Investment Results - Poste Assicura S.p.A.

With regard to investment policies, in accordance with the investment framework resolutions approved by the Board, the Subsidiary has maintained an asset management policy characterised by a prudent approach aimed at preserving the company's capital strength with particular attention to the impact on integrated asset-liability management. In relation to the outlined investment policies and current market scenarios, the asset allocation has not substantially changed in terms of country risk, with a portfolio almost entirely invested in Italian sovereign securities. The financial portfolio, valued at fair value, excluding investments, at the end of 2019 amounts to €380,226 thousand, an increase of €94,943 thousand compared to the figure recorded at the end of 2018 (equal to €285,283 thousand), mainly due to the significant growth in revenue during the period as well as the recovery of the financial markets.

Assets invested by Poste Assicura S.p.A. at 31 December 2019 have a solvency value of €380,226 thousand, an increase of €23,851 thousand on the statutory figure and the breakdown is as follows:

(€k)

	31/12/2019			31/12/2018		
	Solvency II value	Statutory accounts value	Change	Solvency II value	Statutory accounts value	Change
Government Bonds	349,958	326,740	23,218	266,428	262,379	4,049
Corporate Bonds	30,268	29,635	633	18,855	18,816	38
Total	**380,226**	**356,375**	**23,851**	**285,283**	**281,195**	**4,088**

The table below shows the change in the Fair Value of financial investments during 2019:

(€k)

	Solvency II value 2018	Purchases and sales 2019	Net Unrealised Gains 2019	P/M Amortised Cost 2019	Solvency II value 2019
Government Bonds	266,428	62,374	20,979	177	349,958
Corporate Bonds	18,855	10,565	850	-2	30,268
Total	**285,283**	**72,939**	**21,829**	**175**	**380,226**

The above investments generated, during the period, a positive financial result of €28,695 thousand, mainly attributable, given the recovery of the financial markets, to the net gains from valuation for €21,829 thousand and secondly, to the ordinary fees accrued on securities for €5,815 thousand, as shown in the table below:

(€k)

	31/12/2019			
	Net gains and losses	Interest / Dividends	Unrealised gains and losses	Total
Government Bonds	1,010	5,519	20,979	27,508
Corporate Bonds	41	296	850	1,187
Totale	**1,051**	**5,815**	**21,829**	**28,695**

On 12 April 2019, Poste Assicura S.p.A. incorporated **Poste Insurance Broker S.r.l.** (wholly owned by Poste Assicura S.p.A.). The company carries out insurance brokerage and only started operating in the second half of December. Therefore, at the end of the period, there was a net loss of €39 thousand, given the incurrence of ordinary operating costs relating mainly to the costs of auditing the financial statements and the fees due to the Sole Auditor. The value of the SII equity amounts to €561 thousand.

A.4 Performance of other activities

With regard to organisational aspects, operating costs[2] at Group level at the end of the period total approximately €121,796 thousand, up from €108,344 thousand in the same period of 2018 due exclusively to the new drivers used for the allocation of overheads; this change was necessary to align the methodologies with the Solvency Report. In fact, if we consider the value of operating costs before reversal, the figure recorded in 2019 is substantially in line with 2018. Operating costs mainly relate to personnel expenses, commercial costs, costs for IT services and costs for professional services/consulting to support the business.

With reference to the **Parent Company, Poste Vita S.p.A.,** operating costs, net of intra-group eliminations, total €91,405 thousand during the period, compared with €83,931 thousand in 2018. This change is attributable exclusively to the new drivers used by the Parent Company to allocate overheads compared to the previous year. In fact, if we consider the value of operating costs before reversal, the figure recorded in 2019 is substantially in line with 2018. Operating costs mainly relate to commercial/advertising costs, costs for IT services, consulting/professional services and personnel costs.

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

With regard to the **Subsidiary, Poste Assicura S.p.A.,** design activities continued to support industrial development and the continuous functional/infrastructural improvement of the most important business support systems. In relation to this, operating costs, net of intra-group eliminations, total €21,568 thousand at 31 December 2019, compared with €17,075 thousand in the same period of 2018.

With reference to the **Subsidiary, Poste Welfare Servizi S.r.l.**, during the period, design activities in support of industrial development continued with new initiatives relating to *Flexible Benefits* for the Poste Italiane Group and the Lazio Region's Riesco project. In relation to this, operating costs, net of intra-group eliminations, total €8,772 thousand, a slight increase compared with the figure for the same period in 2018 (€7,338 thousand) and mainly refer to personnel expenses, costs for services, costs for IT and specialist services to support the business and depreciation of property, plant and equipment and amortisation of intangible assets.

With reference to **Poste Insurance Broker S.r.l.**, operating costs at the end of the period amounts to €51 thousand and refer for: i) €32 thousand to the fee due to the independent auditors for the audit of these financial statements and ii) €19 thousand to the fee due to the Sole Auditor.

Finally, with reference to extraordinary income and expenses:

- The Parent Company, **Poste Vita S.p.A.**, recorded extraordinary income of €2,083 thousand (€2,153 thousand in 2018) during the period, almost exclusively relating to: i) gains from the realisation of collective investments undertakings recognised in the fixed assets segment, totalling €1,257 thousand; and ii) contingent assets for €825 thousand deriving from higher costs set aside at the end of the previous year. With regard to extraordinary expenses, the figure recorded in 2019 amounts to €2,863 thousand (€1,771 thousand in 2018) and mainly concerns: i) contingent liabilities deriving from higher costs not recorded at the end of the previous year for €1,744 thousand and ii) losses deriving from the sale of intangible assets for €1,059 thousand.
- The **Subsidiary, Poste Assicura S.p.A.,** did not record any extraordinary income during the year. At the same time, extraordinary expenses decreased (from €254 thousand in 2018 to €118 thousand in 2019), referring entirely to contingent liabilities relating to the sale of intangible assets.

Pursuant to article 9, paragraph 1 of the Delegated Regulation (EU) 2015/35, with specific regard to the application of IFRS 16 - Leases, in force since 1 January 2019, the following effects impacted the **Parent Company, Poste Vita S.p.A.**:

- the straight-line depreciation of assets, subject to lease contracts, amounting to €3,443 thousand at the end of the period;
- the recognition, upon payment of the periodic fee, of finance costs calculated on the basis of the internal rate of the contracts, falling within the scope of application of the above standard, with a corresponding reduction of the financial liability for a value equal to €371 thousand at the end of the period.

The economic effects of applying IFRS 16 with regard to the **Subsidiary, Poste Assicura S.p.A.,** are illustrated below:

- the straight-line depreciation of assets, subject to lease contracts, amounting to €25 thousand at the end of the period;
- the recognition, upon payment of the periodic fee, of finance costs calculated on the basis of the internal rate of the contracts, falling within the scope of application of the above standard, with a corresponding reduction of the financial liability for a value equal to €1 thousand at the end of the period.

The economic effects of applying the above standard with regard to the **Subsidiary, Poste Welfare Servizi S.r.l.,** are illustrated below:

- the straight-line depreciation of assets, subject to lease contracts, amounting to €327 thousand at the end of the period (€25 thousand net of intra-group elimination, made for the purposes of preparing the Consolidated Financial Statements, with regard to the sublease contract of company premises signed with the Parent Company, Poste Vita S.p.A.);
- the recognition, upon payment of the periodic fee, of finance costs calculated on the basis of the internal rate of the contracts, falling within the scope of application of the above standard, with a corresponding reduction of the financial liability for a value equal to €48 thousand at the end of the period (€3 thousand net of the intra-group elimination, made for the purposes of preparing the Consolidated Financial Statements, with regard to the sublease contract of company premises signed with the Parent Company, Poste Vita S.p.A.).

A.5 Other information

Significant events after year-end

The spread of the Covid-19 pandemic in the first part of 2020, first in China, then in our country, and its worldwide extension will have economic and financial repercussions on all areas of operations. The event has generated a series of limitations in daily activities and has led the Group to adopt measures to preserve and safeguard collective health while ensuring the normal course of business.

The Group lead by Poste Italiane has immediately implemented all the business continuity plans, with the aim of guaranteeing the operations of the company and its distribution network and safeguarding its financial and capital soundness.

This event does not have an impact on the financial data reported in these financial statements and, consequently, does not require modifications.

The Group's investments and financial management are affected by the highly volatile situation in the financial markets generated by the pandemic, although to date, in the context of a clear general uncertainty about the duration of the epidemic and its economic effects in general, the overall impact is not quantifiable.

The tense situation on the financial markets that the Group is experiencing has different characteristics from those that occurred in the past.

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

The Group has begun periodic monitoring of its solvency position, which at the date of preparation of this report, although influenced by the context, is still well above the regulatory limits at both Group and individual Company level.

Although the Group's management will, in the short term, be influenced by market trends, on the basis of the analyses carried out, no critical issues and impacts on the company's continuity were found.

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

Further information relevant to both insurance companies of the group is provided below.

Change in members of corporate bodies

Following the Ordinary General Meeting of Shareholders of Poste Vita S.p.A. and Poste Assicura S.p.A., held on 19 and 20 May 2020 respectively, a number of changes were made to the composition of the Board of Directors and the Board of Statutory Auditors.

Therefore, the new composition of the aforementioned Corporate Bodies is set out below for each Company:

<u>Poste Vita S.p.A.</u>

On 19 May 2020, the following members of the Corporate Bodies were appointed/confirmed:

- *Board of Directors:*
  - o Paolo Martella (Chair)
  - o Andrea Novelli (Chief Executive Officer)
  - o Vladimiro Ceci
  - o Laura Furlan
  - o Maria Guido Nola

  - Maria Cristina Vismara (Independent Member)
  - Fulvia Astolfi (Independent Member)
- *Board of Statutory Auditors:*
  - Luca Aurelio Guarna (Chair)
  - Maria Giovanna Basile (Standing Auditor)
  - Marco De Iapinis (Standing Auditor)
  - Mario Stefano Ravaccia (Alternate Auditor)
  - Mara Palacino (Alternate Auditor)
- *General Manager:*
  - Maurizio Cappiello (confirmed in office)

<u>Poste Assicura S.p.A.</u>

On 20 May 2020, the following members of the Corporate Bodies were appointed/confirmed:

- *Board of Directors:*
  - Andrea Novelli (Chair)
  - Maurizio Cappiello (Chief Executive Officer)
  - Benedetta Sanesi
  - Massimo Porega
  - Clara Veneto (Independent Member)
- *Board of Statutory Auditors:*
  - Valeria Maria Scuteri (Chair)
  - Lucia Foti Belligambi (Standing Auditor)
  - Luca Ceron (Standing Auditor)
  - Guido Sazbon (Alternate Auditor)
  - Giuseppina Manzo (Alternate Auditor)
- *General Manager:*
  - Andrea Pezzi (confirmed in office)

Legal disputes

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

Of the total number of disputes initiated against the Parent Company, Poste Vita S.p.A., the majority refers to issues relating to dormant policies, while the remaining disputes, in general, concern issues relating to non-payment of policies due to incomplete liquidation practice, conflicts between beneficiaries in succession or issues relating to liquidations.

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

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

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

There have been a number of cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the Parent Company, as a result of which insurance payments were made to parties found not to be legitimate for a total value of €1.5 million. At the time of this report, the Parent Company has already reactivated three of the twelve positions for a total of approximately €0.7 million. For the remaining positions, a provision has therefore been made to the provision for risks which will be progressively removed when the position of the customer concerned is reactivated.

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

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

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

In addition, there have been a number of serial claims involving fraud relating to accident and home-family policies, for which the Company has already taken appropriate action.

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

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

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

Dispute with INPS

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

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

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

Related parties

Related parties, in addition to the Poste Italiane Group companies whose transactions are described in the previous paragraph, include, in accordance with IAS 24 (paragraph 9), the MEF, Cassa Depositi e Prestiti S.p.A., the entities under the control of the MEF and the Group's Key Management Personnel.

The state and public sector entities other than the MEF and the entities controlled by the latter are not classified as related parties. Moreover, transactions with related parties do not include those generated by financial investments and liabilities represented by financial instruments, with the exception of those issued by companies belonging to the Cassa Depositi e Prestiti Group.

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

Principal proceedings pending and relations with the Authorities

a) <u>IVASS</u>
At 31 December 2019, there were no proceedings initiated by the Supervisory Authority.

b) <u>Bank of Italy - UIF</u>
The Bank of Italy's Financial Intelligence Unit (UIF) conducted a number of inspections of the Parent Company, Poste Vita S.p.A., in 2015 and 2016, in relation to anti-money laundering as per art. 47 and art. 53, paragraph 4, of Legislative Decree 231 of 2007. On 8 July 2016, the UIF sent Poste Vita S.p.A. a notice of assessment and violation, alleging the company's failure to

promptly report suspect transactions (regarding transactions relating to a single policy) pursuant to art. 41 of Legislative Decree no. 231/2007

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

The Parent Company, Poste Vita S.p.A., carried out its assessment of the case and filed opposition to said decree within the terms of the law.

Tax disputes

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

The evaluation of adhering to the faculty granted by the aforementioned Law Decree no. 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree no. 128 of 5 August 2015 (Cooperative Compliance).

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

Adhesion to COOPERATIVE COMPLIANCE

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

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

Poste Vita S.p.A. is the first insurance company in Italy to adhere to this cooperation. Admission shall take effect, both for direct tax and VAT purposes, from the 2018 tax period.

Audit

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

Status of IFRS 17

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

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

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

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

Sales Network

In order to place its products, the Poste Vita Group uses the post offices of the Parent Company, Poste Italiane S.p.A. - Company with sole shareholder - BancoPosta Ring-Fenced Capital - RFC, a company duly registered under letter D of the single register of insurance intermediaries pursuant to ISVAP Regulation no. 5 of 16 October 2006. The sales network of Poste Italiane S.p.A. consists of around 13,000 post offices throughout the country. Insurance contracts are signed in the post offices by qualified and suitably trained personnel. Training activity for personnel in charge of product sales is conducted according to regulations.

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

The Parent Company, Poste Italiane S.p.A., received a total of €374.1 million in commissions for distribution and collection, recognised on an accruals basis for €380 million (€371.8 million in 2018), reflecting the amortisation of pre-counted commissions paid for the placement of pension policies. The figure is substantially in line with the same period of the previous year, despite the growth in revenue, due to the different product mix. In addition, during the period, maintenance commissions of €96.5 million were paid to the Parent Company compared to €62.8 million in 2018 as a result of the new distribution agreement that provides for the retrocession of a higher commission on new products.

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

Disposal of a business unit

On 6 December 2019, the Board of Directors of the Parent Company, Poste Vita, and of the subsidiaries, Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l., on 10 and 11 December 2019, respectively, approved the outsourcing of information systems management activities to the Parent Company, Poste Italiane S.p.A., with effect from 1 March 2020, through the sale of the related business units, including personnel, hardware and software assets and related contracts. In this regard, it should be noted that on 26 February 2020, the deed of sale was signed for a total of €38.7 million. In addition, the service contract that will govern the provision of the services, which are the subject of the above sales, is currently being formalised by the Parent Company, Poste Italiane S.p.A.

Tax Consolidation

The three-year tax consolidation period (2016-2018) of the Parent Company, Poste Vita, with the consolidating company, Poste Italiane, whose option was exercised on 30 September 2016, expired on 31 December 2018.
In a notice received in December 2018, the consolidating company expressed its intention to keep the Company within the scope of the Poste Group's tax consolidation for the three-year period 2019-2021, thus not revoking the option of consolidated taxation with Poste Vita. The Company will therefore sign the new Consolidation Regulation by the end of 2019 for the aforementioned three-year period.
With effect from the 2018 tax period and for the three-year period 2018-2020, the subsidiary Poste Assicura has adhered to the Group taxation regime governed by article 117 et seq. of Presidential Decree 917/86, which belongs to the consolidating company Poste Italiane.
An agreement was signed with the consolidating company on the regulation of the economic-financial and procedural aspects of this option.

Research and Development Activities

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

B - SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

The governance model adopted by the Poste Vita Insurance Group is "traditional", i.e. characterised by the traditional dichotomy between the Board of Directors and the Board of Statutory Auditors.
The **Board of Directors of Poste Vita S.p.A.** as the Ultimate Controlling Agent (UCA)[3] of a group subject to IVASS supervision, and the **Board of Directors of Poste Assicura S.p.A.** (hereinafter also referred to as the Boards of Directors) hold the most ample powers for the ordinary and extraordinary management of the same, without limitations, with the power to carry out all the acts deemed necessary and useful for the achievement of the corporate purpose, with the exception of those that by law are expressly reserved for the General Meeting of Shareholders.
Said Bodies meet periodically (usually at least once a month) to review and adopt resolutions on strategy, operations, results, and proposals regarding the operational structure, strategic transactions and any other obligations under current industry regulations. Thus, they have a central role in defining the Group's strategic objectives and the policies needed to achieve them. With reference to the internal control and risk management system, the Boards of Directors of each Company are ultimately responsible for the system, the completeness, functionality and effectiveness of which they must ensure at all times.

To this end, each Board carries out, among other things, the following tasks (also consistent with the reference regulations) for own areas of competence:

- approve the macro-organisational structure and the allocation of tasks and responsibilities to the operating units, ensuring adequacy thereof over time so that they can be promptly adapted to changes in strategic objectives, operations and the reference context in which they operate and informing the Supervisory Authority of significant changes made to the organisational structure as well as of the causes, internal or external, that made said interventions necessary. In this context, it is responsible, among other things, for the following:
    - establish the Fundamental Functions for which it defines the responsibilities, tasks, operating procedures, nature and frequency of reporting to the Corporate Bodies and other functions concerned, in accordance with the "Guidelines on the Internal Control and Risk Management System" of the Group and the Individual Company;

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

- appoint and revoke the Holders of the Fundamental Functions, in accordance with the requirements established by internal and external regulations (relating, among other things, to the assessment of the possession of the requirements of suitability for the office);
- ensure: (i) that appropriate decision-making processes are adopted and formalised, (ii) that appropriate segregation of duties is implemented and (iii) that tasks and responsibilities are properly assigned, allocated and coordinated in line with the company's policies and reflected in the description of tasks and responsibilities. In this context, it ensures that all relevant tasks are assigned and unnecessary overlaps are avoided;
- approve the "Guidelines on the Internal Control and Risk Management System", to be disseminated to all interested structures;
- approve, in accordance with the requirements of the law and ensuring its adequacy over time, the system of delegation of powers and responsibilities and adopt instruments to verify the exercise of the delegated powers (with the consequent possibility to provide for appropriate measures if it decides to invoke the delegated powers);
- ensure suitable and continuous interaction between all the Board Committees (with reference to Poste Vita S.p.A.) /Appointed Director (with reference to Poste Assicura S.p.A.), Senior Management and Fundamental Functions, also through proactive interventions to ensure their effectiveness;
- represent to the Authority, within the scope of the disclosure required by the laws and regulations in force, the reasons that make the organisational structure of the Companies suitable to guarantee the completeness, functionality and effectiveness of the corporate system of governance;

- with specific reference to the Corporate Governance System, it is responsible, among other things, for the following:
  - define its directives, reviewing them at least once a year and ensuring to adapt them to changes in company's operations and external conditions; in this context, it approves the company's policies identified by the regulations, ensuring that they are consistent with each other and with the Company's strategy, but also with Group policies;
  - promote a culture of integrity in internal control, so as to make all staff aware of the importance and usefulness of internal controls to protect against risks;
  - approve the "Policy for the identification and assessment of suitability requirements for office", in terms of integrity, professionalism and independence, in line with the provisions of the reference regulations, and assess, at least annually, the existence of said requirements for the persons identified by the policy as well as for the Administrative Body as a whole;
  - ensure, with appropriate measures, continuous professional updating of the resources and members of the Administrative Bodies of the Companies, by preparing specific training/information plans;

  - carry out, at least once a year, a self-assessment on the size, composition and effective functioning of the Administrative Body of each Company as a whole, as well as of the Committees, in line with current regulations;
  - ensure the internal review, at least annually, of the Corporate Governance System of the Companies in line with the statutory requirements in force, verifying consistency thereof with the strategic objectives, risk appetite and risk tolerance limits established and receiving the results of said review with evidence of the corrective measures taken;

- with specific reference to the Risk Management System (hereinafter also SGR), it is the responsibility of each Board of Directors to:
  - determine the system of risk appetite (Risk Appetite Framework or RAF); in this context, the responsibilities are as follows: 1) define, on the basis of the relevant assessments (including ORSA), the risk appetite of the company in line with its overall solvency needs, 2) identify the types of risk to be undertaken and 3) set the risk tolerance limits in a consistent manner, to be reviewed at least once a year to ensure effectiveness over time;
  - approve the strategies (also with a medium/long-term perspective), the Risk Management Policy as well as, in line with the above, the Underwriting, Reservation, Reinsurance and Operational Risk Management Policies;
  - approve, for the major sources of risk identified, the Contingency Plan to ensure business regularity and continuity, to be reviewed annually and made available to staff in accordance with regulations;
  - define the guidelines on ORSA, including the related Policy and the criteria and methodologies used for risk assessments, in particular the most significant ones;
  - approve the results of the periodic ORSA assessments and communicate them to Senior Management together with the conclusions reached;
  - fulfil the requirements of the law in the event of the use of an internal model or specific parameters in determining the Solvency Capital Requirement;

- define the directives and criteria for the circulation and collection of data and information useful for the exercise of supervision over the Group, as well as the internal control directives for verifying the completeness and timeliness of the related information flows;
- ensure compliance with the Group's Reporting Policy (relating to information to be provided to IVASS and the public);
- define and periodically review the Remuneration Policies for approval by the General Meeting of Shareholders, and application thereof in line with regulations;
- approve the "Guidelines on Outsourcing and Supplier Selection", defining the related strategy and processes for its entire duration;
- approve the "Capital Management Policy" and the medium-term Capital Management Plan, in line with regulations;
- approve the Strategic Plan on Information and Communication Technology (ICT), including corporate cyber security, in line with regulations;

- receive specific information flows useful to verify that Senior Management implements the internal control and risk management system in accordance with the directives issued and that it assesses its functionality and adequacy;
- require that the most significant critical issues detected (by Senior Management, Fundamental Functions or personnel) be reported to it in a timely manner in order to issue directives for the adoption of corrective measures, the effectiveness of which it then assesses, and identifies particular events or circumstances that require immediate intervention by Senior Management.

As regards the manner in which the work is carried out, it should be noted that each Board of Directors is informed in a timely manner and involved in all decisions relevant from the point of view of risk assumption and management. This occurs not only with reference to financial risks (investment situation), but also with regard to the outcome of stress tests, risks (financial and technical) arising from the characteristics of insurance products and, in any case, with regard to all the most significant operations involving each Company, taking into account the volumes and operational characteristics of the latter, including strategic and reputational risks.

In addition, the Boards of Directors receive specific information flows from the Fundamental Functions and the Line/Staff Functions with which they verify that the Senior Management correctly implements the Internal Control and Risk Management System in accordance with the directives issued and that it assesses its functionality and adequacy.

On the basis of the results of the process of self-assessment of its complexity/risk as required by the applicable regulations (Letter to the market dated 5 July 2018), **Poste Vita S.p.A.** assessed as adequate a "reinforced" governance model, which it adopted at company level and as Ultimate Controlling Agent (UCA) of the Poste Vita Group, while **Poste Assicura S.p.A.** assessed as adequate and adopted a "simplified" governance model.

In line with the results of this process and as part of the activities to comply with IVASS Regulation no. 38/2018, the **Board of Directors of Poste Vita S.p.A.** therefore set up specific internal committees in 2019, composed of non-executive directors, with investigative, consultative and propositional tasks, in order to increase the efficiency and effectiveness of its work and to facilitate decision-making in areas of operations where there is a high risk of conflict of interest.

More specifically, the **Board of** Directors of Poste Vita S.p.A. avails itself of the assistance of the following Committees:

- **Internal Control and Risks and Related Party Transactions Committee;**
- **Remuneration Committee.**

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

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

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

That said, the **Remuneration Committee** has the task of providing consulting and making proposals within the framework of the definition of the remuneration policies adopted by the Company and making proposals regarding the remuneration of each of the Directors with delegated powers. It also verifies the appropriateness of the overall remuneration scheme and the proportionality of the remuneration of Executive Directors with respect to the Company's key personnel, taking into account its risk profile. In addition, the aforementioned Committee (i) periodically reviews the remuneration policies in order to ensure their adequacy also in the event of changes to the company's operations or the market context in which it operates, (ii) identifies potential conflicts of interest and the measures adopted to manage them, (iii) ascertains the occurrence of the conditions for the payment of incentives to key personnel and (iv) provides adequate disclosure to the Board of Directors on the effective functioning of the remuneration policies.

The **Internal Control and Risks and Related Party Transactions** Committee is responsible for assisting the Board of Directors in determining internal control system guidelines, in identifying and managing the principal business risks and in periodically assessing the system's adequacy and effective functionality. With regard to matters falling within its competence and in the respective areas of interest, the Committee also performs propositional functions in order to suggest to the Board of Directors - and promote - modifications and additions to the Internal Control and Risk Management System that are deemed necessary or appropriate from time to time. Lastly, the Committee - without prejudice to the powers of the Remuneration Committee - has specific responsibilities with regard to related party transactions (as defined by IAS 24).

With regard to **Poste Assicura S.p.A.**, taking account of the results of the above self-assessment process, the Board of Directors, in line with the organisational solutions allowed by the IVASS letter to the market of 5 July 2018 and in application of the principle of proportionality set out therein, has required that: i) the tasks relating to remuneration be exercised by the Board of Directors in its plenum; ii) the task of monitoring the adequacy and proper functioning of the risk management system be assigned to a member of the Board of Directors who is adequately competent in the matter and has no delegated powers (hereinafter the Appointed Director).

With this in mind and consistent with the organisational option described above, the **Board of Directors of Poste Assicura S.p.A.**:

- provides consulting and makes proposals within the framework of the definition of Remuneration Policies and makes proposals regarding the remuneration of each of the Directors with delegated powers;
- periodically reviews the remuneration policies in order to ensure their adequacy also in the event of changes to the company's operations or the market context in which it operates and its effective functioning;
- verifies the appropriateness of the overall remuneration scheme and the proportionality of the remuneration of Executive Directors with respect to the Company's key personnel, taking into account its risk profile;
- identifies potential conflicts of interest and the measures adopted to manage them;
- verifies that the conditions for the payment of the key personnel incentives have been met.

On the other hand, it is the responsibility of the **Appointed Director** to assist the Board of Directors in determining the guidelines of the Internal Control and Risk Management System (SCIGR), in periodically verifying its adequacy and effective functioning (including the process of reviewing the Corporate Governance System), in identifying and managing the principal business risks, in order to ensure that the assessments and decisions in this area are supported by adequate investigation activities.

Specifically, also on the basis of the information flows provided for, the **Appointed Director** assists the Board of Directors in the preparation and approval, among others, of (i) the Company's policies on risk definition and management (ii) the Company's risk appetite and tolerance levels (iii) the Policies related to investment management and (iv) the policies governing the duties and operating procedures of the Fundamental Functions. It also expresses a non-binding opinion on the Activity Plans of the Fundamental Functions.

Finally, it is specified that for the management of "Transactions with related parties and connected persons", in particular, following the adoption by the Board of Directors of the Policy for the management of "Transactions with related parties and connected persons" of the Poste Vita Group, any related party transactions carried out by the Company and/or the Parent Company, Poste Vita S.p.A., through its subsidiary, Poste Assicura, are subject to the prior opinion of the Internal Control and Risks and Related Party Transactions Committee set up by Poste Vita S.p.A.

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

- acquires, at the beginning of the mandate, knowledge of the company's organisational structure and examines the results of the work of the Independent Auditors for the evaluation of the internal control system and the administrative and accounting system;
- verifies the suitability of the definition of delegations, as well as the adequacy of the organisational structure, paying particular attention to the separation of responsibilities in tasks and functions;
- assesses the efficiency and effectiveness of the Corporate Governance System, with particular regard to the work of the Internal Auditing function, of which it also verifies the existence of the necessary autonomy, independence and functionality;
- maintains an adequate connection with the Internal Auditing function;
- ensures the timely exchange with the Independent Auditors of data and information relevant to the performance of their duties, also examining the Company's periodic reports;
- informs the Board of Directors of each Company of any anomalies or weaknesses in the organisational structure and the Corporate Governance System, indicating and urging appropriate corrective measures;
- plans and carries out, also in coordination with the Independent Auditors, periodic supervisory interventions aimed at ascertaining whether the deficiencies/faults reported have been overcome and whether, with respect to as verified at the beginning of the mandate, there have been changes in the operations of the Companies such as to require an adjustment to the organisational structure and the Corporate Governance System;
- retains adequate evidence of the observations and proposals made and the subsequent verification of the implementation of any corrective measures;
- validates the report on the conclusions of the selection procedure for the Statutory Auditor and submits a recommendation to the Board of Directors.

The **Board of Statutory Auditors of Poste Vita S.p.A. and the Board of Statutory Auditors of Poste Assicura S.p.A.** also report any deficiencies in the system to the Senior Management of the Companies, subsequently verifying that the initiatives taken have achieved the result of eliminating the above deficiencies.

Fundamental Functions:

- **Risk Management**: is responsible for ensuring the development of risk management methodologies and the identification, assessment, measurement and control of all relevant risks, monitoring their consistency with the defined risk appetite and collaborating in the definition and implementation of mitigation actions; controlling the level of adequacy of assets with respect to the risks assumed; ensuring the necessary information flows to Senior Management and Corporate Bodies;
- **Actuarial Function**: is responsible for carrying out second-level control activities regarding technical provisions, underwriting and reinsurance policies required by industry regulations, ensuring the necessary information flows to Senior Management and Corporate Bodies;

- **Compliance**: is responsible for ensuring, within the regulatory framework of reference, second-level controls on compliance, evaluating the preventive measures adopted, in order to adequately control the risk of non-compliance, collaborating with the structures concerned for the identification of related mitigation actions; assessing the operational and managerial adequacy of the processes and procedures for the development and delivery of insurance products in order to ensure due transparency towards customers; collaborating with the structures concerned for the identification of the related mitigation actions, providing adequate support to the operating structures and the necessary information flows to Senior Management and Corporate Bodies;
- **Internal Auditing**: is responsible for monitoring and evaluating the effectiveness, efficiency and adequacy of the Internal Control System as well as the other components of the Corporate Governance System, through independent and objective assurance, with a systematic and risk-based professional approach. The function periodically reports the results of the activities carried out to the Board of Directors, the Control Bodies and Senior Management regarding the evaluations and outcomes that have emerged, also reporting, as a matter of urgency, any particularly serious situations that may have emerged during the audits carried out.

Information on the remuneration policy and practices relating to the Administrative Body
It should be noted that at the meetings held in April 2019, the remuneration policies for 2019 were approved by the Boards of Directors of the individual Companies. Within the scope of these policies and for certain uniquely identified subjects (Executive and Non-executive Directors, General Manager, Heads of Internal Control Functions) and for other strategic resources identified on the basis of specific reference parameters (risk takers), a set of remuneration schemes are established functional to sound and prudent risk management. Specifically, the policy in question provides that the remuneration of the persons mentioned above may consist of 3 components:

- Fixed remuneration: reflects the complexity of the role and the responsibilities assigned, reflecting the skills required for each position;
- Short-term variable remuneration: designed to reward performance actually achieved in relation to the objectives assigned and the results achieved in the year of reference, according to indicators related to risks and the achievement of actual and lasting results;
- Long-term variable remuneration: designed to focus the attention of resources on long-term strategic success factors by linking the disbursement of incentives to the performance actually achieved over the multi-year reference horizon.

Providing the foregoing, these remuneration policies, in order to promote sound and effective risk management, discouraging the assumption of risks exceeding tolerance limits, envisage:

- balance between fixed and variable remuneration in the short and long term, according to appropriate quantitative constraints;

- threshold parameters for the payment of bonuses commensurate with performance and the level of risk to which the Company is exposed (the latter determined in accordance with Solvency II regulations);
- objectives, assigned to the subjects mentioned above, which include performance measurement indicators that adequately incorporate the risks, including prospective ones, associated with the Company's results and the related expenses, taking into account the different roles and responsibilities held by the subjects in question within the Company.
- mechanisms for deferring the payment of the vested bonus;
- for sums paid out in the event of early termination of the relationship with Directors or Strategic Executives (golden parachutes), determination of maximum limits and case studies that exclude the disbursement of the above amounts in accordance with the principle of sound and prudent risk management;
- application of incentive correction mechanisms both for the component accrued but not yet disbursed ("malus" systems) and for the entire component already disbursed ("claw-back" systems) in order to take into account the trend over time of the risks assumed by the Company and the duration over time of the results actually achieved.

With reference to the "Long-term variable remuneration" component, this is achieved through the assignment to beneficiaries of rights to receive units representing the value of Poste Italiane shares (phantom stocks) at the end of a vesting period. The number of phantom stocks allocated to beneficiaries at the end of the vesting period is linked to performance conditions over a three-year period.

With regard to supplementary or early retirement pension schemes, it should be noted that no specific programmes or benefits are provided for the members of the Administrative, Management or Supervisory Body, while, the heads of the Fundamental Functions, as managers of the Companies, benefit from the supplementary pension schemes provided for by the relevant National Labour Contract.

Substantial transactions carried out during the reference period with shareholders, persons exercising significant influence over the Company and members of the Administrative, Management or Supervisory Body.

As mentioned above, on 6 December 2019 the Board of Directors of Poste Vita S.p.A., after receiving the favourable opinion of the Internal Control and Related Party Transactions Committee, approved the sale of the IT business unit and the outsourcing to Poste Italiane S.p.A. of development and management of information systems, with effect from 1 March 2020. The same implementation process, albeit with the appropriate specifications/differentiations, was also followed by the other Poste Vita Group companies and, specifically, with regard to Poste Assicura S.p.A., the transaction was approved by the Company's Board of Directors on 10 December.

On 26 February, after the deadline for any observations by the Supervisory Authority, the deeds of sale of the business units of each of the companies involved were signed with effect from 1 March 2020.
In addition, as already reported in last year's Solvency and Financial Condition Report of the Poste Vita Group, it is noted that on 13 February 2019, IVASS authorised, by means of measure prot. no. 0052335/19, the Parent Company, Poste Vita S.p.A., to use as part of level 2 own funds to cover the capital requirement, ancillary own funds represented by a letter of irrevocable and unconditional commitment from Poste Italiane S.p.A. to participate in one or more share capital increases of Poste Vita S.p.A. for a maximum amount of €1.75 billion and with a duration of five years.
It has also approved, with measure prot. no. 0052336/19, the amendment to article 6 of the Bylaws "Share capital and shares", which grants the Board of Directors of Poste Vita S.p.A. the power to increase the share capital in a divisible manner, for five years from the date of the resolution, on one or more occasions by issuing ordinary shares with regular dividend rights, for a subscription price, including share premium, of €1.75 billion.

Methods by means of which the Fundamental Functions are guaranteed the necessary powers, resources and functional independence from operating areas or units
Consistently with the provisions of the individual policies of the Fundamental Functions (which are attributable to the internal control functions), each function in question is established as a specific organisational unit, different and independent from the other Fundamental Functions and Operating Functions, without any authority and/or responsibility for the activities under examination, ensuring compliance with the requirements of applicable regulations. These functions operate in compliance with the organisational principles laid down by law as well as in compliance with the policies, procedures and principles of the Companies, collaborating with the Board of Statutory Auditors, the Independent Auditors, the Supervisory Board (provided for by Legislative Decree no. 231/01) and with each other.
Each Fundamental Function must rely, also referring to external specialists, on resources that are quantitatively and qualitatively adequate for the performance of the activities assigned to the function, and that have an appropriate and adequate professional level, also guaranteeing constant professional updating.
Personnel, in any capacity involved in the activities of the Fundamental Function, must:
base their professional conduct on criteria of independence, authority and separateness such as to characterise their evaluation choices as "super partes";
refrain from engaging in any activity that may give rise to a conflict of interest or prejudice the ability to perform duties impartially.
In order to carry out their duties, each Fundamental Function must be guaranteed free and autonomous access to the Company structures and to the databases of the Companies for the retrieval of relevant data/information such as, for example, management data and any other kind of data.

Methods by means of which coordination is carried out between the Administration and Control Bodies and the risk management, compliance, internal auditing and actuarial functions

The definition of methods of coordination and collaboration between the Bodies responsible for control promotes the overall functioning of the Internal Control and Risk Management System (hereinafter also referred to as SCIGR) as well as an unambiguous and consistent representation of the risks to which the Companies are exposed to Senior Management and corporate bodies.

To this end, through the guidelines on SCIGR, the Parent Company has provided for the following main moments of coordination and collaboration between the Bodies responsible for control (implemented, among other things, through the exchange of specific information flows):

- collaboration and, where possible and appropriate, coordination during the identification and updating of the respective annual activity plans, in order to ensure adequate control of the main risks to which the Companies are exposed and to allow, where possible, operating in a synergistic manner and identifying and effectively managing areas of overlap, avoiding redundancies and diseconomies;
- periodic updates on risk assessments/measurements and assessment of the adequacy of controls, by exchanging information on the results of its activities and assessments of weaknesses in the internal control and risk management system. In this context, the sharing, in particular, of any suggested remediation actions makes it possible to avoid redundancies and inefficiencies, to create synergies by responding to the needs that have emerged from various Fundamental Functions and/or other functions and subjects in charge of company control and therefore to better calibrate the control effort.

In addition to as described above, it is envisaged that where one of the aforementioned Functions finds, within the scope of its activity, relevant facts falling within the competence of another Fundamental Function, it shall promptly inform the latter.

Methods by means of which the Fundamental Functions inform and support the Administration and Control Bodies

In order to keep the Administrative Body constantly updated, the guidelines of the Internal Control and Risk Management System provide for specific information flows and links between the Fundamental Bodies/Functions and the Board, mainly concerning the proposed annual plan of activities, the results of the activities carried out and timely information on particularly serious situations encountered.

Description of the methods by means of which risk management and internal control systems and reporting procedures are consistently implemented in all Group Companies

In order to ensure that the risk management and internal control system and reporting procedures are implemented in a consistent manner in all companies that fall within the scope of Group supervision, and consistently with the principles established by the relevant

regulations, Poste Vita S.p.A. (hereinafter "Poste Vita"), in the exercise of the powers and responsibilities assigned by regulations[4] to the Ultimate Controlling Agent (hereinafter UCA) of a group subject to supervision by IVASS, the Poste Vita Group (hereinafter the "Group"), has defined the Guidelines of the Internal Control and Risk Management System of the Poste Vita Group. These Guidelines are applicable to the Poste Vita Group as a whole.
and the individual companies that are part of it, including Poste Assicura S.p.A.

The SCIGR document defines the set of instruments, organisational structures, regulations and rules aimed at ensuring that the Company is managed soundly, correctly and consistently with its corporate objectives. In this context, the Parent Company, Poste Vita S.p.A., has identified a structured governance model at Group level, which is implemented by its subsidiaries, including Poste Assicura, based on the role held by the parties involved in internal control and risk management.
This organisational model aims to ensure, at Group level, the effectiveness and efficiency of business processes, the control of current and future risks, ongoing reporting between "control levels", reliable and complete information and protection of assets over the medium and long term.
The internal control and risk management systems of the Group and the Companies are implemented through a series of documents drawn up at "Group" or "individual Company" level. With regard to the documents at "Group" level, we recall the main ones listed below, approved by the Board of Directors of the Parent Company and the Subsidiary:

- Guidelines of the Internal Control and Risk Management System;
- Policy of the Internal Auditing function;
- Policy of the Risk Management function;
- Policy of the Compliance function;
- Policy of the Actuarial function;
- Policy for the outsourcing of activities and choice of suppliers;
- Policy for the assessment of suitability requirements for office;
- Risk Management Policy;
- the Risk Appetite document;
- Policy of Reporting to the Supervisory Authorities;
- Internal Risk and Solvency Assessment Policy (ORSA);
- Capital management policy;
- Policy for the management of confidential information;
- Internal Dealing Policy;
- Whistleblowing Policy;
- Data Quality Management Policy;

[4] Reference is made, in particular, to the "power of direction" over the companies belonging to the group and the responsibility for the implementation of the provisions on the group corporate governance system set out in Title XV of Legislative Decree no. 209 of 7 September 2005, (Private Insurance Code) and IVASS Reg. no. 22/2016 on Group Supervision

- Risk Concentration Policy;
- Intra-group Operations Policy;
- Policy for the valuation of assets and liabilities other than technical provisions.

The individual companies also define specific documents, in line with as also defined by the Parent Company, Poste Vita S.p.A., taking account of their size and specific nature, for example:

- Guidelines of the Internal Control and Risk Management System;
- Policy of the Internal Auditing function;
- Policy of the Risk Management function;
- Policy of the Compliance function;
- Policy of the Actuarial function;
- Policy for the assessment of suitability requirements for office;
- Complaints Management Policy;
- Conflict of Interest Management Policy;
- the Organisational Model pursuant to Legislative Decree no. 231/2001;
- the document Guidelines on investments, approved by Framework Resolution pursuant to IVASS Reg. no. 24/2016;

as well as other corporate documents that make up the procedural body of the Companies and that are related to the system of controls that help to ensure the implementation of corporate directives and to verify compliance with them (e.g. procedures to control investment limits, procedures for the outsourcing of activities and selection of suppliers, procedures to regulate administrative and accounting flows and, in general, reporting procedures).
In particular, the documents drawn up at "individual company" level, consistent with those defined for the Parent Company, Poste Vita S.p.A., include the specific processes/procedures defined in accordance with the requirements of the Solvency II Directive, which include the following main ones:

- Product Development and Launch process;
- Reinsurance Management process;
- Risk Management process;
- Administration, Reserves Management and Financial Statements process.

The Parent Company has also ensured the adequate exchange of information with the Subsidiary in order to optimise the activities carried out, adopting a uniform methodological approach within the Insurance Group.

Self-assessment Process of the System of governance pursuant to the IVASS Letter to the Market of 5 July 2018

In view of the obligation for supervised companies to adopt a system of corporate governance that is "*proportionate to the nature, scope and complexity of the activities*" carried out and, therefore, to their risk profile, the Letter to the market of 5 July 2018 (hereinafter the "Letter") provides that the Ultimate Controlling Agent (UCA) must adopt, as a minimum, a system of governance of "ordinary" level and, in any case, not inferior to that of the Italian subsidiaries.

In this context, Poste Vita Group Companies have carried out a self-assessment of their complexity/risk in order to identify the governance model to be adopted based on an analysis of the size of the Companies, the complexity parameters and additional parameters identified in the Letter.

The results of these analyses showed that:

- Poste Vita assessed a "**reinforced**" governance model as adequate;
- Poste Assicura assessed a "**simplified**" governance model as adequate.

Consequently, the Ultimate Controlling Agent (UCA), Poste Vita, has adopted a "**reinforced**" governance model.

Therefore, in the course of 2019, and in line with regulatory deadlines, the Companies and Ultimate Controlling Agent (UCA), Poste Vita, will implement all the organisational solutions, if not present, provided by the Letter in line with the governance model chosen.

B.2 Fit and Proper Requirements

As early as 2015, the Parent Company, Poste Vita S.p.A., adopted a policy designed to ensure that those who manage the company or carry out other Fundamental Functions (hereinafter the "Policy") meet the requirements of suitability for office, updating it periodically in line with current industry regulations.

In 2019, as an insurance company acting as Ultimate Controlling Agent (UCA) of a group subject to IVASS supervision, Poste Vita, in line with the provisions of IVASS Regulation no. 38 of 3 July 2018, updated the Policy by drawing up a document that defines the aforementioned policy for itself and the Poste Vita Group. Moreover, for Poste Vita S.p.A. alone, on 22 June 2019, the Board of Directors adopted the Guidelines related to the application criteria and procedure for assessing the independence of Poste Vita S.p.A. Directors, referred to in the above Policy.

The Policy defines, among other things, the list of persons holding Fundamental Functions within the company, taking into account the risk profile and organisation adopted by Poste Vita, also in its role as Ultimate Controlling Agent (UCA).

In particular, the Recipients of the Policy are, inter alia

- Members of the Board of Directors, the Chair, CEO and General Manager;
- Members of the Board of Statutory Auditors;
- Holders of Fundamental Functions and, in case of outsourcing of the latter within or outside the Group, the Heads of Fundamental Functions at the supplier;
- Subjects exercising Fundamental Functions, including the highest level personnel and the staff of Fundamental Functions.

Specifically, the following are considered Fundamental Functions: the Internal Auditing function, the Compliance function, the Risk Management function and the Actuarial function (the latter for Poste Vita S.p.A. only).

The Policy also applies to other key personnel identified by article 2, paragraph 1, letter m) of IVASS Regulation no. 38/2018 and composed of Key Management Personnel and other categories of personnel whose activity may have a significant impact on the Company's risk profile as formalised within the Company's Guidelines of the Internal Control and Risk Management System.

As mentioned above, the Parent Company, Poste Vita S.p.A., in line with the provisions of IVASS Regulation no. 38 of 3 July 2018, has adopted a corporate policy designed to ensure that the persons who manage the company or carry out other Fundamental Functions meet the requirements of competence and integrity, as well as independence, taking account of the risk profile and organisation adopted by Poste Vita S.p.A., also as Ultimate Controlling Agent (UCA), for itself and the Poste Vita Group.

With this in mind, the Policy adopted establishes the principles to which it adheres in assessing the possession of the aforementioned suitability requirements and the procedures adopted for this purpose, in line with the provisions of the relevant regulations.

In particular, the Policy describes:

- the requirements of suitability for office in terms of professionalism and integrity identified for the Recipients of the Policy, as well as independence and compatibility with the office in accordance with Law Decree no. 201/2011 (Save Italy Decree), where applicable;
- the procedure for assessing the requirements of the individual Recipients and for any notification to the Supervisory Authority;
- the documents useful for the evaluation of the aforementioned requirements of suitability for office;
- the rules by virtue of which the Policy is revised with the aim of ensuring, on an ongoing basis, compliance with amendments in the regulatory framework and the Company's organisational structure.

Specifically, with reference to the Holders of the Fundamental Functions, as well as to the Subjects exercising Fundamental Functions, the Policy details, as also for the other Recipients, the professional skills they must have taking into account the specific categories of Recipients and the years of experience they have acquired in their respective areas of competence, without prejudice to the specific regulatory provisions envisaged on the basis of the role held and the degree of responsibility.

In terms of identifying the regulations regarding the requirements of integrity, it was decided to apply the requirements of articles 4 and 5 of Ministerial Decree no. 220/2011 to all the Recipients of the Policy and except for the provisions of specific regulations regarding certain categories of recipients. In addition to certain specific categories of Recipients identified in the Policy, Holders of the Fundamental Functions are applied, in addition to the aforementioned requirements, article 16 of the Bylaws, "Ethics Clause."

It is represented that the verification of the existence and permanence of the requirements of suitability for office covered by the Policy is carried out in the following cases:

- when appointing the recipients of the Policy;
- if it had reason to presume that one or more requirements of suitability on the part of the Recipients are no longer met (also by reporting of Recipients or other informed parties, whose anonymity it guarantees);
- with specific reference to the professional profile where, due to forfeiture, resignation or revocation of one or more members, it had reason to presume that the Board of Directors as a whole does not possess adequate technical skills as required by current industry regulations;
- periodically, on an annual basis.

In all the above cases, it is the responsibility of the Board of Directors, based on the opinion of the Internal Control and Risks and Related Party Transactions Committee (where established), to resolve on the existence of the requirements of suitability for Recipients and to take all the most appropriate decisions, convening, where necessary, the General Meeting of Shareholders for any determination in this regard, as well as to verify that the Administrative Body, as a whole, in accordance with the provisions of art. 5, paragraph 2, letter l), of IVASS Regulation no. 38/2008, is in possession of adequate technical skills, in particular with regard to the matters indicated by the Supervisory Authority and concerning insurance and financial markets, systems of governance, financial and actuarial analysis, the regulatory framework, business strategies and business models.

To this end, the Board also avails itself of the results of the self-assessment carried out annually pursuant to art. 5, paragraph 2, letter z, of IVASS Regulation no. 38/2018.

It is understood that Recipients who, as a result of the verification, have not demonstrated that they meet the requirements of suitability for office provided for in the Policy, may be subject, in accordance with the provisions of statutory requirements in force and the Bylaws, to suspension and/or disqualification from office. The same sanctions may be applied, taking into account the seriousness of the violation and the non-fulfilment, for the assumption of false declaration and/or incomplete or untruthful documentary production, without prejudice to all the appropriate notifications of law, also for the assumption of false declarations.

Without prejudice to the cases of forfeiture provided for by the reference regulations, with reference to the Holders of the Fundamental Functions and other specific categories of Recipients identified in the Policy, if one of the cases provided for in article 16 of the Bylaws occurs during the term of office, the Board of Directors shall verify the existence of one of the cases provided for therein at the first meeting in order to resolve on the continuation of the role of the person concerned. Resolutions approving the person's stay in office must provide adequate justification of the Company's overriding interest in the stay.

Any decision taken by the Board of Directors on the outcome of the aforementioned verifications shall be notified within the following thirty days to the interested party/parties and, if necessary, to the competent authorities, if the conditions are met or required by law.

B.3 Risk Management System, including the own risk and solvency assessment

The Solvency II Directive requires companies and insurance groups to have an effective system of governance that allows sound and prudent management of the business and that is proportionate to the nature, extent and complexity of current and prospective risks, setting out the main requirements. This system covers the entire business process with the aim of enabling the Group and the Group Companies to optimise their risk/return profile by generating profitability and maintaining an adequate level of economic/regulatory capital while guaranteeing the expectations of shareholders and policyholders.
During 2019, the Policies of the Poste Vita Group and the Group Companies were updated in accordance with the provisions of IVASS Regulation no. 38/2018.
Poste Vita has developed a Risk Management System in line with the Policy and consistent with that defined at Group level.
In particular, the Group not only promotes ethical values, increasing a "risk culture" extended to all employees, but also ensures the integration of risk management into the business through:

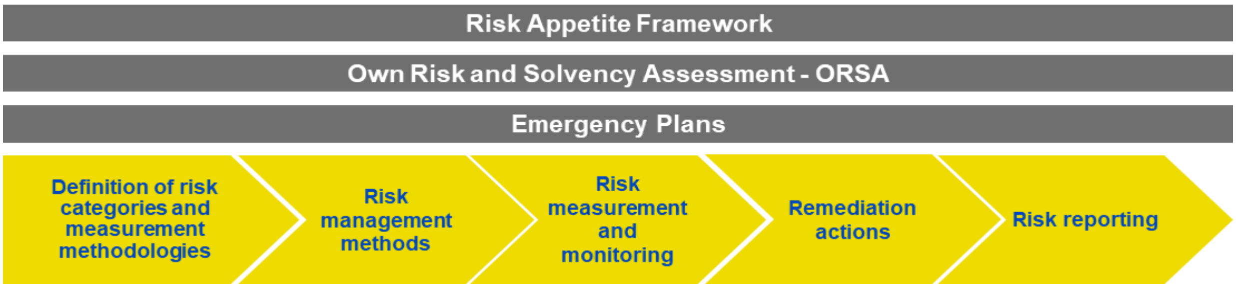
- the Risk Appetite Framework and the control mechanisms for consistency between the latter and the actual risk profile, through the definition of specific operational limits;
- the current and prospective risk profile and solvency assessment process, aligned and integrated with the main decision-making processes including, in particular, the strategic plan process;
- consistency between business initiatives in terms of the development of new products and the impact on the risk profile through the use of risk adjusted assessment metrics.

As part of the investment policy pursuant to IVASS Regulation no. 24/2016, the Poste Vita Group assumes risks in accordance with the following principles:

- consistent with the strategic objectives of the business, with the risk appetite and with the need to identify, measure, monitor and manage the risks associated with each activity, taking into account the "Prudent person principle" set out in article 132 of the Solvency II Directive. Moreover, with regard to concentration risks, the assumption is also made in accordance with investment policies;
- investment in complex assets and derivatives is carried out in accordance with the investment guidelines approved by the Board of Directors by means of a Framework Resolution pursuant to IVASS Regulation no. 24/2016 and specific processes defined by the Poste Vita Group;

The Poste Vita Group has a preference for counterparties with greater creditworthiness and optimises its investment choices taking into account the risk/return trade-off.
The Risk Management System (hereinafter SGR) aims to ensure risk-based decision-making processes in compliance with the relevant national and European regulations. This System consists of a set of strategies, processes and procedures necessary to identify, measure and evaluate, monitor, manage and report, on an ongoing basis, the risks to which the Group and individual Companies are exposed.

SGR processes



In particular, this System provides for strategic processes functional to the definition and evaluation of the reference framework within which the most operational ones are included.
In particular, strategic processes include:

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

Below are the process steps that represent the SGR System:

Definition of risk categories and measurement methodologies
This is the phase aimed at identifying, recognising and recording the risks to which the Group and the Group Companies are exposed in the short and medium/long term and defining the measurement methods according to the nature, extent and complexity of the risks inherent in the activity carried out. The process of defining risk categories includes not only existing or potentially existing risks on the business, but also risks arising from new businesses.

Risk management methods
It is expressed through all activities that lead to the acceptance, transfer to mitigation or elimination of risks with regard to those on existing businesses or those arising from new businesses.

Risk measurement and monitoring
Phase that aims to determine the economic and capital impact for quantifiable risks, assessing the relevance for non-quantifiable risks.
The purpose of this phase is to guide the related decisions to assume, accept, eliminate, transfer and mitigate risks.

Remediation actions
Consistent with as was done in the previous phase, if the operating limits are exceeded and/or if the risk profile is not consistent with the Risk Appetite Framework, the purpose of this phase

will be to identify the possible remediation actions that can be taken. In this regard, in the circumstances described above, the following activities will be undertaken:

- identification of remediation actions;
- evaluation of the effectiveness of the remediation actions identified;
- activation of the authorisation process;
- implementation of the actions and related monitoring.

Risk reporting

Lastly, the Poste Vita Group and the Group Companies adopt an integrated risk reporting system designed to provide evidence of the related risk profile and the main information needed to ensure that strategic objectives are achieved. In particular, the internal risk reporting of the Group and the Group Companies is aimed at communicating, at the various company's levels, information relevant to strategic decisions and to support operational risk management.

The main recipients of the activities aimed at preparing external reports are the Supervisory Authorities, the Rating Agencies and the market.

In each process of the Risk Management System, consistency is maintained between the type of risks assumed and the set of skills and resources available for their management.

As required by art. 36-septies of the Private Insurance Code, the Group, at the assessment date, applied the volatility adjustment by preparing the analyses required for its adoption.

In accordance with article 30-bis of the Private Insurance Code, the Group, with a view to the integrated management of assets and liabilities, has prepared analyses aimed at evaluating:

- the sensitivity of eligible technical provisions and own funds to the assumptions underlying the calculation of the volatility adjustment;
- the effects on eligible own funds of a forced sale of assets;
- the impact of zero adjustment for volatility.

In the event that the volatility adjustment is reduced to zero as a result of non-compliance with the Solvency Capital Requirement, the Group has initiated the preparation of a list of measures to be applied in order to restore the level of own funds eligible to cover the Solvency Capital Requirement or to reduce the risk profile and thereby comply with the Solvency Capital Requirement.

As required by the Supervisory Authority, the Group has also prepared, as part of risk management, a liquidity plan with projected cash inflows and outflows in relation to assets and liabilities subject to the application of the volatility adjustment. Asset Liability Management (ALM) valuations involve the simultaneous removal of the asset and liability portfolio with the aim of determining all inflows and outflows generated by the policy portfolio (liabilities side) and financial instruments (assets side) in a Real World scenario over a five-year time horizon.

The analysis is carried out under conditions of closed and open production and production equal to 50% of as envisaged by the Group. The objective of the analysis is to verify the availability of sufficient liquidity to meet its obligations, even in cases of stress, without recourse to the sale of illiquid assets.

The Poste Vita Group and the Group companies, in calculating the solvency requirement for spread and counterparty risks, according to the Solvency II Standard Formula II, use a single rating value that summarises the ratings attributed to the creditworthiness of a single issue or issuer by the main rating agencies, Moody's, Standard & Poor's and Fitch, according to the second best criterion.
The various investment limits, defined by the Board of Directors and Senior Management and expressed, for example, in terms of the maximum percentage of sub-investment grade securities and the maximum exposure per individual issuer, are also based on the rating described above.

The strategic processes of the risk management system

The **Risk Appetite Framework or RAF** plays a central role in the strategy adopted in terms of assumption and management of the Poste Vita Group's risks in order to achieve business objectives.
The framework for defining the Poste Vita Group's risk appetite is based on the following levels and must ensure consistency with the strategic objectives to be pursued and with capital adequacy constraints.
The Risk Appetite Framework has been developed in line with the objectives and strategies of the Group and the Group Companies defined in the Strategic Plan.
The Risk Appetite Framework is also set out within the operational limits that make it possible to define the risk management system in the extent that can be governed by the Operating Functions and are designed to ensure that risk exposure is consistent with the defined level of risk appetite.

The risk appetite is defined on the following levels:

- **Risk Appetite**
  is the target risk level and is set on the basis of changes in the Company's risk profile in the first year of the strategic plan;
- **Soft Limit and Risk Tolerance**
  solvency thresholds determined by analysing the results of sensitivity analyses and stress tests that configure respectively the alert and maximum risk levels accepted by the Group and the individual Companies;
- **The Risk Capacity** represents the ability of the Group and the individual Companies to assume risks in relation to the capital endowment at the date and the rules for determining the capital requirement.

In addition, for some specific assessment areas, target levels have been defined which, as part of the monitoring activities, are compared with the actual Risk Profile of the Group and the individual Companies at the assessment date.

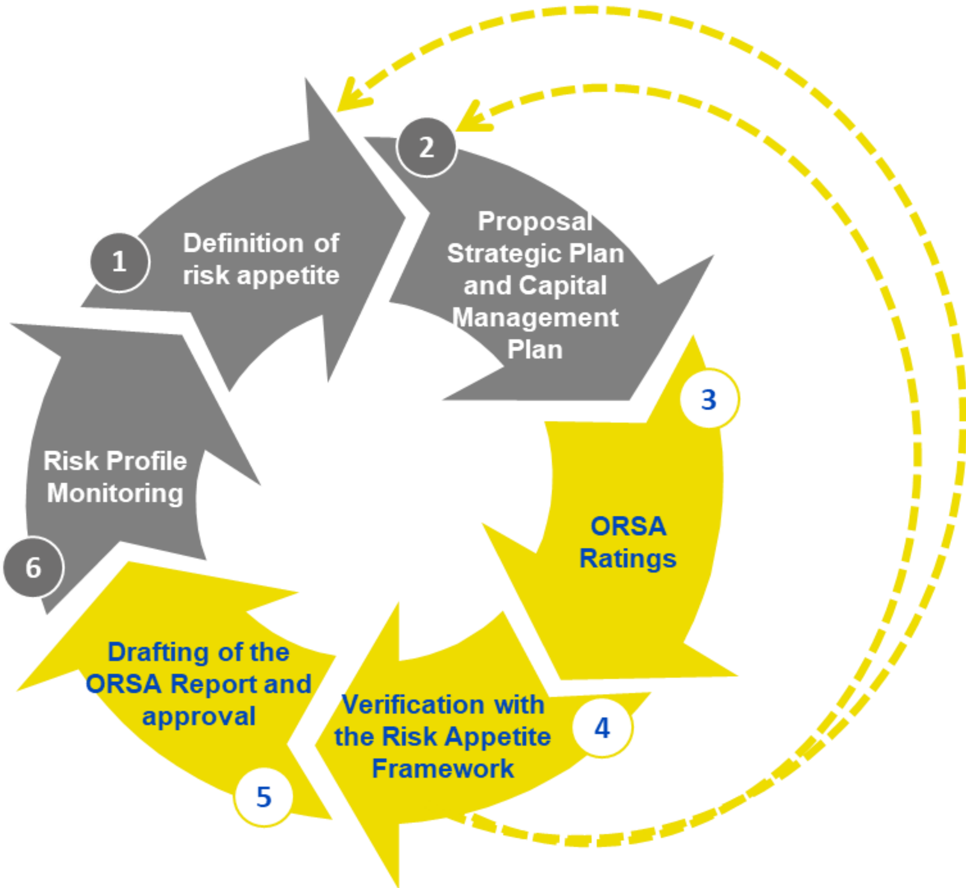
The RAF is approved by the Board of Directors at least once a year and is monitored at least every three months. The evidence is approved by the Board.

Emergency Plans are plans drawn up by the Group in non-critical situations aimed at defining the ways in which the Company may be able to manage crisis situations. In particular, Poste Vita S.p.A. has adopted:

- **Operational Contingency Plan**: aimed at activating interventions to ensure the continuity of the Group's business processes and those of the individual Companies if one or more situations identified a priori degenerate into crisis or disaster events;
- **Business Emergency Plan**: which allows the management of the impacts arising from negative events linked to scenarios to which the Group and individual Companies consider themselves vulnerable, such as to compromise their ability to continue to provide services to customers and, at the same time, the financial and equity solidity of the Company.

Furthermore, Poste Vita, as Ultimate Controlling Agent (UCA) and in accordance with the provisions of article 83 of IVASS Regulation no. 38/2018, provides the Group with a Reinforced Emergency Plan that governs the management of crisis situations and strategies aimed at restoring conditions of normal operation, identifying the operating procedures, roles and responsibilities of the main corporate bodies and functions involved in the crisis management process and the actions to restore conditions of normal operation.

Current and prospective Own Risks and Solvency Assessment (ORSA) is a process aimed at assessing the risk and solvency profile of the Group and the individual Companies, current and prospective, in line with the time horizon of the Strategic Plan. The ORSA process and the Capital Management process together constitute the "risk-based decision-making process" used to define the Group's strategic decisions. The ORSA process is a "cyclical" process that involves the processes of defining risk appetite, drafting the Strategic Plan and the related Strategic Asset Allocation and Capital Management process, as well as Own Risks and Solvency Assessment (ORSA).



Graphic representation of the decision-making process in a risk-based perspective

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

1. Definition of risk appetite (RAF)

The Risk Appetite Framework or RAF is the instrument by means of which the Group and the Group Companies define their risk appetite consistently with the strategic objectives they intend to pursue, capital adequacy constraints and economic performance.

The Risk Office, in accordance with the business objectives set out in the Strategic Plan and the Risk Management Policy, together with the support of the relevant corporate functions, defines the risk appetite; Soft Limit and Risk Tolerance and Risk Capacity (as described in the paragraph "Risk Appetite Framework").

2. Proposal of Strategic Plan and Capital Management Plan

The second phase of the process involves the definition of the proposed Strategic Plan and the Capital Management Plan by the corporate functions responsible for the Management Planning and Control and Capital Management processes, in accordance with the Risk Appetite Framework and related limits.

With regard to the Strategic Plan, the planning process includes the definition of strategic objectives, the implementation of these objectives into strategic initiatives and the preparation of economic and financial projections associated with business objectives.

The Capital Management Plan, on the other hand, deals with the classification and issue of own funds and the distribution of dividends.

On the basis of the Group's Capital Management Plan, the Capital Management function regulates the issue of own funds, ensuring that the requirements of the capital regime are met at the time of issue.
For this purpose, the following assessments are conducted:
- quantification of the capital requirement with respect to as identified at the time the Capital Management Plan was finalised and simultaneous reporting of the identified requirement to Senior Management;
- verification of the type of instrument identified with respect to market conditions;
- selection, in conjunction with the competent functions, of the most appropriate instrument to cover the requirement;
- definition of the timing of implementation in relation to the chosen instrument.

Following the analyses referred to in the previous points, the function in charge of Capital Management draws up a technical report determining that the instrument identified, in addition to containing clear and unequivocal terms/conditions, meets the requirements of the applicable capital regime and can be classified according to the characteristics and levels referred to in art. 69 et seq. of the Delegated Regulation (EU) no. 35/2015.
With reference to the authorisation process, Senior Management examines the technical report described above and proposes to the Board of Directors the details and methods of execution of the transaction identified.
Therefore, then the request is made for authorisation to the Supervisory Authority within the time limits set out in the Regulations.
In order to carry out the issue, Senior Management makes use of the Capital Management function, which operates, for this purpose, also in coordination with the relevant functions of the Parent Company, Poste Italiane.
In addition to the above, in the case of ancillary own funds, it is also required to:
- identify elements for the purposes of Ancillary Own Funds Tier 2 or Tier 3 classification;
- define the timing and methods for submitting the request to the Supervisory Authority for the approval of ancillary own funds;
- calculate ancillary own funds in Tier 2 or Tier 3 depending on the characteristics of the transaction, subject to approval by the Supervisory Authority;
- verify that the contract includes, among others, the absence of constraints on the capacity of the recall on request, the irrevocability and the absence of elements hindering the execution of the recall;
- implement procedures to ensure timely recall in case of need;
- prepare the request for authorisation to IVASS on the basis of the regulatory indications provided by IVASS Regulation no. 13/2015 and follow up the authorisation procedure.

3. ORSA

The ORSA, which is the ultimate responsibility of the Board of Directors, is coordinated by the Risk Office with the support of the Actuarial and Operating Functions and is elaborated through a process commensurate with the organisational structure and consistent with the risk management system of the Group and the Group Companies. The assessment process, detailed below, must be appropriate for the purposes described above, however without prejudice to the principle of proportionality.

3.a Frequency and timing of execution

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

The regular ORSA and the drafting of the related documentation are started after the end of the financial year and concluded within the deadlines defined by the Supervisory Authority.

The Board of Directors of the Group, without prejudice to the regulatory authorisation steps required, may avail itself of the right to request the use of a different reference date for the analyses so that the results of such analyses are more consistent with strategic planning.

The frequency of the assessments can be increased (non-regular ORSA) when circumstances arise that could significantly change the risk profile of the Group and the Group Companies or also in consideration of the centrality of the ORSA process in taking strategic decisions. This last possibility could occur in relation to the timing of the definition of the Strategic Plan in the event of a time mismatch between the timing of the assessments required by the Supervisory Authority and those required by the Group's internal planning cycle. Significant changes to the risk profile could result from endogenous factors (e.g. acquisitions, mergers and disposals, changes in investment policies, pricing, reserving, introduction of new businesses) or exogenous factors (e.g. financial crisis, real estate crisis, catastrophic events exceeding reinsurance protection, bankruptcy of public institutions, major regulatory amendments).

3.b Identification of risks to be considered in the ORSA

In the ORSA, the Risk Office takes into account all the risks represented in taxonomy defined in the Risk Management Policy. Taxonomy is made up of current risks and possible emerging risks, measurable and non-measurable risks. Particular attention is also paid to risks arising from the introduction of new businesses or the offer of new products. In addition, the Group and the Group Companies take into account any risks arising from outsourced essential or important activities, as well as any indirect risks that each risk may generate.

Below are the risk categories identified in taxonomy:

- life underwriting risks;
- non-life underwriting risks;
- life health underwriting risks;
- non-life health underwriting risks;
- market risks;
- counterparty default risks;
- strategic risk;
- reputational risk;
- risk of non-compliance with regulations;
- money-laundering risk;
- risk of lack of diversification or concentration;
- risks associated with belonging to a group;
- risk relating to intangible assets;

- liquidity risk;
- environmental and social risk;
- operational risks.

These include those risks that are not fully included in the calculation of the Solvency Capital Requirement:
- strategic risk;
- reputational risk;
- risk of non-compliance with regulations;
- risk of lack of diversification or concentration;
- risks associated with belonging to a group;
- risk relating to intangible assets;
- liquidity risk;
- environmental and social risk.

3.c Risk assessment methodologies
The purpose of the risk measurement/assessment process is to determine the economic impact of the risks or, for non-measurable risks, to assess their relevance, as well as to direct the related decisions to take, accept, eliminate, transfer, mitigate them.
The prospective assessment of risks is carried out using the Standard Formula.
Poste Vita Group Companies assess, at least once a year and in any case whenever circumstances arise that may significantly change the risk profile, the risks to which they are exposed, current and prospective, basing their assessments on the ORSA (Own Risk and Solvency Assessment) principles.
The analysis of the adequacy of the Standard Formula is carried out by taking into account the assumptions set out in the relevant regulations and assessing consistency thereof with the Company's specific situation.
Quantitative assessments may be supplemented by qualitative assessments that describe the organisational and process control tools used to manage and mitigate particular types of risk. Where necessary, risks are also analysed in particular unfavourable scenarios defined in compliance with the criteria set out in the Stress and Scenario Testing Framework approved by the Board of Directors. The established methodologies are applied throughout the period considered in the strategic planning and are sent, together with the results of the assessments, to the Board of Directors which, after an appropriate comparison, expresses its consent.

3.d Conducting the ORSA

The ORSA analyses are conducted in accordance with the following principles:
- the methods identified, assumptions and parameters adopted are shared, adequately documented and reviewed at least annually;
- any simplifications adopted must be properly justified and documented;
- the results of the models used for decision-making purposes must be evaluated taking into account the assumptions, parameters and simplifications used;

- the results of the models must include adequate controls and be subject to verification by experienced company personnel supported, if necessary, by external personnel;
- the results of the qualitative and quantitative analyses are adequately documented and shared with the Board of Directors.

3.e Data collection

The input data used for current and prospective risk and solvency assessments meet the requirements of the Group's Data Quality Management Guidelines in order to ensure complete and up-to-date information.

3.f Identification of significant risks

The identification of significant risks requires the collection of the information necessary to identify, recognise and record the risks to which the Group and the Group Companies are exposed in the short and medium to long term and whose consequences may compromise the ability to achieve its strategic objectives and/or undermine solvency. In particular, this process involves a qualitative-quantitative assessment of gross risk exposure and an assessment of risk mitigation measures. The joint assessment of both aspects under analysis allows the identification of significant risks. The evidence is formalised in a Risk-Map.
The Risk Office conducts stress tests on significant risks.

3.g Stress Test analyses

The Risk Office carries out, for the most significant risks, a sufficiently extensive series of stress tests or scenario analyses in order to assess and quantify the losses on the Own Funds and the ability to meet the required solvency requirements, following the occurrence of the assumed adverse situations.
The stress assumptions or scenarios are applied using valuation methodologies consistent with the Stress and Scenario Testing Framework Guidelines and are approved by the Board of Directors.

3.h Current and prospective assessment of Solvency II Balance Sheet and Own Funds

Based on the indications of the Strategic Plan, the Risk Office projects the Solvency II Balance Sheet and determines Own Funds with the relative classification in "Tier". In particular, the Actuarial Function provides support in verifying compliance with the requirements inherent in the calculation of technical provisions and in identifying potential risks arising from the uncertainties inherent in such calculation.
On the basis of the results of the assessments, even under stressful conditions, the Risk Office assesses the capital adequacy of the individual Company on the basis of the Solvency Ratio, as well as the ability to meet the required capital requirements for the entire planning period, thus ascertaining the sustainability of the underlying Strategic and Capital Management Plan. If the results of the verification are negative, the risk-based decision-making process is repeated in an iterative manner.

4. Verification with the Risk Appetite Framework

In this context, the Risk Office verifies the consistency of the results of the ORSA with the risk appetite and the limits imposed in the RAF. If the results of the verification are negative, the risk-based decision-making process is repeated in an iterative manner. Specifically, a review is assessed of its Risk Appetite and/or the assumptions underlying the Strategic and Capital Management Plan.

5. Drafting of the ORSA Report and approval

The Risk Office reports the results of the current and prospective assessment and the related solvency requirements in internal documentation for use by the Board of Directors and in the periodic report to the Supervisory Authority (Regular Supervisory Report - RSR), in accordance with the provisions of the reference regulations and the standards dictated by the Company's reporting policy.

The results of the assessments approved by the Board of Directors are then communicated to Senior Management and the structures concerned, together with the conclusions reached.

The evidence that allows the reconstruction of the ORSA process is maintained ensuring the traceability of the opinions and information on which the process is based, in line with as established by the reference regulations.

Further documentation could be envisaged by the operating functions involved in the process.

6 Risk Profile Monitoring

The Monitoring of the capital adequacy of Companies, following the approval of the Strategic Plan, the Capital Management Plan and the ORSA by the Board of Directors, is aimed at ensuring the continuous connection between the risk profile, the approved risk tolerance levels and the overall solvency requirements.

In particular, the following are monitored:

- deviation from the targets set by the Risk Appetite Framework and related risk tolerance limits;
- the composition of capital for the purposes of classification into Tiers and hedging, in line with the provisions of Risk Appetite;
- potential significant changes in the risk profile compared to expectations with possible effects on the calculation of the future Solvency Capital Requirement (SCR) and the calculation of the Minimum Capital Requirement (MCR);
- the uncertainties and potential risks of the requirements for the calculation of technical provisions.

The monitoring activities in question are carried out by the Operating Functions and the Fundamental Functions according to the roles and responsibilities defined in the "Risk Management Policy".

B.4 Internal Control System

Poste Vita, in its capacity as Ultimate Controlling Agent (UCA) of the Poste Vita Group, in exercising its management and coordination activities as the Parent Company of the Poste Vita Insurance Group, has identified a structured governance model at Group level, which is implemented by subsidiaries, including Poste Assicura, based on the role assumed by the parties involved in internal control and risk management.
This organisational model aims to ensure, at Group level, the effectiveness and efficiency of business processes, the control of current and future risks, ongoing reporting between "control levels", reliable and complete information and protection of assets over the medium and long term.
The precise implementation of the aforementioned model (and therefore of the aforementioned "control levels") with reference, in particular, to:

- the duties and responsibilities of the Corporate Bodies, the Board Committees/Appointed Director and the Risk Management, Compliance, Actuarial and Internal Auditing functions and the related information flows, as well as
- the links between the functions and bodies to which control tasks are assigned, in accordance with reference regulations,

is the subject of the document "*Guidelines of the Internal Control and Risk Management System*" issued by the respective Boards of Directors of Poste Vita, the Group and Poste Assicura.

As known, Solvency II legislation requires insurance companies and groups subject to IVASS supervision to have a corporate governance system consistent with the applicable rules and regulations and in this context, the Insurance Companies and the Ultimate Controlling Agent (UCA) establish, in a manner proportionate to the nature, extent and complexity of the risks inherent in the business of the company and/or group, their respective Fundamental Functions, including the Compliance Function.

On the basis of this regulatory framework:

- the Board of Directors of Poste Vita S.p.A. (hereinafter "Poste Vita" or "Ultimate Controlling Agent" - UCA), an insurance company which also assumes the role of Ultimate Controlling Agent (UCA) of a group subject to supervision by IVASS (hereinafter the "Group"), has set up the Company's Compliance Function and the Group's Compliance Function, providing that the latter is exercised by the organisational structure that carries out the activities envisaged for the same Function within Poste Vita, and that has the same Holder;
- the Board of Directors of Poste Assicura S.p.A. (hereinafter "Poste Assicura") established the Company's Compliance Function as a specific organisational unit, and appointed the relevant Holder.

In both cases, the Compliance Function is set up as an independent function aimed essentially at assessing that the organisation and internal procedures are adequate to prevent the risks of non-compliance and that participates, as part of its activities and with specific reference to the risk for which it is responsible, in the overall risk management system of the Companies and the Group as a second-level control function, collaborating with the Board of Statutory Auditors, the Independent Auditors, the Supervisory Board (provided for by Legislative Decree no. 231/01) and other Fundamental Functions.

The Function Holders appointed by the respective Administrative Bodies (of Poste Vita and the Group on the one hand, and Poste Assicura on the other) meet the requirements of suitability for office in terms of integrity and professionalism established by the relevant company's policies.

In addition, each Function operates in compliance with the organisational principles laid down by regulations, as well as in compliance with company's and Group's policies, procedures and principles. In this context, of particular importance is the Policy of the Compliance Function, approved by the Board of Directors of the two Companies at least once a year as part of the review of the directives on the corporate governance system, and aimed at describing and disciplining:

- the activities of the Compliance Function within the internal control and risk management system of Poste Vita and the Group and Poste Assicura in relation to the management of the risk of non-compliance;
- definition of the responsibilities, tasks, operating procedures of the Compliance Function as well as the characteristics of reporting to the Corporate Bodies and other functions concerned, in line, among other things, with the provisions of the Company's guidelines of internal control and risk management system.

It should also be noted that, in accordance with the current regulatory framework, the Board of Directors of Poste Assicura S.p.A. has considered outsourcing the Compliance Function to the Parent Company, Poste Vita S.p.A.

Providing the foregoing, the activities carried out by the Compliance Function are essentially attributable to the following macro-areas:

Analysis of the new regulations and assessment of the adjustments to company's processes: the Compliance Function, as part of its activity of studying and interpreting the regulations applicable to the company, collaborates with the other corporate functions in relation to the identification of the impacts of an organisational nature and on company's processes. In this regard, the Compliance Function monitors the international, EU and national rules (including secondary regulations) governing the insurance business, and their evolution over time. The individual measures are then analysed in light of the concrete operations of the Companies and/or the Group in order to identify the processes, procedures and functions impacted from time to time and the terms for any specific requirements. In this context, it is also envisaged to advise the Administrative Body of the Companies on compliance with the laws, regulations and administrative provisions adopted.

Verification of compliance with the rules on transparency and correctness of conduct towards policyholders: the purpose of this activity is to assess the adequacy of the organisational measures adopted by the Companies in this area and to verify the documentation of insurance products and initiatives aimed at customers before they are placed on the market. The main areas of intervention are pre-contractual and contractual transparency, communications under contract, sales network training activities and advertising initiatives.

Verifications on organisational measures: the main objective of this activity is to investigate the status of the organisational measures adopted by the Companies and the Group (in particular policies and procedures) to monitor the risks of non-compliance. Any criticalities found and improvements deemed useful are then shared with the responsible corporate functions, with which an action plan is also agreed upon, the implementation of which is monitored over time.

Second-level controls: in this area, the Function carries out ex-post verification activities aimed at assessing the status of the company's controls in relation to specific risks of non-compliance, as well as verification that the business functions involved in a certain area take due account of compliance issues, knowing and implementing the operating and control protocols designed to limit these risks.

Ongoing controls: the Compliance Function also carries out continuous monitoring activities on particular issues or areas in which another control body is present (e.g. privacy) or where expressly provided for by internal or external regulations (e.g. remuneration).

With reference to the above, the Compliance Function operates on the basis of Activity Plans in which it identifies the actions it intends to carry out with regard to non-compliance with the regulations for each year (taking into account both any deficiencies found in previous controls and any new risks deriving also from the development of products or innovative projects), consistently with the principles established by the regulations on the corporate governance system of insurance companies and with the provisions of the Compliance Policy. The Activity Plan - submitted to the Board of Directors of each Company - also defines the frequency of controls and takes due account of the terms dictated by both national and European regulations.

B.5 Internal Auditing Function

Since it is also the Ultimate Controlling Agent (UCA) of the Poste Vita Group (hereinafter the "Group") subject to supervision by IVASS, Poste Vita is obliged (ref. art. 215-bis of the Private Insurance Code and art. 70 of IVASS Reg. no. 38/2018) to provide the Group with a corporate governance system, appropriate to the structure, business model and the nature, extent and complexity of the risks of the Group and of the individual investees and subsidiaries, which allows the sound and prudent management of the Group and which takes into account the interests of the companies that are part of it and the way in which these interests contribute to the common objective of the Group in the long term, also in terms of safeguarding its assets. In this context, Poste Vita's Administrative Body, which is also the Administrative Body of the

Ultimate Controlling Agent (UCA), is the guarantor and ultimate entity responsible for the Group's Corporate Governance System and defines its guidelines.
Providing the foregoing, Poste Vita, as an insurance company that also assumes the role of Ultimate Controlling Agent (UCA), in the course of 2019, set up the Group Internal Auditing function (ref. art. 91 of IVASS Regulation no. 38/2018), and assigned role and responsibilities to the pre-existing organisational structure that carries out the same activities within Poste Vita. The holder of the Group and Poste Vita's Internal Auditing function is the same.
The Group Internal Auditing Function carries out third-level control activities, within the Group's Corporate Governance System, on the Internal Control System and the other components of the corporate governance system, whose directives are defined by the Administrative Body of the Ultimate Controlling Agent (UCA).
It should also be noted that Poste Vita's Internal Auditing function, due to the outsourcing of Poste Assicura S.p.A. Fundamental Functions to the Parent Company, Poste Vita S.p.A., also carries out audits for Poste Assicura S.p.A. In this regard, during 2019, in accordance with the relevant regulations, the Contact Person for the audit activities outsourced by Poste Assicura S.p.A. to Poste Vita S.p.A. was identified, reporting directly to the Holder of the Internal Auditing function.
The Function assists the Companies and the Group in pursuing its objectives, through independent and objective assurance aimed at assessing and monitoring the effectiveness, efficiency and adequacy of the internal control system and of the other components of the corporate governance system and any need for adaptation, also through support and consulting activities for the corporate functions of the Companies and the Group. It carries out its activities in such a way as to preserve its independence and impartiality, in order to verify for the Companies and for the Group - including through analysis of the results of the checks carried out within the individual Group companies - the correctness of processes and the effectiveness and efficiency of organisational procedures, the regularity and functionality of information flows, the adequacy and reliability of information systems, the compliance of administrative-accounting processes with criteria of correctness and regular accounting, the effectiveness of controls on outsourced activities.
The activities of the function, for the individual Companies, are carried out on the basis of planning carried out annually and over several years, and they vary according to the assurance objectives of the internal control system and the other components of corporate governance. The Audit Plans of the Companies are prepared on the basis of a risk-based methodological approach, also taking into account previously identified weaknesses and any new risks identified, expected developments in activities and innovations, as well as the non-binding methodologies defined by Poste Italiane. With reference to the Poste Vita Group, the Group Audit Plan is defined, which takes account of the specific relevance of the individual entities that make up the Group in terms of their impact on the Group's risk profile and considers risk analysis and verification activities on subsidiaries, also reconciling the audit objectives at Group level with those of the individual subsidiaries. Planning also includes an analysis of the information flows received from the Fundamental Functions of the Poste Vita Group and the other functions and parties responsible for controlling the Group, as well as from the other investees. In line

with the guidelines for Poste Italiane Internal Audit activities, it also takes account of any requests for additions made by Poste Italiane Internal Auditing function for the purposes of defining the Poste Italiane Group Audit Plan.
The Function carries out its activities with a systematic and risk-based professional approach, taking into account the nature, extent and complexity of current and prospective risks and the specific relevance of the Group companies in terms of their impact on the Group's risk profile, and whether or not the control relation exists. The function also carries out verification activities, with an integrated methodological approach, for the Supervisory Board pursuant to Legislative Decree no. 231/01 of Poste Vita and Poste Assicura S.p.A.
The function promotes initiatives designed to achieve ongoing improvements to control, risk management and corporate governance systems, including through the provision of support, and contributes to the dissemination of ethical values and principles throughout the Group, without assuming management responsibilities.
It establishes personnel connections with all the other Fundamental Functions of the Companies and the Group, as well as with the other functions and subjects in charge of company's control.

The Function is independent and autonomous, has no decision-making authority and/or responsibility for the activities audited and/or the personnel involved and does not perform operational tasks.
The Function reports to the Administrative Body, which defines its powers and tasks.
The Holder is not the head of Operating Functions and is not hierarchically subordinate to persons responsible for them; the Holder is appointed and removed from office by the Board of Directors of Poste Vita (subject to the opinion of the Internal Control and Related Party Transactions Committee) and meets the requirements of suitability for office in terms of integrity, professionalism and independence set out in the Policy for the assessment of suitability requirements for office.
The Holder and the resources of the Function (hereinafter also referred to as "auditor"), basing evaluation choices and their professional and conduct style on principles of objectivity, carry out their activity autonomously and independently. Moreover, in addition to the provisions of the Policy for the management of conflicts of interest, the Holder and the auditors refrain from undertaking any activity that may generate a conflict of interest or may prejudice the ability to perform their duties impartially and undertake to report the potential conflict; in this regard, the resources of the function do not have operational responsibilities and those from internal operating functions do not audit activities or functions for which they have previously had authority or responsibility or have previously performed them, unless a reasonable period of time (at least one year) has elapsed. In the event of a potential conflict of interest on the part of the Holder, the same is required to promptly report it to the Chair or the Administrative Body, while in the event of a potential conflict of interest on the part of the auditors, the same are required to promptly report it to the Function Holder.
The Holder promotes the continuous improvement of the quality of the activities of the Function, which must be adequate, in terms of human, technological and financial resources, to the

nature, extent and complexity of the risks inherent in the activities of the Company and the Group.
The Holder and the auditors must possess adequate skills, knowledge and specialist expertise, ensuring constant professional updating.

B.6 Actuarial Function

The Board of Directors of Poste Vita S.p.A., also in its capacity as Ultimate Controlling Agent (UCA), has established - as for the other Fundamental Functions - the Actuarial Function of Poste Vita S.p.A. and that of the Group (hereinafter the "Actuarial Function" or the "Function"), providing that the Group Actuarial Function shall be exercised by the organisational structure that carries out the activities provided for the same function within Poste Vita S.p.A. and has the same Holder.
The Board of Directors of Poste Assicura S.p.A. has established the Actuarial Function of Poste Assicura S.p.A. and appointed the relevant Holder.
Due to the outsourcing of Poste Assicura S.p.A. Fundamental Functions to the Parent Company, Poste Vita S.p.A., the Actuarial Function of Poste Vita S.p.A. is also responsible for Poste Assicura S.p.A. and in this regard, in line with regulatory requirements, the person responsible for the activities carried out for Poste Assicura S.p.A. and related coordination at the Parent Company, Poste Vita, has been identified.
The Holder of the Actuarial Function, appointed and removed from office by the Board of Directors (of Poste Vita S.p.A. and the Group on the one hand, and Poste Assicura S.p.A. on the other), is not the head of operating functions and is not hierarchically subordinate to the persons in charge of the same and also meets the requirements of suitability for office in terms of integrity and professionalism, established by related company's policies.
The Actuarial Function constitutes a specific organisational unit that reports, in the organisational chart, to the Risk Office function, without prejudice to the independence and autonomy of the Function in reporting to the Corporate Bodies for the area of responsibility, in line with industry regulations.
The reference regulations attributes to the Actuarial Function tasks of a strictly insurance nature, therefore the scope of the Function's activities for the Group is limited to the insurance companies Poste Vita S.p.A., the Parent Company, and Poste Assicura S.p.A., its subsidiary.
In this context, the Actuarial Function, through the performance of specific tasks relating to technical provisions, underwriting policies and reinsurance agreements in compliance with regulatory requirements, contributes to the application of the Risk Management System of the Companies and the Group.
The Function, through the tasks assigned to it, carries out second-level control activities with autonomy and objectivity of opinion in compliance with primary and secondary industry regulations and internal Group regulations.
The Function has human and technological resources suitable to ensure that the verifications, analyses and other requirements necessary to carry out the activities are conducted on an

ongoing basis. The persons in charge of the Actuarial Function and the Function Holder in particular, have the knowledge and experience to meet the required regulatory requirements.
In order to allow the performance of the activities for which they are responsible, the personnel of the Actuarial Function have free access to company data and relevant information.
The Function carries out its activities for the Companies separately considered and for the Group as a whole where appropriate, in accordance with the reference regulations and in accordance with the operating procedures described in the Policy of the Group and Company Actuarial Function.
The activities carried out by the Function relate in particular to the following macro-areas of responsibility:

- technical provisions - the main tasks in this area concern:
    - the sufficiency of Local GAAP technical provisions for the Poste Vita Annual Financial Statements;
    - coordination, data quality, backtesting and evaluation activities regarding the adequacy of the assumptions and models underlying the calculation of Solvency II technical provisions;
    - verification of consistency between the amounts of technical provisions calculated on the basis of local standards and Solvency II criteria
- Underwriting - Opinion on the global underwriting policy;
- Reinsurance - Opinion on the adequacy of reinsurance agreements;
- Risk management system - contribution to the modelling of risks underlying the calculation of capital requirements and the ORSA.

At least once a year, the Actuarial Function draws up a written report for the Board of Directors, of the Group and the Company, summarising - in accordance with the activity plan approved by each Administrative Body - the tasks carried out and the related results, the areas for improvement and any recommendations, as well as the status and timing of implementation of the existing improvement measures. The foregoing is without prejudice to the obligation to report urgently situations of particular severity in the manner provided for.
Moreover, the Actuarial Function - as a fundamental function - contributes to the annual review process of the Group and Company Corporate Governance System for the aspects for which it is responsible.

B.7 Outsourcing

The "Guidelines for the outsourcing of activities and choice of suppliers" of the Poste Vita Insurance Group defines a series of criteria designed to guide Companies towards selecting the most suitable supplier to outsource activities. These criteria are listed below:

a) the selection of the supplier must be, where made possible by the availability on the market, through the comparison between three or more suppliers; moreover, in the case of outsourcing of the Fundamental Functions, these must necessarily have their registered office in the European Economic Area[1][1] (EEA);

b) the selection of the supplier must take into account the following indicators, to be evaluated using only objective and transparent criteria that can be documented:

- corporate structure and organisational structure;
- professionalism and specific skills to provide the required service;
- economic and financial capacity and consistency;
- adoption by the supplier of a code of ethics and an organisational model pursuant to Legislative Decree no. 231/01;
- other indicators useful to certify the supplier's integrity (possibly identified by the Companies and specific to the supplier's operations);
- independence of the supplier;
- presence of adequate plans to deal with emergency situations or operational disruptions.

c) the selection of the supplier must include the acquisition of specific documentation from the supplier, to be collected during the selection phase:

- certificate of the Chamber of Commerce certifying the company's registration with the Register of Companies and the REA (Economic Administrative Index) with the wording anti-Mafia and Apostille stating that the company is not subject to bankruptcy proceedings, or equivalent documentation in the case of a foreign supplier;
- latest approved financial statements;
- information on the organisational structure of the company;
- any authorisation measures for the activity issued by the competent supervisory authorities;
- information on the means adopted by the Supplier to ensure that no explicit or potential conflict of interest jeopardises the fulfilment of the Company's requirements and, where present, the conflict of interest management policy;
- other documentation useful for the evaluation and choice of supplier.

The Companies, in order to evaluate the opportunity to outsource functions or activities, take into account the following factors:

- strategic importance of the activities to be outsourced;
- company know-how on the activity potentially subject to outsourcing;
- cost/benefit ratio of outsourcing;
- risk arising from possible outsourcing.

Furthermore, in order to assess whether an activity subject to outsourcing is of the "essential or important" type, also in order to activate the appropriate authorisation process for the

[1] In the event that the potential supplier falls within the scope of the "intra-group" entities or is a "Related Party", the aforementioned comparison may not be made provided that the internal documentation acknowledges, at least, the reasons for which the awarding of the contract to the potential supplier is to be considered advantageous for the Company (e.g. potential operational and business synergies, rapidity of the operational management set up process, particular economic conditions, etc.) and that the quality of the service can be considered satisfactory.

outsourcing, the Companies assess as "essential" or "important" the functions or activities the non-execution or anomalous execution of which is such as to seriously compromise: (a) the ability of the company to continue to comply with the conditions required for the continued authorisation for insurance business or (b) the financial results, the stability of the company or the continuity and quality of services to policyholders.

Providing the foregoing, all activities or functions that can be attributed to the following are, by definition, considered "essential or important":

- activities for the design of insurance products with the related definition of tariffs;
- investment management activities;
- claim management activities;
- complaint management activities;
- corporate data storage activities;
- regular and constant provision of accounting support;
- provision of Information and Telecommunication Technology (ICT) services.

In addition, the following factors are also taken into account for the purposes of the above evaluation:

- compliance with the commitments undertaken in relation to policyholders: evaluation of whether the non-execution or anomalous execution of the function or activity is potentially capable of creating serious prejudice to the ability of the Companies to comply with the commitments contractually undertaken with the policyholders;
- reputational risk: evaluation of whether the non-execution or anomalous execution of the function or activity is potentially capable of deteriorating the company's image and increasing conflict with customers, thereby generating loss of revenue (e.g. due to loss of customers), equity losses (e.g. due to increased litigation) and increased costs (e.g. related to advertising campaigns to support the company's image).

Finally, in order to continuously monitor the quality of the service offered by the supplier of outsourced activities, the Companies adopt suitable organisational and contractual control tools to constantly monitor the outsourced activities and intervene promptly in case of non-compliance with the commitments undertaken by suppliers.

B.8 Other information

The Companies belonging to the Poste Vita Insurance Group carry out an annual review of the corporate governance system both as an individual company and as the Ultimate Controlling Agent (UCA).

The process, carried out on the basis of a Group methodological document (guidelines), includes a preliminary phase for the completion of standard analytical questionnaires by the corporate bodies and functions relevant to the various areas under investigation, as well as document analysis.

All areas of the Poste Vita S.p.A. corporate governance system - as an individual company and as Ultimate Controlling Agent (UCA) with respect to the subsidiary, Poste Assicura S.p.A., - are subject to review.
The evaluation also takes into account the follow-up of the remediation actions approved in the previous year as well as the outcome of the self-assessment carried out by the Administrative Body of the Companies pursuant to art. 5, paragraph 2, letter z) of IVASS Regulation no. 38/2018.
The overall evaluation carried out on the basis of the analytical results of the aforementioned questionnaires is brought to the attention of the Boards of Directors of the Companies, accompanied, if areas for improvement are identified, by a specific remediation plan.
With reference to the financial year 2019, the Companies of the Insurance Group believe that the general adequacy of the corporate governance system is high and that the organisational structure of the company is suitable to guarantee completeness, functionality and effectiveness, taking into account the good functioning that emerged from the analyses: (i) of the corporate bodies (Board of Directors, Board of Statutory Auditors) and Senior Management; (ii) of the organisational structure, in terms of structure, human resources, information flows, outsourcing and management control processes; (iii) of the processes relating to remuneration and incentive systems; (iv) of the process of planning and implementing strategies; (v) of the governance and control structure of the Fundamental Functions; (vi) of the corporate information system; (vii) of the follow-up of remediation actions approved in the previous review year.
As mentioned above, the areas analysed have shown a satisfactory evaluation; limited areas of refinement have emerged for which remediation actions have been planned regarding i) on the part of the Ultimate Controlling Agent (UCA), the strengthening of the formalisation of the information flows of Group companies to Ultimate Controlling Agent (UCA) bodies ii) on the part of Poste Assicura S.p.A., the refinement of analysis tools to support the strategic planning process.

At 31.12.2019, there was no further relevant information on the system of governance.

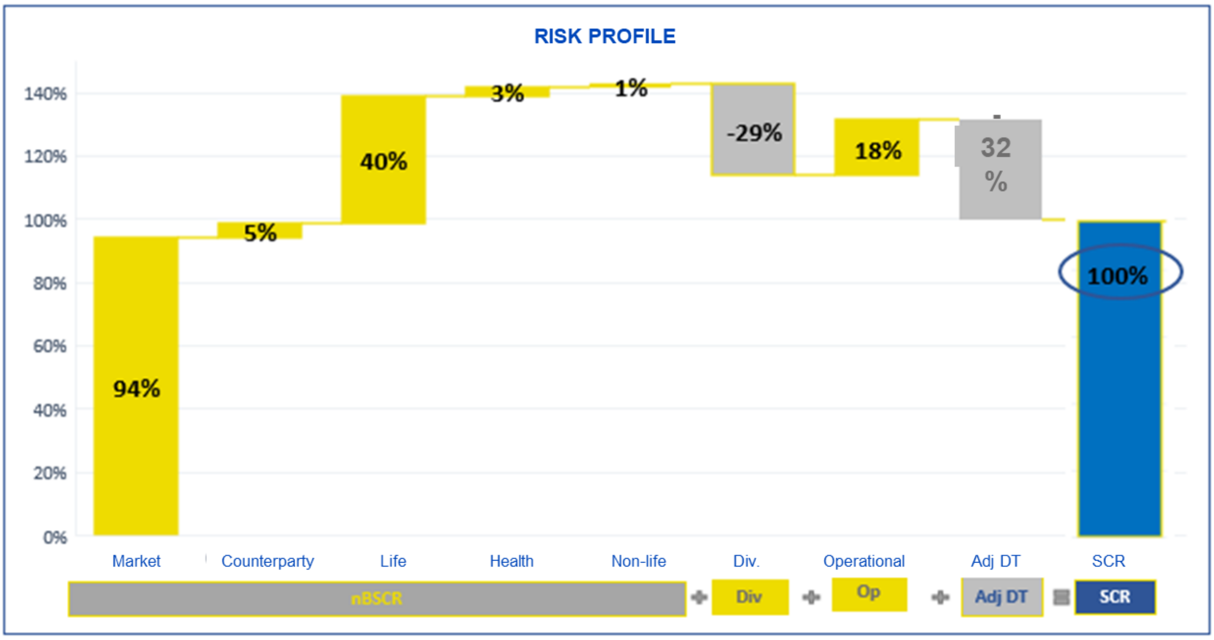
C - RISK PROFILE

Current risk profile

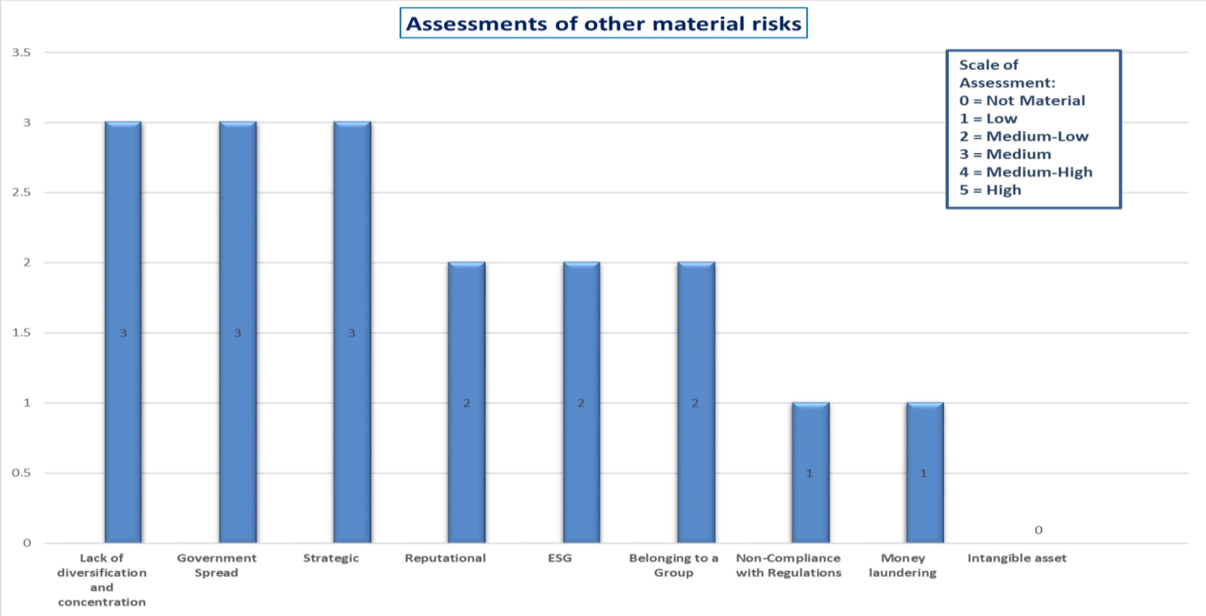
As part of its Risk Management System, the Poste Vita Group has identified the following risk categories:

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

Within the category "other material risks", the Poste Vita Group has identified: strategic risk, reputational risk, risk of non-compliance with regulations, money-laundering risk, risk of lack of diversification or concentration, government spread risk, risk associated with belonging to a Group, ESG risk and risk relating to intangible assets.
The Group and the Group Companies measure underwriting, market, credit and operational risks with the Formula Standard metrics, considered suitable in light of the adequacy analysis conducted.
Below is the Poste Vita Group's risk profile at 31 December 2019, determined in accordance with the Standard Formula, in which the percentage weights of the individual risk modules are determined in relation to the overall capital requirement, not considering the effect of diversification (Div) and the capacity to absorb deferred taxes (Adj DT), but taking account of the absorption capacity of technical provisions.



The main risks for the Group are market risk, life underwriting risk, operational risk and counterparty risk, while the weight of health underwriting risk and non-life underwriting risk is still marginal.
The following is a qualitative assessment of the other material risks.



Prospective risk profile

No substantial changes in the risk profile of the Group and the individual Companies are expected during the planning period.
In particular, the prevalence of market risks and life underwriting risks is confirmed, while credit risks and health and non-life underwriting risks will remain stable overall, with a slight upward trend expected for the latter two.
However, in order to achieve a reduction in underwriting and prospective market risks, the Parent Company will seek to increase the placement of Class III products and both Companies will pursue greater diversification of the investment portfolio.
With regard to the Subsidiary, Poste Assicura S.p.A., given the nature of the business and the expected growth, it is believed that the risk profile will grow in relation to the increase in turnover, while remaining substantially stable in terms of composition in future years of the plan, thus confirming the prevalence of underwriting risks over the remaining risks.

C.1 Underwriting Risk

In order to combine strategic and business objectives with those of profitability and quality of the risks assumed, in the process of assuming risks, the Group and the Companies belonging to the Group have defined an underwriting policy which provides for the following:

- The development of products consistent with the needs and characteristics of the various customer segments;

- The assumption of risks for the management of which there are adequate supporting skills and resources;
- The assumption of risks consistent with the Risk Strategy and Risk Appetite;
- The elimination or non-renewal, where possible, of "accepted" risks that are not consistent with the Risk Appetite Framework and/or that imply exceeding the limits established by the specific guidelines of the Group Companies;
- The underwriting of risks that ensure adequate mitigation techniques, in particular consistency between reinsurance treaties underwritten, product characteristics (e.g. guarantees covered, contract duration) and portfolio mix;
- The adequacy of procedures and control systems to ensure the completeness, relevance and accuracy of the accounting and statistical data used for risk pricing/analysis purposes;
- The evaluation, when designing a new product, a new commercial initiative, of the following aspects:
  - adequate reinsurance structures;
  - assumption limits;
  - contractual clauses (possibility of splitting the premium, possibility of tacit renewal, withdrawal in the event of a claim, etc.);
  - expenses (for the acquisition, management and administration of contracts including claims settlement expenses, etc.);
  - changes (in terms of risk and concentration) to the portfolio mix that the issuance of the new product may entail;
  - assessment of the impact of non-payment of premiums (e.g. impossibility of recovering expenses and commissions) with relative repercussions on the Group's solvency.

In the underwriting phase, the Group and the Companies belonging to the Group must therefore undertake to guarantee the sufficiency of the premiums collected with respect to the future commitments made to policyholders and the costs of managing and acquiring contracts, developing the skills and professionalism of the parties involved in product definition, assumption of risks and, more generally, of all parties involved in the underwriting process.
The Group and the Companies belonging to the Group must also guarantee ever-increasing quality standards in the management of underwriting activities in order to avoid reputational losses and anti-selection and/or moral hazard phenomena.
The underwriting policy is aimed at strengthening the Group's market position, increasing its share in the various insurance lines in which it operates by developing a profitable risk portfolio.

Underwriting risk is the risk of incurring losses due to inadequate premiums charged for the insurance products sold. It may arise due to:
- inappropriate choices of technical bases (demographic or financial);
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

The Group and the Companies belonging to the Group assess underwriting risk according to the principles dictated by the statutory requirements in force, i.e. referring to Delegated Regulation (EU) 2015/35 of 10 October 2014 (Delegated Acts), which supplements Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), or according to standard formula.
It should be noted that the standard formula requires the underwriting risk of the life, health and non-life business to be assessed separately; among these, the life underwriting risk is the main component of the capital requirement.
Finally, in order to mitigate unfavourable technical trends, increase underwriting capacity and manage portfolio risks, each Group Company uses risk transfer techniques defined in the reinsurance guidelines.
The assessment of the actual risk transfer takes place through the formalisation of specific company's procedures that take into account the risk profile with particular reference to Risk Appetite in its various areas. These aspects are formalised through the Outward Reinsurance Plan.

At 31 December 2019, the greatest underwriting risk is life, while non-life and health underwriting risks were still low.
For retail life products, having reached a sufficiently broad and homogeneous risk portfolio allows the Group not to resort to the underwriting of proportional treaties; however, it has chosen to use the non-proportional reinsurance form in order to protect itself from catastrophic events.
Given the characteristics of the portfolio (low guaranteed minimums and no redemption penalty), the most significant risk among life underwriting risks is that of an increase in redemption frequencies. The Formula Standard scenario that determines the capital requirement for early termination risk (lapse risk) is in fact the lapse mass scenario that assumes an instant redemption of 40% of the policies.
Mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance. With reference to these products, a comparison is periodically made between actual deaths and those predicted by the demographic bases adopted for pricing: the first have always been significantly lower than the second. Moreover, mortality risk is mitigated through reinsurance, proportional and non-proportional, and upon assumption, at well-defined limits both in terms of the sum insured and the age of the policyholder. The portfolio is well diversified with respect to parameters such as age, gender, smoking status, socio-economic class, level of sum insured, type of insurance, level of underwriting applied and geographical location. The Group has an underwriting system in place that limits the risk of anti-selection.

Longevity risk has become more significant in recent years with individual pension plans still representing a marginal share of insurance liabilities. For these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

The Group's non-life and health NSLT underwriting risks derive from Poste Assicura S.p.A. non-life business.
The typical nature of the Poste Assicura distribution channel and the products marketed, leads to a distribution of the portfolio that is more focused on the Health sector where products with guarantees linked to accidents and illness and Credit Protection have an impact.
As far as the Non-life Business is concerned, the volume measures on the Fire, General Civil Liability and Miscellaneous Lines of Business are more significant, mainly related to products with guarantees covering assets, capital and income.

Life early termination risk is the only significant risk within the underwriting risk module. With regard to this risk, the Group has carried out stress analyses over the 2020-2022 plan horizon, in which a scenario of an increase in the BTP Spread was combined with a reduction in the New Business and a doubling of early termination rates.
The combined effect of the stress factors leads to a sharp reduction in the Solvency Ratio over the plan period. The solvency level is in any case in line with the levels provided for in the Risk Appetite Framework defined by the Group.
It should also be noted that to date, the Group and the Companies do not transfer and do not plan to transfer risks to special purpose vehicles.

C.2 Market Risk

Market risks represent the most significant risk of the Group's total capital requirement and for Poste Vita S.p.A. at 31 December 2019 while it is of little relevance for Poste Assicura S.p.A.
Financial instruments held by the Group primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies that can be revalued, pension products and unit-linked products.
In recent years, the Group and the Companies belonging to the Group have embarked on a process of diversification of investments and reduction in the amount of government bonds in light of the persistence of an economic-financial context characterised by particularly low interest rates and slow economic recovery at global level, while maintaining, however, a moderate risk appetite.
In particular, Poste Vita, in line with the Strategic Asset Allocation (SAA), has favoured liquid multi-asset strategies and real estate and private market funds, the latter mainly private debt and infrastructure equity funds.
The following subcategories of risk are highlighted in the context of market risks:

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

- Concentration risk.

The risk that determines the highest capital requirement within the market risk module is the spread on corporate bonds. However, Poste Vita S.p.A. has an exposure on government bonds and other instruments similar to government bonds, mostly consisting of Italian government bonds. The Parent Company has therefore initiated a policy of gradual diversification with a progressive reduction in investments in government bonds, also in order to reduce the volatility associated with concentration in this asset class.

Poste Vita S.p.A. carried out sensitivity analyses on government spread risk in which the impact was assessed on the solvency ratio over the 2020-2022 plan horizon of an instantaneous increase in Italian and European government spreads for each year of projection. The instantaneous increase in Italian government spreads did not highlight any particular critical issues over the plan horizon, showing a Solvency Ratio level always in line with the Risk Appetite Framework defined by the Company.

With regard to interest rate risk, it is mainly related to separately managed accounts. The assessment of interest rate risk is carried out as part of asset liability management projections and in particular, through the shock scenarios provided by the Standard Formula. Poste Vita S.p.A. also carried out sensitivity analyses on this risk, which assessed the impact on the solvency ratio over the plan horizon of an instantaneous decrease in Euro-swap rates for each year of projection.
Also in this case, the level of solvency is always above the level of Risk Tolerance defined by the Company.

Equity risk includes equities, collective investments undertakings and investments in subsidiaries (Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l.) and in the associate (Europa Gestioni Immobiliari S.p.A.).
Property risk is attributable to a number of real estate funds held by the Company.
At 31 December 2019, the risk is low.
Currency risk is attributable to two private markets currency funds held by the Company and the foreign currency positions within the multi-asset funds.
Finally, at 31 December 2019, the capital requirement for concentration risk is zero.

Risk concentration and mitigation
The Group adopts a risk management system that includes the strategies, processes and procedures necessary to identify, measure, evaluate, monitor, report and manage, on an ongoing basis, the risks to which it is exposed. This approach aims to enable a timely, accurate and targeted response to changes in the economic and financial system in which it operates.
In order to control and mitigate market risks, various risk management techniques are adopted. These techniques include:

- Asset Liability Management (ALM), i.e. the definition of strategic allocation of optimal assets in relation to the liability structure in order to reduce risk to a desired level and maximise the contribution of the investment to value creation;
- a system of investment limits articulated on three levels: the first level of limits approved at least annually by the Board of Directors in policies related to investment management, the second level of limits issued by Senior Management, which may contain both limits that are more restrictive than those set by the Board of Directors and limits of a more managerial nature, and finally the third level of limits issued at management level, which aims to direct the activities of the various managers;
- a disciplined investment process, which requires an in-depth formal analysis for each complex investment by the Investment Function, a Risk Opinion by Risk Management and a Compliance Opinion by the Compliance Function;
- currency risk hedging for foreign currency positions in Multi-asset funds;
- constant monitoring of financial risks on the economic and solvency position of the Company.

With regard to risk concentrations, within the market risk module, the Parent Company identified the following exposures at 31 December 2019:

- Government bonds, mainly Italian;
- Obligations to Cassa Depositi e Prestiti S.p.A.

C.3 Credit Risk

As with all market risks, in order to ensure that the level of credit risk is adequate for the Group's business, investment activity is carried out in accordance with the prudent person principle set out in article 132 of Directive 2009/138/EC.
The Group and the individual Companies, as provided for in the Standard formula, divide credit exposures into two types:

- Type 1:
  - Exposures arising from reinsurance agreements, in particular recoveries from reinsurers for premiums and claims coinciding with the best estimates of the premium and claims provisions are considered;
  - Other receivables from reinsurers other than those mentioned in the previous point;
  - Bank deposits in current accounts.
- Type 2:
  - Intermediaries receivables;
  - Receivables from contracting parties.

Depositing parties have a high credit standing with good rating levels. The capital requirement for this risk arises mainly from Type 1 exposures.

Finally, the Group and the individual companies have not planned or plan to start lending operations.

C.4 Liquidity Risk

It represents the risk of not fulfilling obligations towards policyholders and other creditors, or of being able to meet them only by resorting to penalising market and/or credit conditions or by liquidating investments at a value lower than their purchase or financial statements value with negative effects on the economic, equity and financial situation. For the Group and the individual Group Companies, liquidity risk arises mainly from the inability to sell a financial investment quickly at a value close to fair value, i.e. without incurring significant losses.

In order to analyse the liquidity risk profile, the Group Companies perform analyses to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the conduct of policyholders (liability dynamics).
Companies in liquidity management ensure that:

- assets covering the technical provisions are invested in a manner appropriate to the nature and duration of the liabilities;
- there is a sufficiently high level of overall short- and medium-term liquidity, by carrying out treasury cash flow analyses and matching the characteristics of assets and liabilities;

- liquid assets are monitored through the analysis of the investment portfolio, monetary funds and the liquidity held at banks.

Expected cash flows are monitored through the development of the cash flows of the asset and liability portfolio, allowing a comparison of income and expenses on a monthly basis.
With reference to separately managed accounts, the Group monitors its liquidity profile on a quarterly basis using the Liquidity Coverage Ratio (LCR) indicator. The indicator is modulated in two versions according to the periodic reference horizon:

- the Liquidity Coverage Ratio Short-term (LCRST) is calculated over a 1-year horizon as the ratio between the sum of cash inflows from coupons, dividends, principal reimbursements, premiums and the sum of cash outflows from maturities, redemptions, claims and paid coupons;
- the Liquidity Coverage Ratio Medium-term (LCRMT) is calculated over a 5-year horizon, equal to that of the Business Plan, as the ratio between the sum of cash inflows from coupons, dividends, principal reimbursements, premiums and the sum of cash outflows from maturities, redemptions, claims and paid coupons.

Both indicators are calculated in basic situations, under stress conditions and are applied to the separately managed accounts of Poste Vita S.p.A., monitored according to the thresholds indicated in the Risk Appetite Framework.
With reference to products related to unit-linked policies, the Group makes investments based on the principle of close matching, leaving the possibility of compromising the overall liquidity profile remote, which will in any case be remedied by selling the securities to cover the reserves.

Finally, the level of liquid assets, identified through a specific liquidity reserve (consisting of demand bank deposits, monetary funds and securities in the current segment with a maturity of less than two years), is monitored on a monthly basis by the Investment Function and Risk Management periodically checks its activity. The analysis is supplemented by an additional stress scenario carried out for the purpose of verifying the applicability of the volatility adjustment.

"Expected profits included in future premiums" are determined by difference of the best estimate in the base case scenario and in the scenario where a zero renewal frequency has been assumed for recurring single premium contracts, actually cancelling all future premium payments and, at the same time, the obligations that these payments give rise to. In the stress scenario, future additional payments are also reset to zero. In such a scenario, the securities in the portfolio are divested, if necessary, in order to cope with the claims.

C.5 Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal procedures, human resources or systems, or from external events.[5]
At 31 December 2019, the Group's third largest risk is operational risk, measured in accordance with the Standard Formula and amounting to €646 million. The requirement is in line with the previous year.
In addition, the Group also carries out an assessment of its exposure to potential operational risks through the annual Risk Self-Assessment process in which each Risk Owner provides a prospective self-assessment of possible operational risk events for the Group.
In particular, the Risk Self-Assessment assesses the following aspects:

- identification of extreme and hypothetical potential events, although foreseeable, detected also through the experience of the Risk Owner;
- frequency with which such events can take place, in order to capture potential risks that have not occurred in the past;
- estimate of the potential economic impact of risk events;
- estimate of the degree of effectiveness of the control tools adopted to control the risk identified.

The self-assessment process is used to determine the maximum potential loss associated with operational risk, identify the areas most exposed to operational risk and determine a corrective action plan.
The Risk Self-Assessment for 2019 revealed some areas for improvement, as the level of potential operational risk was higher than in 2018 but the level of controls was still good.

In addition, the Group has implemented a Loss Data Collection method that provides for the collection and census of information relating to the operational events recorded during the period in the statement of profit or loss in order to identify the main risk factors that actually impacted the Companies and any mitigation actions to be implemented. Therefore, the functions responsible for reporting operational events have been identified and a process of validation of the events detected during the quarter has been defined.
Data consistency checks are guaranteed by the Loss Data Collection methodology implemented in the operating loss detection system and the Risk Office ensures that the data is consistent with the expected model.
Operating losses in 2019 increased compared to the previous year, but were still within the acceptable risk threshold.
The Parent Company assesses the indirect effects on the requirement deriving from shocks to the risk factors on which the Standard Formula is dependent in relation to operational risks (premiums, technical provisions and Gross Basic SCR).

[5] In accordance with article 101, paragraph 4 of Directive 2009/138/EC, it includes legal risks and excludes strategic and reputational risks.

The risk is well-managed as the Group has an operational risk management system that performs analyses in order to identify, mitigate and monitor operational risks.
Finally, no future concentrations of operational risks foreseen in the planning period (2020-2022) have been identified.

C.6 Other Material Risks

In addition to the risks illustrated above, the Companies have identified a series of other additional risks, not measured through the Standard Formula (reputational risk, strategic risk, risk of non-compliance with regulations, risk of lack of diversification or concentration, Italian government spread risk, risk associated with belonging to the Group and risk relating to intangible assets) but through qualitative/quantitative valuation techniques.

Reputational Risk

It is the current or prospective risk of a decline in profits or capital resulting from a negative perception of the Company's image by customers, counterparties, shareholders, employees, investors or supervisory authorities. This risk is assessed using a qualitative approach.
The Group and the individual Companies, in order to protect and maintain a high reputation and operational capacity credentials for customers, based on trust and transparency, collaborate with Poste Italiane to identify the Group's reputational risks and monitor and control risk on all insurance products. Moreover, as part of the assessment of operational risks, risk owners assess whether damaging events may also have a reputational impact; for this reason, Poste Vita S.p.A. collaborates with Poste Italiane S.p.A. to identify the Group's reputational risks and carries out risk monitoring and control activities on all insurance products.
In addition, when assessing operational risks, risk owners assess whether harmful events may also have a reputational impact.
Since reputational risk is of particular importance for the Group, monthly monitoring is carried out, focused on the management of complaints and customer care (level of service, assistance and customer response times) and specific reports on the two areas are sent to all corporate functions. The Complaints Function regularly monitors the corrective actions taken against the major causes of complaint and raises awareness among owners until the action is completely closed.
Finally, the Product Committee examines the reputational impact that may be generated by the marketing of new products; in addition, any material or communication of an advertising and/or information nature to the public must always be shared and approved with the Compliance Functions.

Strategic Risk

Strategic risk is considered to be the current and prospective possibility of a decline in profits or capital deriving from:

- taking the wrong "strategic" decisions
- inadequate implementation of established strategic decisions
- poor responsiveness to changes in the competitive and market environment

In general, strategic risk considers the risk of not achieving the risk/return objectives set by the Company within the strategic plan.

Strategic risk is monitored by Risk Management in accordance with the methodology defined by Poste Italiane for the identification, assessment, treatment and monitoring of strategic risks affecting the activities of the Poste Vita Insurance Group. This result is achieved through a coordinated set of principles, rules, procedures, methodologies, tools and organisational structures that introduce into the company's operations control tools capable of effectively and efficiently controlling the risks identified as strategic, while producing a continuous flow of information to support decision-making processes. In particular, Risk Management, with the support of Group Risk Management, coordinates the Risk Owners during the Risk Assessment phase with the aim of identifying the main strategic and reputational risks of the Group and assessing their significance.

In addition, with regard to strategic risk mitigation tools, the Risk Management function is involved in the strategic planning and budgeting process with the objective of assessing ex ante the potential capital adequacy impacts of the main strategic plan assumptions.

In April 2019, the Risk Appetite Framework was formalised and approved by the corporate bodies, which provides for the definition of Risk Appetite objectives, Risk Tolerance thresholds and Risk Capacity limits consistent with the strategic plan, which allow the corporate governance bodies to effectively and continuously monitor the actual risk profile with respect to that forecast.

Risk of non-compliance with regulations

It is defined as the current and prospective risk of a decrease in profits or capital resulting from judicial or administrative sanctions, losses or damages as a result of failure to comply with laws, regulations or measures of the Supervisory Authorities or self-regulatory rules, such as bylaws, codes of conduct or corporate governance codes.

Includes the risk arising from unfavourable amendments in the regulatory framework or case law guidelines.

The level of risk of non-compliance with regulations was considered to be adequately monitored on the basis of a coordinated survey carried out by the Compliance function, which is responsible for the process of identification and measurement/assessment of the risk of non-compliance with regulations for companies through the use of Risk Assessment techniques.

The analysis revealed some areas for improvement, but no particularly relevant critical points.

Money-laundering risk

It is defined as the current and prospective risk of a decline in profits or capital resulting from judicial or administrative sanctions, operating losses or reputational damage as a result of the violation of legal, regulatory and self-regulatory provisions functional to the prevention of the use of the financial system for the purpose of money laundering and/or terrorist financing, as well as involvement in money laundering and/or terrorist financing activities. The Group carries out a self-assessment of its exposure to this risk at least once a year, in line with the relevant regulatory provisions. In particular, the exposure to risk recorded in September 2019 was substantially unchanged compared to that recorded in November 2018, confirming a "Low" residual risk level, determined by the combination of an intrinsic "Medium-low" risk and an organisational and control structure that, on the whole, presents "insignificant" vulnerabilities and is therefore substantially adequate with a good ability to identify and counter the reference risks.

Risk of lack of diversification or concentration

It is defined as the risk that the business is excessively concentrated only on certain types of risk, products, customers and geographical areas and is therefore not adequately diversified. The products currently placed have fairly standardised characteristics and relatively low minimum guarantees for the majority of the portfolio that are not consolidated year by year. The geographical distribution of these products is homogeneous throughout the country as a result of the widespread distribution network. However, the Group's product portfolio is still particularly concentrated in traditional products that can be revalued, although efforts are being made to increase the placement of class III products.

On the basis of these considerations, the risk of concentration is medium.

Government spread risk

It is defined as the risk of possible losses deriving from the deterioration of the creditworthiness of Italian government bonds.

Poste Vita S.p.A. is exposed to government bonds and other amounts similar to government bonds which, at 31 December 2019, accounted for 68% of the carrying amount of total class C investments, of which 89% of the government portfolio is Italian.

Although these exposures are risk free in the calculation of the Standard Formula, the Company is implementing a policy of gradual diversification from Government bonds in order to reduce the volatility associated with the concentration in this Asset Class.

In addition, in the context of ORSA 2019, Poste Vita carried out sensitivity analyses on government spread risk, which assessed the impact on the solvency ratio over the 2020-2022 time horizon, respectively, of an instantaneous increase of 200 bps in Italian government spreads for each year of projection, with a consequent adjustment of the Volatility Adjustment value.

Based on the above considerations, the risk is Medium.

Risks associated with belonging to the Group

The risks associated with belonging to the Group include the following:

- risk of "contagion", understood as the risk that, as a result of the relations between the Company and the other group entities, situations of difficulty of one of the group entities may spread, with negative effects on the Company's solvency;
- risk of conflict of interest deriving from transactions carried out with group entities.

The assessment of the risks associated with belonging to the group, carried out according to a qualitative approach, highlights the following points:

- Over time, the Parent Company, Poste Italiane, has always shown a high level of sensitivity to protecting the interests of customers of all Group Companies by means of special control tools.
- The Companies have adopted a specific policy on intra-group transactions, as provided for by IVASS Regulation no. 30 of 26 October 2016, in order to ensure that intra-group transactions are consistent with the principles of sound and prudent management, avoiding transactions that may have negative effects.
- The Companies have a specific policy for the management of conflicts of interest defined in compliance with the main applicable regulatory references in order to identify and manage conflicts of interest in relation to the issuance/management of insurance/pension products and investment services and activities.
- The Parent Company, Poste Italiane, may intervene in support of the Insurance Group if the solvency position exceeds the Risk Tolerance limits, as detailed in the Risk Appetite Framework.

In light of the above, the risks of belonging to the Group can be considered of Medium level.

Risk relating to intangible assets

This is the risk arising from changes in the value of intangible assets compared with expectations. Intangible assets amount to approximately €34 million and show an almost stable trend over time. Therefore, this risk is considered not significant.

Social and environmental risk

It is the risk arising from factors related to social issues, including human rights and environmental risks, related to climate change.

The Poste Vita Group is oriented towards paying attention to aspects of social responsibility relating to the financial management of assets.

Social and environmental risk is monitored quarterly by the Risk Management Function, as part of the Risk Appetite Framework, through an indicator that summarises the Environmental, Social and Governance (ESG) analysis of its direct investment portfolio in order to assess the level of social responsibility.

The analysis methodology used is inspired by universally recognised standards and conventions issued by international bodies on human rights, workers' rights and environmental protection, such as the UN, OECD, ILO. The assessment covered corporate issuers, both for

equity investments and corporate bonds, measuring their ability to manage relations with stakeholders. The assessment process ended with the assignment of a final ESG score (between 0 and 100) to each company, as the resulting average of the score obtained in each of the areas of analysis.
ESG risk is well monitored as the results of the analysis show that the Company has a higher score than the ESG value of the Ishares MSCI World ETF benchmark, used for comparison.

Risk mitigation techniques
The Group has various risk mitigation techniques, both reinsurance and financial. With regard to financial risk mitigation techniques, when calculating the solvency requirement for the currency risk sub-module, the Company takes account of forward currency derivative contracts within the Multi-asset funds.
In accordance with article 23 of the Delegated Acts, the regulations governing the Poste Vita Group's separately managed accounts and the investment policy pursuant to Regulation 24 approved by the Board of Directors of Poste Vita, the following management actions have been adopted:

- Investment strategy
- Strategic realisation of gains/losses (crediting strategy)

The main objectives of the investment strategy, for each separately managed account, are:

- Definition of an appropriate asset-mix and rebalancing of this mix in certain time intervals.
- Definition of a strategy to (re)invest the cash flows of accumulated assets and liabilities between one rebalancing and the next.

The rebalancing takes place on the basis of asset classes in relation to which all assets are classified according to their characteristics.

C.7 Other information

At 31 December 2019, there was no further information in addition to as already outlined in the previous paragraphs.

D - VALUATION FOR SOLVENCY PURPOSES

The valuation criteria adopted in the preparation of the Market Value Balance Sheet comply with article 75 of Directive 2009/138/EC and the criteria set out in Regulation (EU) 2015/35 of 10 October 2014 (hereinafter also referred to as "Delegated Acts") and, in particular, with the provisions of article 9 of the aforementioned Delegated Regulation, which provides for the following:

- companies account for assets and liabilities in accordance with international accounting standards adopted by the Commission pursuant to Regulation (EC) no. 1606/2002;
- companies value assets and liabilities in accordance with international accounting standards adopted by the Commission pursuant to Regulation (EC) no. 1606/2002, provided that these standards include valuation methods consistent with the valuation approach set out in article 75 of Directive 2009/138/EC. Where said standards allow the use of more than one valuation method, companies use only methods in accordance with article 75 of Directive 2009/138/EC;
- if the valuation methods included in the international accounting standards adopted by the Commission pursuant to Regulation (EC) no. 1606/2002 are temporarily or permanently different from the valuation approach set out in article 75 of Directive 2009/138/EC, companies use other valuation methods that are deemed to comply with article 75 of Directive 2009/138/EC.

In this regard, provided below are the valuation criteria adopted for solvency purposes as defined in the Policy for the valuation of assets and liabilities other than technical provisions approved by the Board of Directors:

- *Goodwill*: is valued at zero.
- *Intangible assets and deferred acquisition costs (DAC):* are valued at zero, unless the intangible asset can be sold separately and companies can demonstrate the existence of a value for identical or similar assets that has been calculated in accordance with article 10, paragraph 2 of the Delegated Acts, in which case the asset is valued in accordance with article 10.
- *Financial investments and liabilities*: Financial instruments and financial liabilities are valued on the basis of their corresponding fair value, using as a reference the prices quoted in active markets where available from recent or similar transactions, or from alternative valuation models.
- *Participations:* participations not included in the scope of consolidation are valued in pursuant to article 13 of the Delegated Acts, in accordance with the following hierarchy of methods: (a) using the default valuation method referred to in article 10, paragraph 2 of the aforementioned Regulation; (b) using the adjusted equity method referred to in paragraph 3 where valuation in accordance with point a) is impossible; (c) using the valuation method referred to in article 10, paragraph 3 of the aforementioned Regulation or the alternative valuation methods referred to in article 10, paragraph 5 of the aforementioned Regulation.

- *Deferred tax assets and liabilities*: companies recognise and measure deferred taxes in relation to all assets and liabilities, including technical provisions, which are recognised for tax or solvency purposes in accordance with article 9. Poste Vita Group companies measure deferred taxes other than deferred tax assets arising from the carry-forward of unused tax receivables and tax losses on the basis of the difference between the values attributed to assets and liabilities recognised and measured in accordance with article 75 of Directive 2009/138/EC and, in the case of technical provisions, in accordance with articles 76 to 85 of said Directive and the values attributed to assets and liabilities recognised and measured for tax purposes. Companies only allocate a positive value to deferred tax assets if it is probable that there will be a future taxable profit against which the deferred tax assets can be used, taking into account legal or regulatory obligations on the terms for carry-forward of tax losses or unused tax receivables.
- *Contingent liabilities:* as provided for in article 11 of the Delegated Regulation, companies recognise as liabilities contingent liabilities pursuant to article 9 of the aforementioned Regulation that are relevant. Such liabilities are relevant if information about the actual or potential extent or nature of the information could influence the decisions or opinion of the intended user of such information, including supervisory authorities. The value of these liabilities is equal to the expected present value of the future cash flows required to settle the contingent liability over its life, calculated using the risk-free interest rate term structure.
- With regard to *property, plant and equipment*, by way of derogation from paragraphs 1 and 2 of article 9 of the above Delegated Regulation and in particular in compliance with the principle of proportionality set out in article 29, paragraphs 3 and 4 of Directive 2009/138/EC, the Poste Vita Group has accounted for property, plant and equipment on the basis of the valuation method used to prepare its annual financial statements, since the conditions set out in paragraph 4 of article 9 have been met.

The Consolidated Financial Statements include the Financial Statements of the Parent Company and the investees Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l., wholly owned by Poste Vita S.p.A., and from 2019, also the financial statements of the newly established Poste Insurance Broker S.r.l., a wholly-owned subsidiary of Poste Assicura S.p.A. These participations are consolidated on a line-by-line basis.

Line-by-line consolidation entails netting the carrying amount of participations in consolidated companies against the corresponding share of equity, whilst the subsidiary's assets and liabilities, including contingent liabilities, are accounted for on a line-by-line basis.
The criteria used for line-by-line consolidation of investees are as follows:

- the assets and liabilities, expenses and income of investees consolidated on a line-by-line basis are taken line by line;
- elimination of intra-group costs and revenue and intra-group receivables and payables.

The Parent Company, Poste Vita S.p.A., also holds a non-controlling participation in Europa Gestioni Immobiliari S.p.A.; this participation is not consolidated on a line-by-line basis but valued using the equity method.
In addition, for the sake of completeness of information, it is noted that the Parent Company, Poste Vita S.p.A., holds an unqualified and non-controlling participation of 9.9% in the share capital of FSI Società di Gestione del Risparmio S.p.A. or, in abbreviated form, FSI SGR S.p.A., having its registered office in Italy and carrying out activities for the promotion and management of investment funds pursuant to Legislative Decree no. 58 of 24 February 1998, as amended (Consolidated Law on Finance) and related implementing provisions.
Below is the Market Value Balance Sheet, with a comparison with the balances of the IAS/IFRS Consolidated Financial Statements:

(€k)	2019 Solvency II value	2019 Consolidated IAS/IFRS	Change
Assets			
Godwill		17,823	(17,823)
Deferred acquisition costs		53,773	(53,773)
Intangible assets		33,847	(33,847)
Deferred tax assets	1,733,785	417,912	1,315,874
Pension benefit surplus			
Property, plant & equipment held for own use	37,453	37,453	
Investments (other than assets held for index-linked and unit-linked contracts)	**138,405,004**	**138,178,725**	**226,279**
Property (other than for own use)			
Holdings in related undertakings, including participations	107,296	107,296	
Equities	9,117	9,117	
Equities - listed	8,820	8,820	
Equities - unlisted	297	297	
Bonds	105,584,362	105,358,083	226,279
Government Bonds	87,198,857	87,013,339	185,519
Corporate Bonds	17,726,492	17,685,732	40,760
Structured notes	583,469	583,469	
Collateralised securities	75,544	75,544	
Collective Investments Undertakings	32,704,229	32,704,229	
Derivatives			
Deposits other than cash equivalents			
Other investments			
Assets held for index-linked and unit-linked contracts	3,738,461	3,738,461	
Loans and mortgages			
Loans on policies			
Loans and mortgages to individuals			
Other loans and mortgages			
Reinsurance recoverables from:	**17,667**	**57,628**	**(39,961)**
Non-life and health similar to non-life	17,933	27,109	(9,176)
Non-life excluding health	8,989		
Health similar to non-life	8,944		
Life and health similar to life, excluding health and index-linked and unit-linked	(265)	30,519	(30,784)
Health similar to life	(10,611)		
Life excluding health and index-linked and unit-linked	10,346		
Life index-linked and unit-linked			
Deposits to cedants			
Insurance and intermediaries receivables	33,369	33,369	
Reinsurance receivables	15,765	15,765	
Receivables (trade, not insurance)	19,612	19,612	
Own shares (held directly)			
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	1,263,569	1,263,569	
Any other assets, not elsewhere shown	2,379,544	2,380,135	(591)
Total assets	**147,644,227**	**146,248,070**	**1,396,157**

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(€k)	2019 Solvency II value	2019 Consolidated IAS/IFRS	Change
Liabilities			
Technical provisions - non-life	**169,565**	**206,782**	**(37,217)**
Technical provisions - non-life (excluding health)	**56,808**		
TP calculated as a whole			
Best estimate	51,535		
Risk margin	5,273		
Technical provisions - health (similar to non-life)	**112,757**		
TP calculated as a whole			
Best estimate	103,875		
Risk margin	8,882		
TP - life (excluding index-linked and unit-linked)	**128,880,968**	**136,124,184**	**(7,243,216)**
Technical provisions - health (similar to life)	**20,998**		
TP calculated as a whole			
Best estimate	(14,300)		
Risk margin	35,298		
TP - life (excluding health and index-linked and unit-linked)	**128,859,970**		
TP calculated as a whole			
Best estimate	128,826,960		
Risk margin	33,010		
TP - index-linked and unit-linked	**3,714,329**	**3,929,702**	**(215,372)**
TP calculated as a whole			
Best estimate	3,638,265		
Risk margin	76,064		
Other technical provisions			
Contingent liabilities	21,241	21,241	
Provisions other than technical provisions			
Pension benefit obligations	4,503	4,503	
Deposits from reinsurers			
Deferred tax liabilities	3,872,675	182,328	3,690,348
Derivatives	885	885	
Debts owed to credit institutions			
Debts owed to credit institutions resident domestically			
Debts owed to credit institutions resident in the euro area other than domestic			
Debts owed to credit institutions resident in rest of the world			
Financial liabilities other than debts owed to credit institutions	27,083	27,083	
Insurance & intermediaries payables	159,405	159,405	
Reinsurance payables	6,148	6,148	
Payables (trade, not insurance)	60,130	60,130	
Subordinated liabilities	**261,473**	**251,373**	**10,100**
Subordinated liabilities not in BOF	1,373	1,373	
Subordinated liabilities in BOF	260,100	250,000	10,100
Any other liabilities, not elsewhere shown	835,873	835,767	106
Total liabilities	**138,014,280**	**141,809,532**	**(3,795,252)**
'Excess of assets over liabilities	9,629,948	4,438,538	5,191,409

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

D.1 Assets

The following table shows, for the most significant items recognised under assets, the amount at 31 December 2019 calculated in accordance with Solvency II criteria compared with the value recognised in the IAS/IFRS Consolidated Financial Statements with reference to the Poste Vita Group and with the value recognised in the Local GAAP financial statements for the individual companies.

Goodwill - Poste Vita Group (€17,823 thousand)
The Poste Vita Group has recognised goodwill of €17,823 thousand under intangible assets, deriving from the difference between the cost of the 100% participation in Poste Welfare Servizi S.r.l. acquired by the Parent Company, Poste Vita S.p.A., on 4 November 2015 and the fair value of the assets and liabilities recognised (at the acquisition date).
For Solvency II purposes, as provided for in article 12 of the Delegated Regulation, this component has been valued at zero.

Intangible assets and deferred acquisition costs

Intangible assets and deferred acquisition costs (DAC) - Poste Vita Group (€87,620 thousand)
The Poste Vita Group has recognised intangible assets of €33,847 thousand in its consolidated financial statements, while the item deferred acquisition costs (DAC) amounts to €53,773 thousand at the end of the period.
For the purposes of Solvency II, as provided for in article 12 of the Delegated Regulation, these components have been valued at zero as there was no possibility of a separate sale or reference to a market value for similar assets.

Intangible assets and deferred acquisition costs - Poste Vita S.p.A. (€75,711 thousand)
The Parent Company, Poste Vita, has recognised intangible assets of €21,938 thousand in the Local GAAP financial statements, primarily relating to the unamortised portion of the expenses related to software programmes with multi-year duration and the capitalisation of costs incurred for the development of software still in the process of being completed at the end of the period.
The item deferred acquisition costs (DAC) includes the portion not yet amortised of the expenses relating to the pre-counted acquisition commissions of the FIP product (Individual Pension Schemes) for €53,773 thousand.
With regard to the valuation methods, refer to as outlined above in the section dedicated to the Group.

Intangible assets and deferred acquisition costs (DAC) - Poste Assicura S.p.A. (€9,246 thousand)

Poste Assicura S.p.A. recorded intangible assets of €9,246 thousand in the Local GAAP financial statements related to:

- €8,247 thousand for the part not yet amortised of intangible assets mainly for the purchase of software with multi-year duration;
- €999 thousand relating to the capitalisation of costs incurred for the development of software still in the process of being completed and which, therefore, did not generate economic effects during the period.

Intangible assets and deferred acquisition costs - Poste Welfare Servizi S.r.l. (€2,663 thousand)

The subsidiary Poste Welfare Servizi S.r.l. has recognised in its financial statements intangible assets for a total amount of €2,663 thousand and mainly referring to: i) the portion not yet amortised of software produced internally through the capitalisation of direct costs for €1,874 thousand; ii) the capitalisation of costs incurred mainly for the automation of the management of claims settlement processes still in the process of being completed and which, therefore, did not generate economic effects in the period for Euro 112 thousand and iii) the part not yet amortised of intangible assets relating mainly to the purchase of software with multi-year duration for €598 thousand.

With regard to the valuation methods, refer to as outlined above in the section dedicated to the Group.

Property, plant and equipment

Property, plant and equipment - Poste Vita Group (€37,453 thousand)

The Poste Vita Group recognised property, plant and equipment totalling €37,453 thousand at the end of 2019, including €9,381 thousand for furniture and office machinery, plant and equipment held at the end of the period net of the related accumulated depreciation and €27,312 thousand for the right to use the assets covered by the contracts falling within the scope of IFRS 16 (in force since 1 January 2019), which represents the present value of the periodic lease fees provided for in the contract.

With regard to *property, plant and equipment*, by way of derogation from paragraphs 1 and 2 of article 9 of the above Delegated Regulation and in particular in compliance with the principle of proportionality set out in article 29, paragraphs 3 and 4 of Directive 2009/138/EC, the Poste Vita Group has accounted for property, plant and equipment on the basis of the valuation method used to prepare its annual financial statements, since the conditions set out in paragraph 4 of article 9 have been met. Therefore, furniture, plant and equipment, office machinery are recorded at cost plus accessory charges and subsequent valuations are carried out using the amortised cost method. With reference to leased assets, the value of the asset upon first recognition is equal to the present value of the periodic payments/fees provided for in the

contract in order to use the asset and at the time of subsequent closures of the accounts, and for the entire duration of the contract, the asset is depreciated on a straight-line basis.
This item is shown net of intra-group transactions totalling €2,743 thousand, representing the present value of the periodic lease fees for the offices subleased by Poste Welfare Servizi S.r.l. from the Parent Company, Poste Vita S.p.A.

Property, plant and equipment - Poste Vita S.p.A. (€34,268 thousand)

The item property, plant and equipment of €34,268 thousand refers mainly to:

- €6,604 thousand for furniture and office machinery, plant/equipment held at the end of the period net of the relative accumulated depreciation;
- €26,904 thousand for the right to use the assets covered by the contracts falling within the scope of IFRS 16 (in force since 1 January 2019) and representing the present value of the periodic lease fees contractually provided for in order to use the assets covered by the contract, referring mainly to the leased property.

With regard to valuation methods, refer to as reported at Group level.

Property, plant and equipment - Poste Assicura S.p.A. (€2,630 thousand)

The item property, plant and equipment equal to €2,630 thousand refers: for €2,559 thousand to the electronic equipment held at the end of the period net of the relative accumulated depreciation and for €71 thousand to the right to use the assets covered by the contracts falling within the scope of IFRS 16 (in force since 1 January 2019) and which represents the present value of the periodic lease fees provided for in the contract in order to be able to use the assets covered by the contract and referring mainly to company cars leased. With regard to valuation methods, refer to as reported at Group level.

Property, plant and equipment - Poste Welfare Servizi S.r.l. (€3,298 thousand)

The item property, plant and equipment of €3,298 thousand refers to: i) €219 thousand for electronic equipment/plants and machinery held at the end of the period net of the related accumulated depreciation and ii) €3,079 thousand (equal to €336 thousand net of the above intra-group elimination) to the right to use the assets covered by the contracts falling within the scope of IFRS 16 (in force from 1 January 2019), which represents the present value of the periodic lease fees provided for in the contract for the use of the assets covered by the contract, primarily relating to the sublease contract of company premises with the Parent Company, Poste Vita S.p.A., and the sublease contract of the premises of the Parent Company, Poste Italiane S.p.A., used for disaster recovery.

With regard to valuation methods, refer to as reported at Group level.

Participations

Participations - Poste Vita Group (€107,296 thousand)

This item refers exclusively to the participation held by the Parent Company, Poste Vita S.p.A., in the associate Europa Gestioni Immobiliari S.p.A. (EGI), company owned 45%, which operates primarily in the real estate sector for the management and development of real estate assets no longer used by the Parent Company. Moreover, following the merger by incorporation of Poste Energia, the company began operating in the electricity market in 2015 as a specifically authorised "wholesale" purchaser, continuing the supply activities previously carried out by the merged company in favour of the Poste Italiane Group.

For Solvency II purposes, the participation in EGI S.p.A. has been valued at IAS/IFRS equity, which is considered a good approximation of Solvency II for non-insurance participations.

Participations - Poste Vita S.p.A. (€341,033 thousand)

This item refers exclusively to participations held by the Company in Group companies and in particular:

- Poste Assicura S.p.A., wholly-owned, which operates in the non-life business, excluding the auto classes;
- Europa Gestioni Immobiliari S.p.A. (hereinafter also referred to as "EGI") is 45% owned by Poste Vita and 55% by Poste Italiane S.p.A.;
- Poste Welfare Servizi S.r.l., a participation acquired in full on 4 November 2015, in order to enhance the Group's individual and collective health insurance offering.

For Solvency II purposes, participations are valued as follows:

- Poste Assicura S.p.A. has been valued at Solvency II equity, i.e. with a portion of equity determined by valuing assets and liabilities in accordance with article 75 of the Solvency II Directive. The amount of the participation resulting from this valuation is €221,778 thousand;
- EGI S.p.A. and Poste Welfare Servizi S.r.l. have been valued at IAS/IFRS equity adjusted to take account of what is not eligible for Solvency II purposes, which is considered a good approximation of Solvency II for non-insurance participations totalling €119,255 thousand.

For the purposes of preparing the Consolidated Financial Statements of the Poste Vita Group, the carrying amount of the participations held by the Parent Company, Poste Vita S.p.A., in the subsidiaries, Poste Assicura S.p.A. and Poste Welfare Servizi S.r.l., has been eliminated against the corresponding portion of equity on assumption of all the assets and liabilities of the subsidiaries.

Participations - Poste Assicura S.p.A. (€561 thousand)

This item refers exclusively to the total participation held by Poste Assicura S.p.A. in Poste Insurance Broker S.r.l. This participation is valued at IAS/IFRS equity, adjusted if necessary to take into account what is not eligible for Solvency II purposes, which is considered a good approximation of Solvency II standards for non-insurance participations.

It should be noted that, for the purposes of preparing the Consolidated Financial Statements of the Poste Vita Group, the carrying amount of said participation has been eliminated against the corresponding portion of equity on assumption of all the assets and liabilities of the subsidiary.

Financial investments

Financial investments - Group (€142,036,168 thousand)

Financial investments were measured at Fair Value using prices quoted in active markets where available at the end of the reporting period and, where not available, Fair Value was determined using alternative methods.

The table below shows the breakdown of financial investments at 31 December 2019:

(€k)

	31/12/2019	31/12/2018	
Financial Investments	**Solvency II value**	**Solvency II value**	**Change**
Equities	9,117	16,527	(7,410)
Government Bonds	87,198,857	80,963,071	6,235,786
Corporate Bonds	17,726,492	15,646,804	2,079,687
Structured notes	583,469	546,023	37,447
Collateralised securities	75,544	74,474	1,070
Collective Investments Undertakings	32,704,229	26,606,678	6,097,551
Assets held for index-linked and unit-linke	3,738,461	2,616,272	1,122,188
Total	**142,036,168**	**126,469,849**	**15,566,319**

Financial investments - Poste Vita S.p.A. (€141,655,942 thousand)

The table below shows the breakdown of financial investments at 31 December 2019:

(€k)

Financial Investments	31/12/2019
Equities	9,117
Government Bonds	86,848,899
Corporate Bonds	17,696,224
Structured notes	583,469
Collateralised securities	75,544
Collective Investments Undertakings	32,704,229
Assets held for index-linked contracts	3,738,461
Total	**141,655,942**

Investments in Equities, amounting to €*9,117* thousand at 31 December 2019, relate for €8,820 thousand to quoted securities and are made for Class I products linked to separately managed accounts.

Government bonds, amounting to €*86,848,899* thousand, mainly refer to listed fixed income bonds issued by European countries of which 98% are government bonds issued by the Italian government.

Corporate bonds amounting to €*17,696,224* thousand mainly refer to listed fixed income bonds issued by leading European companies.

Structured notes, amounting to €*583,469* thousand at the end of the period, refer to the private placement of Cassa Depositi e Prestiti (of the Constant Maturity Swap type). Collateralised securities, amounting to €*75,544* thousand, refer to a zero coupon security with a maturity of 10/2/2020 guaranteed through collateralisation with government and financial securities with the same maturity.

During 2019, the gradual process of diversification of investments continued, through the simultaneous increase in investments in units of collective investments undertakings
(a total of €*32,704,229* thousand at the end of 2019, with an impact on the portfolio from 21.1% at the end of 2018 to the current 23.1%) and in particular, in harmonised open-ended, multi-asset UCITS type funds. In line with strategic asset allocation, investments in funds investing in the real estate sector (with targets on retail and office properties) continued to be made mainly in Europe.

The assets acquired to cover Index-Linked or Unit-Linked policies are valued at the value of the last transaction day of the year and at the end of this year, and amounts to €*3,738,461* thousand. These are investments whose return is linked to the performance of particular market indices.

With regard to valuation methods, refer to as reported at Group level.

Financial investments - Poste Assicura S.p.A. (€380,226 thousand)

Financial investments have been measured at Fair Value using quoted prices in active markets and amount to €380,226 thousand and refer to: i) €349,958 thousand for listed government bonds and ii) €30,268 thousand for listed bonds.

(€k)

	31/12/2019		
	Solvency II value	**Solvency Account Value**	**Change**
Government Bonds	349,958	326,740	23,218
Corporate Bonds	30,268	29,635	633
Total	**380,226**	**356,375**	**23,851**

With regard to valuation methods, refer to as reported at Group level.

Insurance and intermediaries receivables

Insurance and intermediaries receivables - Poste Vita Group (€33,369 thousand)

This item mainly includes receivables from policyholders for premiums in the process of collection, from intermediaries and from insurance companies. Receivables are recorded at Fair Value at the acquisition date and subsequently measured at their realisable value[6]. At the end of 2019, this item amounts to €33,369 thousand and the breakdown is as follows:

- insurance receivables for premiums for the year and the previous year, not yet collected at the end of the period for €22,711 thousand;
- intermediaries receivables for €2,340 thousand at 31 December 2019;
- co-insurers receivables, not yet collected at the end of the period for €7,827 thousand;
- co-insurance agreements receivables, amounting to €491 thousand.

This item is shown net of intra-group transactions totalling €10,530 thousand, which refer exclusively to the receivable claimed by the Parent Company, Poste Vita S.p.A., from the subsidiary Poste Assicura for the life component of CPI products.

Insurance and intermediaries receivables - Poste Vita S.p.A. (€20,808 thousand)

At the end of 2019, this item amounts to €20,808 thousand and the breakdown is as follows:

- insurance receivables for premiums for the year amounting to €7,822 thousand, and for premiums relating to the previous year amounting to €1,658 thousand. These positions were not yet collected at the end of the period and were settled in the first months of 2020;
- intermediaries receivables for €307 thousand at 31 December 2019, which refer to premiums issued during the last days of the year which, despite already having been collected by the intermediary at 31 December 2019, were paid to the Company early in January 2020;
- amounts due from the Subsidiary, Poste Assicura S.p.A., for the life component of the CPI product totalling €10,530 thousand (fully eliminated for the purposes of preparing the Consolidated Financial Statements with the corresponding debit position) at 31 December 2019. This position was settled in January 2020;
- co-insurance agreements receivables, amounting to €491 thousand, which refer to a co-insurance agreement for the amounts due by the Company as lead agent for products placed before 30 September 2004.

With regard to valuation methods, refer to as reported at Group level.

Insurance and intermediaries receivables - Poste Assicura S.p.A. (€23,091 thousand)

This item amounts to €23,091 thousand at the end of 2019 and the breakdown is as follows:

- insurance receivables for premiums for the year, not yet collected at the end of the period for €13,231 thousand and settled during the first months of 2020;
- co-insurers receivables, not yet collected at the end of the period for €7,827 thousand and partially settled during the first months of 2020;

[6] All receivables are due within 12 months

- intermediaries receivables for €2,033 thousand at 31 December 2019, which refer to premiums issued during the last days of the year which, despite already having been collected by the intermediary at the end of 2019, were paid to the Company early in January 2020.

With regard to valuation methods, refer to as reported at Group level.

Insurance and intermediaries receivables - Poste Insurance Broker S.r.l. (€1 thousand)
This position of €1 thousand refers to the amount due from Genertel S.p.A. for the commission for brokerage activities.
With regard to valuation methods, refer to as reported at Group level.

Deferred tax assets

Deferred tax assets - Poste Vita Group (€1,733,785 thousand)
Deferred tax assets are equal to the sum of the values of the same item reported in the Market Value Balance Sheet (Solvency II) of the Parent Company, Poste Vita S.p.A., and the Subsidiaries, Poste Assicura, Poste Welfare Servizi and Poste Insurance Broker S.r.l.
These values were determined, with reference to the valuation differences in the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values, applying the rates in force at 31 December 2019. As a result of the valuation rules laid down in accordance with Solvency II regulations, the item Deferred Tax Assets in the financial statements amounts to €1,733,785 thousand.

Deferred tax assets - Poste Vita (€1,722,540 thousand)
As a result of the application of Solvency II valuation rules, the item Deferred tax assets in the Local financial statements, amounting to €*413,495* thousand, increased by €*1,309,045* thousand, reaching a total value at the end of 2019 of €*1,722,540* thousand.
The main components include deferred taxes mainly following the elimination of intangible assets for €23,334 thousand, on the incremental change in technical provisions for €1,264,749 thousand.
With regard to valuation methods, refer to as reported at Group level.

Deferred tax assets - Poste Assicura S.p.A. (€10,132 thousand)
Deferred tax assets amount to €10,132 thousand.
With regard to valuation methods, refer to as reported at Group level.

Deferred tax assets - Poste Welfare Servizi S.r.l. (€1,101 thousand)
Deferred tax assets amount to €1,101 thousand.
With regard to valuation methods, refer to as reported at Group level.

Deferred tax assets - Poste Insurance Broker S.r.l. (€12 thousand)
Deferred tax assets amount to €12 thousand.
With regard to valuation methods, refer to as reported at Group level.

Cash and cash equivalents

Cash and cash equivalents - Poste Vita Group (€1,263,569 thousand)
This item includes short-term bank and post office deposits, as well as cash and revenue stamps, recorded at their nominal value. This item amounts to €1,263,569 thousand at the end of 2019.

Cash and cash equivalents - Poste Vita S.p.A. (€1,239,092 thousand)
With regard to the Parent Company Poste Vita, this item amounts to €1,239,092 thousand at the end of 2019. These are temporary financial investments, referring mainly to Separately Managed Accounts, which will be invested in 2020 in relation to the evolution of market performance.

Cash and cash equivalents - Poste Assicura S.p.A. (€12,627 thousand)
The value of the Subsidiary, Poste Assicura S.p.A., amounts to €12,627 thousand. This item includes amounts recorded at the end of the period that mainly relate to the collection of premiums issued in the last few days of the year and intended for investment and payments of suppliers and commissions.

Cash and cash equivalents - Poste Welfare Servizi S.r.l. (€11,251 thousand)
With regard to the Subsidiary, Poste Welfare Servizi S.r.l., this item totals €11,251 thousand at the end of 2019 and relates to normal cash flows from operations.

Cash and cash equivalents - Poste Insurance Broker S.r.l. (€599 thousand)
With regard to the Subsidiary, Poste Insurance Broker S.r.l., this item amounts to €599 thousand at the end of 2019 and is attributable almost exclusively to the capital contribution made by the Parent Company, Poste Assicura S.p.A.

Difference between the valuation according to Solvency II standards and the IAS/IFRS Consolidated Financial Statements
The table below summarises the different valuation criteria adopted for the valuation of assets for the purposes of Solvency II and the **IAS/IFRS Consolidated Financial Statements**:

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

The application of the Solvency II valuation criteria to the assets of the Market Value Balance Sheet resulted in the following valuation differences for the Poste Vita Group:

(€k)

Relevant asset categories	31/12/2019 Solvency II value	IAS/IFRS	Change
Goodwill		17,823	(17,823)
Deferred acquisition costs		53,773	(53,773)
Intangible assets		33,847	(33,847)
Property (other than for own use)	37,453	37,453	
Partecipations	107,296	107,296	
Financial Investments	142,036,168	141,809,890	226,279
Deferred tax assets	1,733,785	417,912	1,315,874
Insurance and intermediaries receivables	33,369	33,369	
Cash and cash equivalents	1,263,569	1,263,569	

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

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

Poste Vita S.p.A.

(€k)

	31/12/2019		
Relevant asset categories	Solvency II value	Statutory Account Value	Change
Deferred acquisition costs		53,773	(53,773)
Intangible assets		21,938	(21,938)
Property, plant & equipment held for own u	34,268	7,364	26,904
Partecipations	341,033	205,274	135,759
Financial Investments	141,655,942	129,313,008	12,342,934
Deferred tax assets	1,722,540	413,495	1,309,045
Insurance and intermediaries receivables	20,808	20,808	
Cash and cash equivalents	1,239,092	1,239,092	

Poste Assicura S.p.A.

(€k)

	31/12/2019		
Assets	Solvency II value	Statutory accounts value	Change
Intangible assets		9,246	(9,246)
Deferred tax assets	10,132	4,414	5,718
Property, plant & equipment held for own u	2,630	2,559	71
Partecipations	561	600	(39)
Financial Investments	380,226	356,375	23,812
Reinsurance receivables	4,763	4,763	
Insurance and intermediares recebables &	23,959	23,959	
Cash and cash equivalents	12,627	12,627	

D.2. Technical provisions

The following table summarises the technical provisions net of outward reinsurance of the Poste Vita Group at 31 December 2019:

(€k)

	31/12/2019		
Net Technical Provisions	Life business	Non-life business	Total
Best Estimates Liabilities	132,450,926	155,411	132,606,337
Risk margin	144,371	14,154	158,525
Total - Gross Techical Provisions	**132,595,297**	**169,565**	**132,764,862**
Recoverables	(265)	17,933	17,667
Total - Net Techical Provisions	**132,595,563**	**151,632**	**132,747,195**

The technical provisions of the Poste Vita Group are equal to the sum of the technical provisions for the Life business and the technical provisions for the Non-Life business.

The technical provisions relating to both the Life business and Non-Life business have been valued in accordance with the principles of article 77 of the Solvency II Directive, which states that the value of technical provisions is equal to the sum of the Best Estimates and the Risk Margin.

With regard to the calculation of the Group's technical provisions, reported below is the impact on available own funds of the transitional measures (Volatility Adjustment) applied only to the technical provisions relating to the Parent Company's life business:

(€k)

Impact of long term guarantees measures and transitionals	31/12/2019			
	Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero
Technical provisions	**132,764,862**	**134,672,954**	**135,209,982**	**2,445,119**
Basic own funds	**9,889,028**	**8,569,010**	**8,197,615**	**(1,691,413)**
Excess of assets over liabilities	9,629,948	8,309,930	7,938,535	(1,691,413)
Restricted own funds due to ring-fencing and matching portfolio				
Eligible own funds to meet Solvency Capital Requiremen	**11,468,565**	**10,148,548**	**9,803,273**	**(1,665,293)**
Tier I	9,628,928	8,308,910	7,937,515	(1,691,413)
Tier II	1,839,638	1,839,638	1,865,758	26,120
Tier III				
Solvency Capital Requirement	**3,679,275**	**3,679,275**	**3,731,516**	**52,240**

Technical provisions of the Parent Company, Poste Vita S.p.A.
The technical provisions have been valued in accordance with the principles of article 77 of the Solvency II Directive.
The methodology adopted in the calculation of the various quantities impacted by Solvency II is that provided for by the "Standard Formula", and therefore, the adoption of specific internal models is not envisaged.
At 31 December 2019, Poste Vita S.p.A. adopted the transitional deduction on technical provisions (MTRT) following IVASS Measure no. 0210786 of 26/08/2019. The MTRT has been calculated at product level and re-aggregated on the individual Lines of Business indicated in the Quantitative Reporting Templates. The 75.00% abatement percentage was applied to the calculated amount, gross of taxes, consistently with the provisions of article 344-decies of Legislative Decree no. 209 of 7 September 2015, concerning the transitional measure on technical provisions.
At 31/12/2019, the technical provisions are broken down into the various components:

- Best Estimate of Liabilities (BEL),
- Risk Margin (the margin for non-hedgeable risks),

- Reinsurance recoverables, i.e. the best estimate of amounts recoverable from reinsurance net of the adjustment that takes into account the credit risk of the reinsurance counterparty (CDA - counterparty default adjustment),
- Amount of the transitional on Technical Provisions, amount of MTRT

(€k)

Technical provisions	31/12/2019
BEL - gross reinsurance	133,464,970
Risk margin	1,038,418
SII technical provisions - gross reinsurance	**134,503,389**
Reinsurance recoverables net CDA	- 265
SII technical provisions - net reinsurance	**134,503,654**
Amount MTRT at 31.12.2019	- **1,908,091**
SII technical provisions - net reinsurance with deduction MTRT	**132,595,563**

At 31 December 2019, the value of the technical provisions by line of business (LoB) and by component, gross of reinsurance, without deduction of MTRT, is:

(€k)

Line of Business	BEL	Risk margin	Recoverables
Insurance with profit participation	129,799,016	890,690	95
Index-linked and unit-linked insurance	3,638,265	79,421	-
Other life insurance	41,989	33,010	10,251
Health insurance (direct business)	- 14,300	35,298	- 10,611

Details are provided below of the value at 31/12/2019 of technical provisions by line of business (LoB) and by component, net of reinsurance, respectively without deduction of MTRT and with deduction of MTRT:

TP, net reinsurance and without deduction Transitional Measures Technical Provisions

(€k)

Line of Business	BEL	Risk margin
Insurance with profit participation	129,798,921	890,690
Index-linked and unit-linked insurance	3,638,265	79,421
Other life insurance	31,737	33,010
Health insurance (direct business)	- 3,688	35,298

TP, net reinsurance and with deduction Transitional Measures Technical Provisions

Line of Business	BEL	Risk margin
		(€k)
Insurance with profit participation	128,784,877	-
Index-linked and unit-linked insurance	3,638,265	76,064
Other life insurance	31,737	33,010
Health insurance (direct business)	- 3,688	35,298

Technical provisions are determined for almost the entire portfolio using an ALM (Asset Liabilities Management) approach.
The Best Estimates include the outstanding claims provision at 31 December 2019.

The Best Estimate of liabilities is obtained as an average of future cash flows weighted with the related probabilities, taking into account the time value of money (expected present value of future cash flows) based on the relevant risk-free interest rate maturity structure at 31 December 2019, as observed in the market and officially disclosed by EIOPA.

The Best Estimate can be calculated using deterministic or stochastic approaches, depending on the characteristics of the liabilities portfolio.
Specifically:

- a deterministic approach is used for products or Solvency Lines of Business where cash flows do not depend on market movements or move symmetrically to market movements;
- a stochastic approach is used for products or Solvency Lines of Business where cash flows contain financial guarantees and contractual options asymmetric to market movements.

For the valuation of the Best Estimate component of the Parent Company's commitments, the model has been configured by LoB, each with its own amount of assets and liabilities.

The projections are managed for individual funds. In particular, in the case of separately managed accounts, in the ALM perspective, the dynamic interactions between assets and liabilities are taken into account, such as management movements, the revaluation of insurance benefits is determined, management actions are taken into account and investment strategies are simulated.
With regard to the choice of Management Actions, the investment strategy used in the Parent Company's projection models to calculate the Best Estimate of products with performance that can be revalued, i.e. linked to the return of separately managed accounts, has a dual objective:

- the maintenance of Current Asset Allocation (CAA) over time;
- the achievement and maintenance, where possible, of a target management performance.

The parametrisation of financial assumptions is determined consistently with asset allocation criteria and the realisation of an objective return (crediting) defined and agreed with the Asset Allocation and Traditional Investments office.

In contrast to real-world valuations, it is necessary to take into account the fact that for Solvency II valuations, a portfolio with closed production is assumed and that the projections take place in a risk neutral scenario. As a result, asset flows are reduced, leading to a reduction in returns. The criteria for realising latent gains on assets covering separately managed accounts represent the driver with the greatest impact on the value of technical provisions. In these valuations, the management of the portfolio foresees that the realisation of the gains will result in a target management return (crediting).

With regard to the liabilities portfolio, for the purposes of a correct valuation as defined in articles 17 and 18 of the Delegated Regulation (EU) 2015/35, all obligations falling within the limits of the contract have been recognised and all those that have been settled, fulfilled and expired have been derecognised.
In the valuation of the Best Estimates, all outstanding portfolio obligations were taken into account, in particular those arising from single premium tariff forms, annual premium forms, recurring single premiums, as well as the payment of additional premiums and one-yearly coverage until maturity.
In the model configuration, the variables are parametrised according to assumptions that can best represent their future performance.
In the projection of cash flows, as defined by art. 28 of the Delegated Regulation (EU) 2015/35, all commitments in terms of services and expenses deriving from contracts have been taken into account through the definition of assumptions that determine their future value.

In particular, we can define three types of assumptions:

- Demographics: mortality, longevity and disability;
- Financial: rates of return on assets (deterministic Risk neutral and stochastic scenarios), discount and inflation rates and assumptions about the volatility of financial instruments;
- Non-Financial: redemptions, renewals, reductions, insolvencies, income propensity and expenses.

Below is a description of the methodological criteria used to define the main assumptions, which are periodically updated on the basis of statistical-actuarial estimates:

<u>Demographic assumptions</u>
Process of identifying the probability distribution of death by gender and age, differentiated by different portfolio sub-collectives (TCM products, CPI products, Class I including Multi-class and Class III):

- The mortality rate by age is obtained as the ratio between the number of deaths observed and the average number of those exposed to risk, identified using the average duration method.
- For each sub-collective observed, a single mortality table was defined, broken down by age and gender, assigning to each year of observation a weight proportional to the number of policies under analysis. The recovery of late complaints in relation to previous years of death was made by modifying the extractive criterion of the database by supplementing the information on the receipt of complaints.

Finally, the result is represented by an appropriate discount on the census mortality tables of reference per product.

Financial assumptions

The determination of the return on assets and the valuation of technical provisions are carried out in accordance with current regulatory standards (Delegated Regulation 2015/35 of 10 October 2014 and subsequent amendments).

In particular, for the projection of financial instruments according to market consistency standards, the maturity structure of risk-free interest rates is used with the application of the Volatility Adjustment, data published monthly by EIOPA.

In the calibration of stochastic scenario generation models, the target volatility is the market volatility at the assessment date for each type of asset considered:

- for Equity: EuroStoxx-50;
- for Fixed income: ATM swaption (normal volatility).

For several years now, software has been used for the production of risk neutral stochastic financial scenarios for Solvency II processing, which automates the generation process. The software includes theoretical models, calculation methodologies and the entire IT architecture suitable for the generation of the required scenarios.

The macroeconomic risk neutral scenarios mainly take into account three risk factors: interest rates, inflation and the equity index performance.

The generation process involves the creation of a thousand simulated trajectories, calibrated on the volatility levels observed at the reference date of the analysis.

The methodological choices made by Poste Vita envisage the use of the following projection models for the various risk factors:

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

In particular, the choice of the LMM+ for nominal rate modelling is linked to the possible presence of negative rates on the market.

Scenarios include the modelling of indices necessary for the assessment of investment classes/funds and aimed at generating a specific estimated target volatility for each of them or for homogeneous clusters of them.
The nominal rate curves used in the generation process at the assessment date coincide with those provided by EIOPA. These curves include the following corrections: credit risk adjustment and volatility adjustment.
The curves are also subject to a Smith-Wilson interpolation and extrapolation process that includes a level of ultimate forward rate at which the scenario converges (3.90%), within a certain tolerance, in the corresponding period between the last rate considered liquid (20 years) and 60 years.
The level of inflation at the assessment date is obtained from market infoproviders and coincides with the EUSWI curve.
The volatility area used for rate model calibration is included in the calibration issued by a leading external supplier of the sector.
The same calibration is accompanied by the relevant documentation, which outlines the levels of market volatility (implicit volatility of swaptions) and the level of validity of the fitting obtained from the models used.
The validity of the volatility fitting therefore guarantees consistency between the starting curve, provided by EIOPA, and the market volatility used to produce the scenario.
The equity projection model is calibrated to the implicit volatility relative to EUROSTOXX50.
The scenarios produced are subjected to validation tests, distributed by the supplier, before being used as input within the ALM model so that their risk neutrality and consistency with the valuation model is verified.

<u>Non-financial assumptions</u>

a. Process for determining separate redemption frequencies for different portfolio sub-collectives and product lines:

- the redemption rate is obtained as the ratio between the number of policies redeemed and the number of policies exposed to redemption risk at the beginning of the period for each calendar year of issue, i.e. for each year of policy effect;
- starting from the matrix of annual rates, aggregating with respect to the columns, we obtain the vector of the redemption rates by duration;
- aggregation is carried out through weighted averages that assign greater relevance to complete and more recent observations;
- the final vector is the result of mechanical smoothing, i.e. conveyed by expert judgement.

b. Process for determining partial redemption frequencies:

- the observation of the phenomenon is conducted for policy duration and for different product lines;
- the partial redemption rate is obtained as the ratio between the number of policies partially redeemed and the number of policies exposed to the partial redemption risk at the beginning of the period for each calendar year of issue, i.e. for each year of policy effect;

- starting from the matrix of annual rates, aggregating with respect to the columns, we obtain the vector of the partial redemption rates by duration;
- aggregation is carried out through weighted averages that assign greater relevance to complete and more recent observations;
- the average portion of insured capital required with partial redemption per product line is determined as the ratio between the average partial redemption and the average insured capital within the same observation period;
- the average portion of capital, obtained in the previous point, is applied in relation to the different product lines, at each partial redemption frequency so as to obtain, for the duration, portions (percentages) of insured capital removed as a result of the partial redemption.

c. Process for determining renewal frequencies for recurring single premium products:
- for month of effect of the policy and duration, the average premiums paid by policyholders are determined as the ratio between the sum of the premiums paid for each monthly generation and the number of policies in the portfolio, relating to that generation and still in force for that generation;
- the raw renewal frequencies are determined, given by the ratio between the successive average premiums and the adjacent ones, which are then aggregated over the consecutive policy years and weighted with respect to the number of generations;
- the final vector is the result of mechanical smoothing, i.e. conveyed by expert judgement.

d. Process for determining the amounts of additional payments:
the methodology for determining the amount of additional payments is based on observation by characteristic product lines and consists of the following steps:
- definition of the average value of additional payments per product;
- definition of additional payment frequencies per product;
- definition of the annual premium amount per characteristic product lines;
- the final vector is the result of mechanical smoothing, i.e. conveyed by expert judgement.

In addition, an analysis by generation has led to the hypothesis of a law of forfeiture per duration, for which the flow of additional payments decreases linearly as the annuity of the policy increases.

e. Dynamic Policy Holder Behaviour (DPHB)

Poste Vita S.p.A. introduced the hypothesis of "dynamic redemptions" in the valuations made in the BEL calculation for the year 2019 in order to capture the dynamic policy holder behaviour (DPHB) with respect to market conditions.

The mathematical model present in Poste Vita S.p.A. calculation procedures defines a variation factor, with positive/negative effects on the redemption frequencies observed by the company's experience, depending on the behaviour of a financial variable "spread".

An estimate of the parameters of the DPHB mathematical model present in Poste Vita S.p.A. internal BEL calculation procedures has been made taking into account the following methodological aspects:

- the analysis of the linear and non-linear correlation between strategic financial variable "spread" and observed redemption frequencies, which allowed identifying non-linear correlations;
- the calculation of the variable "spread" as a function of the relegated return of separately managed accounts.

f. The process of determining expenses can be represented as follows:

- a first stage involves, in the financial statements, the analytical recognition of costs by nature to be allocated to the macro-categories relating to the technical and non-technical account:

1. Other acquisition costs (Acquisition);
2. Investment management expenses (Finance);
3. Claims expenses (Settlement);
4. Other administrative expenses (Administration);

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

In particular, for operating expenses, average costs are broken down by product line, while for acquisition costs an overall average cost, unique to the portfolio, is used.

- the estimate at 31/12/2019 of average policy costs was based on the total operating costs incurred in 2019 net of recoveries for seconded personnel and intercompany services and non-recurring costs.

Poste Vita has also taken into account, when projecting cash flows, the expenses relating to investment management and the expenses relating to the expected future premium income of the portfolio outstanding at the assessment date.

In the valuation of the assumptions underlying the BEL calculation, some were considered to be immaterial because the related phenomenon observed either occurs sporadically over time or is not relevant in terms of volumes observed at the assessment date.

In particular, the following are non-material:

1. Assumption of LTC disability;
2. Assumption of deferring the deadline;
3. Assumption of conversion of non-pension products into income;
4. Switch assumption;
5. Assumption of Collective Policies;
6. Assumption of non-self-sufficiency LTCI;
7. Assumption of Death/Accident by car.

In the projection of cash flows, used to determine the value of the Best Estimates, the policies in force at the time of valuation are grouped into Model Points following a homogeneous grouping by type of risk (by product code), thereby separating and managing the guarantees present in insurance contracts. For Multi-class policies, Class I and Class III guarantees are managed and valued separately. For the generation of Model Points, specific analyses were carried out to determine an optimal aggregation set in order to reproduce the Best Estimate value (compared to the Best Estimate value given by policy by policy valuation), the number of Model Points and the reduction of the approximation error.
The calculation of the Best Estimates is carried out following a stochastic approach in order to assess the time value of the options (redemptions, renewals, reductions, insolvencies, etc.) and of the guarantees (e.g. minimum guaranteed financial guarantee fixed in the tariff) included in the insurance policies in force at the time of the valuation as defined in article 32 of the Delegated Regulation (EU) 2015/35.

For the purpose of calculating the best estimate, the Company has applied to risk-free interest rates an adjustment for the volatility of the maturity structure of risk-free interest rates (**Volatility Adjustment**), according to the provisions of art. 36-septies of the Private Insurance Code.
The technical information produced by EIOPA in accordance with article 36-octies of the Private Insurance Code was used to make this adjustment on the assessment date. The volatility adjustment applied for the valuation at 31 December 2019 is 7 bps.

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

(€k)

Line of Business	TP (with VA)	TP (no VA)	difference
Insurance with profit participation	130,689,706	131,226,324	- 536,618
Index-linked and unit-linked insurance	3,717,686	3,717,638	48
Other life insurance	74,999	75,040	- 42
Health insurance (direct business)	20,998	21,414	- 416
Total	**134,503,389**	**135,040,417**	**- 537,028**

The valuation model projects cash flows using a run-off approach, i.e. until the portfolio of liabilities is fully settled, over a time horizon set at 40 years. In order to take into account the Best Estimate of contracts still in force on the last projection date, the terminal value is included in the same (Total provision at the date of the end of projection discounted to zero).
For each set of results produced, the market consistency of the cash flows (assets and liabilities) is validated by means of the Leakage and Martingale tests, after calibration of the assets to the initial market value, consistently with the Risk Neutral interest rate maturity structure, assuming the absence of arbitrage.
Cash flows have been considered without deduction of recoverable amounts from reinsurance contracts; this amount is calculated externally to the model and is equal to the present value of

the difference between outflows and inflows with reference to the items covered by the reinsurance treaty.
This value indicating the amounts recoverable from reinsurance contracts is subsequently adjusted according to the probability of default of the reinsurance counterparty.

This adjustment was calculated using the formula as per art. 61 of the Delegated Regulation (EU) 35/2015:

AdjCD= - max(0.5*PD/(1 - PD)*Durmod*BErec;0)
where:

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

It should be noted that the reinsurance amounts of the non-modelled business relating to TCM, LTC, collective CPI coverage, and the reinsurance amounts of the School Product were estimated to be equal to the mathematical provisions transferred Local GAAP.
The recoverable amounts per LoB, net of the adjustment taking into account the credit risk of the reinsurance counterparty, at 31 December 2019 are:

(€k)

Line of Business	Recoverables
Insurance with profit participation	95
Index-linked and unit-linked insurance	-
Other life insurance	10,251
Health insurance (direct business)	- 10,611

The table below shows the guaranteed minimum levels at 31 December 2019 and their weight in % of the mathematical provisions for products linked to separately managed accounts:

(€k)

% Minimum Guaranteed	MATHEMATICAL PROV 31/12/2019	% MATHEMATICAL PROV 31/12/2019
0.00%	57,659	46.81%
0.50%	7,663	6.22%
1.00%	32,161	26.11%
1.25%	99	0.08%
1.42%	213	0.17%
1.50%	25,336	20.57%
1.57%	7	0.01%
1.89%	30	0.02%
2.03%	19	0.02%
2.13%	1	0.00%
Total	**123,188**	**100.00%**

This table shows that a large part of the portfolio has 0%, 1% and 1.5% guarantees and with an upward trend for 0% guarantees following the marketing, from 2016, of 0% guarantee products.

Technical provisions of the Subsidiary, Poste Assicura S.p.A.

With reference to the value of the technical provisions of the Subsidiary, Poste Assicura S.p.A., including the amount of the best estimate and the risk margin, a summary table follows.

(€k)

	31/12/2019					
Line of Business	Premium provisions	Claims provisions	Risk margin	TP - Total	Recoverables from reinsurance	TP minus recoverables from reinsurance
1. Medical expense insurance	17,826	29,077	2,819	49,721	3,494	46,227
2. Income protection	19,780	37,192	6,063	63,036	5,450	57,586
3. Workers' compensation						
7. Fire and other damage	(1,251)	5,174	721	4,643	1,318	3,326
8. General liability	(2,068)	11,496	1,380	10,808	3,122	7,686
10. Legal expenses	(236)	1,274	75	1,113	705	408
11. Assistance	9	46	14	68	17	52
12. Miscellaneous	31,058	6,034	3,083	40,175	3,828	36,348
Total	**65,117**	**90,294**	**14,154**	**169,565**	**17,933**	**151,632**

Description of the bases, methods and main assumptions used for the valuation of technical provisions

Poste Assicura S.p.A. calculates technical provisions for solvency purposes in accordance with the provisions of Chapter III (Rules relating to technical provisions) of the Delegated Regulation (EU) 2015/35 as implemented by Chapter II (Calculation of technical provisions) of Legislative Decree no. 209/2005 updated for solvency issues by Legislative Decree no. 74/2015 and as supplemented by IVASS Regulation no. 18 of 15 March 2016.

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

Best Estimate Premium Provision

According to the definition given in Solvency II terms, the Best Estimate Premium Provision is the expected present value of all future cash flows generated by contracts outstanding at the assessment date.

Based on this definition, the methodology implemented for the quantification of the Best Estimate Premium Provision gross of reinsurance makes it possible to develop all future flows deriving from the payment of claims, expenses and any premium redemptions for early termination, net of future premiums to be collected. This methodology is based on the logic of simplification reported in Annex 6 of IVASS Regulation no. 18 of 15 March 2016.

For the discounting of estimated future cash flows, the choice was for the discount curve provided by EIOPA without the volatility adjustment.

Best Estimate Claims Provision

The Best Estimate Claims Provision was estimated from the historical series of provisions and service payments made by the settlement network. This information is monitored through the implementation of statistical analyses and supported by actuarial statistical evaluations.

Before carrying out any actuarial assessment, Poste Assicura S.p.A. prepares a series of reports in which summary indicators on the claim are drawn up. The analysis of the temporal development of the indicators is used to identify the trend of the claim with particular reference to the evolution of the cost of each generation and its development trend over time. These indicators are measured on a monthly basis and compared with the situation in the previous year.

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The following actuarial statistical methods have been implemented for the purposes of Solvency II assessments:

- Paid Loss Development Method;
- Incurred Loss Development Method.

Finally, LoBs with insufficient historical depth, small volumes or a specialised claims structure at the assessment date were excluded from the application of actuarial statistical methods. In this case, the Best Estimate Claims Provision was obtained from the statutory reserve at the assessment date, duly removed and discounted.
The only Line of Business subject to this simplified assessment was Assistance.
For the discounting of estimated future cash flows, the choice was for the discount curve provided by EIOPA without the volatility adjustment.

Reconciliation of the technical provisions in view of Solvency II with the statutory financial statements

The table below shows the differences between the statutory and Solvency II technical provisions net of reinsurance at 31 December 2019:

(€k)

Technical Provisions minus recoverables from reinsurance - SI vs SII					
	Local	Other (*)	Methodology Effect	Discount Effect	TP SII
Local Claims Provisions / SII Claims Provision	*82,127*	(4)	(9,664)	408	*72,868*
Local Premiums Provision / SII Premiums Provision	*96,768*	0	(32,682)	524	*64,610*
Other Technical Provisions Local / Risk Margin	*4,102*	0	9,962	90	*14,154*
Total	182,997	(4)	(32,383)	1,022	151,632

(*) Delta for generations not valued and rounding

The transfer from the calculation principles of the Local financial statements to those of the Solvency II financial statements leads to a reduction of technical provisions net of reinsurance of 17.1% (€31,365 thousand).

The difference between the Local Claims Provision and the Best Estimate Claims Provision, amounting to €9,259 thousand, is attributable to the different method applied and the introduction of a discount component. From a civil law point of view, the principle of prudence, according to which it is not possible to determine negative IBNeRs, is respected. On the other hand, in view of Solvency II, a more forward-looking policy has been chosen in order to determine a final cost that is as fair as possible.

The difference between the Local Premium Provision and the Best Estimate Premium, amounting to €32,158 thousand, is attributable to the different method applied and the introduction of a discount component. In the Solvency II perspective, unlike the statutory standards, the present value of future profits is also taken into account.

The statutory technical provisions also include the reserves additional to the premium provision, the equalisation provision and the ageing provision, while for Solvency II purposes, a safety margin is measured which represents the cost of holding own funds equal to the Solvency Capital Requirement to support the obligations until they are fully settled.

<u>Amounts recoverable from reinsurance contracts</u>

The amounts recoverable from reinsurance contracts are determined as follows:

- in the calculation of the Best Estimate Premium, the amounts recoverable from the reinsurer are obtained as the difference between claims generated by the provision for fractions of premiums, future premiums and outward reinsurance and premiums ceded to the reinsurer plus the commissions received from the reinsurer;
- in the calculation of the Best Estimate Claims, the amounts recoverable from reinsurers are obtained as the sum of claims ceded for non-proportional treaties and claims ceded for quota share treaties.

The reinsurers' counterparty default adjustment, for reinsurers' recoveries of the premium provision and claims provision respectively, is calculated on the basis of the simplified formula set out in the Technical Specification for the Preparatory Phase Part I (TP.2.183.) below:

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

where:

- BE_{rec} is the Best Estimate of recoverables;
- Dur_{mod} is the modified duration of amounts recoverable from reinsurance;
- PD is the probability of default of the reinsurance counterparty. The proposed model assigns the PD with respect to the rating of the reinsurer operating under the Treaty. If the Treaty in question is characterised by a pool of reinsurers then the rating to be used for the identification of the PD is equal to the weighted average rating of the ratings of the reinsurers making up the pool, using as weights the distribution percentages of the portion ceded of the Treaty among the reinsurers in the pool.

The Adj_{CD} determined as described above is allocated to each future year in proportion to the flow of recoverables.

Below is the detail of the Best Estimate Premium Provision recoverables:

(€k)

Line of Business	31/12/2019		
	Best Estimate Premium Provision Gross of Reins.	Best Estimate Premium Provision Net of Reins.	Recoverable with Adjustment
1. Medical expense insurance	17,826	19,417	(1,591)
2. Income protection	19,780	19,255	525
3. Workers' compensation			
7. Fire and other damage	(1,251)	(922)	(329)
8. General liability	(2,068)	(1,907)	(161)
10. Legal expenses	(236)	(211)	(25)
11. Assistance	9	9	
12. Miscellaneous	31,058	28,970	2,089
Total	**65,117**	**64,610**	**507**

The recoverables of the Best Estimate Premium Provision are equal to +€507 thousand. The Best Estimate Premium Provision net of reinsurance amounts to +€64,610 thousand, a decrease of 0.8% compared to the estimate gross of reinsurance.
The reduction of approximately €2,887 thousand compared to the previous year, with respect to the recoverables component, was affected by the substantial change in the reinsurance structure implemented since last year. In the retail business, all proportional transfers were cancelled, with the exception of coverage relating to Legal Protection guarantees and Travel and Poste Salute products, and non-proportional Excess of Loss coverage was introduced for the Health line of business; for the Employee Benefits business, only Excess of Loss coverage was confirmed/integrated, with the exception of the transfer relating to the Healthcare Fund for Poste Italiane Group employees.

Below is the detail of the Best Estimate Claims Provision recoverables:

(€k)

Line of Business	31/12/2019		
	Best Estimate Claims Provision Gross of Reins.	Best Estimate Claims Provision Net of Reins.	Recoverable with Adjustment
1. Medical expense insurance	29,077	23,991	5,085
2. Income protection	37,192	32,268	4,924
3. Workers' compensation			
7. Fire and other damage	5,174	3,527	1,647
8. General liability	11,496	8,213	3,283
10. Legal expenses	1,274	544	730
11. Assistance	46	29	17
12. Miscellaneous	6,034	4,295	1,739
Total	**90,294**	**72,868**	**17,425**

The recoverables of the Best Estimate Claims Provision amount to +€17,425 thousand. The Best Estimate Claims Provision net of reinsurance amounts to +€72,868 thousand, a percentage reduction of approximately 19.3% of the gross estimate. The recoveries obtained are consistent with the Reinsurance strategy in force in 2019.

Level of uncertainty associated with technical provisions

The valuation of technical provisions is characterised by the sustainability of technical assumptions, portfolio composition and corporate policies. These aspects have been adequately taken into account in the evaluations. In any case, the assumptions used, however accurate, could provide estimates that deviate from actual future values. To this end, a sensitivity analysis was conducted to assess the impact of these changes on the final estimates as the individual assumptions used vary.
The Company, in particular, carried out sensitivity analyses on the factors which, given the specific nature of the portfolio, it considered to be most significant and that concern:

- the assumptions of policyholders abandoning contracts and the prospective Loss Ratio under Best Estimate Solvency II Premiums;
- the claims settlement policies and the resulting change in link ratios for the Best Estimate Solvency II Claims.

Risk Margin
The Group's Risk Margin is obtained from the sum of the Risk Margins of the individual Companies, in accordance with article 77 of the Solvency II Directive.
At 31 December 2019, in line with as done the previous year, a simplified method was used for each Company to calculate the Risk Margin, as provided for in paragraph 2, article 60 of IVASS Regulation no. 18/2016. In particular, after verifying that the assumptions regarding the company's risk profile can be considered unchanged over time, the Group has moved towards the hierarchy 2 method proposed in Annex 4 of the aforementioned Regulation. The Group believes that this method, based on the run-off of obligations net of reinsurance, reflects in a proportionate manner the nature, extent and complexity of the underlying risks and the commitments undertaken by the reference company.

The hierarchy 2 method is based on the assumption that the Solvency Capital Requirement is proportional to the best estimate of technical provisions, for each reporting year. The proportionality factor is the ratio between the current SCR and the current best estimate of technical provisions. The Group's risk margin is shown below:

(€k)

	31/12/2019	31/12/2018	Change
Risk Margin	158,525	1,597,080	(90.1%)

The decrease in Risk Margin is due to:

- the use of MTRT measures;
- the decrease in the capital requirement for underwriting risk attributable mainly to absorption against redemption risk due to the increase in the percentage weight of latent gains;
- the decrease in the capital requirement for counterparty risk due to the reduction in liquidity with Poste Italiane.

Finally, the Risk Margin is allocated to the individual lines of business (LoB) on the basis of the related solvency capital requirement.

D.3 Other liabilities

The following table shows, for the most significant items recognised under liabilities, the amount at 31 December 2019 calculated in accordance with Solvency II criteria compared with the value recognised in the IAS/IFRS Consolidated Financial Statements with reference to the Poste Vita Group and with the value recognised in the Local GAAP financial statements for the individual companies Poste Vita S.p.A. and Poste Assicura S.p.A.

Subordinated liabilities

Subordinated liabilities - Poste Vita Group (€261,473 thousand)

Subordinated liabilities, wholly-owned by the Parent Company, Poste Vita S.p.A., amount to €261,473 thousand at 31 December 2019 and refer exclusively to the market value of a subordinated loan, entirely contracted with the Parent Company, Poste Italiane S.p.A., including the accrued interest expense (entirely at market conditions).

Contingent liabilities

Contingent liabilities - Poste Vita Group (€21,241 thousand)

Contingent liabilities are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount and/or as to the date on which they will occur. This item includes the liabilities defined and regulated by IAS 37 and therefore determined in accordance with the provisions of the aforementioned standard.

Provisions are recognised in the financial statements when the Group has a present obligation as a result of a past event and it is likely that it will be required to settle that obligation.

Contingent liabilities at the end of 2019 total €21,241 thousand and include the amounts allocated to cover contingent liabilities in the year and/or in the quantum, and are up by approximately €10,641 thousand compared to €10,600 thousand at the end of 2018 due to the phenomena illustrated below.

Contingent liabilities - Poste Vita S.p.A. (€20,685 thousand)

Contingent liabilities at the end of 2019 amount to €20,685 thousand. The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

(€k)

Composition	31/12/2019	31/12/2018	change
Legal disputes	5,505	5,500	5
Tax disputes	2,451	2,800	(349)
Other liabilities	12,729	2,300	10,429
Total	**20,685**	**10,600**	**10,085**

The increase in the period equal to €10,085 thousand is attributable to:

- provision for about €5,195 thousand following Intesa San Paolo's intention to charge the Company for VAT paid following the facilitated settlement of pending litigation regarding the higher VAT assessed by the tax authorities for the 2003 and 2004 periods, due to the collaboration relation (failure to invoice the direct cost of personnel seconded to Poste Vita) and the co-insurance contract (failure to invoice the commissions on proxies and waivers) entered into in September 1999 between Sanpaolo Vita (later Eurizon and now Intesa San Paolo Vita) and Poste Vita;
- provision of €4,401 thousand made following the extension by INPS to the Company of the application of the regulation on contributions for the loan of the family allowance (CUAF), for which reference is made to the paragraph "Other Information";
- provision for approximately €833 thousand relating to certain cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the Company, as a result of which insurance payments were made to parties found not to be legitimate for a total value of €1,504 thousand. At the date of this report, the Company has already reactivated three of the twelve positions for a total of approximately €670 thousand. For the remaining positions, a provision of €833 thousand has therefore been made to the provision for risks which will be progressively removed when the position of the customer concerned is reactivated;
- release of a portion of the provision related to the tax dispute for €349 thousand as further described in the paragraph "tax disputes".

With regard to valuation methods, refer to as reported at Group level.

Contingent liabilities - Poste Assicura S.p.A. (€556 thousand)

With regard to the subsidiary, Poste Assicura S.p.A., the item of €556 thousand relates exclusively to the provision made following the extension by INPS to the Company of the application of the regulation on contributions for the loan of the family allowance (CUAF), for which reference is made to the paragraph "Other Information".

With regard to valuation methods, refer to as reported at Group level.

Pension benefit obligations

Pension benefit obligations - Poste Vita Group (€4,503 thousand)
This item includes the amounts relating to employee termination benefits for a total value at the end of 2019 of €4,503 thousand. These amounts were determined using the criteria set out in IAS 19 and the consolidated value is the sum of the amounts of the companies belonging to the Insurance Group.

Pension benefit obligations - Poste Vita S.p.A. (€2,167 thousand)
At 31 December 2019, the Parent Company, Poste Vita S.p.A., has pension obligations totalling €2,167 thousand.
With regard to valuation methods, refer to as reported at Group level.

Pension benefit obligations - Poste Assicura S.p.A. (€365 thousand)
The Subsidiary, Poste Assicura S.p.A., reported pension obligations of €365 thousand at 31 December 2019.
With regard to valuation methods, refer to as reported at Group level.

Pension benefit obligations - Poste Welfare Servizi S.r.l. (€1,971 thousand)
The Subsidiary, Poste Welfare Servizi S.r.l. holds pension obligations of €1,971 thousand at 31 December 2019.
With regard to valuation methods, refer to as reported at Group level.

Deferred tax liabilities

Deferred taxes liabilities - Poste Vita Group (€3,872,675 thousand)
Deferred tax liabilities are equal to the sum of the amounts reported in the Market Value Balance Sheet (Solvency II) of the Parent Company, Poste Vita S.p.A., and the Subsidiary, Poste Assicura S.p.A., while Poste Welfare Servizi S.r.l. and Poste Insurance Broker S.r.l. have no deferred tax liabilities. Deferred tax liabilities are determined on the basis of the differences between the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values, applying the IRES + IRAP rate (30.82%).

Deferred tax liabilities - Poste Vita S.p.A. (€3,854,240 thousand)
Deferred tax liabilities are determined on the basis of the differences between the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values, applying the IRES + IRAP rate (30.82%).
As a result of the application of the Solvency II valuation rules, the item Deferred tax liabilities amounts to €*3,854,240* thousand at the end of 2019.

The main components include deferred tax liabilities arising from the increase in investments of €3,845,933 thousand.

Deferred tax liabilities - Poste Assicura S.p.A. (€18,435 thousand)

The item Deferred tax liabilities amounts to €18,435 thousand at the end of the period. The change compared to the Local GAAP value is mainly due to deferred taxes on the change in value of financial instruments for €5,715 thousand and on the decrease in technical provisions for €12,698 thousand, in application of the Solvency II valuation criteria.
With regard to valuation methods, refer to as reported at Group level.

Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions - Poste Vita Group (€27,083 thousand

This item refers almost exclusively to the financial liabilities arising from the application of IFRS 16 for a total value of €27,083 thousand at 31 December 2019 and mainly relate to the lease contract of the property for mixed use with the company Mirto S.r.l. expiring in April 2022 (renewable for a further six years). Said liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).

This item is shown net of intra-group transactions totalling €2,734 thousand, referring almost exclusively to the financial liability relating to the sub-lease contract of offices from the Parent Company, Poste Vita S.p.A., to the Subsidiary, Poste Welfare Servizi S.r.l.

Financial liabilities other than debts owed to credit institutions - Poste Vita S.p.A. (€26,668 thousand)

This item refers exclusively to the financial liabilities deriving from the application of IFRS 16 for a total value of €26,668 thousand at 31 December 2019 and mainly relate to the lease contract of the property for mixed use with the company Mirto S.r.l. expiring in April 2022 (renewable for a further six years). With regard to valuation methods, refer to as reported at Group level.

Financial liabilities other than debts owed to credit institutions - Poste Assicura S.p.A. (€78 thousand)

This item refers exclusively to financial liabilities arising from the application of IFRS 16 and which represent the remainder of the fees to be settled at the end of the period with reference mainly to the mixed-use car lease contract.
With regard to valuation methods, refer to as reported at Group level.

Financial liabilities other than debts owed to credit institutions - Poste Welfare Servizi S.r.l. (€3,071 thousand)

This item refers to the financial liabilities arising from the application of IFRS 16, which represent the remainder of the fees to be settled at the end of the period, primarily relating to: i) €2,738 thousand (equal to €5 thousand net of the above intra-group elimination) for the sub-lease of the premises of the Parent Company, Poste Vita S.p.A., used for business activities; ii) €313 thousand for the premises of the Parent Company, Poste Italiane S.p.A., used for disaster recovery and iii) €20 thousand for the mixed-use car lease contract.
With regard to valuation methods, refer to as reported at Group level.

Derivatives

Derivatives - Poste Vita Group (€885 thousand)

At the end of 2019, the Parent Company Poste Vita holds derivative positions of €885 thousand.

Derivatives are recognised at fair value through profit or loss.

The only outstanding transaction was the Forward Sale written on the Government security "BTPS 0.65%" with maturity 13 January 2020. This derivative with a nominal value of €120 million recorded a negative change in fair value during the period of approximately €885 thousand.

Insurance and intermediaries payables

Insurance and intermediaries payables - Poste Vita Group (€159,405 thousand)

These payables are recorded at nominal value. For accounting purposes, no discounting methods are used since, as these payables are short-term, the effects would not be significant. This item amounts to €159,405 thousand at the end of 2019 and is expressed net of intra-group transactions totalling €10,530 thousand and relating exclusively to the payable accrued by the Subsidiary, Poste Assicura S.p.A., to the Parent Company, Poste Vita S.p.A., for its share of the premium covering the "life" guarantee of CPI products.

Insurance and intermediaries payables - Poste Vita S.p.A. (€145,449 thousand)

At the end of 2019, this item amounts to €145,449 thousand and the breakdown is as follows:

- €96,478 thousand for commissions due to the Parent Company, Poste Italiane S.p.A., for portfolio maintenance;
- €44,945 thousand for commissions due to insurance intermediaries following the placement of insurance products mainly related to the last quarter of the year and which will be settled in the first months of 2020.

With regard to valuation methods, refer to as reported at Group level.

Insurance and intermediaries payables - Poste Assicura S.p.A. (€24,486 thousands)

This item mainly includes intermediaries and insurance companies payables. At the end of 2019, this item amounts to €24,486 thousand and the breakdown is as follows:

- commissions due to insurance intermediaries for €6,287 thousand, due for the placement of insurance products mainly related to the last quarter of the year and settled in the first months of 2020;
- co-insurance agreements payables: this item refers to premiums relating to the CPI product for €10,530 thousand (fully eliminated for the purposes of preparing the Consolidated Financial Statements). This product offers "non-life" insurance coverage provided by Poste Assicura S.p.A. and "life" insurance coverage provided by the Parent Company, Poste Vita S.p.A. The related premiums are collected in full by the Company, which has a payable to Poste Vita S.p.A. for the portion of the premium covering the "life" guarantee. This position is settled at the date of preparation of this document;
- co-insurers payables for €5,346 thousand;
- insurance payables for claims to be paid for €2,323 thousand.

With regard to valuation methods, refer to as reported at Group level.

Insurance and intermediaries payables - Poste Insurance Broker S.r.l. (€1 thousand)

This item refers exclusively to the amount payable to Genertel for the premium to be paid net of the commission due to the company for brokerage activities.

With regard to valuation methods, refer to as reported at Group level.

Trade payables

Trade payables - Poste Vita S.p.A. Group (€60,130 thousand)

Trade payables at the end of 2019 amount to €60,130 thousand and mainly refer to payables for services and goods purchased during the year and not yet settled at the reporting date.

It should be noted that this item has been derecognised as a result of intra-group transactions for a total of €7,011 thousand.

Payables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated settlement value.

Trade payables - Poste Vita S.p.A. (€43,573 thousand)

At the end of 2019, the Parent Company's trade payables amounts to €43,573 thousand (€43,282 thousand net of intra-group eliminations prepared for the purposes of the Consolidated Financial Statements) and mainly refer to payables for services and goods purchased during the year and not yet settled at the reporting date.

With regard to valuation methods, refer to as reported at Group level.

Trade payables - Poste Assicura S.p.A. (€19,615 thousand)

Trade payables amount to €19,615 thousand at the end of 2019 (€13,269 thousand net of intra-group eliminations for the purposes of the Consolidated Financial Statements) and mainly refer to payables for services and goods purchased during the year and not yet settled at the reporting date.

With regard to valuation methods, refer to as reported at Group level.

Trade payables - Poste Welfare Servizi S.r.l. (€3,902 thousand)

Trade payables at the end of 2019 amount to €3,902 thousand (€3,528 thousand net of intra-group eliminations prepared for the purposes of the Consolidated Financial Statements) and mainly relate to: i) amounts due to suppliers for services received during the period and not yet settled at the reporting date and ii) deferred liabilities mainly related to the portion of revenue relating to the quarterly fee of the customer Faschim, invoiced in advance.

With regard to valuation methods, refer to as reported at Group level.

Trade payables - Poste Insurance Broker S.r.l. (€51 thousand)

The payables in question refer to commercial commitments payable within the next year and relate to: i) €32 thousand for the compensation due to the independent auditors for their work on the 2019 financial statements and ii) €19 thousand for the compensation due to the Sole Auditor.

With regard to valuation methods, refer to as reported at Group level.

Difference between the valuation according to Solvency II standards and the IAS/IFRS Consolidated Financial Statements

The table below summarises the different valuation criteria adopted for the valuation of liabilities for the purposes of Solvency II and the IAS/IFRS Consolidated Financial Statements:

Liabilities	Valuation criterion Solvency II	Valuation criterion IAS/IFRS
Contingent liabilities	For relevant liabilities, the valuation applied is in accordance with **IAS 37** - *Provisions, Contingent Liabilities and Contingent Assets*	For relevant liabilities, the valuation applied is in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets
Pension benefit obligations	Amount determined in accordance with **IAS 19**.	Amount determined in accordance with IAS 19.
Financial liabilities other than debts owed to credit institutions	Amount determined in accordance with IFRS 16. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).	Amount determined in accordance with IFRS 16. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).
Deferred tax liabilities	Deferred tax liabilities are equal to the sum of the values of the same item reported in the Market Value Balance Sheet (Solvency II) of the Parent Company, Poste Vita, and the Subsidiaries, Poste Assicura and PWS. These values were determined, with reference to the valuation differences in the values of assets and liabilities calculated for Solvency II purposes and the corresponding Local GAAP values, based on the applicable rates.	Deferred tax liabilities are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes. Deferred tax liabilities are not recognised if there is little likelihood that said payable will arise
Derivatives	Recognition in the financial statements is at fair value through profit or loss	Recognition in the financial statements is at fair value through profit or loss
Insurance and intermediaries payables	Payables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated settlement value.	Payables are stated at their nominal value.
Subordinated liabilities	Recognition in the financial statements is at the observed fair value, including accrued interest.	Recognition in the financial statements is at amortised cost, including accrued interest

The main changes include deferred taxes on changes in the value of financial instruments, in accordance with Solvency II valuation criteria.

(€k)

	31/12/2019		
Liabilities	**Solvency II value**	**IAS/IFRS value**	**Change**
Contingent liabilities	21,241	21,241	
Pension benefit obligations	4,503	4,503	
Deferred tax liabilities	3,872,675	182,328	3,690,348
Financial liabilities other than debts owed	27,083	27,083	
Insurance & intermediaries payables	159,405	159,405	
Derivatives	885	885	
Payables (trade, not insurance)	60,130	60,130	
Subordinated liabilities	261,473	251,373	10,100

With reference to the companies belonging to the Group, the application of the Solvency II valuation criteria to the liabilities in the Balance Sheet has led to the following differences in valuation with respect to the **Local GAAP standards**, outlined below:

Liabilities	Valuation criterion Solvency II	Valuation criterion Local GAAP
Contingent liabilities	For relevant liabilities, the valuation applied is in accordance with **IAS 37** - *Provisions, Contingent Liabilities and Contingent Assets*	The valuation is made in accordance with Accounting Standard **OIC 31**. In particular, a provision is made for risks and charges that are only intended to cover losses or payables of a specific nature, certain or probable, for which the amount and effective date are not determined at the reporting date.
Pension benefit obligations	Amount determined in accordance with **IAS 19**.	Employee termination benefits (TFR) are calculated analytically for each employee on the basis of art. 5 of **Law 297 of 1982**, and in compliance with the TFR reform pursuant to **Legislative Decree no. 252/2005** and subsequent amendments.
Financial liabilities other than debts owed to credit institutions	Amount determined in accordance with **IFRS 16**. Liabilities are initially recorded at the present value of lease fees not paid on the date the contract commences; for the purposes of calculating the present value, the Company uses the incremental borrowing rate, defined by loan period. Liabilities are subsequently reduced to reflect the lease fees paid and increased to reflect interest on the remaining amount (using the effective interest rate method).	The statutory accounting standards do not require the recognition of financial liabilities for leased assets.
Deferred tax liabilities	Deferred tax liabilities are determined on the basis of the differences between the values of assets and liabilities for Solvency II purposes and the corresponding Local GAAP values. The tax effect is determined on the basis of the rates in force.	Deferred tax liabilities are recognised for deductible temporary differences between the carrying amounts of assets and liabilities and the corresponding values recognised for tax purposes. Deferred tax liabilities are not recognised if there is little likelihood that said payable will arise
Insurance and intermediaries payables	Payables are recorded at Fair Value at the acquisition date and subsequently measured at their estimated settlement value.	Payables are stated at their nominal value.
Subordinated liabilities	Recognition in the financial statements is at the observed fair value, including accrued interest.	Subordinated liabilities are recorded at nominal value.

Poste Vita S.p.A.

(€k)

Liabilities	31/12/2019 Solvency II value	Statutory accounts value	Change
Contingent liabilities	20,685	20,685	
Pension benefit obligations	2,167	1,965	202
Deferred tax liabilities	3,854,240		3,854,240
Financial liabilities other than debts owed	26,668	1	26,667
Insurance & intermediaries payables	145,449	145,449	
Derivatives	885	885	
Payables (trade, not insurance)	43,573	43,622	(49)
Subordinated liabilities	261,473	251,373	10,100

Poste Assicura S.p.A.

(€k)

Liabilities	31/12/2019 Solvency II value	Statutory accounts value	Change
Pension benefit obligations	365	306	59
Deferred tax assets	18,435		18,435
Financial liabilities other than debts owed	78		78
Reinsurance payables	2,304	2,304	
Insurance and intermediares payables	24,486	24,486	
Payables (trade, not insurance)	19,615	19,622	(7)

D.4 Alternative valuation methods

Paragraphs D.1 and D.3 contain the valuation principles deriving from the Policy on the valuation of assets and liabilities other than technical provisions, which originates from the new requirements introduced by the Solvency II Directive (hereinafter the Directive) and regulates the provisions on the valuation of assets and liabilities other than technical provisions in accordance with the provisions of IVASS Regulation no. 34 of 7/02/2017 and pursuant to article 267 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.

With reference to the valuation of financial instruments, the Poste Vita Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, for risk management assessments and supporting the market transactions carried out by the Finance functions of the various Poste Italiane Group entities. The principles and rules to be applied in measuring the fair value of financial instruments have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level.

In particular, assets are classified according to a hierarchical scale that reflects the relevance of the sources used in making the valuations, consisting of the 3 levels represented below:

- Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. This level includes equities listed on active and liquid markets, in accordance with the Group's current Fair Value Policy, except for equities relating to FSI SGR for an inclusive amount of €297 thousand, to which level 3 has been assigned. It also includes listed open-end investment funds such as Exchange Traded Funds (ETF) for which the measurement is based on the daily closing market price as provided by Bloomberg or the fund manager.
- Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset. Given the nature of Poste Vita Group operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, ranges of rate volatility, inflation option premia, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties. Level 2 includes unlisted open-end investment funds for which measurement is based on the latest available NAV (Net Asset Value) of the fund as provided by Bloomberg or as determined by the fund manager.
- Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed. Level 3 includes unlisted closed-end funds for which measurement is carried out considering the last available NAV at least every six months communicated by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the assessment date.

For multi-asset funds, the majority of the underlying investments are represented by financial instruments listed on liquid and active markets. The Poste Vita Group carries out analyses on the liquidity of the assets underlying the funds; the reports show that approximately 98% of investments can be liquidated in 1 business day.
These funds have been classified as level 2 in the fair value hierarchy adopted by the Parent Company, Poste Vita S.p.A., for financial reporting purposes, as they are unlisted open-end collective investments undertakings for which the NAV (Net Asset Value) reported daily by the custodian bank is available.
BTP strip securities have a level of liquidity similar to coupon government bonds, given the number of financial counterparties that quote a trading price, although they are less liquid at certain market times. Therefore, at a given assessment date, these financial instruments do not comply with the individual parameters set by the fair value policy (e.g. bid ask spread level) mentioned above, and are prudentially classified as level 2 of the fair value hierarchy.

For the purposes of preparing the Solvency financial statements, since the first supervisory reporting on 31 December 2016, the Poste Vita Group has prudently assigned Level 3

(Alternative Valuation Method) in QRT S.06.02 also to financial instruments characterised by Level 2 in the fair value hierarchy.
During 2019, the Poste Vita Group finalised a project aimed at identifying a flexible instrument for managing the risk of multi-asset class portfolios through a series of analytical metrics (such as VaR measures, risk decomposition, stress tests, etc.) calculated at both individual instrument and fund and/or portfolio level. Therefore, starting from the second half of 2019, this system known as Axioma Risk has made Poste Vita S.p.A. independent in the Solvency II analyses carried out using a look through approach of its investment funds, no longer making use of the analyses provided by individual fund managers. Therefore, the Poste Vita Group, thanks to the introduction and refinement of the instruments used to perform the look through, has reclassified these asset categories for the purposes of the valuation method in field 2 "quoted market price in active markets for similar assets", taking into account that the observed valuation technique maximises the use of "directly" observable inputs and minimises the use of non-observable inputs as required by international accounting standards.

D.5 Other information

Preparation of the annual figures requires the application of accounting standards and methods that are at times based on complex subjective judgements and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements and related disclosures. The actual amounts of items of this report for which the above estimates and assumptions have been applied may differ from those reported in previous solvency and financial condition reports due to uncertainties regarding the assumptions and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.
Finally, it should be noted that the complex and articulate Solvency II regulations only came into force in Italy as from 2016 and, therefore, the Management of the Insurance Group companies will continue to monitor with particular attention the relative future regulatory and interpretative developments, as well as the best market practices that will progressively become available, assessing any consequent effects on the estimates and disclosure contained in future solvency and financial condition reports.

E - CAPITAL MANAGEMENT

E.1 Own Funds

Introduction

This section focuses on the representation of the insurance Group's solvency position. The solvency position is represented by the ratio between the Group's and the Companies' equity (own funds) and the Solvency Capital Requirement (SCR).

Specifically, in terms of own funds, issues related to the various components that make up the solvency position will be examined in depth and analysed, in particular:

- items that make up equity and related tiering;
- reconciliation of own funds and equity in the financial statements;
- analysis of the movement of own funds.

The Solvency Capital Requirement and the Minimum Capital Requirement will also be dealt with, attempting to examine in greater detail issues related to the different types of risk that make up the amount, and the main characteristics that distinguish the "Standard Formula" used by the Group Companies.

This section concludes with some useful information for the purposes of this analysis.

E.1.1 Structure, amount and quality of own funds - Poste Vita Group

The Poste Vita Group's own funds are made up of basic own funds and ancillary own funds, as the Parent Company, Poste Vita S.p.A., obtained on 13 February 2019 authorisation to use, to cover the Solvency Capital Requirement, the letter of irrevocable and unconditional commitment of Poste Italiane S.p.A. to take part in one or more increases in the Company's share capital for a maximum amount of €1,750,000 thousand (ancillary own funds)[7].

Basic own funds consist of the excess of assets over liabilities valued in accordance with article 75 of Directive 2009/138/EC. There are no own shares held by the Poste Vita Group.

The Group's own funds correspond to the equity reported in the Market Value Balance Sheet of the Parent Company, Poste Vita S.p.A., as the equity of the subsidiaries, Poste Assicura S.p.A., Poste Welfare Servizi S.r.l. and Poste Insurance Broker S.r.l. (wholly-owned subsidiaries consolidated on a line-by-line basis), is eliminated with the corresponding values of the participations.

The Poste Vita Group's basic own funds amount to €9,889,028 thousand and the breakdown is as follows:

- Local GAAP share capital for €1,216,608 thousand;
- Reconciliation Reserve for €8,413,340 thousand;
- Subordinated loans for €260,100 thousand;
- Items not representative of the reconciliation reserve deducted for €1,020 thousand.

[7] With reference to point a) of the Regulations requiring "information on the material conditions of the main elements of own funds held by the company"

The Group's ancillary own funds amount to a total of €1,750,000 thousand.
The amount of own funds available to cover the capital requirement was subsequently classified by level based on the quality of the individual elements of the Own Funds (tiering).

(€k)

BASIC own funds	TOTAL 31/12/2019	TIER 1 Unrestricted 31/12/2019	TIER 2 31/12/2019
Ordinary share capital (gross of own shares)	1,216,608	1,216,608	
Surplus funds			
Reconciliation reserve	8,413,340	8,413,340	
Subordinated liabilities	260,100		260,100
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II OF	(1,020)		
Total basic own funds after deductions	**9,889,028**	**9,628,928**	**260,100**
Unpaid and uncalled ordinary share capital callable on demand	1,750,000		1,750,000
Total Ancillary Own Funds	**1,750,000**		**1,750,000**

The Poste Vita Insurance Group's own funds available for coverage consist of basic own funds net of deductions relating to the value of the assets used to cover a bond forward of €1,020 thousand, and ancillary own funds of €1,750,000 thousand. They consist exclusively of Tier 1 and Tier 2 own funds.

Against €2,010,100 thousand in available Tier 2 own funds, in accordance with article 82 of the Delegated Regulation 2015/35 of the European Commission, €1,839,638 thousand, equal to half the value of the Poste Vita Group SCR, has been brought to cover the capital requirement. The Poste Vita Insurance Group's own funds available to cover the MCR consist solely of basic own funds of €9,889,028 thousand, and are fully eligible to cover the SCR.
As a result of the above, the amount of own funds eligible to cover the SCR at the end of 2019 was €11,468,565 thousand while the amount to cover the MCR was €9,889,028 thousand.

(€k)

Available own funds	TOTAL 31/12/2019	TIER 1 Unrestricted 31/12/2019	TIER 2 31/12/2019
Total available own funds to meet the SCR	11,639,028	9,628,928	2,010,100
Total available own funds to meet the MCR	9,889,028	9,628,928	260,100
Total eligible own funds to meet the SCR	11,468,565	9,628,928	1,839,638
Total eligible own funds to meet the MCR	9,889,028	9,628,928	260,100

In relation to the above, and considering that the SCR and MCR values were €3,679,275 thousand and €1,686,942 thousand respectively, the SCR ratio at the end of 2019 was 311.71% and the MCR ratio was 586.21%.

(€k)

Coverage Ratio	31/12/2019 TOTAL
SCR	3,679,275
MCR	1,686,942
Ratio of Eligible own funds to SCR	311.71%
Ratio of Eligible own funds to MCR	586.21%

Differences between Poste Vita Group equity and own funds

The difference between IAS/IFRS consolidated equity and Excess of Assets over Liabilities Solvency II of €5,191,409 thousand consists of the basic reconciliation reserve. This reserve is representative of the effect generated by the different valuation made in accordance with the standards used to prepare the consolidated financial statements under IAS/IFRS compared with the valuation based on Solvency II rules.

Below is a detail of the reconciliation reserve, through the analytical reconstruction of the valuation effects of the application of Solvency II standards on the assets and liabilities of the Market Value Balance Sheet:

(€k)

Adjustment	Amount
Assets	
Deferred acquisition costs	-53,773
Intangible assets	-51,670
Investments	226,279
Reinsurance recoverables	-39,961
Deferred tax assets	1,315,874
Other	-591
Total Adj Assets	**1,396,157**
Liabilities	
Technical provisions	-7,495,805
Deferred tax liabilities	3,690,348
Subordinated liabilities	10,100
Other	106
Total Adj Liabilities	**-3,795,252**
Reconciliation Reserve base	**5,191,409**
Retained earnings - Reconciliation Reserve	3,221,931
Total Reconciliation reserve	**8,413,340**

The item retained earnings of €3,221,931 thousand consists of: i) profit for the period of €729,756 thousand; ii) retained earnings for previous years of €2,256,758 thousand and iii) other reserves of €235,417 thousand.

As previously indicated in paragraph B.1, on 28 November 2019, the General Meeting of Shareholders of the Parent Company, Poste Vita S.p.A., approved the distribution to the sole shareholder Poste Italiane S.p.A., of retained earnings for previous years, totalling €285 million.

Reconciliation Statement between Solvency II Own Funds and IAS/IFRS Consolidated Own Funds

Below is a reconciliation between the Poste Vita Group Own Funds calculated in accordance with Solvency II and the Own Funds calculated by applying IAS/IFRS international accounting standards at 31 December 2019.

(€m)

Reconciliation Own Funds at 31/12/2019	
Own Funds Statutory Account Value Poste Vita	**3,917**
Intangible assets	(76)
Property	27
Partecipations	135
Financial Investments	12,343
Net technical provisions	(4,134)
Financial Liabiliets	(27)
Subordinated liabilities	(10)
Net deferred tax assets	(2,545)
Other	(0)
Own Funds SII Value Poste Vita	**9,630**
Partecipations	(233)
Financial Investments	380
Net technical provisions	(152)
Net deferred tax liabilities	(7)
Other assets	77
Other liabilities	(65)
Own Funds SII Value Poste Vita Group	**9,630**
Intangible assets	105
Financial Investments	(226)
Net technical provisions	(7,456)
Net deferred tax assets	2,374
Subordinated liabilities	10
Other	1
Own Funds IAS/IFRS Value Poste Vita Group	**4,438**

As can be seen from the above table, the lower value of the Poste Vita Group Own Funds recorded in the IAS/IFRS Consolidated Financial Statements compared to the value determined for Solvency II purposes is mainly attributable to the technical provisions of €7,456 million which, in the IAS/IFRS Consolidated Financial Statements, take account of the latent net gains on securities classified as FVOCI, for the share attributable to policyholders, allocated to insurance liabilities through the application of shadow accounting[8].

[8] This method permitted by paragraph 30 of IFRS 4 to contracts included in separately managed accounts of the life business provides, in order to mitigate information asymmetry between insurance liabilities, measured in accordance with local accounting standards, and assets covering such liabilities, measured at fair value in accordance with IAS 39, for the recognition under liabilities of latent gains or losses to be paid to policyholders.

E.1.1 Structure, amount and quality of own funds - Poste Vita S.p.A.

Basic own funds consist of the excess of assets over liabilities valued in accordance with article 75 of Directive 2009/138/EC. There are no own shares held by the Company. Amounts relating to encumbrances in accordance with art. 9 of IVASS Regulation no. 25/2016 are deducted from the excess of assets over liabilities.

The Parent Company, Poste Vita S.p.A., own funds consist of basic own funds and ancillary own funds, as the Company obtained authorisation on 13 February 2019 to use the letter of commitment signed by Poste Italiane S.p.A. to cover the solvency capital requirement (ancillary own funds)[9] and represent 100% of the elements included in the Group's own funds as further described in section "E.1.1 Structure, amount and quality of own funds - Poste Vita Group".

The amount of available own funds, as shown in the table below, to cover the SCR therefore amounts to €11,639,028 thousand and consists of total basic own funds and ancillary own funds, while the amount of eligible own funds to cover the SCR at the end of 2019 was €11,466,530 thousand, following the reduction in the Tier 2 level due to the eligibility rules set out in article 82 of the Delegated Regulation 2015/35 of the European Commission. Finally, the amount of available and eligible own funds to cover the MCR is €9,889,028 thousand, equal only to Tier 1 and Tier 2 basic own funds.

(€k)

	31/12/2019		
Available own funds	TOTAL	TIER 1 Unrestricted	TIER 2
Total available own funds to meet the SCR	11,639,028	9,628,928	2,010,100
Total available own funds to meet the MCR	9,889,028	9,628,928	260,100
Total eligible own funds to meet the SCR	11,466,530	9,628,928	1,837,602
Total eligible own funds to meet the MCR	9,889,028	9,628,928	260,100

In relation to the above and considering the SCR and MCR values shown below, the SCR ratio was 312.00% at the end of 2019 and the MCR ratio was 597.94%.

(€k)

	31/12/2019
Coverage Ratio	TOTAL
SCR	3,675,204
MCR	1,653,842
Ratio of Eligible own funds to SCR	312.00%
Ratio of Eligible own funds to MCR	597.94%

The reconciliation reserve of €8,413,340 thousand consists of the basic reconciliation reserve of €5,713,063 thousand, representing the effect generated by the different valuation made in accordance with statutory standards used for the preparation of the financial statements compared to the valuation based on Solvency II rules. The remaining part of €2,700,277

[9] With reference to point a) of the Regulations requiring "information on the material conditions of the main elements of own funds held by the company"

thousand consists of: i) profit for the period of €952,782 thousand; ii) retained earnings for previous years of €1,553,557 thousand and iii) other reserves of €193,938 thousand.

E.1.1 Structure, amount and quality of own funds - Poste Assicura S.p.A.

The own funds of the Subsidiary, Poste Assicura S.p.A., are given exclusively by basic own funds (BOF) as the Company does not have ancillary own funds (AOF).
There are no own shares held by the Company.
The Company's basic own funds total €221,777 thousand and the breakdown is as follows:

- Share capital of €25,000 thousand;
- Reconciliation Reserve of €196,777 thousand.

All of the Company's own funds items have been classified in Tier 1 Unrestricted.
The amount of eligible own funds covering the SCR at the end of 2019, as a result of the above, is €221,777 thousand, as well as the amount of eligible own funds covering the MCR.

(€k)

	31/12/2019	
Available own funds	**TOTAL**	**TIER 1 Unrestricted**
Total available own funds to meet the SCR	221,777	221,777
Total available own funds to meet the MCR	221,777	221,777
Total eligible own funds to meet the SCR	221,777	221,777
Total eligible own funds to meet the MCR	221,777	221,777

In relation to the above and considering the SCR and MCR values shown below, the Solvency Ratio was 301.09% at the end of 2019 and the MCR ratio was 670.01%.

(€k)

	31/12/2019
Coverage Ratio	**TOTAL**
SCR	73,658
MCR	33,101
Ratio of Eligible own funds to SCR	301.09%
Ratio of Eligible own funds to MCR	670.01%

The reconciliation reserve of €196,777 thousand consists of the basic reconciliation reserve of €33,815 thousand, representing the effect generated by the different valuation made in accordance with statutory standards used for the preparation of the financial statements compared to the valuation based on Solvency II rules. The remaining part of €162,962 thousand consists of: i) profit for the period of €49,909 thousand; ii) retained earnings for previous years of €105,184 thousand and iii) other reserves of €7,869 thousand.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Group SCR and MCR

The Group calculates its capital requirement in accordance with method 1 as set out in article 230 of Directive 2009/138/EC.

Below is the breakdown of the capital requirement (consolidated SCR) of the Poste Vita Group at 31 December 2019, compared with the corresponding results at 31 December 2018, deriving from the application of the Standard Formula, in accordance with Directive 2009/138/EC and the criteria set out in the Delegated Acts.

It should be noted that the Group does not use simplified calculations to determine any of the risk sub-modules.

BREAKDOWN GROUP SCR

(€k)

	31.12.2018	31.12.2019	Delta %
Market risk	3,307,179	3,453,442	4.4%
Counterparty default risk	218,208	178,220	-18.3%
Life underwriting risk	2,170,856	1,479,886	-31.8%
Health underwriting risk	62,139	98,356	58.3%
Non-life underwriting risk	34,139	38,313	12.2%
Diversification	-1,305,768	-1,067,482	-18.2%
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	**4,486,752**	**4,180,735**	**-6.8%**
Total capital requirement for operational risk	646,121	646,083	0.0%
Loss-absorbing capacity of deferred taxes	-1,231,890	-1,158,431	-6.0%
Solvency capital requirement	**3,900,984**	**3,688,381**	**-5.4%**

At 31 December 2019, the following is noted with respect to the previous year:

- an overall decrease in the underwriting risk requirement due to the higher percentage weight of gains;
- a slightly higher market requirement due to the increased spread risk;

- a decrease in the counterparty requirement due to reduced liquidity.

The current risk distribution generates a lower diversification benefit compared to 31 December 2018.

Details of the breakdown of the SCR Market Risk and SCR Underwriting Risk at 31 December 2019 are provided below.
Each risk sub-module is considered net of the adjustment for the loss-absorbing capacity of technical provisions.

BREAKDOWN GROUP SCR MARKET

(€k)

	31.12.2018	31.12.2019	Delta %
Interest rate risk	725,978	147,164	-79.7%
Equity risk	795,125	14,050	-98.2%
Property risk	186,506	241,802	29.6%
Spread risk	1,975,014	2,537,572	28.5%
Market risk concentrations	0	0	
Currency risk	343,258	359,293	4.7%
Diversification within market risk module	-718,702	-548,004	-23.8%
Total Market risk	**3,307,179**	**3,453,442**	**4.4%**

The requirement for market risk increases as a result of the market scenario.

BREAKDOWN GROUP SCR LIFE UNDERWRITING

(€k)

	31.12.2018	31.12.2019	Delta %
Mortality risk	67,711	32,472	-52.0%
Longevity risk	61,754	85,100	38.0%
Disability-morbidity risk	0	0	
Lapse risk	2,045,165	1,324,652	-35.0%
Life expense risk	185,343	219,229	18.0%
Revision risk	0	0	0.0%
Life catastrophe risk	29,732	25,478	-14.0%
Diversification within life underwriting risk module	-218,850	-207,045	-5.0%
Total life underwriting risk	**2,170,856**	**1,479,886**	**-32.0%**

The life underwriting risk requirement decreases mainly as a result of the reduction in the early termination risk requirement due to the market scenario with related increase in latent operating gains.
It should be noted that Poste Vita S.p.A. does not use simplified calculations to determine any of the risk sub-modules.

BREAKDOWN GROUP SCR NON-LIFE UNDERWRITING

(€k)

	31.12.2018	31.12.2019	Delta %
Non-life premium and reserve risk	26,195	29,821	14.0%
Non-life lapse risk	6,232	3,785	-39.0%
Non-life catastrophe risk	15,436	17,441	13.0%
Diversification within non-life underwriting risk module	-13,724	-12,734	-7.0%
Total non-life underwriting risk	**34,139**	**38,313**	**12.0%**

BREAKDOWN GROUP SCR HEALTH UNDERWRITING RISK

(€k)

	31.12.2018	31.12.2019	Delta %
Total SLT health underwriting risk	15,337	21,733	42.0%
Total NSLT health underwriting risk	45,209	53,993	19.0%
Total health catastrophe risk	18,299	55,037	201.0%
Diversification within health underwriting risk module	-16,706	-32,407	94.0%
Total health underwriting risk	**62,139**	**98,356**	**58.0%**

With reference to the "Loss-absorbing capacity of deferred taxes" ("LAC DT"), it may be assessed as eligible for reduction of this capital requirement in view of the Group's ability to generate future taxable profits to the extent provided for by the regulations pursuant to the Delegated Acts and IVASS Regulation no. 35 of 7 February 2017 ("IVASS Regulation no. 2017/35").

IVASS Regulation no. 35/2017 defines notional deferred taxes ("nDTA") as the notional change in deferred taxes in the solvency Balance Sheet following the instantaneous loss scenario referred to in article 207 of the Delegated Regulation, calculated as the difference between the following amounts:

- deferred taxes obtained by subjecting items in the solvency Balance Sheet to the loss scenario; and
- deferred taxes recognised in the solvency Balance Sheet.

For the purposes of determining the nDTA, the Group has used an analytical approach based on the determination of the impact of the instantaneous loss for each item of the solvency Balance Sheet for the purposes of determining the related tax treatment (average rate). For this purpose, it was necessary to determine the impact of the loss, broken down by risk module and sub-module provided by the Standard Formula and the related tax treatment for IRES purposes (24% of taxable profit).

The Group's minimum capital requirement (MCR) is determined in accordance with article 248 of the Delegated Acts as the sum of the individual MCR of the Group's investee insurance companies (Poste Vita S.p.A. and Poste Assicura S.p.A.).

(€k)

	31.12.2018	31.12.2019	Delta %
Minimum consolidated Group SCR	**1,781,552**	**1,686,942**	**-5.0%**

SCR and MCR of Poste Vita S.p.A.

The breakdown of the capital requirement (SCR) of Poste Vita S.p.A. at 31 December 2019 is shown below, compared with the corresponding results at 31 December 2018, resulting from the application of the Standard Formula, in accordance with Directive 2009/138/EC and the criteria set out in the Delegated Acts.

BREAKDOWN SCR

(€k)

	31.12.2018	31.12.2019	Delta %
Market risk	3,339,517	3,494,164	*4.6%*
Counterparty default risk	214,491	172,327	*-19.7%*
Life underwriting risk	2,170,856	1,479,886	32.0%
Health underwriting risk	17,493	63,963	266.0%
Non-life underwriting risk	0	0	0.0%
Diversification	-1,250,460	-1,013,713	-18.9%
Intangible asset risk	0	0	0.0%
Basic Solvency Capital Requirement	**4,491,898**	**4,196,628**	**-6.6%**
Total capital requirement for operational risk	641,053	639,167	0.0%
Loss-absorbing capacity of deferred taxes	-1,231,908	-1,160,591	-5.8%
Solvency capital requirement	**3,901,043**	**3,675,204**	**-5.8%**

At 31 December 2019, the following is noted with respect to the previous year:

- an overall decrease in the underwriting risk requirement due to the higher percentage weight of gains;
- a slightly higher market requirement due to the increased spread risk;
- a decrease in the counterparty requirement due to reduced liquidity.

The current risk distribution generates a lower diversification benefit compared to 31 December 2018.
Details of the breakdown of the SCR Market Risk, SCR Equity, SCR Counterparty and SCR Life Underwriting Risk at 31 December 2019 are provided below. Each risk sub-module is considered net of the adjustment for the loss-absorbing capacity of technical provisions.

BREAKDOWN SCR MARKET

(€k)

	31.12.2018	31.12.2019	Delta %
Interest rate risk	727,850	147,889	-80.0%
Equity risk	832,478	765,370	-8.1%
Property risk	186,506	241,802	29.6%
Spread risk	1,973,560	2,535,013	28.4%
Market risk concentrations	0	0	0.0%
Currency risk	343,258	359,293	4.7%
Diversification within market risk module	-724,134	-555,204	-23.3%
Total Market risk	**3,339,517**	**3,494,163**	**4.6%**

The market risk requirement increases due to the increase in spread risk deriving from the portfolio diversification objective with respect to Italian government bonds; as regards the scenario, the Italian government spread on the Euro-swap rate decreased by about 90 bps on the 10-year node compared to the corresponding value of 2018; therefore, the market requirement is substantially in line as, although greater market risk has been assumed, the capacity to absorb technical provisions has increased.

BREAKDOWN SCR LIFE UNDERWRITING

(€k)

	31.12.2018	31.12.2019	Delta %
Mortality risk	67,711	32,472	-52.0%
Longevity risk	61,754	85,100	38.0%
Disability-morbidity risk	0	0	
Lapse risk	2,045,165	1,324,652	-35.0%
Life expense risk	185,343	219,229	18.0%
Revision risk	0	0	0.0%
Life catastrophe risk	29,732	25,478	-14.0%
Diversification within life underwriting risk module	-218,850	-207,045	-5.0%
Total life underwriting risk	**2,170,856**	**1,479,886**	**-37.0%**

The life underwriting risk requirement decreases mainly as a result of the reduction in the early termination risk requirement due to the market scenario with related increase in latent operating gains.
It should be noted that Poste Vita does not use simplified calculations to determine any of the risk sub-modules.

The minimum capital requirement (MCR) of Poste Vita S.p.A.
is determined in accordance with article 248 of the Delegated Acts.
The component that determines the MCR is the combined Minimum Capital Requirement (combined MCR) equal to 45% of the Life Solvency Capital Requirement (SCR), as the linear MCR is higher than the Cap set by Regulations (MCR Cap).

BREAKDOWN MCR

(€k)

	31.12.2018	31.12.2019	Delta %
Linear MCR	3,688,289	4,098,956	12.0%
SCR	3,901,043	3,675,204	-6.0%
MCR cap	1,755,469	1,653,842	-6.0%
MCR floor	975,261	918,801	-6.0%
Combined MCR	1,755,469	1,653,842	-6.0%
Absolute floor of the MCR	5,400	5,400	0.0%
Minimum Capital Requirement	**1,755,469**	**1,653,842**	**-6.0%**

SCR and MCR of Poste Assicura S.p.A.

Poste Assicura S.p.A. Solvency Capital Requirement (SCR) is obtained by applying the Standard Formula in compliance with Directive 2009/138/EC and with the criteria set out in the Delegated Acts published in the European Official Journal[10]. It should be noted that following in-depth analysis of the adequacy of the standard parameters, also required by the Supervisory Authority, the Company started in 2019 the Undertaking Specific Parameters (USP) pre-application process. In the pre-authorisation period, Poste Assicura S.p.A. has made itself

[10] Delegated Regulation (EU) 2015/35 of the European Commission and subsequent amendments

available to evaluate a capital add-on aimed at bridging the differences between standard and USP parameters. In the valuation at 31 December 2019, the Capital add-on amounts to €10.9 million.

In calculating the capital requirement, information relating to contracts in portfolio at 31 December 2019 was used.

In addition, the related proportional and non-proportional reinsurance treaties have been identified for each contract and have then been taken into account in the valuation net of reinsurance.

The following is evidence of the results.

(€k)

SOLVENCY CAPITAL REQUIREMENT	31.12.2018	31.12.2019	Delta %
Market risk	9,965	14,298	43.50%
Counterparty default risk	3,096	5,332	72.20%
Life underwriting risk	-	-	-
Health underwriting risk	50,441	54,526	8.10%
Non-life underwriting risk	34,139	38,313	12.2%
Diversification	-31,013	-36,803	18.7%
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	**66,628**	**75,666**	**13.6%**
Total capital requirement for operational risk	5,068	6,916	36.5%
Loss-absorbing capacity of technical provisions	-	-	-
Loss-absorbing capacity of deferred taxes	-17,207	-19,817	15.2%
Solvency capital requirement excluding capital add-on	**54,489**	**62,764**	**15.2%**
Capital add-on already set	8,840	10,894	23.2%
Solvency capital requirement	**63,329**	**73,658**	**16.30%**

Below are details of the breakdown of the SCR Health Underwriting Risk and Non-Life Underwriting Risk at 31 December 2019.

(€k)

HEALTH UNDERWRITING RISK	31.12.2018	31.12.2019	Delta %
NSLT health premium and reserve risk	43,777	53,318	21.8%
NSLT health lapse risk	11,290	8,513	-24.6%
Diversification within NSLT health underwriting risk	-9,858	-7,838	-20.5%
Total NSLT health underwriting risk	45,209	53,993	19.4%
Total health catastrophe risk	13,760	1,995	-85.5%
Diversification within health underwriting risk module	-8,528	-1,462	-82.9%
Total health underwriting risk	**50,441**	**54,526**	**8.1%**

(€k)

NON-LIFE UNDERWRITING RISK	31.12.2018	31.12.2019	Delta %
Non-life premium and reserve risk	26,195	29,821	13.8%
Non-Life lapse risk	6,232	3,785	-39.3%
Non-life catastrophe risk	15,436	17,441	13.0%
Diversification within non-life underwriting risk module	-13,724	-12,734	-7.2%
Total non-life underwriting risk	**34,139**	**38,313**	**12.2%**

Minimum Capital Requirement

Poste Assicura S.p.A. Minimum Capital Requirement (MCR) is determined in accordance with article 248 of the Delegated Acts and amounts to €33,101 thousand at 31 December 2019.

(€k)

MINIMUM CAPITAL REQUIREMENT	31.12.2018	31.12.2019	Delta %
Linear MCR	26,083	33,101	26.9%
SCR	63,329	73,658	16.3%
MCR cap	28,498	33,146	16.3%
MCR floor	15,832	18,415	16.3%
Combined MCR	26,083	33,101	26.9%
Absolute floor of the MCR	3,700	3,700	0.0%
Minimum Capital Requirement	**26,083**	**33,101**	**26.9%**

The MCR is the combined Minimum Requirement (Combined MCR) being higher than the absolute minimum of €3,700 thousand. The combined requirement is equal to the Linear MCR.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

At 31 December 2019, this case was not applicable to the Group and the individual Group Companies.

E.3 Use of the duration-based approach in the equity risk sub-module in the calculation of the solvency capital requirement

At 31 December 2019, this exercise was not applicable to the Poste Vita Group.

E.4 Differences between the Standard Formula and the Internal Model used

At 31 December 2019, this case was not applicable to the Group and the individual Companies.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

At 31 December 2019, this case was not applicable to the Group and the individual Companies.

E.6 Other information

At 31 December 2019, there was no further information in addition to as already outlined in the previous paragraphs.

F - ANNEXES

With regard to the provisions of article 5 of the Implementing Regulation 2015/2452, the Poste Vita Group's Quantitative Reporting Templates, to be annexed to this Report, are shown below with figures for 31.12.2019, expressed in €k:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.22.01.22 - *Impact of long term guarantees measures and transitionals*
- S.23.01.22 - *Own funds*
- S.25.01.22 - *Solvency Capital Requirement - for groups on Standard Formula*
- S.32.01.22 – *Undertakings in the scope of the group*

Gruppo Assicurativo Poste Vita
S.02.01.02 - Balance Sheet

	Solvency II value
Assets	
Intangible assets	
Deferred tax assets	1,733,785
Pension benefit surplus	0
Property, plant & equipment held for own use	37,453
Investments (other than assets held for index-linked and unit-linked contracts)	**138,405,004**
Property (other than for own use)	
Holdings in related undertakings, including participations	107,296
Equities	*9,117*
Equities - listed	8,820
Equities - unlisted	297
Bonds	*105,584,362*
Government Bonds	87,198,857
Corporate Bonds	17,726,492
Structured notes	583,469
Collateralised securities	75,544
Collective Investments Undertakings	32,704,229
Derivatives	
Deposits other than cash equivalents	
Other investments	
Assets held for index-linked and unit-linked contracts	**3,738,461**
Loans and mortgages	
Loans on policies	
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	**17,667**
Non-life and health similar to non-life	17,933
Non-life excluding health	8,989
Health similar to non-life	8,944
Life and health similar to life, excluding health and index-linked and unit-linked	**-265**
Health similar to life	-10,611
Life excluding health and index-linked and unit-linked	10,346
Life index-linked and unit-linked	
Deposits to cedants	
Insurance and intermediaries receivables	33,369
Reinsurance receivables	15,765
Receivables (trade, not insurance)	19,612
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	1,263,569
Any other assets, not elsewhere shown	2,379,544
Total assets	**147,644,227**

Liabilities	Solvency II value
Technical provisions - non-life	**169,565**
Technical provisions - non-life (excluding health)	**56,808**
TP calculated as a whole	
Best estimate	51,535
Risk margin	5,273
Technical provisions - health (similar to non-life)	**112,757**
TP calculated as a whole	
Best estimate	103,875
Risk margin	8,882
TP - life (excluding index-linked and unit-linked)	**128,880,968**
Technical provisions - health (similar to life)	**20,998**
TP calculated as a whole	
Best estimate	-14,300
Risk margin	35,298
TP - life (excluding health and index-linked and unit-linked)	**128,859,970**
TP calculated as a whole	
Best estimate	128,826,960
Risk margin	33,010
TP - index-linked and unit-linked	**3,714,329**
TP calculated as a whole	0
Best estimate	3,638,265
Risk margin	76,064
Contingent liabilities	21,241
Provisions other than technical provisions	0
Pension benefit obligations	4,503
Deposits from reinsurers	0
Deferred tax liabilities	3,872,675
Derivatives	885
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	27,083
Insurance & intermediaries payables	159,405
Reinsurance payables	6,148
Payables (trade, not insurance)	60,130
Subordinated liabilities	**261,473**
Subordinated liabilities not in BOF	1,373
Subordinated liabilities in BOF	260,100
Any other liabilities, not elsewhere shown	835,873
Total liabilities	**138,014,280**

Excess of assets over liabilities	**9,629,948**

Gruppo Assicurativo Poste Vita

S.05.01.02 - Premiums, claims and expenses by line of business

	Medical expense insurance	Income protection insurance	Workers' compensation	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Premiums written									
Gross - Direct Business	84,482	90,245	0	18,344	19,664	2,805	264	24,412	240,215
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	19,274	4,949	0	763	1,104	1,391	51	-247	27,284
Net	65,208	85,296	0	17,581	18,560	1,414	213	24,658	212,931
Premiums earned									
Gross - Direct Business	82,148	80,988	0	16,422	19,400	2,780	290	18,953	220,980
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	19,209	5,718	0	1,534	1,121	1,384	53	1,012	30,032
Net	62,939	75,270	0	14,888	18,278	1,396	237	17,940	190,949
Claims incurred									
Gross - Direct Business	45,865	13,776		2,351	424	296	-1	3,426	66,136
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	6,212	951		-950	-849	67	-21	143	5,553
Net	39,653	12,825		3,300	1,272	230	19	3,283	60,583
Changes in other technical provisions									
Gross - Direct Business	0	-25		111	0	0	0	0	86
Gross - Proportional reinsurance accepted									0
Gross - Non-proportional reinsurance									0
Reinsurers' share				-215					-215
Net		-25		327					302
Expenses incurred	16,104	30,807	0	5,477	5,742	-107	24	11,973	70,019
Other expenses									
Total expenses									70,019

	Line of Business for: life insurance obligations				Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
Premiums written					
Gross	11,282	15,696,911	1,938,823	85,059	17,732,075
Reinsurers' share	2,553			9,758	12,311
Net	8,729	15,696,911	1,938,823	75,301	17,719,764
Premiums earned					
Gross	11,443	15,696,911	1,938,823	84,898	17,732,075
Reinsurers' share	2,553	0	0	9,758	12,311
Net	8,890	15,696,911	1,938,823	75,140	17,719,764
Claims incurred					
Gross	3,137	12,921,948	894,245	29,579	13,848,909
Reinsurers' share	8,284	0	0	6,986	15,270
Net	-5,147	12,921,948	894,245	22,593	13,833,639
Changes in other technical provisions					
Gross	-4,743	-4,410,565	-1,246,681	-11,995	-5,673,983
Reinsurers' share	-4,956	0	0	-3,615	-8,571
Net	213	-4,410,565	-1,246,681	-8,380	-5,665,412
Expenses incurred	-820	424,005	33,753	24,901	481,839
Other expenses					
Total expenses					481,839

Gruppo Assicurativo Poste Vita
S.22.01.22 - Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	132,764,862	1,908,091		537,028	
Basic own funds	9,889,028	-1,320,017		-371,396	
Eligible own funds to meet Solvency Capital Requirement	11,468,565	-1,320,017		-345,275	
Solvency Capital Requirement	3,679,275			52,240	

Gruppo Assicurativo Poste Vita
S.23.01.22 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	1,216,608	1,216,608			
Non-available called but not paid in ordinary share capital at group level					
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Non-available subordinated mutual member accounts at group level					
Surplus funds					
Non-available surplus funds at group level					
Preference shares					
Non-available preference shares at group level					
Share premium account related to preference shares					
Non-available share premium account related to preference shares at group level					
Reconciliation reserve	8,413,340	8,413,340			
Subordinated liabilities	260,100			260,100	
Non-available subordinated liabilities at group level					
An amount equal to the value of net deferred tax assets					
The amount equal to the value of net deferred tax assets not available at the group level					
Other items approved by supervisory authority as basic own funds not specified above					
Non available own funds related to other own funds items approved by supervisory authority					
Minority interests (if not reported as part of a specific own fund item)					
Non-available minority interests at group level					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1,020				
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities					
whereof deducted according to art 228 of the Directive 2009/138/EC					
Deductions for participations where there is non-availability of information (Article 229)					
Deduction for participations included by using D&A when a combination of methods is used					
Total of non-available own fund items					
Total deductions					
Total basic own funds after deductions	9,889,028	9,628,928		260,100	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	1,750,000			1,750,000	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Non available ancillary own funds at group level					
Total ancillary own funds	1,750,000			1,750,000	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,639,028	9,628,928		2,010,100	
Total available own funds to meet the minimum consolidated group SCR	9,889,028	9,628,928		260,100	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,468,565	9,628,928		1,839,638	
Total eligible own funds to meet the minimum consolidated group SCR	9,889,028	9,628,928		260,100	
Minimum consolidated Group SCR	1,686,942				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	586.21%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	11,468,565	9,628,928		1,839,638	
Group SCR	3,679,275				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	311.71%				

Reconciliation reserve		
Excess of assets over liabilities	9,629,948	
Own shares (included as assets on the balance sheet)		
Foreseeable dividends, distributions and charges		
Other basic own fund items	1,216,608	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds		
Other non available own funds		
Reconciliation reserve before deduction for participations in other financial sector	8,413,340	

Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	341,685	
Expected profits included in future premiums (EPIFP) - Non- life business	17,840	
Total Expected profits included in future premiums (EPIFP)	359,524	

Gruppo Assicurativo Poste Vita
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	6,450,997		
Counterparty default risk	178,220		
Life underwriting risk	1,241,409		
Health underwriting risk	98,356		
Non-life underwriting risk	38,313		
Diversification	-1,049,819		
Intangible asset risk			
Basic Solvency Capital Requirement	**6,957,475**		

Calculation of Solvency Capital Requirement

Operational risk	646,083
Loss-absorbing capacity of technical provisions	-2,776,740
Loss-absorbing capacity of deferred taxes	-1,158,436
2003/41/EC	
Solvency capital requirement excluding capital add-on	3,668,381
Capital add-on already set	**10,894**
Solvency capital requirement	3,679,275
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Minimum consolidated group solvency capital requirement	1,686,942
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	
Credit institutions, investment firms and financial institutions, alternative investment	
Institutions for occupational retirement provisions	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	
Capital requirement for non-controlled participation requirements	
Capital requirement for residual undertakings	
Overall SCR	
SCR for undertakings included via D and A	
Solvency capital requirement	3,679,275

Gruppo Assicurativo Poste Vita
S.32.01.22 - Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights
IT	815600C3162E56F1CB29	1 - LEI	POSTE ASSICURA S.P.A	2 - Non life insurance undertaking	S.P.A.	2 - Non-mutual	Istituto per la Vigilanza sulle	100%	100%	100%
IT	8156001CB3B48E80F923	1 - LEI	POSTE VITA S.P.A	4 - Composite undertaking	S.P.A.	2 - Non-mutual	Istituto per la Vigilanza sulle			
IT	IT0000000SDS	2 - Specific code	POSTE WELFARE SERVIZI S.R.L	99 - Other	S.R.L	2 - Non-mutual		100%	100%	100%
IT	15246481004	2 - Specific code	POSTE INSURANCE	99 - Other	S.R.L	2 - Non-mutual		100%	100%	100%

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
IT	815600C3162E56F1CB29	1 - LEI	POSTE ASSICURA S.P.A		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
IT	8156001CB3B48E80F923	1 - LEI	POSTE VITA S.P.A				1 - Included in the scope		1 - Method 1: Full consolidation
IT	IT0000000SDS	2 - Specific code	POSTE WELFARE SERVIZI S.R.L		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
IT	15246481004	2 - Specific code	POSTE INSURANCE		1 - Dominant	100%	1 - Included in the scope		1 - Method 1: Full consolidation

Poste Vita S.p.A.

With regard to the provisions of article 4 of the Implementing Regulation 2015/2452, the Parent Company Poste Vita's Quantitative Reporting Templates, to be annexed to this Report, are shown below with figures for 31.12.2019, expressed in €k:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.12.01.02 - *Life and Health SLT Technical Provisions*
- S.22.01.21 - *Impact of long term guarantees measures and transitionals*
- S.23.01.01 - *Own funds*
- S.25.01.21 - *Solvency Capital Requirement - for undertakings on Standard Formula*
- S.28.02.01 - *Minimum Capital Requirement - Both life and non-life insurance activity*

Postevita
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GruppoAssicurativoPostevita

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Poste Vita S.p.A
S.02.01.02 Balance Sheet

Assets	Solvency II value
Intangible assets	
Deferred tax assets	1,722,540
Pension benefit surplus	
Property, plant & equipment held for own use	34,268
Investments (other than assets held for index-linked and unit-linked contracts)	**138,258,514**
Property (other than for own use)	
Holdings in related undertakings, including participations	341,033
Equities	*9,117*
Equities - listed	8,820
Equities - unlisted	297
Bonds	*105,204,136*
Government Bonds	86,848,899
Corporate Bonds	17,696,224
Structured notes	583,469
Collateralised securities	75,544
Collective Investments Undertakings	32,704,229
Derivatives	
Deposits other than cash equivalents	
Other investments	
Assets held for index-linked and unit-linked contracts	3,738,461
Loans and mortgages	
Loans on policies	
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	**-265**
Non-life and health similar to non-life	
Non-life excluding health	
Health similar to non-life	
Life and health similar to life, excluding health and index-linked and unit-linked	**-265**
Health similar to life	-10,611
Life excluding health and index-linked and unit-linked	10,346
Life index-linked and unit-linked	
Deposits to cedants	
Insurance and intermediaries receivables	20,808
Reinsurance receivables	11,002
Receivables (trade, not insurance)	20,210
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	1,239,092
Any other assets, not elsewhere shown	2,367,808
Total assets	**147,412,437**

Liabilities	Solvency II value
Technical provisions - non-life	
Technical provisions - non-life (excluding health)	
TP calculated as a whole	
Best estimate	
Risk margin	
Technical provisions - health (similar to non-life)	
TP calculated as a whole	
Best estimate	
Risk margin	
TP - life (excluding index-linked and unit-linked)	**128,880,968**
Technical provisions - health (similar to life)	**20,998**
TP calculated as a whole	
Best estimate	-14,300
Risk margin	35,298
TP - life (excluding health and index-linked and unit-linked)	**128,859,970**
TP calculated as a whole	
Best estimate	128,826,960
Risk margin	33,010
TP - index-linked and unit-linked	**3,714,329**
TP calculated as a whole	
Best estimate	3,638,265
Risk margin	76,064
Contingent liabilities	20,685
Provisions other than technical provisions	
Pension benefit obligations	2,167
Deposits from reinsurers	
Deferred tax liabilities	3,854,240
Derivatives	885
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	26,668
Insurance & intermediaries payables	145,449
Reinsurance payables	3,844
Payables (trade, not insurance)	43,573
Subordinated liabilities	**261,473**
Subordinated liabilities not in BOF	1,373
Subordinated liabilities in BOF	260,100
Any other liabilities, not elsewhere shown	828,207
Total liabilities	**137,782,490**

Excess of assets over liabilities	**9,629,948**

Poste Vita S.p.A
S.05.01.02 - Premiums, claims and expenses by line of business

	Line of Business for: life insurance obligations				Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
Premiums written					
Gross	11,282	15,696,911	1,938,823	85,059	**17,732,075**
Reinsurers' share	2,553			9,758	**12,311**
Net	**8,729**	**15,696,911**	**1,938,823**	**75,301**	**17,719,764**
Premiums earned					
Gross	11,443	15,696,911	1,938,823	84,898	**17,732,075**
Reinsurers' share	2,553	0	0	9,758	**12,311**
Net	**8,890**	**15,696,911**	**1,938,823**	**75,140**	**17,719,764**
Claims incurred					
Gross	3,137	12,921,948	894,245	29,579	**13,848,909**
Reinsurers' share	8,284	0	0	6,986	**15,270**
Net	**-5,147**	**12,921,948**	**894,245**	**22,593**	**13,833,639**
Changes in other technical provisions					
Gross	-4,743	-4,410,565	-1,246,681	-11,995	**-5,673,983**
Reinsurers' share	-4,956	0	0	-3,615	**-8,571**
Net	**213**	**-4,410,565**	**-1,246,681**	**-8,380**	**-5,665,412**
Expenses incurred	**-820**	**424,005**	**33,753**	**24,901**	**481,839**
Other expenses					
Total expenses					**481,839**

Poste Vita S.p.A

S.12.01.02 - Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Total (Life other than health insur-ance, including Unit-Linked)	Health insurance (direct business)			Total (Health similar to life insurance)
			Contracts with options or guarantees		Contracts with options or guarantees			Contracts without options and guarantees	Contracts with options or guarantees	
Technical provisions calculated as a whole						**0**				**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						**0**				**0**
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	129,799,016		3,638,265		41,989	**133,479,270**			-14,300	**-14,300**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	95				10,251	**10,346**			-10,611	**-10,611**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**129,798,921**		**3,638,265**		**31,737**	**133,468,924**			**-3,688**	**-3,688**
Risk Margin	890,690	79,421		33,010		**1,003,121**	35,298			**35,298**
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole						**0**				**0**
Best estimate	-1,014,044					**-1,014,044**				**0**
Risk margin	-890,690	-3,357				**-894,047**				**0**
Technical provisions - total	**128,784,972**	**3,714,329**		**74,999**		**132,574,299**	**20,998**			**20,998**

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Poste Vita S.p.A
S.22.01.21 - Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	132,595,297	1,908,091		537,028	0
Basic own funds	9,889,028	-1,320,017		-371,396	0
Eligible own funds to meet Solvency Capital Requirement	11,466,530	-1,320,017		-345,112	0
Solvency Capital Requirement	3,675,204			52,566	0
Eligible own funds to meet Minimum Capital Requirement	9,889,028	-1,320,017		-371,396	0
Minimum Capital Requirement	1,653,842			23,655	0

Poste Vita S.p.A
S.23.01.01 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	**1,216,608**	1,216,608			
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve	**8,413,340**	8,413,340			
Subordinated liabilities	**260,100**			260,100	
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II OF					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1,020				
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	**9,889,028**	**9,628,928**		**260,100**	
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	1,750,000			1,750,000	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Other ancillary own funds					
Total ancillary own funds	**1,750,000**			**1,750,000**	
Available and eligible own funds					
Total available own funds to meet the SCR	**11,639,028**	**9,628,928**		**2,010,100**	
Total available own funds to meet the MCR	**9,889,028**	**9,628,928**		**260,100**	
Total eligible own funds to meet the SCR	**11,466,530**	**9,628,928**		**1,837,602**	
Total eligible own funds to meet the MCR	**9,889,028**	**9,628,928**		**260,100**	
SCR	**3,675,204**				
MCR	**1,653,842**				
Ratio of Eligible own funds to SCR	**312.00%**				
Ratio of Eligible own funds to MCR	**597.94%**				

Reconciliation reserve		
Excess of assets over liabilities	**9,629,948**	
Own shares (held directly and indirectly)		
Foreseeable dividends, distributions and charges		
Other basic own fund items	**1,216,608**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds		
Reconciliation reserve	**8,413,340**	
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	341,685	
Expected profits included in future premiums (EPIFP) - Non- life business		
Total Expected profits included in future premiums (EPIFP)	**341,685**	

Poste Vita S.p.A
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	6,491,518		
Counterparty default risk	172,327		
Life underwriting risk	1,241,409		
Health underwriting risk	63,963		
Non-life underwriting risk			
Diversification	-993,321		
Intangible asset risk			
Basic Solvency Capital Requirement	**6,975,895**		

Calculation of Solvency Capital Requirement

Operational risk	639,167
Loss-absorbing capacity of technical provisions	-2,779,268
Loss-absorbing capacity of deferred taxes	-1,160,591
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Solvency capital requirement excluding capital add-on	3,675,204
Capital add-on already set	
Solvency capital requirement	3,675,204
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	

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Poste Vita S.p.A

S.28.02.01 - Minimum capital Requirement - Both life and non-life insurance activity

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			121,554,051	
Obligations with profit participation - future discretionary benefits			8,244,870	
Index-linked and unit-linked insurance obligations			3,638,265	
Other life (re)insurance and health (re)insurance obligations			28,049	
Total capital at risk for all life (re)insurance obligations				5,897,144

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations		**4,098,952**

Overall MCR calculation

Linear MCR	4,098,952
SCR	3,675,204
MCR cap	1,653,842
MCR floor	918,801
Combined MCR	1,653,842
Absolute floor of the MCR	5,400
Minimum Capital Requirement	**1,653,842**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR		4,098,952
Notional SCR excluding add-on (annual or latest calculation)		3,675,204
Notional MCR cap		1,653,842
Notional MCR floor		918,801
Notional Combined MCR		1,653,842
Absolute floor of the notional MCR		5,400
Notional MCR		1,653,842

Poste Assicura S.p.A.

With regard to the provisions of article 4 of the Implementing Regulation 2015/2452, the Subsidiary Poste Vita Assicura S.p.A.'s Quantitative Reporting Templates, to be annexed to this Report, are shown below with figures for 31.12.2019, expressed in €k:

- S.02.01.02 - *Balance Sheet*
- S.05.01.02 - *Premiums, claims and expenses by line of business*
- S.17.01.02 - *Non-life Technical Provisions*
- S.19.01.21 - *Non-life Insurance Claims*
- S.23.01.01 - *Own funds*
- S.25.01.21 - *Solvency Capital Requirement - for undertakings on Standard Formula*
- S.28.01.01 - *Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity*

Poste Assicura S.p.A
S.02.01.02 - Balance Sheet

Assets	Solvency II value
Intangible assets	
Deferred tax assets	10,132
Pension benefit surplus	
Property, plant & equipment held for own use	2,630
Investments (other than assets held for index-linked and unit-linked contracts)	**380,787**
Property (other than for own use)	
Holdings in related undertakings, including participations	561
Equities	
Equities - listed	
Equities - unlisted	
Bonds	*380,226*
Government Bonds	349,958
Corporate Bonds	30,268
Structured notes	
Collateralised securities	
Collective Investments Undertakings	
Derivatives	
Deposits other than cash equivalents	
Other investments	
Assets held for index-linked and unit-linked contracts	
Loans and mortgages	
Loans on policies	
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	**17,933**
Non-life and health similar to non-life	17,933
Non-life excluding health	8,989
Health similar to non-life	8,944
Life and health similar to life, excluding health and	
Health similar to life	
Life excluding health and index-linked and unit-linked	
Life index-linked and unit-linked	
Deposits to cedants	
Insurance and intermediaries receivables	23,091
Reinsurance receivables	4,763
Receivables (trade, not insurance)	868
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund	
Cash and cash equivalents	12,627
Any other assets, not elsewhere shown	11,635
Total assets	**464,466**

Liabilities	Solvency II value
Technical provisions - non-life	169,565
Technical provisions - non-life (excluding health)	56,808
TP calculated as a whole	
Best estimate	51,535
Risk margin	5,273
Technical provisions - health (similar to non-life)	112,757
TP calculated as a whole	
Best estimate	103,875
Risk margin	8,882
TP - life (excluding index-linked and unit-linked)	
Technical provisions - health (similar to life)	
TP calculated as a whole	
Best estimate	
Risk margin	
TP - life (excluding health and index-linked and unit-linked)	
TP calculated as a whole	
Best estimate	
Risk margin	
TP - index-linked and unit-linked	
TP calculated as a whole	
Best estimate	
Risk margin	
Contingent liabilities	556
Provisions other than technical provisions	
Pension benefit obligations	365
Deposits from reinsurers	
Deferred tax liabilities	18,435
Derivatives	
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit	78
Insurance & intermediaries payables	24,486
Reinsurance payables	2,304
Payables (trade, not insurance)	19,615
Subordinated liabilities	
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	
Any other liabilities, not elsewhere shown	7,284
Total liabilities	**242,688**
Excess of assets over liabilities	**221,777**

Poste Assicura S.p.A

S.05.01.02 - Premiums, claims and expenses by line of business

	Medical expense insurance	Income protection insurance	Workers' compensation	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Premiums written									
Gross - Direct Business	84,482	90,245	0	18,344	19,664	2,805	264	24,412	240,215
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	19,274	4,949	0	763	1,104	1,391	51	-247	27,284
Net	65,208	85,296	0	17,581	18,560	1,414	213	24,658	212,931
Premiums earned									
Gross - Direct Business	82,148	80,988	0	16,422	19,400	2,780	290	18,953	220,980
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	19,209	5,718	0	1,534	1,121	1,384	53	1,012	30,032
Net	62,939	75,270	0	14,888	18,278	1,396	237	17,940	190,949
Claims incurred									
Gross - Direct Business	45,865	13,776		2,351	424	296	-1	3,426	66,136
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share	6,212	951		-950	-849	67	-21	143	5,553
Net	39,653	12,825		3,300	1,272	230	19	3,283	60,583
Changes in other technical									
Gross - Direct Business	0	-25		111	0	0	0	0	86
Gross - Proportional reinsurance									0
Gross - Non-proportional reinsurance									0
Reinsurers' share				-215					-215
Net		-25		327					302
Expenses incurred	16,104	30,807	0	5,477	5,742	-107	24	11,973	70,019
Other expenses									
Total expenses									70,019

Poste Assicura S.p.A
S.17.01.02 - Non - life Technical Provisions

	Medical expense insurance	Income protection insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Technical provisions calculated as a whole								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole								
Technical Provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	17,826	19,780	-1,251	-2,068	-236	9	31,058	65,117
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1,591	525	-329	-161	-25	0	2,089	507
Net Best Estimate of Premium Provisions	19,417	19,255	-922	-1,907	-211	9	28,970	64,610
Claims provisions								
Gross - Total	29,077	37,192	5,174	11,496	1,274	46	6,034	90,294
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	5,085	4,924	1,647	3,283	730	17	1,739	17,425
Net Best Estimate of Claims Provisions	23,991	32,268	3,527	8,213	544	29	4,295	72,868
Total Best estimate - gross	46,903	56,973	3,923	9,428	1,038	54	37,093	155,411
Total Best estimate - net	43,408	51,523	2,605	6,306	333	38	33,265	137,478
Risk margin	2,819	6,063	721	1,380	75	14	3,083	14,154
Amount of the transitional on Technical Provisions								
TP as a whole								
Best estimate								
Risk margin								
Technical provisions - total								
Technical provisions - total	49,721	63,036	4,643	10,808	1,113	68	40,175	169,565
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	3,494	5,450	1,318	3,122	705	17	3,828	17,933
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	46,227	57,586	3,326	7,686	408	52	36,348	151,632

Poste Assicura S.p.A
S.19.01.21 - Non-life Insurance Claims

Gross Claims Paid (non-cumulative)

	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior												2	4
2010	337	735	749	22	114	32	5	78	130	17		17	2,219
2011	1,587	2,860	883	110	113	289	111	582	263			263	6,798
2012	3,451	4,501	1,854	503	159	155	253	85				85	10,960
2013	5,168	6,330	2,108	546	330	215	331					331	15,028
2014	5,760	7,437	2,461	675	378	55						55	16,767
2015	7,203	8,579	2,445	953	181							181	19,360
2016	7,950	9,350	1,870	610								610	19,780
2017	10,044	12,290	3,180									3,180	25,514
2018	15,413	13,138										13,138	28,551
2019	42,589											42,589	42,589
											Total	60,450	187,566

Gross undiscounted Best Estimate Claims Provisions

	Development year (absolute amount)											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior												79
2010	0	0	0	0	0	0	744	516	136	121		122
2011	0	0	0	0	0	1,790	1,351	1,434	1,058			1,067
2012	0	0	0	0	1,900	1,489	1,154	889				897
2013	0	0	0	4,050	3,044	2,589	1,165					1,174
2014	0	0	11,444	7,821	3,620	1,840						1,853
2015	0	19,458	15,065	10,661	3,818							3,842
2016	31,184	15,973	12,652	10,813								10,885
2017	28,335	12,967	8,838									8,890
2018	32,483	14,602										14,672
2019	42,444											42,664
											Total	86,145

Poste Assicura S.p.A
S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**25,000**	25,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**196,777**	196,777			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	**221,777**	**221,777**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**221,777**	**221,777**			
Total available own funds to meet the MCR	**R0510**	**221,777**	**221,777**			
Total eligible own funds to meet the SCR	**R0540**	**221,777**	**221,777**			
Total eligible own funds to meet the MCR	**R0550**	**221,777**	**221,777**			
SCR	**R0580**	**73,658**				
MCR	**R0600**	**33,101**				
Ratio of Eligible own funds to SCR	**R0620**	**301.09%**				
Ratio of Eligible own funds to MCR	**R0640**	**670.01%**				

Reconciliation reserve		
Excess of assets over liabilities	R0700	**221,777**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**25,000**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**196,777**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	17,840
Total Expected profits included in future premiums (EPIFP)	**R0790**	**17,840**

Poste Assicura S.p.A
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	14,298		
Counterparty default risk	5,332		
Life underwriting risk			
Health underwriting risk	54,526		
Non-life underwriting risk	38,313		
Diversification	-36,803		
Intangible asset risk			
Basic Solvency Capital Requirement	**75,666**		

Calculation of Solvency Capital Requirement

Operational risk	6,916
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-19,817
2003/41/EC	
Solvency capital requirement excluding capital add-on	62,764
Capital add-on already set	**10,894**
Solvency capital requirement	73,658
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	

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Poste Assicura S.p.A
S.28.01.01 - Minimum capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life	Non-life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	43,408	65,208
Income protection insurance and proportional reinsurance	51,523	85,296
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance		
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance		
Fire and other damage to property insurance and proportional reinsurance	2,605	17,581
General liability insurance and proportional reinsurance	6,306	18,560
Credit and suretyship insurance and proportional reinsurance		
Legal expenses insurance and proportional reinsurance	333	1,414
Assistance and proportional reinsurance	38	213
Miscellaneous financial loss insurance and proportional reinsurance	33,265	24,658
Non-proportional health reinsurance		
Non-proportional casualty reinsurance		
Non-proportional marine, aviation and transport reinsurance		
Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits		
Obligations with profit participation - future discretionary benefits		
Index-linked and unit-linked insurance obligations		
Other life (re)insurance and health (re)insurance obligations		
Total capital at risk for all life (re)insurance obligations		

	Non-life activities	Life activities
MCRNL Result	33,101	
MCRL Result		

Overall MCR calculation

Linear MCR	33,101
SCR	73,658
MCR cap	33,146
MCR floor	18,415
Combined MCR	33,101
Absolute floor of the MCR	3,700

Minimum Capital Requirement	**33,101**