2020 CONSOLIDATED HALF-YEAR REPORT

CONTENTS

Composition of the Corporate and Control Bodies of the Parent Company Poste Vita S.p.A.

BOARD OF DIRECTORS (1)

Chairman	Paolo Martella
Chief Executive Officer	Andrea Novelli
Director	Vladimiro Ceci
Director	Laura Furlan
Director	Guido Maria Nola
Director	Maria Cristina Vismara (2)
Director	Fulvia Astolfi (3)

GENERAL MANAGER	Maurizio Cappiello (4)

BOARD OF STATUTORY AUDITORS(1)

Chairman	Luca Aurelio Guarna
Auditor	Marco De Iapinis
Auditor	Maria Giovanna Basile
Alternate	Mario Stefano Ravaccia
Alternate	Mara Palacino

[1] The Board of Directors and the Board of Statutory Auditors were appointed by the shareholders at the General Meeting held on 19 May 2020 and will serve for three-year terms of office, until approval of the financial statements for 2022.
[2] Independent Director.
[3] Independent Director.
[4] Maurizio Cappiello was confirmed in the office of General Manager by the Board of Directors on 19 May 2020.
[5] The Supervisory Board, appointed by the Board of Directors at their meeting of 30 July 2018, has a three-year term of office that will expire on the date of approval of the financial statements for 2020.
[6] Following the expiration of the office of internal member of the Supervisory Board 231 of Marianna Calise, the Board of Directors, at its meeting of 25 March 2020, appointed Luciano Loiodice as member of the Supervisory Board 231 of the Company.
[7] The Ordinary General Meeting of Shareholders, which met on 28 November 2019, approved the early consensual termination of the engagement of BDO Italia S.p.A. to audit the annual and 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 annual and consolidated financial statements of Poste Vita 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.

SUPERVISORY BOARD [5]

Chairman	Francesco Alfonso
Member	Franco Cornacchia
Member	Luciano Loiodice [6]

INDEPENDENT AUDITORS [7]	Deloitte & Touche S.p.A.

INTERNAL CONTROL AND RISKS AND RELATED PARTY TRANSACTIONS COMMITTEE

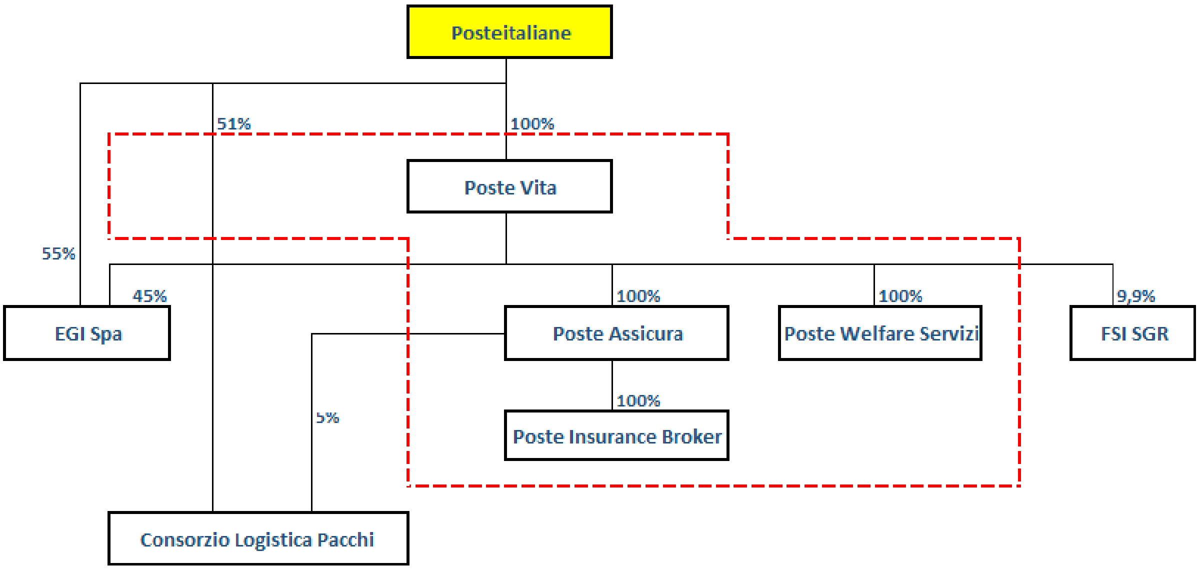
Chairman	Vladimiro Ceci
Member	Maria Cristina Vismara
Member	Fulvia Astolfi

REMUNERATION COMMITTEE

Chairman	Guido Maria Nola
Member	Maria Cristina Vismara
Member	Fulvia Astolfi

Group structure

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



The Poste Vita Insurance Group operates mainly in the life and non-life insurance sectors and has a leading position in the life sector and a growth strategy in the non-life sector.

The scope of consolidation includes the subsidiary, Poste Assicura 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 Srl (a wholly-owned subsidiary of Poste Assicura S.p.A.) was incorporated on 12 April 2019 and has been engaged in insurance brokerage activities since December 2019, in accordance with its bylaws.

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

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

On 30 June 2020, Poste Assicura S.p.A. acquired 5% of the share capital of Consorzio Logistica Pacchi S.c.p.a. as a non-controlling investor; the latter primarily carries out the distribution, traction and delivery of parcels for Poste Italiane S.p.A.

These investments are not consolidated on a line-by-line basis, but accounted for using the equity method, as further detailed in the following paragraphs.

Lastly, the Parent Company, Poste Vita, holds a 9.9% interest in FSI SGR share capital (acquired from Cassa Depositi e Prestiti during the fourth quarter of 2016). The Company does not exercise either *de iure* or *de facto* control, whether on an individual or joint basis, or as a connected party with Cassa Depositi e Prestiti and/or other shareholders of FSI SGR.

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

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 business of the most profitable products (Multi-class);
- achieving growth in the protection and welfare segment.

(€m)

RECLASSIFIED STATEMENT OF PROFIT OR LOSS	30/06/2020			30/06/2019		
	Non-life business	Life business	Total	Non-life business	Life business	Total
Net premium revenue	**108.1**	**7,612.5**	**7,720.6**	**93.7**	**10,032.7**	**10,126.4**
Gross premium revenue	*118.0*	*7,617.4*	*7,735.4*	*108.3*	*10,039.6*	*10,147.9*
Outward reinsurance premiums	*(9.9)*	*(4.9)*	*(14.8)*	*(14.6)*	*(6.9)*	*(21.5)*
Fee and commission income		**26.1**	**26.1**		14.6	14.6
Net finance income from assets related to traditional products	**3.2**	**776.1**	**779.4**	**2.5**	**2,987.5**	**2,990.0**
Income	*3.3*	*1,319.8*	*1,323.1*	*2.9*	*1,447.9*	*1,450.8*
Realised gains/losses	*0.0*	*26.4*	*26.4*	*(0.4)*	*9.4*	*9.0*
Unrealised gains/losses	*(0.1)*	*(570.0)*	*(570.1)*	*(0.0)*	*1,530.2*	*1,530.2*
Net finance income from assets related to index- and unit-linked products		**(95.4)**	**(95.4)**		148.2	148.2
Net change in technical provisions	**(44.9)**	**(7,649.8)**	**(7,694.7)**	**(27.1)**	**(12,463.0)**	**(12,490.1)**
Claims paid	*(37.7)*	*(6,002.3)*	*(6,040.0)*	*(24.8)*	*(7,632.5)*	*(7,657.3)*
Change in technical provisions	*(10.9)*	*(1,649.9)*	*(1,660.8)*	*(4.4)*	*(4,836.4)*	*(4,840.8)*
Reinsurers' share	*3.7*	*2.5*	*6.2*	*2.1*	*5.9*	*8.0*
Investment management expenses	**(0.3)**	**(23.5)**	**(23.7)**	(0.3)	(21.1)	(21.4)
Operating expenses	**(27.7)**	**(242.8)**	**(270.6)**	(30.8)	(278.6)	(309.4)
Net commissions	*(16.0)*	*(193.2)*	*(209.2)*	*(17.8)*	*(236.9)*	*(254.7)*
Operating costs	*(11.7)*	*(49.7)*	*(61.4)*	*(13.0)*	*(41.7)*	*(54.7)*
Other revenues / costs, net	**2.8**	**(11.0)**	**(8.2)**	3.7	(13.6)	(9.9)
GROSS OPERATING PROFIT	**41.3**	**392.2**	**433.5**	**41.8**	**406.7**	**448.4**
Net finance income from investments of free capital		38.9	38.9		44.6	44.6
Interest expense on subordinated debt		(23.8)	(23.8)		(32.4)	(32.4)
PROFIT BEFORE TAX	**41.3**	**407.3**	**448.6**	**41.8**	**418.9**	**460.6**
Income tax expense	(10.0)	(122.4)	(132.4)	(11.9)	(128.8)	(140.7)
NET PROFIT	**31.3**	**284.9**	**316.2**	**29.9**	**290.1**	**319.9**

Gross premium revenue in the **Life business** at the end of the first half of 2020 amounted to €7.6 billion, a decrease of 24.1% compared to 2019, mainly due to the spread of the COVID-19 pandemic in Italy since March, which limited the movement of citizens and caused the partial closure of post offices, especially in March and April, strongly affecting the flow of premium revenue during the period. However, the incidence, compared to the total, of the premium revenue of the most profitable products remains significant. In fact, premiums relating to the Multi-class product amounted to €2.6 billion at 30 June 2020, representing 34% of total premium revenue (in line with 2019).

Claims paid totalled €6 billion compared with €7.6 billion in the same period of 2019, due to the reduction in maturities (from €4.9 billion at the end of June 2019 to the current €3.7 billion). With regard to surrenders, the figure (equal to €1.6 billion) was down €0.3 billion compared to the same period in 2019, with a frequency of 2.5% compared to initial reserves, a significant improvement compared to the same period in 2019 (3.1%).

In relation to the above, **net premium revenue** at the end of the period were positive by €1.6 billion, contributing to the growth in assets under management, although down compared to 2019 (€2.4 billion) following the stoppage of premium revenue related to the aforementioned health emergency.

In the **Non-life business**, the commercial results achieved showed a **production** amounting to approximately €128.4 million, slightly down (-4%) on the figure for the same period of 2019 (€133.3 million), despite the negative effects of the COVID-19 health emergency, which slowed premium revenue from March onwards. These premiums net of the reserve for unearned premiums amounted to €118 million compared to €108.3 million in the first half of 2019.

During the same period, **claims expenses** amounted to €48.6 million compared to €29.2 million in the same period of 2019, mainly due to the growth in the "Illness" class. The overall trend in claims expenses described above, compared to a 9% growth in premiums for the year, resulted in a **loss ratio** of 41.2%, up from the figure recorded in the same period of 2019 (26.9%).

Life business **technical provisions** at 30 June 2020, excluding the Deferred Policyholder Liability (DPL) provisions of €10.6 billion and commented on in the following pages, totalled €131.1 billion, a slight increase compared to the beginning of the year (€128.5 billion), due to positive net premium revenue. The figure referred mainly to: i) €125.7 billion in mathematical provisions relating to traditional products and ii) €4.2 billion (€3.9 billion at the end of 2019) in provisions relating to Unit-Linked products. With reference to the Non-life business, technical provisions at the end of the period amounted to €228.1 million, up from €206.8 million at the end of the previous period, given the growth in business.

In terms of **financial management** during the period, the investment policy continues to be marked by the utmost prudence, based on the guidelines established by the Board of Directors. As a result, the portfolio is primarily invested in government securities and corporate bonds, with an overall exposure that represents 75.2% of the entire portfolio. The rest of the portfolio is primarily invested in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type. The latter invest in liquid, global asset classes, mainly composed of bonds.
Returns on investments linked to Separately Managed Accounts registered positive performances (with returns of 2.63% for PostaPensione accounts and 2.19% for PostaValorePiù accounts).

The trends in financial markets in the first six months of 2020, less favourable than 2019 as a result of the ongoing health emergency, led to a decrease in unrealised gains, from €11.9 billion at the beginning of the year to the current €10.9 billion, referring almost exclusively to investments included in Separately Managed Accounts, and therefore reflected in the Deferred Policyholder Liability (DPL) provisions.

As a result of the above operating and financial performance, technical provisions, including the DPL provisions, amounted to €142 billion, up from €140.3 billion at the end of 2019.

With regard to the management of **"Free Assets",** the result continued to be positive and was equal to €38.9 million, although down compared to the previous period (€44.6 million) due to the net unrealised losses recorded in the period related to the unfavourable context of the financial markets.

Operating costs[2] amounted to €61.4 million at the end of the first half of 2020 compared with €54.7 million at 30 June 2019, due exclusively to the new drivers used for the allocation of overheads; this change was necessary to align the methodologies between the statutory financial statements and the Solvency financial statements. In fact, if we consider the value of operating costs before reversal, the figure recorded in the first half of 2020 was substantially in line with 30 June 2019. Operating costs mainly relate to personnel expenses, commercial costs, costs for IT services and costs for professional services/consulting to support the business.

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The above performance resulted in **EBITDA** of €448.6 million, down approximately €12 million from €460.6 million in the same period of 2019. Taking into account the related taxation, the **net profit for the period** decreased from €319.9 million in the first half of 2019 to the current €316.2 million.

[2] overheads allocated to acquisition expenses and administrative expenses.

Key performance indicators

A summary of the principal KPIs is shown below:

(€m)

PRINCIPAL FINANCIAL KPIs	30/06/2020	31/12/2019	Increase/(Decrease)	
Equity	4,753.3	4,438.5	314.8	7.1%
Solvency SII ratio	249.6%	311.7%	(62.1%)	
Technical provisions for insurance business	141,978.4	140,260.7	1,717.8	1.2%
Financial Investments*	144,569.9	143,204.2	1,365.6	1.0%
Workforce	485	550	(65.4)	

PRINCIPAL OPERATIONAL KPI	30/06/2020	30/06/2019	Increase/(Decrease)	
Gross premium revenue	7,735.4	10,147.9	(2,412.5)	(23.8%)
EBIT	433.5	448.4	(14.9)	(3.3%)
Net Profit	316.2	319.9	(3.7)	(1.2%)
ROE**	13.9%	15.6%	(1.7%)	(1.7%)
Return PostaValorePiù	2.2%	2.4%	(0.4%)	
Return PostaPensione	2.6%	3.2%	(0.2%)	
Surrender ratio	2.5%	3.1%	(0.6%)	
Operating costs / Earned premiums	0.8%	0.6%	(0.1)	
Operating costs / Provisions	0.1%	0.1%	0.0	

* Including cash

[1] Calculated as the ratio betw een the annualised net profit for the period and the half sum of equity for the current year and equity for the previous year net of the FVOCI reserve.

ECONOMIC AND MARKET ENVIRONMENT

Economic and market environment

By the end of 2019, risks to the global economy (linked to the trade war and Brexit) were mitigating, although macroeconomic indicators suggested a further slowdown in economic activity. The scenario worsened during the first quarter of 2020 due to the lockdown made necessary by the worldwide spread of the coronavirus that compromised one of the longest economic cycles in history and brought most economies into recession. The virus containment measures adopted by national governments have imposed the closure of production plants and the resulting supply ban. At the same time, tax and monetary authorities have taken unprecedented expansionary measures to support household and corporate incomes, provide credit to the real economy and ensure liquidity in the financial markets. The central banks cut the cost of money where there was still room for manoeuvre, expanded their programmes for the purchase of financial assets and increased the monetary base. The tax authorities, on the other hand, have significantly increased their primary public expenditure. At present, the global economy is experiencing a phase of recovery in productive activity and trade. However, the removal of restrictions is still partial. There are fears for a second wave and all this will contribute to a slow return to normality: on the one hand, restrictions remain, particularly on travel between countries, with significant implications for air transport and tourism, on the other hand, the maintenance of the rules of social distancing affects the productivity of companies. Falling household incomes and employment uncertainty are holding back purchases of durable goods and demand for services, while uncertainty about demand, combined with declining profit margins, is holding back business investment. In this context, inflation expectations in the advanced economies, which is also due to oil prices, remain low while the forecasts of the main international bodies are being revised downwards. The pace and intensity of the recovery of the world economy will depend on continued support for economic and monetary policies, the ability of companies to survive and adapt to the new conditions imposed by the pandemic, the capacity of the labour market to reabsorb the unemployed and the response to other possible contagions.

By the end of 2020, economic growth in the United States will have declined significantly from the 2.1% recorded in 2019, closing at a lower level than the 3% drop recorded during the 2008-09 recession. The future trend of the economy remains very uncertain and new cases in Florida, Texas, California and Arizona are worrying. Recent employment reports give a negative image of the labour market, which will continue into the second half of the year and which inevitably already reflects on consumption, the real engine of domestic economic growth. The closure of production activities and the rules of social distancing have, in fact, led to the loss of about 22 million jobs between March and April, while in May, personal expenses show a downward trend of about -16% and savings a jump of 23%. At the same time, the reabsorption of the unemployed appears very slow so that, even in light of the new pandemic peaks recorded, consumer confidence in June is at historically low levels and could remain so in the coming months. The deterioration of capital market conditions and the recognition of the serious, albeit still uncertain, effects that the lockdown will have on the real economy have led the Federal Reserve to respond significantly, mainly with the purchase of financial assets (Treasuries, Mortgage Backed Securities, Corporate Bonds, ETFs and Commercial Mortgage Backed Securities) aimed at providing credit to all sectors of the economy. The US central bank is in any case ready to intervene again with all the instruments at its disposal. The Federal Reserve's forward guidance indicates that interest rates will remain at a standstill, at least until the central bank is confident that the real economy has surpassed the current situation and returned to the path of full employment.

After having grown by 1.2% in 2019, the Eurozone's production blockade imposed by the spread of the coronavirus is expected to lead to a much more severe contraction in the real economy than that recorded in 2008-09. Although economic activity has resumed, demand is still held back by household consumption, penalised by higher unemployment, lower labour incomes and a "forced" increase in savings. In order to mitigate the effects of the pandemic on families and businesses, the tax authorities have, to date, put in place a stimulus equal to about 4.7% of the Gross Domestic Product of the entire Eurozone. On the other hand, the ECB announced a series of measures, partly aimed at facilitating access to credit for the private non-financial sector (e.g. through the purchase of corporate bonds), and partly aimed at allowing the refinancing of public debt at lower interest rates than the levels of financial stress reached between March and April.

Together with France and Spain, Italy is among the Eurozone countries to record a more marked economic contraction in the first quarter of the year (-5.4% on a trend basis). The first macroeconomic indicators available for May appear to be consistent with levels of economic activity that are still broadly recessive.

As far as emerging economies are concerned, China is returning to a situation of normalisation of production activity. However, at the end of 2020, economic growth is expected to be drastically lower than the 6% recorded in 2019 and the average of the last 10 years. Brazil, Russia and India are instead going through the most acute phase of the pandemic spread.

Financial market trends

In the second quarter of 2020, despite the end of the lockdown and the resumption of production, long-term core government rates were only slightly up as they were contained both by news of new pandemic outbreaks and the resulting expectations of financial markets on global economic growth and expansionary central bank manoeuvres. At the end of the second quarter of 2020, the German government yield was -0.45% (+2 bps since 31 March 2020) while the US government yield was 0.65% (+2 bps since 31 March 2020).

In the same period, the yield on the 10-year BTP fell from 1.47% to 1.25% thanks to the ECB's purchases, although it showed moments of high volatility (due to its risky-asset nature, expectations regarding the government's tax decisions and the ECB's statements). At the end of the second quarter, the 10-year spread between Italy and Germany was 171 bps (30 bps lower than the 199 recorded at the end of March 2020).

In the Euro Corporate Investment Grade bond sector, yields are falling as, despite the higher credit risk embedded in corporate bonds, ECB purchases through the Corporate Sector Purchase Programme allowed credit spreads to fall from the highs recorded in the same year. At the end of the second quarter, the average yield on BBB issues was 1.20% compared to 2.21% three months earlier.

After the sharp contraction in the first quarter, global equity indices rebounded by an average of around 18% (19% for the US S&P500 equity index, 12% for the European STOXX 600 and 17% for the emerging economies indices), driven by the recovery in production activity, however mitigated by news of new pandemic cases. The balance compared to the beginning of the year remains negative in both advanced and emerging economies (S&P500 -1.6%, STOXX 600 -11.7%, emerging economies -5%).

Italian life insurance market

As a result of the health emergency, **new business for Life insurance policies**, amounting to €36.4 billion at the end of June 2020, decreased by 16.5% compared to the same period in 2019. If new Life premiums reported by EU companies is taken into account, the figure reached €40.9 billion, down (-16.2%) compared to the same period of 2019.

Analysing the figures by class of insurance, Class I premiums amounted to €25.4 billion at the end of June 2020, significantly down (-20.3%) given the aforementioned health emergency, compared with the same period of the previous year. Class III products (in exclusive unit-linked form), on the other hand, recorded performance not particularly negative despite the unfavourable market context, with a decrease of only 5% in premiums to €10.4 billion compared with the corresponding period of 2019. Residual premium revenue came from capitalisation products (€0.5 billion), down in the first six months of the year (-26.1%) compared to the figure for the first half of 2019. The trend in new premiums relating to long-term care policies (Class IV) was however positive with a volume that, although still limited (approximately €14.3 million), grew slightly (+1%) compared to the same period in 2019.

New contributions relating to the management of open-ended pension funds in the first half of 2020 amounted to €47.9 million, a decrease of 10.1% compared to the same period in 2019.

New individual Life business by class (*)
(data updated to June 2020 in €m)

Premiums by class/product	Premiums YTD	% change 06 20 vs 06 19
Life - class I	25,399	(20.3%)
Unit - Linked - class III	10,433	(5.0%)
Capitalisations - class V	516	(26.1%)
Other	62	-
Italian insurers - non-EU	**36,410**	**(16.5%)**
EU insurers (**)	**4,463**	**(13.7%)**
Total	**40,873**	**(16.2%)**

(*) Source: ANIA

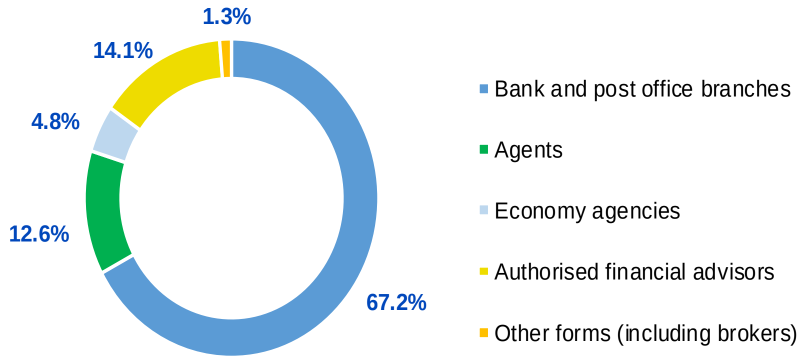
(**) The term "EU insurers" refers to the Italian subsidiaries of undertakings with a registered office in an EU country operating under the right of establishment and freedom to provide services. The figures refer solely to undertakings taking part in the survey.

Single premiums continued to be the preferred form of payment for policyholders, representing 95.1% of total premiums written and 63.7% of policies by number.

With regard, finally, to the distribution channel, around 67.2% of new business was obtained through banks and post offices until June 2020, with premium revenue of about €24.5 billion, a significant decrease (-19.1%) compared with the same period of 2019. On the other hand, with regard to agents as a whole, the volume of new business distributed reached €6.3 billion at the end of June 2020, a decrease of 3.5% compared to the figure for the same period in 2019 and with an incidence on total intermediated business of 17.4%.

The performance of new business obtained through authorised financial advisors was €5.1 billion, down (-19.9%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 14.1%.

New Life business by distribution channel



Source: ANIA

Italian non-life insurance market

Total direct Italian premiums in the **Non-life insurance market**, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) amounted to €9.4 billion at the end of the first quarter of 2020, slightly down (-0.5%) compared to the first quarter of 2019. This sudden change in the growth trend was attributable exclusively to the emergency situation linked to the spread of the COVID-19 virus, which has heavily affected the sales processes and operations of insurance companies, resulting in a 7% decrease in volumes collected in March alone compared to the same month in 2019.

This performance was mainly due to the sharp decline in the Auto sector (-4.3%) in detail, the vehicle insurance class recorded a 5.5% reduction in premiums, which was concentrated precisely in March 2020 (-12%). Premiums in the land vehicle insurance class, which grew by almost 5% at the end of the first quarter of 2019, also came to a standstill in the first quarter of 2020 (+0.7%), falling by 12% in March alone.

The other non-life classes also experienced a sharp slowdown. While growth exceeded 6% at the end of the first quarter of 2019, by the end of March 2020, this growth had more than halved (+2.7%) due to the decline recorded in March alone (-2.4%). With reference to the non-motor lines of business, the classes that recorded above-average changes, also taking into account the significant volumes, were the Illness class with premiums equal to €0.9 billion, up 6.1%, the other damage to property class with premiums equal to €0.8 billion and growth of 2.6%, the general third-party liability insurance class with premiums equal to €1.1 billion and an increase of 3%, legal protection class with premiums of €0.1 billion and growth of 11.1%, while in contrast to the trend, financial losses class with premiums of €0.2 billion recorded a decrease of 7.5%, Accident insurance class with premiums of €0.9 billion recorded a decrease of 1.1% and fire and natural disaster class with volumes of €0.6 billion and a decrease of 0.3%.

PREMI PORTAFOGLIO DIRETTO AL I TRIMESTRE 2020

Valori in milioni di euro

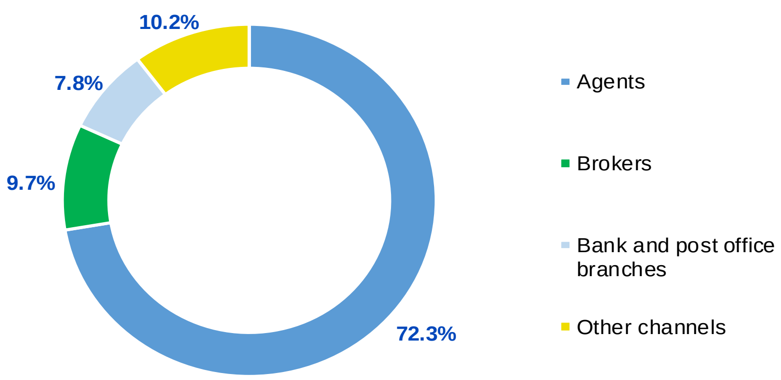
Rami	PREMI ITA ed EXTRA UE**	QUOTA MERCATO ITA ed EXTRA UE	PREMI UE***	QUOTA MERCATO UE	PREMI TOTALI	VAR.* % PREMI ITA ed EXTRA UE	VAR.* % PREMI UE	VAR.* % PREMI TOTALI
	al I trim. 2020	*al I trim. 2020*	*al I trim. 2020*	*al I trim. 2020*	*al I trim. 2020*	*2020/2019*	*2020/2019*	*2020/2019*
R.C. Autoveicoli terrestri	3.112	95,3%	154	4,7%	3.266	-5,8%	2,7%	-5,5%
Corpi di veicoli terrestri	785	92,7%	62	7,3%	847	0,9%	-1,8%	0,7%
Totale settore Auto	**3.897**	**94,7%**	**216**	**5,3%**	**4.113**	**-4,5%**	**1,4%**	**-4,3%**
Infortuni	791	86,0%	129	14,0%	920	-1,1%	-1,2%	-1,1%
Malattia	854	95,2%	43	4,8%	897	6,4%	0,5%	6,1%
Corpi di veicoli ferroviari	1	84,6%	0	15,4%	2	0,0%	39,0%	4,5%
Corpi di veicoli aerei	4	66,0%	2	34,0%	7	104,1%	186,6%	126,2%
Corpi veicoli marittimi	68	75,2%	23	24,8%	91	39,3%	100,4%	50,7%
Merci trasportate	49	54,9%	40	45,1%	89	9,2%	-9,9%	-0,3%
Incendio ed elementi naturali	534	84,9%	95	15,1%	629	1,7%	-10,4%	-0,3%
Altri danni ai beni	661	85,6%	111	14,4%	773	1,8%	7,6%	2,6%
R.C. Aeromobili	3	68,4%	2	31,6%	5	38,0%	15,6%	30,0%
R.C. Veicoli marittimi	3	55,5%	2	44,5%	5	2,4%	713,4%	67,5%
R.C. Generale	702	65,0%	377	35,0%	1.079	0,6%	7,9%	3,0%
Credito	23	14,4%	134	85,6%	157	22,1%	1,7%	4,2%
Cauzione	103	77,5%	30	22,5%	133	4,7%	-0,9%	3,4%
Perdite pecuniarie	142	72,0%	55	28,0%	197	-8,5%	-4,8%	-7,5%
Tutela Legale	106	84,8%	19	15,2%	125	9,2%	22,7%	11,1%
Assistenza	203	91,5%	19	8,5%	222	3,0%	-5,7%	2,2%
Totale altri rami danni	**4.248**	**79,7%**	**1.082**	**20,3%**	**5.330**	**2,5%**	**3,4%**	**2,7%**
Totale rami danni	**8.145**	**86,3%**	**1.298**	**13,7%**	**9.443**	**-1,0%**	**3,0%**	**-0,5%**

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

In terms of **distribution channels**, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continued to lead the way with a market share of 72.3%, albeit down on the figure at the end of March 2019 (73.9%). Brokers recorded a market share of 9.7%, representing the second largest distribution channel. There was also growth, albeit very limited, in the market share of bank and post office branches, which stood at 7.8% (7.7% at the end of March 2019).

The percentage of direct sales (management, telephone and internet sales) at the end of March 2020 was 9.8%, slightly up on the figure for the same period in 2019 (9.4%). The remaining 0.4% referred to premiums brokered by authorised financial advisors.

Breakdown of direct Non-life premiums by distribution channel (*)



Source: ANIA

(*) Italian insurers and non-EU insurer representatives operating as an establishment.

OPERATING REVIEW

In the first half of 2020, **premium revenue**, net of outward reinsurance premiums, totalling approximately €7,720.6 million, was down 23.8% compared with the €10,126.4 million of the same period of 2019, due to the known events of the health emergency that slowed down its production. The table below breaks down premium revenue, net of outward reinsurance premiums, by type of business compared with the same period of 2019.

(€m)

Premium revenue	30/06/2020	30/06/2019	Increase/(Decrease)	
Class I	7,157.8	8,931.6	(1,773.8)	(19.9%)
Class III	392.3	1,044.2	(651.8)	(62.4%)
Class IV	5.9	6.5	(0.7)	(10.3%)
Class V	61.4	57.3	4.1	7.2%
Gross "life" premium revenue	7,617.4	10,039.6	(2,422.2)	(24.1%)
Outward reinsurance premiums	(4.9)	(6.9)	2.0	(28.7%)
Net "life" premium revenue	***7,612.5***	***10,032.7***	**(2,420.2)**	**(24.1%)**
Non-life premiums	128.4	133.3	(4.9)	(3.7%)
Outward reinsurance premiums	(9.6)	(14.6)	5.0	(34.5%)
Change in premium reserve	(10.4)	(24.9)	14.6	(58.3%)
Change in share of premium reserve attributable to reinsurers	(0.3)	0.0	(0.3)	(6331.6%)
Net "non-life" premium revenue	***108.1***	***93.7***	14.4	**15.3%**
Total net premium revenue for the period	**7,720.6**	**10,126.4**	**(2,405.8)**	**(23.8%)**

Life business

During the period, despite the negative effects of the COVID-19 pandemic holding back production in the first half of 2020, the Poste Vita Group was able, in line with the previous year, to shift premium revenue towards unsecured insurance products (Multi-class) with a moderate risk/return profile, compatible with the characteristics of the Group's customers, but potentially with more attractive returns on investment.

Gross premium revenue totalling € 7.6 billion, were down by 24.1% compared to the figure recorded in the corresponding period of 2019, mainly due to the spread of the COVID-19 pandemic in Italy since March, which limited the movement of citizens and caused the partial closure of post offices, especially in March and April, significantly affecting production during the half year. The following table shows the composition of the portfolio where, however, the most profitable products have a high proportion of total production. In particular, the weight of premium revenue of the Multi-class product remains stable at around 34%.

Gross premium revenue	30/06/2020	30/06/2019	Increase/(Decrease)	
Traditional products that can be revalued	4,450.1	5,968.8	(1,518.7)	(25.4%)
Social security products	467.0	499.4	(32.5)	(6.5%)
Multi-class	2,589.5	3,423.7	(834.2)	(24.4%)
Unit and index linked	7.6	35.0	(27.4)	(78.3%)
Retail Protection	28.9	39.3	(10.4)	(26.5%)
Welfare Protection	13.0	15.8	(2.8)	(17.9%)
Capitalisation	61.4	57.5	3.9	6.9%
Total	**7,617.4**	**10,039.6**	**(2,422.2)**	**(24.1%)**

The following table shows a summary of premium revenue for the period by class, net of outward reinsurance premiums, where there is a strong prevalence of Class I products equal to 94% (89% in the same period of 2019):

(€m)

Premium revenue	30/06/2020	30/06/2019	Increase/(Decrease)	
Class I	7,157.8	8,931.6	(1,773.8)	(19.9%)
Class III	392.3	1,044.2	(651.8)	(62.4%)
Class IV	5.9	6.5	(0.7)	(10.3%)
Class V	61.4	57.3	4.1	7.2%
Gross "life" premium revenue	7,617.4	10,039.6	(2,422.2)	(24.1%)
Outward reinsurance premiums	(4.9)	(6.9)	2.0	(28.7%)
Net "life" premium revenue	***7,612.5***	***10,032.7***	**(2,420.2)**	**(24.1%)**

The following table shows the breakdown of gross premium revenue, which shows a sharp decline in the single premiums most impacted by the COVID-19 crisis:

(€m)

Breakdown of gross "life"premium revenue	30/06/2020	30/06/2019	Increase/(Decrease)	
Regular premiums	**793.5**	**899.4**	**(105.9)**	**(11.8%)**
- of which first year	76.23	113.6	(37.4)	(32.9%)
- of which subsequent years	717.30	785.8	(68.5)	(8.7%)
Single premiums	**6,823.9**	**9,140.2**	**(2,316.3)**	**(25.3%)**
Total	**7,617.4**	**10,039.6**	**(2,422.2)**	**(24.1%)**

Non-life business

During the first half of 2020, in the non-life business, the Poste Vita group presented the new modular offering to the market, which replaced the existing range of products.

The new offer provides that the customer can freely choose between the individual modules and coverage that make up the different lines of protection, also adapting the insurance coverage to changing needs over time. At the same time, the Group has planned several discount campaigns in order to promote the new offer and encourage the purchase of the various modules.

In relation to this, it should be noted that the volume of premiums relating to the "Goods & Person & Modular" line increased by 1% compared to the previous year, despite the negative effects of the COVID-19 pandemic partly affected premium revenue from March onwards.

The development of collective policies in the "Welfare" segment also continued during the first half of the year, with an increase in premium revenue of €8.3 million compared with the same period in 2019.

On the other hand, the "Credit Protection" line recorded a sharp reduction (-53% compared with the previous year) due to the production stoppage recorded following the events relating to the COVID-19 pandemic.

As a result of the above performance, gross premium revenue at the end of the first half of 2020 totalled approximately €128.4 million, slightly down (-4%) compared to the same period of the previous year.

(€m)

Gross premium revenue	30/06/2020	% share	30/06/2019	% share	Increase/ (decreas	% inc./(dec.)
Goods & Person & Modular protection line	65.5	51.0%	64.8	48.6%	0.5	1.0%
Credit protection line	12.4	9.6%	26.2	19.7%	(13.8)	(52.7%)
Welfare and other management	50.5	39.4%	42.3	31.7%	8.3	19.5%
Total	**128.4**	**100.0%**	**133.3**	**100.0%**	**(4.9)**	**(3.7%)**

The following table shows the distribution of premiums by ministerial class, which shows: i) the prevalence over total premiums in the "Illness" (43%) and "Accident" (33%) classes; ii) the 9% increase in the Illness class recorded during the period, given the development of the Employee Benefits business and iii) the decrease in premiums relating to the "Financial losses" class due to the ongoing health emergency, which strongly influenced premium revenue during the period.

(€m)

Gross premium revenue	30/06/2020	% share	30/06/2019	% share	Increase/ (decreas	% inc./(dec.)
Accident	42.0	76%	44.0	87%	(2.0)	(4.5%)
Illness	55.3	100%	50.6	100%	4.7	9.3%
Fire and natural disaster	5.5	10%	5.0	10%	0.5	9.5%
Other damage to property	5.4	10%	5.3	10%	0.1	1.6%
General liability	9.5	17%	9.4	19%	0.1	0.7%
Financial losses	4.7	9%	12.6	25%	(7.9)	(62.4%)
Legal expenses	1.4	3%	1.5	3%	(0.0)	(3.3%)
Assistance	4.6	8%	4.9	10%	(0.3)	(6.7%)
Total	**128.4**	**232%**	**133.3**	**264%**	**(4.9)**	**(3.7%)**

Payments and change in technical provisions

Payments in the first six months of 2020 totalled €6,040 million, compared with €7,657.3 million in the same period of the previous year, as shown below:

(€m)

Payments	30/06/2020	30/06/2019	Increase/(Decrease)	
Non-life business				
Claims paid	35.1	23.6	11.5	48.7%
Costs for settling claims	2.7	1.2	1.4	119.0%
Total Non-life claims paid	**37.7**	**24.8**	**12.9**	**52.2%**
Life business				
Claims paid	**5,998.0**	**7,626.2**	**(1,628.2)**	**(21.4%)**
of which: Surrenders	1,565.0	1,873.6	(308.5)	(16.5%)
Maturities	3,677.4	4,935.8	(1,258.4)	(25.5%)
Claims	755.5	816.8	(61.3)	(7.5%)
Costs for settling claims	4.4	6.3	(2.0)	(30.9%)
Total Life claims paid	**6,002.3**	**7,632.5**	**(1,630.2)**	**(21.4%)**
Total	**6,040.0**	**7,657.3**	**(1,617.2)**	**(21.1%)**

As far as the Non-life business is concerned, the item amounted to €37.7 million, including settlement and direct costs of €2.7 million, up 52.2% on the figure for the same period of 2019 (€24.8 million), mainly due to the trend in the claims rate of the Illness class.

With regard to life business, this item totalled €6,002.3 million (a significant decrease compared to €7,632.5 million in the same period of 2019) due to the reduction in maturities (from €4.9 billion to the current €3.7 billion) and mainly attributable to class I and class III products that can be revalued. With regard to surrenders, the figure (equal to €1.6 billion) was down (-16.5% compared to 2019) and with an incidence on initial reserves of 2.5%, a significant improvement compared to 2019 (equal to 3.1%).

The **change in technical provisions** totalled €1,660.8 million, down compared with the €4,840.8 million of 30 June 2019. This primarily reflects a matching increase in insurance liabilities, reflecting the aforementioned operating and financial performance.

With regard to the mathematical provisions for class I, IV and V products, the 34.8% decrease compared to the figure for the same period of 2019 was mainly due to the reduction in premium revenue for the period. The figure included the change in DPL provisions, amounting to a negative €584 million (positive for €1,552.8 million at 30 June 2019), linked to the measurement of securities included in Separately Managed Accounts and classified as FVTPL and which was affected by the negative trends of the financial markets during the period. With regard to the mathematical provisions relating to class III products, the change recorded during the period (a positive €308.5 million and substantially in line with the 2019 figure of €329.1 million) was attributable to the effects of positive net premium revenue, despite the unfavourable financial market environment. In addition, the change in technical provisions relating to non-life business amounted to €10.9 million compared with €4.4 million in the same period of 2019.

(€m)

Change in technical provisions	30/06/2020	30/06/2019	Increase/(Decrease)	
Non-life technical provisions	**10.9**	**4.4**	**6.5**	**147.3%**
Mathematical provisions for Class I, IV and V	1,925.7	2,953.7	(1,028.0)	(34.8%)
Mathematical provisions for Class III	308.5	329.1	(20.6)	(6.2%)
DPL provisions	(584.0)	1,552.8	(2,136.8)	(137.6%)
Other technical provisions	(0.2)	0.9	(1.1)	(127.2%)
Total Life technical provisions	**1,649.9**	**4,836.4**	**(3,186.5)**	**(65.9%)**
Total	**1,660.8**	**4,840.8**	**(3,180.0)**	**(65.7%)**

With regard to outwards reinsurance, claims expenses, including changes in technical provisions, amounted to €6.2 million during the period, down €1.8 million on the €8 million recorded in 2019:

(€m)

Claims expenses attributable to reinsurers	30/06/2020	30/06/2019	Increase/(Decrease)	
Non-life business				
Claims paid	4.5	5.1	(0.6)	(11.2%)
Costs for settling claims	0.1	0.1	(0.0)	(8.2%)
Total Non-life insurance claims paid	**4.6**	**5.2**	**(0.6)**	**(11.2%)**
Change in technical provisions	(1.0)	(3.1)	2.2	(69.7%)
Total Non-life insurance	**3.7**	**2.1**	**1.6**	**77.8%**
Life business				
Claims paid	2.2	4.4	(2.1)	(49.1%)
Costs for settling claims	0.0	0.0	0.0	0.0%
Total Life insurance claims paid	**2.2**	**4.4**	**(2.1)**	**(48.9%)**
Change in technical provisions	0.3	1.6	(1.3)	(82.8%)
Total Life insurance	**2.5**	**5.9**	**(3.4)**	**(57.9%)**
Total	**6.2**	**8.0**	**(1.8)**	**(22.8%)**

Distribution

In order to place its products, the Poste Vita Group uses the post offices of the Parent, 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 regulatory guidelines.

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 consultancy service.

The Parent, Poste Italiane SpA received a total of €146.7 million in commissions for distribution and collection, recognised on an accruals basis for €148.3 million (€212.2 million at 30 June 2019), reflecting the amortisation of prepaid commissions on the sale of pension policies.

The Poste Vita Group refers to brokers to sell collective policies, to which it paid sales commissions of €3.7 million during the period (€4.7 million at 30 June 2019). In addition, during the period, maintenance fees of €61.8 million were paid to the Parent Company (€43 million in the first half of 2019).

Reinsurance strategy

Life business

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

Outward reinsurance premiums amounted to €4.9 million (€6.9 million at 30 June 2019). The share of claims expenses attributable to reinsurers, after technical provisions, amounted to €2.5 million (€5.9 million in the same period of 2019). As a result of this, **outward policies**, including commissions received from reinsurers amounting to €0.8 million (€1.5 million in the same period of 2019) showed a negative balance of €1.6 million (positive for €0.5 million at the end of June 2019).

Non-life business

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

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

The reinsurance structure applied in 2020 provides:

- for the Accident and Illness classes, including the segment relating to the Credit Protection line, a non-proportional excess claims agreement for risk and/or event aimed at protecting peak claims and catastrophic events. Quota share treaties continue to be valid in relation to the main Accident risks insured prior to 2013, with risk attaching coverage; the excess-of-loss treaty covers the retained share;

- adoption of a non-proportional excess-of-loss agreement for the Fire, ADB and General third-party liability insurance classes, including the Professional third-party liability insurance component, aimed at protecting large losses, including catastrophic risks (e.g. Earthquake);
- for "PosteSalute" and "I moduli malattia di Vivere Protetti", a quota share proportional agreement, with fixed reinsurance commission and profit sharing on a loss occurring basis;
- for Illness risks relating to the Healthcare Fund for the personnel of companies of the Poste Italiane Group, a proportional treaty, with loss occurring cession basis and reinsurance commissions in favour of the Company;
- for risks related to Legal Protection, a proportional assignment. Reinsurance structure in quota share, with fixed reinsurance commission and profit sharing on a loss occurring coverage basis;
- proportional transfer of the "Travel" line. Reinsurance structure in quota share at pure premium on a loss occurring coverage basis;
- use of optional and/or special acceptance reinsurance treaties, primarily in cases where the risk is not covered by the existing reinsurance treaty. In particular, this principle is valid for underwriting risks that do not meet the qualitative and quantitative criteria provided for in existing reinsurance treaties, but which however fall within Poste Assicura underwriting philosophy. The entity of the risk retained by Poste Assicura and the most appropriate reinsurance structure are decided on, from time to time, based on the nature of the risk involved.

In view of the above reinsurance strategy and the operating performance, the degree of retained risk, in relation to the remaining exposure to claims of the Poste Vita Group following outward reinsurance, is equal to 92% (93% in the same period of 2019).

The ratio of outward premiums at the end of the period to gross premium revenue was 7%, a reduction on the figure for 30 June 2019 (11%).

Accrued outward reinsurance premiums amounted to €9.9 million (€14.6 million in the first six months of 2019). The share of claims expenses attributable to reinsurers, after technical provisions, amounted to €3.7 million (€2.1 million in the same period of 2019). As a result, **outward policies**, also considering commissions of €3.8 million received from reinsurers (€3.7 million in the same period of 2019) showed, thanks to a reduction in outflows, a negative balance of €2.4 million, a marked improvement compared to a negative balance of €8.8 million recorded in the same period of 2019.

Complaints

During the first half of 2020, the Parent Company, Poste Vita S.p.A., received 1,395 new complaints, whilst those relating to the first half of 2019 were 553. The average time taken to process complaints during the first six months of 2020 was approximately 19 days (15 days in the same period of 2019).

With regard to the PIP product, the Company received 592 complaints during the first half of 2020, compared to 187 complaints received in the same period of 2019. The average time taken to process complaints during the period was around 17 days (11 days in the first six months of 2019).

During the same period, the Subsidiary, Poste Assicura S.p.A., received 676 new complaints, compared with 560 new complaints received in the same period of 2019.

The average time taken to process complaints in the first six months of 2020 was around 13 days (in line with the figure recorded in the corresponding period of 2019 of 12 days) and below the 45-day time limit set by IVASS.

FINANCIAL REVIEW

Below is a reclassified statement of financial position at 30 June 2020 with a comparison with the figures at the end of 2019:

(€m)

ASSETS	30/06/2020	31/12/2019	Increase/(Decrease)	
Financial investments	**142,521.0**	**142,043.9**	**477.2**	**0.3%**
Investments in subsidiaries, associates and joint ventures	107.6	107.3	0.3	0.3%
Financial assets measured at amortised cost	1,954.8	1,845.1	109.7	5.9%
Financial assets measured at fair value through other comprehensive income	103,785.1	102,466.5	1,318.6	1.3%
Financial assets measured at fair value through profit or loss	36,673.5	37,624.9	(951.4)	-2.5%
Cash and cash equivalents	**2,048.9**	**1,160.4**	**888.5**	**76.6%**
Tangible and intangible assets	**46.5**	**89.1**	**(42.6)**	**-47.8%**
Receivables and other assets	**3,114.5**	**2,954.7**	**159.8**	**5.4%**
Total Assets	**147,730.9**	**146,248.1**	**1,482.8**	**1.0%**
LIABILITIES				
Equity	**4,753.3**	**4,438.5**	**314.8**	**7.1%**
Technical provisions	**141,978.4**	**140,260.7**	**1,717.8**	**1.2%**
Provision for risks	**19.4**	**21.2**	**(1.8)**	**-8.6%**
Payables and other liabilities	**979.7**	**1,527.6**	**(547.9)**	**-35.9%**
Total Liabilities	**147,730.9**	**146,248.1**	**1,482.8**	**1.0%**

Financial investments

Financial investments totalled €142,521 million at 30 June 2020, in line compared to €142,043.9 million at the end of 2019, given the operating and financial market performance.

(€m)

	30/06/2020	31/12/2019	Increase/(Decrease)	
Investments in associates	107.6	107.3	0.3	0.3%
Financial assets measured at amortised cost	1,954.8	1,845.1	109.7	5.9%
Financial assets at fair value through other comprehensive income	103,785.1	102,466.5	1,318.6	1.3%
Financial assets at fair value through profit or loss	36,673.5	37,624.9	(951.4)	(2.5%)
Total Financial investments	**142,521.0**	**142,043.9**	**477.2**	**0.3%**

The item **investments** of €107.6 million referred to investments valued at equity in the associate, EGI, amounting to €107.6 million and the remaining €36.9 thousand for the investment, equal to 5% of the share capital, in the "Consorzio Logistica Pacchi Spca", acquired on 30 June 2020 by Poste Assicura S.p.A.

With regard to EGI, the Company, 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. The figures for the first half of 2020 showed equity of €239 million and a net profit for the year of €0.6 million, down compared to the figure reported in the corresponding period of 2019 of €0.8 million.

With regard to the Consortium, the latter primarily carries out the distribution, traction and delivery activities relating to the Parcel service, which the Parent, Poste Italiane S.p.A., is committed to carrying out. The Company closed the present period with equity of €737.9 thousand.

Financial assets measured at amortised cost, i.e. securities held in order to obtain cash flows represented solely by the payment of principal and interest, amounted to €1,954.8 million at 30 June 2020 (up 5.9% compared to the end of 2019, equal to €1,845.1 million) and mainly related to free capital.

(€m)

	30/06/2020	31/12/2019	Increase/(Decrease)	
Equity instruments	-			
Debt securities	1,809.9	1,729.0	80.9	4.7%
of which: *government bonds*	1,790.9	1,710.0	80.9	4.7%
corporate bonds	19.1	19.0	0.0	0.2%
UCITS units		-		
Receivables	144.9	116.1	28.8	24.8%
Total	**1,954.8**	**1,845.1**	**109.7**	**5.9%**

Receivables recorded in this category (amounting to €144.9 million at the end of June 2020) referred to: i) €113.6 million (€103.1 million at 31 December 2019) for the balance of the current account with the Parent Company; ii) receivables for commissions on internal funds of €12.9 million (€12 million at the end of 2019) and iii) receivables for funds sold for €18.3 million. The impairment at 30 June 2020 regarding loans and financial receivables measured at amortised cost, recognised as a direct adjustment to the carrying amounts of the same, amounted to €164 thousand (€156 thousand at 31 December 2019).

Financial assets measured at FVTOCI totalled approximately €103,785.1 million (€102,466.5 million at 31 December 2019) and related to securities allocated to Separately Managed Accounts (approximately €101,009.1 million) and a residual portion attributable to the Company's free capital (approximately €2,776 million).

(€m)

	30/06/2020	31/12/2019	Increase/(Decrease)	
Equity instruments				
Debt securities	103,785.1	102,466.5	1,318.6	1.3%
of which: *government bonds*	86,678.6	85,185.2	1,493.4	1.8%
corporate bonds	17,106.5	17,281.3	(174.8)	(1.0%)
UCITS units				
Total	**103,785.1**	**102,466.5**	**1,318.6**	**1.3%**

The trends of the financial markets conditioned by the effects deriving from the spread of COVID-19, were reflected in a decrease in the fair value reserve on these instruments that amounted to €10,552.3 million of potential net capital gains compared to €10,884.1 million at the end of 2019, of which: i) €10,413.6 million (equal to €10,468.7 million net of the ECL component[3]) referring to financial instruments included in the Separately Managed Accounts, and therefore attributed to policyholders through the shadow accounting method and ii) €53.6 million referring to net capital

[3] A provision must be made to cover expected losses in accordance with an Expected Credit Loss (ECL) model for financial assets measured at amortised cost and financial assets at fair value through OCI. In particular, the new impairment method based on the new Expected Losses model assumes a forward-looking view of loan losses over the life of the financial instrument, requiring their immediate recognition rather than on the occurrence of a trigger event.

gains on FVOCI securities of the Company's "Free Capital" and therefore, attributed to a specific equity reserve (equal to €+37.7 million net of the related tax effect and the ECL).

Financial assets at fair value through profit or loss (FVTPL) amounted to a total of approximately €36,673.5 million and were down by 2.5% compared with €37,624.9 million at 31 December 2019, due to the aforementioned unfavourable financial market conditions.

(€m)

	30/06/2020	31/12/2019	Increase/(Decrease)	
Equity instruments	163.0	177.2	(14.2)	(8.0%)
Debt securities	1,559.8	1,520.6	39.2	2.6%
of which: *government bonds*	55.8	56.9	(1.1)	(2.0%)
corporate bonds	1,504.0	1,463.7	40.3	2.8%
UCITS units	34,950.5	35,927.1	(976.6)	(2.7%)
Derivative assets	-	-	0.0	
Receivables	0.3	-	0.3	
Total	**36,673.5**	**37,624.9**	**(951.4)**	**(2.5%)**

The item referred to:

- investments included in the Company's Separately Managed Accounts for €32,485.9 million relating mainly to: i) equity and bond funds (primarily multi-asset open-ended harmonised UCITS funds) for €29,613.2 million, and ii) real estate funds for €1,692.9 million;
- financial instruments backing unit- and index-linked policies for €4,121.8 million;
- financial instruments included in the Company's free capital for €65.8 million.

The unfavourable trends of the financial markets related to the health emergency, albeit showing recovery compared to the previous quarter, led to the recognition in the period of net unrealised losses for a total of €601.8 million (referring almost exclusively to the aforementioned multi-asset funds) compared to net unrealised gains for a total of €1,654.7 million recorded in the same period of 2019.
The breakdown of the figure recorded in the first six months of 2020 was as follows: i) €570.1 million of net losses on investments included in Separately Managed Accounts and therefore entirely attributed to policyholders through the shadow accounting method; ii) €29.8 million of net losses relating to the assets hedging unit-linked products and which, therefore, are substantially offset by the corresponding revaluation of the reserves and iii) €1.9 million of net losses relating to securities included in the Company's free capital.

(€m)

	30/06/2020	30/06/2019	
Income/expenses on FVTPL	**Net gains/losses**	**Net gains/losses**	**Increase/ (decrease)**
Separately Managed Accounts	(570.1)	1,530.2	(2,100.3)
Assets backing unit-/index-linked policies	(29.8)	123.4	(153.2)
Free Capital	(1.9)	1.1	(2.9)
Total	**(601.8)**	**1,654.7**	**(2,256.4)**

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

At 30 June 2020, there were no outstanding transactions in **derivatives**. On the other hand, the only transaction outstanding at the end of 2019 was the Forward Sale 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 in 2019 of approximately €0.9 million.

(€m)

Derivatives/Warrants	30/06/2020				31/12/2019			
	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses	Nominal value	Fair value	Realised gains/losses	Unrealised gains/losses
Fwd 130120 100.5 BTPS 0.65 10/15/23 PD	-	-	-	-	120.0	(0.9)		(0.9)
Total	**-**	**-**	**-**	**-**	**120.0**	**(0.9)**	**-**	**(0.9)**

Receivables included in this category totalled €0.3 million at the end of June 2020 and regard underwriting and capital calls on mutual investment funds for which the corresponding units have not yet been issued.

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The composition of the bond portfolio according to issuing country is in line with the situation in 2019, being marked by a strong prevalence of securities issued by Italian issuers, accounting for 65.5% of the total (64.4% at the end of 2019).

€m

Country	FVTPL	FVOCI	AC	TOTAL
ANTILLES	7	90	-	97
AUSTRIA	65	371	-	436
BELGIUM	10	331	-	341
BERMUDA	-	5	-	5
CANADA	0	137	-	138
SWITZERLAND	3	182	-	185
CZECH REPUBLIC	-	120	-	120
GERMANY	380	944	-	1,324
DENMARK	0	155	-	155
SPAIN	101	3,152	8	3,260
FINLAND	18	196	-	215
FRANCE	990	2,881	4	3,876
UNITED KINGDOM	577	1,697	-	2,274
IRELAND	1,823	274	-	2,097
ISLE OF MAN	**-**	**21**	**-**	21
ITALY	**4,127**	**87,210**	**1,796**	**93,133**
JERSEY	2	3	-	5
JAPAN	3	270	-	273
CAYMAN ISLANDS	-	9	-	9
LUXEMBOURG	28,045	417	-	28,462
MEXICO	54	37	-	90
NETHERLANDS	260	2,121	2	2,383
NORWAY	-	58	-	58
NEW ZEALAND	-	39	-	39
PORTUGAL	-	118	-	118
SWEDEN	10	629	-	638
SINGAPORE	-	24	-	24
USA	197	2,297	-	2,494
VENEZUELA	-	-	-	-
	36,673	**103,785**	**1,810**	**142,268**

The distribution of the financial investment portfolio at 30 June 2020 by duration class is shown below, indicating that the portfolio is heavily weighted towards securities with durations of over 30 years:

				€m
Remaining duration	**FVTPL**	**FVOCI**	**AC**	**TOTAL**
up to 1	27,077	3,244	86	30,407
from 1 to 3	313	12,486	153	12,952
from 3 to 5	362	23,055	372	23,788
from 5 to 7	1,050	11,965	116	13,131
from 7 to 10	1,904	15,795	464	18,164
from 10 to 15	141	14,646	369	15,157
from 15 to 20	1,437	6,972	100	8,510
from 20 to 30	183	13,053	150	13,386
over 30	4,205	2,568	-	6,774
Total	**36,673.2**	**103,785**	**1,810**	**142,268**

Returns on the Company's Separately Managed Accounts, in the specific periods under review (from 1 January 2020 to 30 June 2020), were as follows:

Separately Managed Accounts	**Gross Return**	**Average Invested Capital**
	% rate	**€m**
Posta Valore Più	2.19%	116,702.0
Posta Pensione	2.63%	8,175.0

Cash and cash equivalents at the end of the period amounted to €2,048.9 million (€1,160.4 million at the end of 2019); they will be invested in the second half of 2020 in relation to the evolution of market performance.

Tangible and intangible assets amounted to €46.5 million (€89.1 million at 31 December 2019) and referred to: i) goodwill of €17.8 million, arising from the difference between the cost of the investment in Poste Welfare Servizi and the corresponding portion of equity following the acquisition by Poste Vita; ii) the right to use the assets covered by the contracts falling within the scope of IFRS 16 (effective from 1 January 2019) for €25.6 million, which represents the present value of the periodic lease payments provided for under the contract to use the assets; iii) the portion not yet amortised of the capital goods provided for the exercise of the activity for €2.7 million (€10.1 million at the end of 2019) and iv) the portion not yet amortised of the charges relating to computer programs with multi-year utility for €0.4 million (€33.8 million at the end of 2019). The decrease of €42.6 million compared with the end of 2019 was primarily due to the sale of the IT division to the Parent, Poste Italiane S.p.A., with effect from 1 March 2020. This sale involved intangible and tangible assets with a book value net of the related provision of €38.2 million.

Equity and solvency margin

Equity amounted to €4,753.3 million at 30 June 2020, an increase of €314.8 million compared with the end of 2019. The change during the period was almost exclusively attributable to profit for the period of €316.2 million and the positive difference of €2 million deriving from the sale of the IT division to the Parent, Poste Italiane S.p.A. (the difference between the sale price of €38.7 million and the book value of tangible and intangible assets, net of payables to transferred personnel, totalling €36.7 million). This increase was only partially offset by the negative change of €3.5 million in the reserve arising from the valuation of FVTOCI securities (net of the ECL component). Changes in equity during the period are shown below:

Equity

(€k)	31/12/2019	Appropriation of profit for 2019	ECL reserve	FVOCI reserve	Other gains or losses recognised directly through equity	Result IT Division Transfer	06 2020 profit	30/06/2020
Share capital	**1,216,608**							**1,216,608**
Retained earnings and other equity reserves:	**2,451,138**	**729,756**			**0**		**-**	**3,180,894**
Legal reserve	171,305	47,639						218,944
Extraordinary reserve	648							648
Organisation fund	2,582							2,582
Consolidation reserve	426							426
Other reserves	8							8
Previous retained earnings	**2,276,168**	**682,117**			**0**	**2,037**		**2,960,322**
of which retained earnings for previous years	2,276,168	682,117				2,037		2,960,322
Reserve for FVOCI financial assets	**41,310**		**577**	**(4,118)**				**37,768**
of which - AFS/FVOCI Reserve	40,417			(4,118)				36,299
of which ECL Reserve	892		577					1,469
Other gains/losses recognised directly through equity	**(273)**				**113**			**(159)**
Profit for the year	**729,756**	**(729,756)**					**-**	**-**
Total	**4,438,538**	**-**	**577**	**(4,118)**	**113**	**2,037**	**-**	**4,437,147**

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

Reconciliation Parent Company statutory financial statements and IAS/IFRS consolidated financial statements *(€k)*

(€k)	Equity *31/12/2018*	Result *31/12/2019*	Changes in equity *31/12/2019*	Equity *31/12/2019*	Result *30/06/2020*	Changes in equity *30/06/2020*	Equity *30/06/2020*
Local financial statements	**3,249,102**	**952,782**	**(285,000)**	**3,916,884**	**9,434**	**0**	**3,926,319**
Valuation of financial assets	618,160 -	275,641	0	342,519	285,341	0	627,860
Valuation of FVOCI securities net of deferred liabilities to policyholders	814	-	37,017	37,831	-	(2,587)	35,244
Actuarial differences on employee termination benefits (TFR)	(82)	-	(59)	(141)	-	2	(139)
Adjustments to deferred acquisition costs	-	-	-	-	-	-	-
Other minor adjustments	-	49	-	48 -	1,846	-	71
Parent Company Financial Statements IAS/IFRS	**3,867,995**	**677,082**	**(248,042)**	**4,297,035**	**292,858**	**(2,584)**	**4,589,177**
Balance of undistributed profit (loss) of consolidated investee	120,650	52,330	(155)	172,825	23,076	273	196,182
Balance of FVOCI reserve of investee	(2,197)	-	5,675	3,478	-	(955)	2,523
Valuation of Investments using the equity method	(35,138)	326	(7)	(34,819)	242	(2)	(34,580)
Eliminazione effetti operazioni infragruppo	1	19	-	20	10	-	31
Consolidated Financial Statements IAS/IFRS	**3,951,311**	**729,756**	**(242,529)**	**4,438,538**	**316,187**	**(3,269)**	**4,753,334**

In addition, at 30 June 2020, subordinated loans issued by the Parent Company, Poste Vita totalled €250 million (in line with the figure at the end of 2019) and related exclusively to the loan entered into by the Parent, Poste Italiane with indefinite maturity.

This loan is remunerated at market conditions, regulated in accordance with the conditions set out in article 45, chapter IV, title III of Legislative Decree no. 209 of 7 September 2005 and subsequent amendments, and fully available for the purpose of hedging the solvency margin.

With regard to the **solvency margin** of the Poste Vita Insurance Group at 30 June 2020, own funds qualifying for inclusion amounted to €9,749 million, a decrease of €1,720 million compared with €11,469 million at the end of 2019. Moreover, capital requirements increased during the first half of the year by approximately €227 million (from €3,679 million at the end of 2019 to €3,906 million at 30 June 2020).

As a result of the above performance, the Group's solvency ratio decreased by about 62 percentage points compared to 31 December 2019 (from 311.7% at the end of 2019 to 249.6% in June 2020), whilst remaining above the regulatory requirement.

(€m)

SCR coverage	30/06/2020	31/12/2019	increase/ (decrease)
EOF with SCR coverage	9,749	11,468	(1,719)
SCR	3,906	3,679	227
Solvency Ratio	**249.6%**	**311.7%**	**(62.1%)**

The decrease in the Solvency Ratio compared to 31 December 2019 was mainly due to the increase in the value of the Solvency II Technical Provisions by approximately €4.9 billion, which was higher than the increase in financial assets and liquidity held (up by €1.3 billion overall).

With regard to the Capital Requirement, there was an increase of approximately €227 million compared to 31 December 2019 mainly due to the higher value of SCR for market risk and counterparty risk, not offset by the decrease in capital requirements for life underwriting risk, due to the reduction in the value of surrenders, and operational risks.

Technical provisions

As a result of the above operating and financial performance, technical provisions amounted to €141,978.4 million, substantially in line compared to €140,260.7 million at the end of 2019 and the breakdown is as follows:

(€m)

Technical provisions	30/06/2020	31/12/2019	Increase/(Decrease)	
Non-life classes:				
Premium reserve	111.4	101.0	10.4	10.3%
Outstanding claims provisions	116.6	105.6	11.0	10.4%
Other technical provisions	0.1	0.1	(0.1)	(56.8%)
Total Non-life classes	**228.1**	**206.8**	**21.3**	**10.3%**
Life classes:				
Mathematical provisions	125,737.7	123,820.0	1,917.7	1.5%
Technical provisions for Class III	4,238.2	3,929.7	308.5	7.9%
outstanding claims provisions	1,074.0	662.9	411.1	62.0%
DPL provisions	10,621.7	11,562.3	(940.6)	(8.1%)
Other technical provisions	78.8	79.0	(0.2)	(0.3%)
Total Life classes	**141,750.4**	**140,053.9**	**1,696.5**	**1.2%**
Total	**141,978.4**	**140,260.7**	**1,717.8**	**1.2%**

Technical provisions relating to the Non-Life business, gross of outward reinsurance premiums, amounted to €228.1 million at the end of the period (€206.8 million at the end of 2019), and consisted of: the premium reserve of €111.4 million, the outstanding claims provisions of €116.6 million and other reserves of €0.1 million (composed at 30 June 2020 exclusively of the ageing reserve). Outstanding claims provisions for claims incurred but not reported (IBNR) amounted to €28.4 million.

Provisions for the Life classes totalled €141,750.4 million (€140,053.9 million at the end of 2019). These provisions are made to meet all of the Group's obligations and include mathematical provisions (€125,737.7 million), technical provisions for unit- and index-linked products (€4,238.2 million), the outstanding claims provision (€1,074 million), the Deferred Policyholder Liability (DPL) provisions made under the shadow accounting method for €10,621.7 million, and other technical provisions (€78.8 million). The latter includes only the reserve for future expenses.

The Deferred Policyholder Liability (DPL) provisions, the amount of which is related to net capital gains from the valuation of financial instruments covering insurance liabilities recognised in the Separately Managed Accounts, amounted to €10,621.7 million at the end of the first half of 2020, down from €11,562.3 million at the end of 2019, given the negative trends of the financial markets related to the health emergency.

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

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

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

Provision for risks and charges

The **provision for risks and charges** at 30 June 2020, amounted to €19.4 million (€21.2 million at the end of 2019) and included the amounts allocated to cover any liabilities in the year and in the amount. The breakdown of this item and a comparison with the figures recorded at the end of the previous period are shown below:

€m			
Breakdown	**30/06/2020**	**31/12/2019**	**increase/ (decrease)**
Legal disputes	5.8	5.5	0.3
Tax disputes	2.5	2.5	-
Other liabilities	11.1	13.3	(2.1)
Total	**19.4**	**21.2**	**(1.8)**

The breakdown of the provision for risks at 30 June 2020 is shown below:

- outstanding legal disputes amounting to €5.8 million, most of which related to dormant policies;
- liabilities of a fiscal nature that could derive from the current litigation for approximately €2.5 million;
- other liabilities of €11.1 million relating to:
  - provision for €5.2 million following Intesa San Paolo's intention to charge the Company for VAT paid following the facilitated settlement of pending litigation regarding the higher VAT assessed by the tax authorities for the 2003 and 2004 periods, due to the collaboration relation (failure to invoice the direct cost of personnel seconded to Poste Vita) and the co-insurance contract (failure to invoice the commissions on proxies and waivers), entered into in September 1999 between Sanpaolo Vita (later Eurizon and now Intesa San Paolo Vita) and Poste Vita;
  - provision of €3.6 million made following the extension by INPS to the Company of the application of the regulation on contributions for the loan of the family allowance (CUAF), for which reference is made to the paragraph "Other Information";
  - €2.3 million relating to other provisions.

The decrease in the period of €1.8 million was attributable for €0.8 million to the full reactivation of all the positions for which insurance benefit payments were made in 2019 to persons who were found not to be eligible and for €1.3 million to the use of the fund referred to the CUAF for the amounts already paid to the Institute in the first half of 2020 as they related to the only period already notified (September 2014-December 2015). This decrease was only partially offset by the provision made in the period (€0.3 million) for legal disputes.

Receivables and other assets

The item *receivables and other assets* amounting to €3,114.5 million at the end of the half-year (€2,954.7 million at the end of 2019) mainly referred to:

- amounts due from the tax authorities for advances pursuant to Law 191/2004, amounting to €2,185.3 million (€2,273.8 million at 31 December 2019), which represent the advance, for the years 2014 - 2020, of withholding and substitute taxes on gains on life insurance policies, as provided for by the aforementioned Law, which are systematically recovered from 1 January 2005 through vertical offsets;
- deferred tax assets of €429.2 million (€417.9 million at 31 December 2019). The amount recorded in the financial statements at 30 June 2020 mainly referred to the receivable recognised with reference to the non-deductible portion of the change in the mathematical provisions;
- current tax assets of €174.1 million at the end of June 2020 (€1 million at the end of 2019, having been almost entirely offset against the corresponding current tax liabilities);

- amounts due from policyholders for stamp duty on Class III and Class V policies amounting to €76.1 million (€76.4 million at the end of 2019);
- receivables from brokers for premiums collected but not yet paid to the Companies for €59.8 million (€2.3 million at the end of December 2019);
- technical provisions transferred to reinsurers amounting to €56.2 million (€57.6 million at the end of 2019);
- the portion not yet amortised of €52.1 million (€53.8 million at 31 December 2019) of the expenses relating to the prepaid acquisition commissions of the FIP product (Individual Pension Schemes);
- amounts due from policyholders relating to premiums for the period not yet collected at 30 June 2020 amounting to €33.9 million (€22.6 million at the end of 2019);
- amounts due from reinsurers of €13.8 million (€15.8 million at the end of 2019) relating to recoveries to be obtained from reinsurers for claims and commissions.

Payables and other liabilities

The item *payables and other liabilities* of €979.7 million at the end of the first half of 2020 (€1,527.6 million at 31 December 2019) mainly referred to:

- deferred tax liabilities of €308.1 million (€182.3 million at the end of 2019) mainly due to the change in the reserve arising from the valuation of FVTOCI securities during the period;
- financial liabilities measured at amortised cost of €277.4 million at 30 June 2020 (€279.9 million at the end of 2019) related to: i) €251.4 million relating to the subordinated loan with indefinite maturity, taken out entirely by the Parent Company, Poste Vita, with the Parent, Poste Italiane, inclusive of accrued interest expense and ii) €25.5 million in financial liabilities arising from the application of IFRS 16, balance representing the remainder of the fees to be settled at the end of the period;
- amounts due to brokers relating to commissions accrued for the placement of insurance products and the maintenance of the portfolio during the year amounting to €122.7 million (€148.1 million at the end of 2019);
- the amount due to the tax authorities for the advance payment of tax on the mathematical provisions for the period of €65.4 million (€487.1 million at the end of the previous year); the decrease compared to 2019 was due to the fact that the balance of the receivable has reached the maximum limit (for the year 2020, the limit is 1.8% of the stock of taxable provisions). In relation to this, the Company therefore set aside during the period only the delta between the amount already receivable (€2,119.9 million at the end of 2019) and the maximum amount of the credit to be recognised at 30 June 2020 (€2,185.3 million);
- amounts due to suppliers and Group companies for services received during the period totalling €63.9 million (€50.8 million at the end of 2019);
- liabilities for funds acquired for €34.8 million (€2.6 million at the end of 2019);
- current tax payables for €16.2 million (€276.6 million at the end of 2019);

- the payable for withholding and substitute taxes on capital paid on life insurance policies for €19.2 million (€13.2 million at the end of 2019);
- the amount due to the tax authorities for stamp duty on life insurance policies class III and V for €12.8 million (€12.8 million at the end of 2019);
- liabilities for fee and commission expenses on internal funds for €12.2 million (€12 million at the end of 2019).

OPERATING RESULTS

The reclassified statement of profit or loss by type of business for the period ended 30 June 2020 is shown below, compared with the same period of 2019:

Life business

(€m)

RECLASSIFIED STATEMENT OF PROFIT OR LOSS	Life business			
	30/06/2020	30/06/2019	Increase/(Decrease)	
Net premium revenue	**7,612.5**	**10,032.7**	**(2,420.2)**	**-24%**
Gross premium revenue	*7,617.4*	*10,039.6*	*(2,422.2)*	*-24%*
Outward reinsurance premiums	*(4.9)*	*(6.9)*	*2.0*	*-29%*
Fee and commission income	**26.1**	**14.6**	**11.5**	**79%**
Net finance income from assets related to traditional products	**776.1**	**2,987.5**	**(2,211.4)**	**-74%**
Income	*1,319.8*	*1,447.9*	*(128.1)*	*-9%*
Realised gains/losses	*26.4*	*9.4*	*17.0*	*181%*
Unrealised gains/losses	*(570.0)*	*1,530.2*	*(2,100.3)*	*-137%*
Net finance income from assets related to index- and unit-linked products	**(95.4)**	**148.2**	**(243.6)**	**-164%**
Net change in technical provisions	**(7,649.8)**	**(12,463.0)**	**4,813.2**	**-39%**
Claims paid	*(6,002.3)*	*(7,632.5)*	*1,630.1*	*-21%*
Change in technical provisions	*(1,649.9)*	*(4,836.4)*	*3,186.5*	*-66%*
Reinsurers' share	*2.5*	*5.9*	*(3.4)*	*-58%*
Investment management expenses	**(23.5)**	**(21.1)**	**(2.4)**	**11%**
Operating expenses	**(242.8)**	**(278.6)**	**35.8**	**-13%**
Net commissions	*(193.2)*	*(236.9)*	*43.7*	*-18%*
Operating costs	*(49.7)*	*(41.7)*	*(7.9)*	*19%*
Other revenues / costs, net	**(11.0)**	**(13.6)**	**2.6**	**-19%**
GROSS OPERATING PROFIT	**392.2**	**406.7**	**(14.4)**	**-4%**
Net finance income from investments of free capital	38.9	44.6	(5.7)	-13%
Interest expense on subordinated debt	(23.8)	(32.4)	8.6	-26%
PROFIT BEFORE TAX	**407.3**	**418.9**	**(11.6)**	**-3%**
Income tax expense	**(122.4)**	(128.8)	6.4	-5%
NET PROFIT	**284.9**	**290.1**	**(5.1)**	**-2%**

Net premium revenue for the first six months of 2020, net of outward reinsurance premiums, amounted to €7,612.5 million, down 24% compared with the €10,032.7 million recorded in the same period of 2019.

Fee and commission income from the management of internal funds linked to unit-linked products amounted to €26.1 million, up €11.5 million compared with the figure for the same period of 2019 (€14.6 million) as a result of the increase in assets under management.

With regard to investment management, **net finance income from assets related to traditional products** during the period totalled €776.1 million, a decrease of €2,211.4 million compared with

2019. This trend was mainly due to the negative trends of the financial markets, which resulted in net unrealised losses of €570 million compared with net unrealised gains of €1,530.2 million in the same period of 2019. These are, however, net gains on investments included in Separately Managed Accounts and therefore almost entirely attributable to policyholders through the shadow accounting method.

As a result of the negative impact of financial market volatility, **investments linked to index- and unit-linked products**, the overall finance income achieved in the first six months of 2020 was negative for approximately €95.4 million compared to the positive finance income for €148.2 million recognised in the same period of 2019. This amount is almost entirely matched by a corresponding change in technical provisions.

Claims paid for insurance benefits to customers during the period totalled approximately €6,002.3 million, down sharply from €7,632.5 million in the same period of 2019, including: i) maturities of €3,677.4 million, down €1,258.4 million from €4,935.8 million in 2019 due to the lower maturities of class I and class III products that can be revalued; ii) claims for €755.5 million, down (€-61.3 million) compared to 2019; and iii) surrenders for €1,565 million, down compared to 2019 (€1,873.6 million) and 2.5% as a percentage of initial reserves, a significant improvement compared to 2019 (3.1%).

As a result of the aforementioned operating performance, the corresponding **change in technical provisions for the life business** amounted to €1,649.9 million at the end of June 2020 compared with €4,836.4 million in 2019.

After taking into account the aforementioned liquidations and the reinsurers' share, amounting to €2.5 million, the **net change in technical provisions** amounted €7,649.8 million at the end of the period, compared with €12,463 million in the same period of 2019.

Total **commissions** paid for distribution, collection and portfolio maintenance amounted to approximately €192.3 million, on an accruals basis, the amount totalled €193.7 million (€238.4 million at 30 June 2019), reflecting the amortisation of prepaid commissions on the sale of pension products and with an incidence of around 2.5% on earned premiums. After the commissions received from reinsurers, the figure was €193.2 million, compared with €236.9 million at 30 June 2019.

Operating costs[4] at 30 June 2020 amounted to €49.7 million compared with €41.7 million in 2019. This change was attributable exclusively to the new drivers used for the allocation of overheads. In fact, if we consider the value of operating costs before reversal, the figure recorded in the first half of 2020 was substantially in line with the same period of 2019. This means that operating costs continue to remain in line with best market practices at 0.8% of earned premiums and 0.1% of provisions, figures substantially on a par with 2019.

Other revenues (costs), net at the end of the period amounted to €-11 million (€-13.6 million at the end of June 2019) and mainly referred to the reversal of premiums relating to previous years for €-9.9 million.

In relation to the above performance, the **operating margin** at the end of the period amounted to €392.2 million compared to €406.7 million in the same period of 2019.

[4] overheads allocated to acquisition expenses and administrative expenses.

Net finance income from investments of free capital totalled approximately €38.9 million, down on the figure for the same period in 2019 (€44.6 million) and mainly related to ordinary amounts.

€m

Free Capital Income	30/06/2020	30/06/2019	Increase/ (decrease)
Ordinary income	42.3	39.3	3.0
Realised gains/losses	0.1	5.2	(5.2)
Unrealised gains/losses	(1.9)	1.1	(3.0)
Other - not securities	(1.6)	(1.1)	(0.6)
Total	**38.9**	**44.6**	**(5.7)**

Interest expense amounting to €23.8 million (€32.4 million in the first six months of 2019), mainly related to commission expense on ancillary own funds paid to the Parent, Poste Italiane S.p.A. for €19.8 million, and €3.4 million in interest expense on the subordinated loan with the Parent. The decrease compared to the figure for 2019 was primarily due to the maturity in May 2019 of the bond issued by the Parent Company, Poste Vita S.p.A.

€m

Interest expense	30/06/2020	30/06/2019	Increase/ (decrease)
Interest on Poste Vita bond		9.4	(9.4)
Interest on Poste Italiane subordinated loan	3.4	3.4	(0.0)
Commissions on Ancillary Funds	19.8	19.5	0.3
Other	0.6	-	0.6
Total	**23.8**	**32.4**	**(8.6)**

In relation to the components mentioned above, the life business closed the period with a **gross profit for the period** of €407.3 million, a slight decrease compared to the figure recorded in the same period of 2019 (€418.9 million). Considering the tax rates currently in force, the **net profit** for the period amounted to €284.9 million (€290.1 million at the end of the first half of 2019).

Non-life business

(€m)

RECLASSIFIED STATEMENT OF PROFIT OR LOSS	Non-life business			
	30/06/2020	30/06/2019	Increase/(Decrease)	
Net premium revenue	**108.1**	**93.7**	**14.4**	**15%**
Gross premium revenue	*118.0*	*108.3*	*9.6*	*9%*
Outward reinsurance premiums	*(9.9)*	*(14.6)*	*4.7*	*-32%*
Net finance income from assets related to traditional products	**3.2**	**2.5**	**0.7**	**29%**
Income	***3.3***	**2.9**	**0.4**	**15%**
Realised gains/losses	***0.0***	**(0.4)**	**0.4**	**-101%**
Unrealised gains/losses	***(0.1)***	**(0.0)**		
Net change in technical provisions	**(44.9)**	**(27.1)**	**(17.8)**	**66%**
Claims paid	*(37.7)*	*(24.8)*	*(12.9)*	*52%*
Change in technical provisions	*(10.9)*	*(4.4)*	*(6.5)*	*147%*
Reinsurers' share	*3.7*	*2.1*	*1.6*	*78%*
Investment management expenses	**(0.3)**	**(0.3)**	**0.1**	**-26%**
Operating expenses	**(27.7)**	**(30.8)**	**3.1**	**-10%**
Net commissions	*(16.0)*	*(17.8)*	*1.9*	*-10%*
Operating costs	*(11.7)*	*(13.0)*	*1.2*	*-9%*
Other revenues / costs, net	**2.8**	**3.7**	**(1.0)**	**-26%**
PROFIT BEFORE TAX	**41.3**	**41.8**	**(0.5)**	**-1%**
Income tax expense	(10.0)	(11.9)	1.9	-16%
NET PROFIT	**31.3**	**29.9**	**1.4**	**5%**

Gross premiums earned on non-life business and on policies placed during the period totalled approximately €118 million (+9% compared with the same period of 2019); taking into account outward reinsurance, **net premium revenue** amounted to approximately €108.1 million compared with €93.7 million in the same period of 2019.

Financial management, prudent and aimed at preserving the company's equity solidity, generated net finance income of €3.2 million during the period, up from €2.5 million in the same period of 2019, attributable almost exclusively to ordinary amounts.

During the period, the **claims paid** including liquidation costs and direct expenses totalled €37.7 million, up sharply from €24.8 million in 2019. The **change in technical provisions**, including the provision for late claims, amounted to €10.9 million during the period, compared with €4.4 million in the same period of 2019.

After taking into account the reinsurers' share, amounting to €3.7 million, the **net change in technical provisions** amounted €44.9 million at the end of the period, compared with €27.1 million in the same period of 2019.

For distribution and collection activities, **commissions** totalled approximately €19.8 million, which, net of commissions received from reinsurers, amounted to €16 million, down from €17.8 million at 30 June 2019, mainly due to the decline in premium revenue as well as the different portfolio mix.

Operating costs amounted to approximately €11.7 million (€13 million in the first six months of 2019), mainly relating to personnel costs, costs for IT services and services and professional services/consultancy; their incidence on earned premiums decreased compared with 2019 (from 12% to the current 9.9%).

The item **Other revenues (costs), net**, amounting to €2.8 million at the end of the period (€3.7 million in the first half of 2019) consisted primarily of: i) core revenues of €10.1 million generated by the subsidiary Poste Welfare Servizi for €4.6 million; ii) the reversal of commissions relating to the previous year for €0.6 million, and iii) reversals of premiums of €-2.3 million issued in previous years.

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This performance led to a **gross profit for the period** of €41.3 million, in line with €41.8 million at 30 June 2019. Considering the tax expense for the period, the **net result** was €31.3 million (€29.9 million in the same period of 2019).

ORGANISATION OF THE POSTE VITA GROUP

Corporate Governance

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

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

The Board of Directors, appointed by the General Meeting of shareholders held on 19 May 2020, has a term of office of three years, which will expire on the date of approval of the financial statements for the year 2022. The Board has 7 members, 2 of which are independent.

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

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

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

The Chairman of the Board of Directors has the role of guiding and overseeing the work of the Board of Directors. In addition to the authority provided for by law and in the bylaws with regard to the activities of corporate bodies and legal representation of the Company, including the power to sign on the Company's behalf and to represent it before the courts, the Chairman, without prejudice to the non-executive role and without any management function, is assigned by the Board of Directors powers relating to the following areas: Interactions with the Fundamental Functions (Internal Auditing, Compliance, Risk Management and Actuarial Function) and Institutional Relations.

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

There is also the figure of General Manager, who has been granted specific powers within the company, in line with the scope of responsibility assigned, formalised by a specific notary power of attorney.

Finally, in accordance with the provisions of IVASS Regulation no. 38/2018, the Board of Directors has established specific internal committees, composed of non-executive directors, mostly independent, with investigative, consultative and propositional tasks, in order to increase the efficiency and effectiveness of its work and to facilitate decision-making in areas of operations where there is a high risk of conflict of interest.

Specifically, the Board of Directors is supported by the following committees:

(a) Internal Control and Risks and Related Party Transactions Committee;

(b) Remuneration Committee.

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

Moreover, in line with the results of the process of self-assessment of its level of complexity/risk conducted in June 2020 by the subsidiary, Poste Assicura S.p.A., and in line with the power granted by the IVASS letter of 5 July 2018 to companies that adopt the "ordinary" governance model, the Internal Control and Risks and Related Party Transactions Committee of Poste Vita, as the Ultimate Controlling Agent (UCA), carries out the tasks and functions assigned to it, including in relation to the subsidiary Poste Assicura S.p.A.'s obligations.

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.

The Board of Statutory Auditors, elected by the General Meeting of Shareholders held on 19 May 2020, is made up of 3 standing members and 2 alternates. Pursuant to art. 2403 of the Italian Civil Code, the Board of Statutory Auditors monitors compliance with the law and the bylaws and with good practices and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its functionality.

The audit activities required by articles 14 and 16 of Legislative Decree no. 39/2010, is carried out by Deloitte & Touche S.p.A., 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 Company also has a system of technical and conduct procedural rules designed to ensure consistent corporate governance through the coordinated management of the decision-making process regarding aspects, issues and activities of interest and/or of strategic importance, or that might give rise to significant risks for its assets. The governance system is further enhanced by a series of committees with the role of guiding and controlling corporate policies on strategic issues.

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

Internal control system

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

- Governance: defines, implements, maintains and monitors the Corporate Governance System (and in this context, the SCI and the SGR). It consists of the Administrative Body (duly supported by the Board Committees) and Senior Management. Specifically:

− the Board of Directors is the ultimate guarantor and responsible for the Corporate Governance System and, to this end, it does not limit itself to defining its strategic guidelines, but monitors its results and ensures its constant completeness, functionality and effectiveness, also with reference to outsourced activities, consistently with the provisions of the relevant regulations;

− Senior Management is responsible for the implementation, maintenance and monitoring of the Corporate Governance System and the promotion of the internal control culture in accordance with the instructions issued by the Board of Directors and in compliance with the relevant regulations.

- First level of control: identifies, assesses, manages, and monitors those risks for which it is responsible for monitoring, and in respect of which it identifies and implements specific protocols aimed at ensuring operational compliance. It is made up of all the control activities that the individual "business" and "staff" organisational units of the Company (Operating Functions) perform on their own processes as an integral part of each business process. The Operating Functions are, therefore, primarily responsible for the internal control and risk management process (as established by the Board of Directors and Senior Management) as they are called upon, in the course of day-to-day operations, to identify, measure, assess, monitor, mitigate and report risks arising from ordinary business activities in accordance with the risk management process and applicable internal procedures.

• Second level of control: monitors company risks, proposes guidelines on all related control systems, and verifies the sufficiency of the same in order to ensure the efficiency and efficacy of the operations, sufficient risk control, prudent business practices, reliability of all disclosures, legal compliance, and adherence to internal rules and procedures. The functions to whom such controls are delegated are autonomous, independent, and distinct from operational functions, they contribute to the definition of risk management policies and the risk management process. Specifically:

− the risk management function has the task of controlling and maintaining the entire SGR, whose effectiveness it helps to ensure also through support activities for the Board of Directors and the Company's Senior Management in defining and implementing the same;

− the compliance function continuously identifies the applicable standards and assesses their impact on processes and procedures. In this perspective, it verifies the adequacy of the organisational measures adopted to prevent the risk of non-compliance with the rules and proposes organisational and procedural changes aimed at ensuring adequate risk management;

− the actuarial function contributes to the application of the Risk Management System through the performance of specific tasks relating to technical provisions, underwriting policies and reinsurance agreements;

− the anti-money laundering function continuously monitors the Company's exposure to the risk of money laundering and terrorist financing and supports the Board of Directors in defining policies to govern such risk.

• Third level of control: the Internal Auditing function is responsible for monitoring and evaluating the effectiveness and efficiency of the SCI and the other components of the corporate governance system and the need to adapt it (through independent assurance and any consulting activities to other corporate functions).

Pursuant to art. 30 of Legislative Decree no. 209/2005 - Private Insurance Code, the risk management function, the compliance function, the actuarial function and the internal auditing function are defined as fundamental functions.

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

In addition, with specific reference to the Parent Company, Poste Vita, the Board Committees (the Remuneration Committee and the Internal Control and Risks and Related Party Transactions Committee of the Poste Vita Group) take part in the model, as well as other functions and persons responsible for corporate control, such as: the Manager responsible for financial reporting pursuant to Law no. 262/2005, the Supervisory Board pursuant to Legislative Decree no. 231/01, the Suspect Transactions Reporting Manager, the TAX Manager and the Tax Risk function, the Data Governance Officer and the Single Contact Person for Statistical Reports.

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

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

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

Organisational structure and personnel

In line with the previous year, with a view to exploiting potential synergies within the Poste Italiane Group, and with the aim of ensuring an increasingly effective response to the needs of the business and the principal market, during the year, the Poste Vita Group began the process of redesigning and streamlining its operating model for optimisation of the organisational model. Therefore, similarly to as previously done for other corporate functions (Communications, Purchasing, Anti-Money Laundering), in the first half of 2020, the centralisation of Poste Vita's Information Systems function - within the Parent's function - was completed through the procedure for the sale of the division, with the consequent transfer of the related resources to Poste Italiane S.p.A. on 1 March 2020.

The number of direct employees at 30 June 2020 was 485 (expressed in full time equivalent), down from the number at 31 December 2019 (550) in line with the centralisation measures described above.

In the first half of the year, due to the outbreak of the health emergency linked to Covid-19, the Poste Vita Group made a limited number of staff additions, acquiring from the external market both people with proven experience in the insurance sector or with specific technical-insurance skills (welfare, actuarial function) and young, brilliant new graduates with specialist study programmes, to be enhanced through in-house growth and professionalism (internships). The other additions were made through internal selection initiatives within the Poste Italiane Group (Job Posting) in continuity with previous years.

As far as training is concerned, the health emergency that broke out in the first days of March led to a partial interruption of the training initiatives provided for in attendance. They were resumed in "virtual" classroom mode (webinar) from May 2020.

In this context, during the first half of 2020, a total of approximately 10,465 hours of professional training and refresher courses were provided between classroom training (both in attendance until the end of February and virtually from May) and e-learning (which had no interruption). Specifically, it should be noted that the training has mainly regarded "compliance" with specific reference to Anti-Money Laundering, Anti-Corruption and Legislative Decree no. 231/2001, Privacy-GDPR, Safety at Work, and secondly, technical-specialist and "managerial" areas.

As part of the "compliance" area training, it should be noted that the Poste Vita Group has paid particular attention to training on the Integrated Anti-Corruption and Quality Management System in accordance with ISO 37001 and ISO 9001 standards, with the aim of creating awareness, raising awareness and informing all personnel of the risks associated with corruption and improving the quality of work processes.

DISCLOSURE OF INTERNATIONAL ACCOUNTING STANDARDS

Share-based payment arrangements - IFRS 2

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

Financial Risk Disclosure - IFRS 7

Information on financial risk management at 30 June 2020 is provided below, in accordance with the requirements of the new international financial reporting standard, IFRS 7 – *Financial Instruments: Disclosures*.

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

Traditional Life policies, classified under Class I and V, primarily include products whose benefits are revalued based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called Separately Managed Accounts). The Company normally guarantees a minimum rate of return on these types of product to be recognised on expiry of the policy (at 30 June 2020, between 0% and 1.5%). Unrealised gains and losses are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used in applying said method is based on the prospective yield on each Separately Managed Account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio.

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

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

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

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

The main financial risks and the related effects on the Poste Vita Group portfolio at the end of the first half of 2020 are described below:

Price risk

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

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

The sensitivity analysis at 30 June 2020 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out at 30 June 2020 for the Poste Vita Group are shown in the following table.

(€k)

		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
	Exposure	Change in val. +100bps	Change in val. -100bps	Effect on def. lia. +100bps	Effect on def. lia. -100bps	Res. before taxation	Res. before taxation -	Gross Eq. Res. +100bps	Gross Eq. Res. -100bps
Financial assets	-	-	-	-	-	-	-	-	-
Investments at FVOCI	-	-	-	-	-	-	-	-	-
Fixed income securities at FVOCI		-	-	-	-	-	-	-	-
Other investments at FVOCI		-	-	-	-	-	-	-	-
Structured bonds at FVOCI		-	-	-	-	-	-	-	-
Strumenti finanziari al fair value rilevato a C/E	**34,052,495**	**6,570,731**	**(6,570,731)**	**6,570,231**	**(6,570,231)**	**499**	**(499)**	**-**	**-**
Structured bonds at FVTPL		-	-	-	-	-	-	-	-
Other investments at FVTPL	33,889,543	6,505,087	(6,505,087)	6,504,587	(6,504,587)	499	(499)	-	-
Fixed income securities at FVTPL	162,951	65,644	(65,644)	65,644	(65,644)	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-
FVTPL		-	-	-	-	-	-	-	-
FVTPL liabilities	-	-	-	-	-	-	-	-	-
Variability at end of period	**34,052,495**	**6,570,731**	**(6,570,731)**	**6,570,231**	**(6,570,231)**	**499**	**(499)**	**-**	**-**

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

- investments in units of mutual funds held by the Poste Vita SpA Group, with a fair value of €34,053 million, including approximately €30,246 million used to cover Class I policies, approximately €3,638 million used to cover Class III policies and a residual amount relating to the free capital; equity instruments held by the Parent Company, Poste Vita SpA, totalling €163 million, used to cover Class I policies linked to Separately Managed Accounts and to cover Class III policies.

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

Foreign exchange risk

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

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

The table below shows the sensitivity to foreign exchange risk of the Poste Vita Group's most significant positions at 30 June 2020.

(€k)

			Change in value		Pre-tax profit	
	Position in CURRENCY/000	Position in Euro/000	Change in val. +260 days	Change in val. -260 days	Res. before taxation +260 days	Res. before taxation -260 days
Financial assets						
Investments at FVOCI	1,010	902	63	(63)	63	(63)
APRE00061 - Equity instruments at FVTOCI	-	-	-	-	-	-
APRE00062 - Fixed income securities at FVOCI	1,010	902	63	(63)	63	(63)
APRE00063 - Other investments at FVOCI	-	-	-	-	-	-
Investments at FVTPL	73,523	65,658	4,603	(4,603)	4,603	(4,603)
Equity instruments at FVTPL	-	-	-	-	-	-
Other investments at FVTPL	73,523	65,658	4,603	(4,603)	4,603	(4,603)
Variability at end of period	**74,533**	**66,559**	**4,666**	**(4,666)**	**4,666**	**(4,666)**

With regard to the Poste Vita Group, the risk in question relates to the units of certain alternative funds held at the end of June 2020.

Fair value interest rate risk

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

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

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

The table below shows the sensitivity analysis for the fair value interest rate risk at 30 June 2020 for the Poste Vita Group's positions.

(€k)

	Risk exposure		Change in value		Effect on deferred liabilities		Pre-tax profit		Equity reserves before taxation	
	Nominal exposure	Fair value exposure	Change in val. +100bps	Change in val. -100bps	Effect on def. lia. +100bps	Effect on def. lia. -100bps	Res. before taxation +100bps	Res. before taxation -100bps	Gross Eq. Res. +100bps	Gross Eq. Res. -100bps
Financial assets	-	-	-	-	-	-	-	-	-	-
Investments at FVOCI	93,672,103	103,785,100	(7,641,505)	7,641,505	(7,554,091)	7,554,091	-	-	(87,414)	87,414
Fixed income securities at FVOCI	93,172,103	103,253,684	(7,639,025)	7,639,025	(7,551,611)	7,551,611	-	-	(87,414)	87,414
Other investments at FVOCI	-	-	-	-	-	-	-	-	-	-
Structured bonds at FVOCI	500,000	531,417	(2,480)	2,480	(2,480)	2,480	-	-	-	-
Financial assets at FVTPL	1,584,706	2,620,735	(296,163)	296,163	(293,332)	293,332	(2,831)	2,831		
Fixed income instruments at FVTPL	1,544,329	1,538,689	(66,932)	66,932	(64,101)	64,101	(2,831)	2,831		
Structured bonds at FVTPL	22,000	21,132	(147)	147	(147)	147	-	-	-	-
Other investments at FVTPL	18,377	1,060,913	(229,083)	229,083	(229,083)	229,083	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair Value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-	-	-	-
FVTPL liabilities	-	-	-	-	-	-	-	-	-	-
Cash flow hedge liabilities	-	-	-	-	-	-	-	-	-	-
Variability at end of period	95,256,809	106,405,835	(7,937,668)	7,937,668	(7,847,423)	7,847,423	(2,831)	2,831	(87,414)	87,414

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

- Fixed income government securities held by Poste Vita SpA, for fair value totalling €86,480 million, almost entirely used to cover Class I and V policies linked to Separately Managed Accounts;
- Fixed income government securities held by the Subsidiary, Poste Assicura SpA, totalling €198 million;
- €17,068 million in other non-government debt securities held by Poste Vita SpA, used mainly to meet obligations towards policyholders;
- Other non-government debt securities in the portfolio of the Subsidiary, Poste Assicura SpA, amounting to €39 million.

Financial assets at fair value through profit or loss, pertaining to the risk in question, are held almost entirely by Poste Vita S.p.A. and are primarily used to cover commitments to policyholders. These relate to a portion of investments in fixed income instruments totalling €1,538 million and the position in *Other investments* consisting mainly of units in mutual funds amounting to €1,082 million. With reference to the Subsidiary, Poste Assicura S.p.A., only fixed income securities amounting to €1 million are subject to this risk.

On the other hand, with respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the hedging assets is 7.54, whilst the duration of the liabilities is 10.86. The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk

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

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

The first half of 2020 was initially characterised by a reduction in the yields on Italian government securities until February, and a subsequent rise in March, caused mainly by uncertainty on the markets due to the COVID-19 emergency, which brought the return on the ten-year Italian government security close to 1.5% at 31 March 2020. This rise in returns was subsequently mitigated by the ECB intervention, to reach a level close to 1.3% at the end of the reporting period, bringing the BTP-Bund spread to 171.2 bps at 30 June 2020.

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

(€k)

	Risk exposure		Change in value		Effect on deferred		Pre-tax profit		Equity reserves before	
	Nominal exposure	Fair value exposure	Change in val. +100bps	Change in val. -100bps	Effect on def. lia. +100bps	Effect on def. lia. -100bps	Res. before taxation +100bps	Res. before taxation -100bps	Gross Eq. Res. +100bps	Gross Eq. Res. -100bps
Financial assets										
Investments at FVOCI	**93,672,103**	**103,785,100**	**(8,488,421)**	**8,488,421**	**(8,377,041)**	**8,377,041**	**-**	**-**	**(111,380)**	**111,380**
APRE00062 - Fixed income securities at FVOCI	93,172,103	103,253,684	(8,470,733)	8,470,733	(8,359,353)	8,359,353	-	-	(111,380)	111,380
APRE00063 - Other investments at FVOCI	-	-	-	-	-	-	-	-	-	-
APRE00064 - Structured bonds at FVOCI	500,000	531,417	(17,688)	17,688	(17,688)	17,688	-	-	-	-
Financial assets at FVTPL	**1,584,706**	**2,620,735**	**(361,107)**	**361,107**	**(355,751)**	**355,751**	**(5,357)**	**5,357**	**-**	**-**
APRE00071 - Structured bonds at FVTPL	22,000	21,132	(1,402)	1,402	(1,402)	1,402	-	-	-	-
APRE00072 - Fixed income instruments at FVTPL	1,544,329	1,538,689	(130,623)	130,623	(125,266)	125,266	(5,357)	5,357	-	-
APRE00073 - Other investments at FVTPL	18,377	1,060,913	(229,083)	229,083	(229,083)	229,083	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-	-	-
APRE00111 - Cash flow hedges	-	-	-	-	-	-	-	-	-	-
APRE00112 - Fair Value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-	-	-	-
PRE00093 - FVTPL liabilities	-	-	-	-	-	-	-	-	-	-
PPRE00091 - Cash flow hedge liabilities	-	-	-	-	-	-	-	-	-	-
Variability at end of period	**95,256,809**	**106,405,835**	**(8,849,528)**	**8,849,528**	**(8,732,792)**	**8,732,792**	**(5,357)**	**5,357**	**(111,380)**	**111,380**

With regard to the Poste Vita group, the investments exposed to this risk amounted to a total of €106,406 million fair value at 30 June 2020 and consist of €103,785 million in financial assets at fair value through other comprehensive income and for the remaining €2,621 million in financial assets at fair value through profit or loss. The sensitivity analysis conducted on the portfolio as a whole shows that an increase in the spread of 100 bps would reduce its fair value by approximately €8,850 million. Of this change, €8,733 million would be allocated to deferred liabilities to policyholders through shadow accounting, €111 million would affect the fair value reserve for securities in free capital and €5 million would be reflected in profit or loss.

Cash flow interest rate risk

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

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

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

The following is the outcome of the interest rate risk sensitivity analysis carried out at 30 June 2020 on Poste Vita Group's positions, which shows a portfolio (including bank deposits of €1,484 million) held by the Poste Vita SpA Group and subject to the risk in question with a total nominal value of €10,291 million:

(€k)

	Risk exposure	Change in value		Effect on deferred liabilities		Pre-tax profit	
	Nominal exposure	Change in val. +100bps	Change in val. - 100bps	Effect on def. lia. +100bps	Effect on def. lia. - 100bps	Res. before taxation +100bps	Res. before taxation - 100bps
Financial assets	-	-	-	-	-	-	-
Investments at FVOCI	**8,755,167**	**87,552**	**(87,552)**	**82,977**	**(82,977)**	**4,575**	**(4,575)**
APRE00062 - Fixed income securities at FVOCI	8,255,167	82,552	(82,552)	77,977	(77,977)	4,575	(4,575)
APRE00063 - Other investments at FVOCI	-	-	-	-	-	-	-
APRE00064 - Structured bonds at FVOCI	500,000	5,000	(5,000)	5,000	(5,000)	-	-
Financial assets at FVTPL	**51,725**	**517**	**(517)**	**517**	**(517)**	**-**	**-**
APRE00073 - Other investments at FVTPL	-	-	-	-	-	-	-
APRE00071 - Structured bonds at FVTPL	22,000	220	(220)	220	(220)	-	-
APRE00062 - Fixed income securities FVTPL	29,725	297	(297)	297	(297)	-	-
APRE00200 - Cash and deposits attributable to BancoPosta	-	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-	-
APRE00180 - Cash and cash equivalents	**1,484,090**	**14,841**	**(14,841)**	**12,401**	**(12,401)**	**2,440**	**(2,440)**
APRE00181 - Bank deposits and amounts held at the Italian Treasury	**1,484,090**	**14,841**	**(14,841)**	**12,401**	**(12,401)**	**2,440**	**(2,440)**
APRE00182 - Deposits with the MEF	-						

Credit risk

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

In view of the situation of high volatility of the current macroeconomic scenario and uncertainty of future prospects, some European authorities (such as the ECB and ESMA) have provided some recommendations regarding the application of the methodology for the impairment of financial instruments, inviting entities not to automatically classify any receivables that show signs of deterioration in the non-performing portfolio, considering instead the need to consider the moratoria and support measures put in place by the various States affected by the COVID-19 emergency.

In order to comply with the provisions of IFRS 9, which requires the inclusion of a forward looking approach in the calculation of expected losses on financial instruments, also taking into account the effects of the COVID-19 pandemic, for these Interim Financial Statements, the Poste Vita Group deemed it appropriate to update the forecast scenarios to take into account new elements based on the EU Commission's estimates for the year 2020, which led to a change in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Annual Report at 31 December 2019. With regard to Corporate and Banking counterparties, the methodology used for this purpose is to increase PD in line with the increase in sectoral risk recorded by the rating agencies in the first five months of 2020 for each rating level.

Exposure to credit risk

With regard to the financial assets exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the exposure to credit risk at 30 June 2020, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Credit risk - Internal ratings

(€k)

Item	from AAA to AA-			from A+ to BBB-			from BB+ to C						Total			Not rated (carrying amount)	Financial statement total
	Stage 1			Stage 1			Stage 1			Stage 2							
	Amortised cost before ECL (GCA)	Fair value	ECL provision	Amortised cost before ECL (GCA)	Fair value	ECL provision	Amortised cost before ECL (GCA)	Fair value	ECL provision	Amortised cost before ECL (GCA)	Fair value	ECL provision	Amortised cost before ECL (GCA)	Fair value	ECL provision		
Financial assets at amortised cost																	
Loans	-	-	-	113,722	-	(80)	-	-	-	-	-	-	113,722	-	(80)	-	**113,642**
Receivables	-	-	-	31,298	-	(84)	-	-	-	-	-	-	31,298	-	(84)	-	**31,214**
Fixed income instruments	-	-	-	1,810,900	-	(973)	-	-	-	-	-	-	1,810,900	-	(973)	-	**1,809,926**
Other investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	**1,955,920**	-	**(1,137)**	-	-	-	-	-	-	**1,955,920**	-	**(1,137)**	-	**1,954,782**
Financial assets at FVTOCI																	
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed income instruments	1,474,647	1,577,277	(95,143)	89,918,002	100,327,013	(47,452)	1,365,917	1,293,314	(6,359)	60,368	56,080	(2,476)	92,818,933	103,253,684	(56,384)	-	**103,253,684**
Other investments	-	-	-	500,411	531,417	(163)	-	-	-	-	-	-	500,411	531,417	(163)	-	**531,417**
Total	**1,474,647**	**1,577,277**	**(95,143)**	**90,418,413**	**100,858,429**	**(47,615)**	**1,365,917**	**1,293,314**	**(6,359)**	**60,368**	**56,080**	**(2,476)**	**93,319,345**	**103,785,100**	**(56,546)**	-	**103,785,100**

Disclosure of interests in other entities - IFRS 12

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

At 30 June 2020, Poste Vita's interests in the funds described below fall within the above definition.

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

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

The required disclosures are provided below.

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

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

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

The following table provides the disclosures required by IFRS 12.26:

(€k)

ISIN	Name	Nature of entity	Activity of the Fund	% investment	NAV	
					At	Amount
LU1379774190	MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100%	30/06/2020	5,768,692
LU1407711800	MULTIFLEX-DYN MLT/AST FD-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	4,163,542
LU1500341752	MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	544,319
LU1193254122	MULTIFLEX-GLB MA INC-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	4,079,479
LU1407712014	MULTIFLEX-GLB OPT M/A FD-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	4,930,715
LU1500341240	MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	698,005
LU1808839242	MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	572,305
LU1500341166	MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	301,253
LU1808838863	MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	578,242
LU2051218035	MULTIFLEX-OLYMPIUM SEV-CMEUR	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	485,750
LU1407712287	MULTIFLEX-STRAT INS DIST-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	30/06/2020	4,678,649
IT0004597396	ADVANCE CAPITAL ENERGY FUND	Closed-end non-harmonised fund of funds	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86.2%	31/03/2020	19,929

QU0006746865	ALC Prima European Private Credit Feeder Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	24/06/2020	7,500
LU1581282842	Indaco SICAV SIF - Indaco CIFC US Loan	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds, loans and equities).	100%	31/05/2020	76,727
QU0006738854	PrimA Credit Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/03/2020	118,467
QU0006738052	Prima EU Private Debt Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/03/2020	250,119
QU0006744795	Prima European Direct Lending 1 Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/03/2020	272,550
QU0006742476	PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	31/03/2020	58,140
IE00BK1KDS71	Prima Hedge Platinum Growth	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100%	19/06/2020	423,064
IT0005247819	DIAMOND CORE	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100%	31/12/2019	276,864
IT0005210387	DIAMOND EUROZONE RETAIL PROPERTY FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100%	31/03/2020	102,610
IT0005210593	DIAMOND OTHER SECTORS ITALIA	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets.	100%	31/12/2019	70,690
IT0005215113	CBRE DIAMOND FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real estate rights, including those deriving from real estate lease contracts, in any case carried out without particular geographical location constraints but in any case in Italy, may be used for the following purposes: logistics, retirement homes, residential, hotel, mixed-use and office or commercial use.	100%	31/03/2020	134,577
IT0005174450	DIAMOND EUROZONE OFFICE UBS FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and euro-denominated	100%	31/03/2020	377,307
IT0005212193	DIAMOND ITALIAN PROPERTIES FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100%	31/12/2019	163,471
QU0006745081	Prima Real Estate Fund I	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100%	25/05/2020	102,738
LU1081427665	SHOPPING PROPERTY FUND 2	Closed-end harmonised fund	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	64.9%	31/03/2020	76,673

Nature of the risk (IFRS 12. 29 – 31)

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

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

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

(€k)

ISIN	Name	Classification	Carrying amount	Maximum loss exposure	Difference between	Method to determine maximum loss
LU1379774190	MULTIFLEX-DIVERSIFIED DIS-CM	FVTPL	5,768,692	986,174	4,782,518	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1407711800	MULTIFLEX-DYN MLT/AST FD-CM	FVTPL	4,163,542	826,923	3,336,619	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1500341752	MULTIFLEX-DYNAMIC LT M/A-CM	FVTPL	544,319	60,251	484,068	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1193254122	MULTIFLEX-GLB MA INC-CM	FVTPL	4,079,479	905,679	3,173,800	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1407712014	MULTIFLEX-GLB OPT M/A FD-CM	FVTPL	4,930,715	960,834	3,969,881	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1500341240	MULTIFLEX-LT OPTIMAL M/A-CM	FVTPL	698,005	151,311	546,694	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1808839242	MULTIFLEX-OLYMP INSURN MA-CM	FVTPL	572,305	124,489	447,816	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1500341166	MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	FVTPL	301,253	22,643	278,610	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU1808838863	MULTIFLEX-OLYMPIUM OPT MA-CM	FVTPL	578,242	108,920	469,321	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno
LU2051218035	MULTIFLEX-OLYMPIUM SEV-CMEUR	FVTPL	485,750	91,578	394,172	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
LU1407712287	MULTIFLEX-STRAT INS DIST-CM	FVTPL	4,678,649	994,552	3,684,097	VaR annuo al 99,5% calcolato su arco di tempo di 5 anni e un "half-life" di 1 anno

IT0004597396	ADVANCE CAPITAL ENERGY FUND	FVTPL	17,180	9,025	8,155	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006746865	ALC Prima European Private Credit Feeder Fund	FVTPL	7,500	3,171	4,329	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
LU1581282842	Indaco SICAV SIF - Indaco CIFC US Loan	FVTPL	76,727	27,978	48,749	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006738854	PrimA Credit Opportunity Fund	FVTPL	118,467	38,196	80,270	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006738052	Prima EU Private Debt Opportunity Fund	FVTPL	250,119	34,349	215,770	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006744795	Prima European Direct Lending 1 Fund	FVTPL	272,550	63,937	208,613	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006742476	PRIMA GLOBAL EQUITY PARTNERS FUND	FVTPL	58,140	26,834	31,306	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IE00BK1KDS71	Prima Hedge Platinum Growth	FVTPL	423,064	53,306	369,758	Dato ricevuto dal gestore
IT0005247819	DIAMOND CORE	FVTPL	276,864	90,409	186,455	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IT0005210387	DIAMOND EUROZONE RETAIL PROPERTY FUND	FVTPL	102,610	36,312	66,298	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IT0005210593	DIAMOND OTHER SECTORS ITALIA	FVTPL	70,690	22,305	48,385	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IT0005215113	CBRE DIAMOND FUND	FVTPL	134,577	51,054	83,522	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IT0005174450	DIAMOND EUROZONE OFFICE UBS FUND	FVTPL	377,307	157,602	219,705	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
IT0005212193	DIAMOND ITALIAN PROPERTIES FUND	FVTPL	163,471	49,965	113,506	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
QU0006745081	Prima Real Estate Fund I	FVTPL	102,738	47,564	55,174	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII
LU1081427665	SHOPPING PROPERTY FUND 2	FVTPL	49,783	21,167	28,616	VaR al 99,5% su un orizzonte temporale di 1 anno calcolato a partire dalle sensitivity market di SII

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

Fair value measurement techniques - IFRS 13

The Poste Vita Group adopts a fair value policy defined at Poste Italiane Group level, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for the fair value measurement of financial instruments have not changed compared to 31 December 2019, except for the appropriate integration to include the models supporting the measurement of unlisted shares described below, and have been identified in compliance with the indications from the reference accounting standards and the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13** - *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Group.

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

The hierarchy consists of 3 levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs.

Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 30 June 2020, classified by level in the fair value hierarchy.

(€k)

	Level 1	Level 2	Level 3	FV Hierarchy
Financial assets				
Financial assets at FVOCI	94,401,689	9,383,411	-	103,785,100
Equity instruments at FVOCI	-	-	-	-
Fixed income securities at FVOCI	94,401,689	8,851,994	-	103,253,683
Other investments at FVOCI	-	-	-	-
Structured bonds at FVOCI	-	531,417	-	531,417
Loans at FVOCI	-	-	-	-
Loans at FVOCI GRP	-	-	-	-
Receivables at FVOCI	-	-	-	-
Receivables at FVOCI GRP	-	-	-	-
Financial assets at FVTPL	3,303,812	29,408,792	3,960,934	36,673,538
Structured bonds at FVTPL		21,132	-	21,132
Fixed income securities at FVTPL	1,374,382	164,308	-	1,538,690
Other investments at FVTPL	1,766,776	29,223,352	3,960,329	34,950,457
Equity instruments at FVTPL	162,654	-	297	162,951
Receivables at FVTPL	-	-	309	309
Derivative financial instruments - assets	-	-	-	-
TOTAL ASSETS AT FAIR VALUE	97,705,501	38,792,203	3,960,934	140,458,638
Financial liabilities				
Financial liabilities at FV	-	-	-	-
Derivative financial instruments - liabilities	-	-	-	-
TOTAL LIABILITIES AT FAIR VALUE	-	-	-	-

Transfers between level 1 and 2 in the first half of 2020, are shown below:

(€k)

	from level 1	to level 2	to level 1	from level 2
Financial assets at FVOCI	(294,637)	294,637	321,738	(321,738)
Equity instruments at FVOCI	-	-	-	-
Fixed income securities at FVOCI	(294,637)	294,637	321,738	(321,738)
Other investments at FVOCI	-	-	-	-
Structured bonds at FVOCI	-	-	-	-
Loans at FVOCI	-	-	-	-
Loans at FVOCI GRP	-	-	-	-
Receivables at FVOCI	-	-	-	-
Receivables at FVOCI GRP	-	-	-	-
Financial assets at FVTPL	(46,731)	46,731	18,010	(18,010)
Structured bonds at FVTPL	-	-	-	-
Fixed income securities at FVTPL	(46,731)	46,731	18,010	(18,010)
Other investments at FVTPL	-	-	-	
Equity instruments at FVTPL	-	-	-	-
Receivables at FVTPL	-	-	-	-
Derivative financial instruments - assets	-	-	-	-
Financial liabilities at FV	-	-	-	-
Derivative financial instruments - liabilities	-	-	-	-
net transfers between level 1 and level 2	(341,368)	341,368	339,748	(339,748)

Reclassifications from level 1 to level 2, totalling €341.4 million, regard financial instruments whose value, at 30 June 2020, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, totalling €339.8 million, on the other hand, regard financial instruments whose value, at 30 June 2020, is observable in a liquid and active market.

Movements in level 3 during the first six months of 2020 are shown below:

(€k)

	Financial assets at FVOCI	Financial assets at FVTPL	Derivative financial instruments - assets
Opening balance		3,777,633	
Purchases - disbursements		377,065	
Disposals		(101,604)	
Repayments made			
Change FVTPL			
Change FV vs SE from valuation			
Transfers to PL			
Effects of sales on PL			
Transfers to level 3			
Transfers to other levels			
Amortised cost			
Write-downs		(92,159)	
Other Changes			
Closing balance		3,960,934	

RELATIONS WITH THE PARENT AND OTHER POSTE ITALIANE GROUP COMPANIES

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

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

- the sale and distribution of insurance products at post offices and related activities;
- post office current accounts;
- the secondment of personnel to and from the Parent Company;
- support in organising the business and in the recruitment and management of personnel;
- the pick-up, packaging and shipping of ordinary mail;
- call centre services;
- Procurement of goods and services;
- Outsourcing of IT services.

Furthermore, at 30 June 2020, subordinated loan notes issued by the Company totalling €250 million have been subscribed for by the Parent Poste Italiane S.p.A. The notes provide a market rate of return reflecting the insurance Company's creditworthiness. From November 2018, the Company entered into a refinancing agreement with the Parent Poste Italiane, for inclusion in its AOF (Ancillary Own Funds), formalised with Poste Italiane's signature of a Commitment Letter with a five-year term, committing to subscribe for ordinary shares to be issued in future by Poste Vita.

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

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

Moreover, in May 2020, a lease contract was signed between Poste Vita S.p.A. and the Subsidiary, Poste Assicura S.p.A.

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

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

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

In addition, Poste Welfare Servizi Srl operates on behalf of Poste Assicura S.p.A. the settlement of insurance benefits, with reference to certain products,

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

OTHER INFORMATION

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

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

Related party transactions

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

More specifically, at 30 June 2020, 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 *de iure* or *de facto* control, whether on an individual or joint basis, or as a connected party with Cassa Depositi e Prestiti and/or other shareholders of FSI SGR.

Research and Development Activities

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

Legal disputes

Pending civil lawsuits against the Parent Company, Poste Vita S.p.A., 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 mandatory contributions (*TFR*, or post-employment benefits) in favour of members of the "Postaprevidenza Valore" Individual Pension Plan and in relation to which Poste Vita was set up in order to proceed with the recovery of the related sums, incurring the related costs.

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

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

There have been a number of cases of fraud involving the settlement of life insurance policies accompanied by falsified documentation sent directly to the Company, as a result of which insurance payments were made to parties found not to be legitimate for a total value of €1.5 million. At the date of this report, the Company has already reactivated all the positions in question and therefore at the end of the period, the risk provision set aside at the end of the previous year was fully released.

Lastly, it is worth mentioning a further recent fraudulent streak found in the Palermo area, which came to light following a number of investigations by the Palermo Police Headquarters into various requests for the settlement of TCM policies in the face of claims all marked by recurring elements of suspicion. The Company took action by filing a complaint.

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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 Company.

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

Lastly, it is noted that the proceeding, brought before the Administrative Court of Lazio in 2019 against the exclusion of Poste Assicura, together with other co-insurers, from a tender for the provision of " Accident" insurance coverage for the three-year period 2019 - 2021 (amount of the offer made by the RTI Poste Assicura - AXA - HDI equal to 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, brought an appeal before the Council of State and the related proceedings are still pending.

Principal proceedings pending and relations with the Authorities

a) IVASS

On 19 February 2020, IVASS notified Poste Vita of a complaint concerning the alleged delay in the liquidation of life insurance policies. The Company filed its defence briefs, the filing deadline for which, set at 60 days from the date of notification, was suspended from 23 February to 15 April 2020 and further extended to 15 May 2020 due to the entry into force of Law Decree no. 23 of 8 April 2020, published in the Official Gazette no. 94 of 8 April 2020. Without prejudice to the foregoing, this proceeding is therefore the only one pending on 2 July 2020

b) Bank of Italy - FIU

The Bank of Italy's Financial Intelligence Unit (FIU) conducted a number of inspections of the Company in 2015 and 2016, in relation to anti-money laundering as per art. 47 and art. 53, paragraph 4, of Legislative Decree 231 of 2007. On 8 July 2016, the FIU sent Poste Vita a notice of assessment and violation, alleging the company's failure to promptly report suspect transactions (regarding transactions relating to a single policy) pursuant to art. 41 of Legislative Decree no. 231/2007
As a result of the related proceedings on 29 May 2019, the Ministry of the Economy and Finance notified the Company of a decree by which it ordered Poste Vita to pay a fine of €101,400, equal to 10% of the amount of the violation.
The Company 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 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), the admission of which was notified to the Company in December 2019.
Considering that the decision to turn down the request for a settlement may be notified to the Company at any time up to 31 July 2020 and that the case will be discharged, with Presidential Decree, if a request for a hearing is not presented by 31 December 2020 by the interested party, it was deemed appropriate to continue to reflect the likely outcome of the tax dispute in determining provisions for risks and charges.

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 the continuation of the related investigations, at the end of the first half of 2020, the Poste Vita Group decided, on a prudent basis, to leave the amount of €3.6 million (equal to the amount that may still have to be paid in arrears for the period not yet notified) to the provision for risks, net of the amounts already paid to the Institute during the period, totalling €1.4 million, as they relate to the only period already notified (September 2014-December 2015).

Disposal of a business unit

On 6 December 2019, the Board of Directors of the Parent Company, Poste Vita, and of the Subsidiaries, Poste Assicura and Poste Welfare Servizi, on 10 and 11 December 2019, respectively, in a logic of increased efficiency and higher service level approved the outsourcing of information systems management activities to the Parent, Poste Italiane, with effect from 1 March 2020, through the sale of the related business units, including personnel, hardware and software assets and related contracts. In this regard, it should be noted that, on 26 February 2020, the deed of sale was signed for a total consideration of €38.7 million against tangible and intangible assets transferred for a book value of €36.7 million, net of the related provision. The difference of €2 million was recognised in shareholders' equity, as explained above.

With reference to the accounting treatment, it should be noted that the sale of the IT division, involving companies of the same Group, from the point of view of IAS/IFRS accounting standards, was a business combination transaction under common control. Considering the fact that IFRS 3 excludes extraordinary business combination transactions under common control from its application, the document OPI 1 REVISED (accounting treatment of transactions under common control in the annual financial statements for transfer and sale) and the document OPI 2 REVISED (accounting treatment of mergers in the annual financial statements) issued by Assirevi on the subject of IFRS have been taken into consideration. Since IFRS do not deal specifically with these intra-group transactions, it was deemed necessary to follow the indications provided by IAS 8, which provides that the accounting treatment of business combination transactions under common control must reflect their economic substance, regardless of their legal form. In particular, the general principle applied for the accounting of business combination transactions under common control was that of "continuity of value".

Regulatory developments

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

IVASS COVID-19 Recommendations

On 30 March 2020, IVASS, in view of this changed economic and financial situation due to the spread of the epidemiological emergency from COVID-19, sent a letter to insurance and reinsurance companies based in Italy asking to adopt, at individual and group level, extreme prudence in the distribution of dividends and in the payment of the variable component of remuneration to company representatives.

Letter to the market of 17 March 2020 - Joint Communication IVASS - Bank of Italy: offering products combined with loans.

In particular, banks, financial intermediaries and insurance companies that intend to offer products combined with loans, will have to apply and adopt specific organisational and internal control procedures that ensure continuous risk assessment and compliance with a set of rules, in order to ensure compliance with the relevant regulations and preserve the integrity of the relationship of trust with customers. Failure to comply with the rules in force, in addition to entailing the application of the sanctions provided for the violation of the obligations of conduct towards customers, may expose operators to significant legal and reputational risks, with the eventual possibility of an increase in the capital requirements of the competent Supervisory Authorities.

IVASS measure no. 95 of 14 February 2020 amending the provisions laid down in IVASS measure no. 72 of 16 April 2018 on auto third-party liability, with particular reference to the certificate on the state of risk, as well as Annex 1 to IVASS measure no. 35 of 19 June 2015, as a result of the amendments introduced by Fiscal Law Decree (Law Decree no. 124 of 26 October 2019). In particular, insurance companies, in all cases of conclusion of a new contract and in all cases of renewal of contracts already concluded, provided that there are no claims with exclusive or principal or equal liability in the last 5 years, on the basis of the results of the risk certificate, relating to an additional vehicle, even of a different type, purchased by individuals who already hold a policy or by a permanently cohabiting family member, may not assign a merit class to the contract that is more unfavourable than that resulting from the last risk certificate obtained on the vehicle already insured and may not discriminate according to the duration of the relationship by guaranteeing, within the merit class, the premium conditions assigned to policyholders with the same risk characteristics as the person signing the new contract.

With reference to ***international accounting standards***, the following new developments should be noted:

- Amendments to references to the Conceptual Framework in the body of IFRS. The amendments update some of the references and citations in IFRS standards and interpretations so that they refer to the revised Conceptual Framework or specify the version of the Conceptual Framework to which they refer.

- Amendments to **IAS 1 - Presentation of Financial Statements** and **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors** aimed at clarifying the definition of "material" in order to make it easier for companies to express opinions about materiality and to improve the relevance of information in the notes to the financial statements.
- Amendments to **IFRS 9 - Financial Instruments**, **IAS 39 - Financial Instruments: Recognition and Measurement** and **IFRS 7 - Financial Instruments: additional disclosure**, which introduced temporary and limited exceptions to the application of the hedge accounting provisions so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed as a result of the Interest Rate Benchmark Reform[5]. The purpose of the derogations is to avoid the effects of discontinuing due to the mere uncertainty of the interest rate reform. In particular, for the assessment of the economic report, the changes introduced require the entity to assume that the benchmark interest rate index for the hedged instrument and the hedging instrument will not be modified as a result of the rate reform.
- Amendments to **IFRS 3 - Business Combinations** providing clarification on the definition of business activities in order to simplify practical implementation.

Commission Regulation (EU) 2020/34 of 15 January 2020

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

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

EIOPA recommendations regarding flexibility in supervisory reporting and public disclosure in the framework of the COVID-19 emergency.

On 20 March, in light of the Coronavirus/COVID-19 pandemic, EIOPA issued Recommendations to promote greater flexibility with regard to deadlines for supervisory reporting and public disclosure. Specifically, the reports that may benefit from 8-week postponements of delivery terms are identified in the Regulatory Supervisory Report (RSR), Supervisory and Financial Condition Report (SFCR).

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

In relation to this, the Poste Vita Group has decided to make use of the possibility provided by the European Supervisory Authority (EIOPA) to postpone the sending of the Single Report to the Market (SFCR) and the Group Report to the Supervisory Authority (RSR) by eight weeks with respect to the original deadline of 19 May 2020. The timing of transmission of these descriptive documents has therefore been aligned with the submission of the Own Risk and Solvency Assessment (ORSA) report.

Commission Regulation (EU) 2020/34 of 15 January 2020

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

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

New tax legislation

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

Law Decree no. 124 of 26 October 2019 (Fiscal Decree): among other provisions, the Decree has introduced a relevant and articulated discipline on the subject of withholding taxes in the context of tender and subcontracting contracts. Art. 4 of the aforementioned Law Decree no. 124/2019

introduced the new art. 17-bis in the text of Legislative Decree no. 241/1997, by means of which it is provided that all the entities referred to in art. 23, paragraph 1, of Presidential Decree 600/1973 (Public Administrations, businesses and commercial companies, natural persons exercising arts and professions, etc.) that entrust the performance of one or more works or services for an amount greater than €200,000 to a company through tender contracts, subcontracting, entrusting to consortium members or negotiation relationships, however referred to, characterised by a prevalent use of manpower at the customer premises and the use of capital goods traceable in any form to the customer, are required to request from the contractor or entrusting party and the subcontractors, obliged to issue them, copies of F24 payment proxies and other documentation attesting to the payment of IRPEF withholding tax and regional and municipal surcharges relating to workers directly employed in the execution of the work or service. In the event that the contractor or subcontractor fails to comply with the obligation to send to the customer the payment proxies and information relating to the workers employed above, or in the event that the withholding tax is omitted or insufficient in relation to the data resulting from the documentation submitted, the customer must suspend, for as long as the default persists, payment of the fees accrued by the contractor or entrusting party up to 20% of the total value of the work or service or for an amount equal to the amount of the withholding tax not paid with respect to the data resulting from the documentation submitted, notifying within ninety days the tax authorities with territorial jurisdiction over it. In such cases, the contractor or entrusting party is precluded from taking any enforcement action aimed at satisfying the claim the payment of which has been suspended, until payment of the withholding tax has been made.
In case of non-compliance with obligations on the part of the customer (i.e.: (i) require the documents from the contractor or entrusting party and subcontractors, (ii) suspend payment where necessary and (iii) notify the tax authorities of the irregularity), the latter shall be obliged to pay a sum equal to the penalty imposed on the contractor or entrusting party or subcontractor for failure to comply with the obligations relating to the correct determination of withholding taxes and the correct execution thereof, as well as to the timely payment, without any possibility of compensation.

Extension of the split payment scheme until 30 June 2023: on 22 June 2020, the European Commission adopted the Council proposal extending until 30 June 2023 the authorisation granted to Italy to apply the split payment as a special measure derogating from the VAT Directive 2006/112/EC. The split payment will therefore continue to apply to transactions with public administrations and other entities and companies, in accordance with art. 17-ter of Presidential Decree 633/1972 on the establishment and regulation of value added tax.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

The spread of the COVID-19 Virus, although less impactful than in the first half, is continuing in July and the Poste Vita Group is continuing to adopt further measures designed to preserve and safeguard collective health while ensuring the normal course of business.

In particular, in line with the Group directives, it considered the safeguarding of the health of employees to be of fundamental importance by using, on the one hand, forms of agile work (smart working) and, on the other, in relation to sectors not compatible with smart working, the supply of all the necessary equipment to safely carry out operational activities.

At this stage, in the context of a clear general uncertainty about the duration of the epidemic and related economic effects, and having made the necessary assessments on the basis of the information available, the Poste Vita Group has considered that this event does not have an impact on the financial data shown in this report, which therefore does not require modifications. The Group will continue to monitor the evolution of the situation on a daily basis in order to promptly assess the potential effects on its operations and adopt the appropriate measures.

OUTLOOK

In the remainder of 2020 and consistent with its strategic plan, in the Life business, the Poste Vita Group will continue to offer innovative and effective insurance solutions to customers, 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, it will continue with the development of a modular integrated offer, 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. In addition, the Group will be committed to continuing the development of the Welfare and non-vehicle non-life segments, exploiting the strong potential still unexpressed, as well as the development, through Poste Insurance Broker S.r.l., of the offer of vehicle TPL policies, continuing to reserve distribution to a limited target of customers (Group employees and pensioners) and then extending it to the market towards the end of the year. In the short term, the Poste Vita Group's operations will likely continue to be influenced in part by the trend in the market context.

Rome, 30 September 2020

The Board of Directors

Statement of Profit or Loss

STATEMENT OF PROFIT OR LOSS

(€k)		30/06/2020	30/06/2019
1.1	Net premium revenue	7,720,572	10,126,395
1.1.1	Gross premium revenue	7,735,389	10,147,907
1.1.2	Outward reinsurance premiums	(14,818)	(21,511)
1.2	Fee and commission income	26,139	14,642
1.3	Net income (expenses) from financial assets at fair value through profit or loss	(508,780)	1,879,241
1.3 bis	Reclassification in accordance with overlay approach (*)	-	-
1.4	Income from investments in subsidiaries, associates and joint ventures	260	191
1.5	Income from other financial instruments and investment property	1,301,028	1,346,111
1.5.1	Interest income	1,235,399	1,296,290
1.5.2	Other income	-	-
1.5.3	Realised gains	65,629	49,809
1.5.4	Unrealised gains	-	12
1.6	Other revenue	6,461	7,278
1	**TOTAL REVENUE**	**8,545,680**	**13,373,859**
2.1	Net claims expenses	(7,694,667)	(12,490,082)
2.1.1	Claims paid and change in technical provisions	(7,700,836)	(12,498,091)
2.1.2	Reinsurers' share	6,169.3	8,009
2.2	Commission expenses	(461)	(445)
2.3	Expenses arising from investments in subsidiaries, associates and joint ventures	-	-
2.4	Expenses arising from other financial instruments and investment property	(94,173)	(75,207)
2.4.1	Interest expense	(24,310)	(33,389)
2.4.2	Other expenses	(3,370)	(2,367)
2.4.3	Realised losses	(46,703)	(29,338)
2.4.4	Unrealised losses	(19,789)	(10,113)
2.5	Operating expenses	(232,088)	(287,392)
2.5.1	Commissions and other acquisition costs	(164,047)	(233,163)
2.5.2	Investment management expenses	(23,273)	(21,003)
2.5.3	Other administrative expenses	(44,767)	(33,226)
2.6	Other costs	(75,727)	(60,097)
2	**TOTAL COSTS AND EXPENSES**	**(8,097,116)**	**(12,913,224)**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**448,564**	**460,636**
3	Income tax expense	(132,377)	(140,701)
	PROFIT (LOSS) FOR THE PERIOD AFTER TAX	316,187	319,934
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-
	CONSOLIDATED NET PROFIT (LOSS)	**316,187**	**319,934**
	of which attributable to owners of the Parent	316,187	319,934
	of which attributable to non-controlling interests	-	-