(**Translation from the Italian original which remains the definitive version**)

Interim financial report at 30 June 2019

of the Intesa Sanpaolo Vita Insurance Group

(covering subsidiaries only)

Insurance parent
INTESA SANPAOLO VITA S.p.A.
Registered office: Corso Inghilterra 3 – 10138 Turin
Administrative offices: Viale Stelvio 55/57 – 20159 Milan
Turin company registration no. 02505650370 – Fully paid-up share capital €320,422,508.00
Included in the register of insurance and reinsurance companies as no. 1.00066
Parent of the Intesa Sanpaolo Vita Insurance Group, included in the register of insurance groups as no. 28
Managed and coordinated by Intesa Sanpaolo S.p.A.

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DIRECTORS' REPORT

COMPANY BODIES

Board of directors

Chairman	Luigi Maranzana
Deputy chairman	Elio Fontana
Managing director	Nicola Maria Fioravanti
Directors	Giuseppe Attanà
	Paolo Baessato
	Chiara Frigerio
	Andrea Panozzo
	Eugenio Rossetti
	Anna Torriero

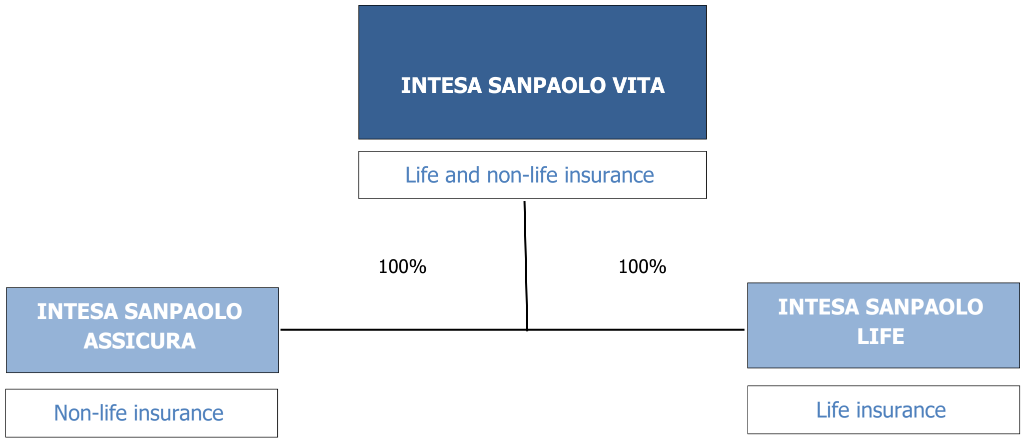
Board of statutory auditors

Chairman	Massimo Broccio
Standing statutory auditors	Mario Anghinoni Riccardo Ranalli
Alternate statutory auditors	Eugenio Mario Braja

Independent auditors

KPMG S.p.A.

GROUP STRUCTURE



KEY CONSOLIDATED FIGURES

(in millions of euro)

Operational figures	30.06.2019	30.06.2018	Change	%
Gross premiums	6,538.4	8,590.1	-2,051.7	-24%
- of which Traditional products	726.8	430.0	296.7	69%
- of which Unit Linked products	3,219.6	2,521.6	698.0	28%
- of which Pension products	2,278.6	5,638.5	-3,359.9	-60%
- premiums of Non-life business	313.4	248.3	65.1	26%
Life new business	6,141.1	8,515.0	-2,374.0	-28%
Life contracts (no.)	3,958,820	3,816,125	142,695	4%
Non-life contracts (no.)	3,002,094	2,645,795	356,299	13%
Human resources (no.)	697	630	67	11%
Statements of financial position highlights	**30.06.2019**	**31.12.2018**		
Investments	129,135.5	122,227.7	6,907.8	6%
- Available-for-sale financial assets	75,893.1	72,122.7	3,770.4	5%
- Financial assets at fair value through profit or loss	53,221.6	50,083.9	3,137.6	6%
- Other investments	20.8	21.1	-0.3	-1%
Insurance provisions	77,122.5	73,962.8	3,159.7	4%
- Life insurance products	8,549.6	7,942.3	607.3	8%
- Life financial products with DPF	63,622.4	63,343.3	279.0	0%
- Shadow accounting provision	4,078.8	1,888.8	2,190.0	116%
- Non-life insurance policies	871.7	788.3	83.4	11%
Financial liabilities	49,299.5	46,684.0	2,615.5	6%
- Unit-linked financial policies	47,501.7	44,885.2	2,616.4	6%
- Subordinated liabilities	1,418.6	1,390.4	28.2	2%
- Other liabilities	379.2	408.4	-29.1	-7%
Shareholders' equity	5,093.9	4,586.9	507.0	11%
Income statement highlights	**30.06.2019**	**30.06.2018**		
Net earned premiums	4,187.3	3,145.9	1,041.4	33%
Net insurance benefits and claims	4,595.4	3,443.5	1,151.9	33%
Net fee and commission income	109.5	123.4	-14.0	-11%
Net gains on financial instruments and investments	1,086.5	1,068.0	18.5	2%
Commissions and other acquisition costs	154.4	156.9	-2.5	-2%
Consolidated profit (loss) for the period	305.5	379.2	-73.7	-19%
Ratios	**30.06.2019**	**30.06.2018**		
Non-life expense ratio	27%	31%	-4%	-13%
Non-life loss ratio	33%	27%	6%	24%
Gross premiums/insurance provisions and financial liabilities	5%	7%	-2%	-29%
Non-life combined ratio	60%	58%	2%	-8%
Net fees and commissions income/financial liabilities	0.2%	0.3%	-0.1%	-33%

RECLASSIFIED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of euro)

	30.06.2019	31.12.2018	Change	
Intangible assets	**652.9**	**648.6**	**4.4**	**1%**
Tangible assets	**13.8**	**1.3**	**12.6**	**>100%**
Amount ceded to reinsurers from insurance provisions	**24.4**	**19.7**	**4.8**	**24%**
Investments	**129,135.5**	**122,227.7**	**6,907.8**	**6%**
- Investments in subsidiaries, associates and joint ventures	2.1	2.1	0.0	0.0%
- Loans and receivables	18.8	19.0	0.2	-1%
- Available-for-sale financial assets	75,893.1	72,122.7	3,770.4	5%
- Financial assets at fair value through profit or loss	53,221.6	50,083.9	3,137.6	6%
Receivables	**481.7**	**340.6**	**141.1**	**41%**
Other assets	**2,848.7**	**2,770.1**	**78.6**	**3%**
Cash and cash equivalents	**433.2**	**823.9**	**-390.7**	**-47%**
Total assets	**133,590.3**	**126,831.8**	**6,758.5**	**5%**
Shareholders' equity	**5,093.9**	**4,586.9**	**507.0**	**11%**
- attributable to the Group	5,093.9	4,586.9	507.0	11%
Other Provisions	**10.4**	**14.1**	**-3.7**	**-26%**
Insurance provisions	**77,122.5**	**73,962.8**	**3,159.7**	**4%**
- Life insurance products	8,549.6	7,942.3	607.3	8%
- Life financial products with DPF	63,622.4	63,343.3	279.0	0.0%
- Shadow accounting provision	4,078.8	1,888.8	2,190.0	116%
- Non-life insurance policies	871.7	788.3	83.4	11%
Financial liabilities	**49,299.5**	**46,684.0**	**2,615.5**	**6%**
- Unit-linked financial products	47,501.7	44,885.2	2,616.4	6%
- Subordinated liabilities	1,418.6	1,390.4	28.2	2%
- Other liabilities	379.2	408.4	-29.1	-7%
Payables	**1,158.7**	**739.4**	**419.3**	**57%**
Other liabilities	**905.3**	**844.5**	**60.8**	**7%**
Total liabilities	**133,590.3**	**126,831.8**	**6,758.5**	**5%**

RECLASSIFIED INCOME STATEMENT

(in millions of euro)

	30.06.2019	30.06.2018	Change	
Net earned premiums	**4,187.3**	**3,145.9**	**1,041.4**	**33%**
- Life business	3,945.8	2,951.1	994.7	34%
- Non-life business	241.5	194.8	46.7	24%
Net insurance benefits and claims	**-4,595.4**	**-3,443.5**	**-1,151.9**	**33%**
Net fee and commission income	**109.5**	**123.4**	**-14.0**	**-11%**
Net income from financial instruments and investments	**1,086.5**	**1,068.0**	**18.5**	**2%**
- Net income from financial instruments at fair value through profit or loss	156.2	-64.3	220.5	>100%
- Other income	930.3	1,132.3	-202.0	-18%
Acquisition and administration costs	**-224.3**	**-221.5**	**-2.8**	**1%**
- Commissions and other acquisition costs	-154.4	-156.9	2.5	-2%
- Other costs	-69.9	-64.6	-5.3	8%
Other net costs	**-153.0**	**-165.4**	**12.4**	**-7%**
Profit before taxes for the period	**410.6**	**506.9**	**-96.3**	**-19%**
- Income taxes	-105.1	-127.7	22.6	-18%
Consolidated profit after taxes	**305.5**	**379.2**	**-73.7**	**-19%**
Profit (loss) from discontinued operations	**-**	**-**	**-**	**n.d.**
Consolidated profit (loss) for the period	**305.5**	**379.2**	**-73.7**	**-19%**
- attributable to the Group	305.5	379.2	-73.7	-19%

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)	30.06.2019	30.06.2018
CONSOLIDATED NET PROFIT (LOSS) FOR THE PERIOD	**305,523**	**379,196**
Other items of income after taxes without reclassification to profit or loss	**1,024**	**-2,559**
Share of other comprehensive income of associates	-	-
Reserve for revaluation model on intangible assets	-	-
Reserve for revaluation model on tangible assets	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-
Actuarial gains or losses arising from defined benefits plan	1,095	46
Other items	-71	-2,605
Other items of income after taxes with reclassification to profit or loss	**304,073**	**-312,786**
Foreign currency translation differences	-	-
Reserve for unrealized gains and losses on available for sale financial assets	296,284	-312,820
Net unrealized gains and losses on cash flows hedging derivatives	7,789	-
Net unrealized gains and losses on hedge of a net investment in foreign operations	-	-
Share of other comprehensive income of associates	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-
Other items	-	34
OTHER COMPREHENSIVE INCOME	**305,097**	**-315,345**
TOTAL COMPREHENSIVE INCOME	**610,620**	**63,851**
Of which attributable to the Group	**610,620**	**63,851**
Of which from minority interest	**-**	**-**

STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

		Amount as of 31.12.2017	Change in Closing Balances	Allocation	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30.06.2018
Shareholders' equity attributable to the Group	Share capital	320,423	-	-	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital Reserves	1,328,097	-	-	-	-	-	1,328,097
	Revenue reserves and other reserves	2,182,342	-	586,218	-	220	-	2,768,780
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	587,119	-	-207,923	-	-	-	379,196
	Other comprehensive income	400,214	-	-14,682	-19,488	-281,175	-	84,869
	Total attributable to the Group	**4,818,195**	**-**	**363,613**	**-19,488**	**-280,955**	**-**	**4,881,365**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,818,195**	**-**	**363,613**	**-19,488**	**-280,955**	**-**	**4,881,365**

(in thousands of euro)

		Amount as of 31.12.2018	Change in Closing Balances	Allocation	Reclassifications adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30.06.2019
Shareholders' equity attributable to the Group	Share capital	320,423	-	-		-		320,423
	Other equity instruments	-	-	-		-		-
	Capital Reserves	1,328,097	-	-		-		1,328,097
	Revenue reserves and other reserves	2,318,117	-	931,577		-414,825	-	2,834,869
	(Own shares)	-	-	-		-		-
	Result for the period	620,380	-	-314,857		-		305,523
	Other comprehensive income	-90	-	296,948	4,074	4,074	-	305,006
	Total attributable to the Group	**4,586,928**	**-**	**913,668**	**4,074**	**-410,751**	**-**	**5,093,919**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-		-	-	-
	Result for the period	-	-	-		-		-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,586,928**	**-**	**913,668**	**4,074**	**-410,751**	**-**	**5,093,919**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(in thousands of euro)

	30.06.2019	30.06.2018
PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**410,605**	**506,889**
Change in non-cash items	**3,645,046**	**-2,897,110**
Change in non-life provision for unearned premiums	56,728	48,426
Change in non-life provision for outstanding claims and other insurance provisions	21,989	6,915
Change in mathematical provisions and other life insurance provisions	3,372,486	-3,394,768
Change in deferred acquisition costs	-	-
Change in provisions	-3,720	592
Non-cash income and expenses from financial instruments, investment property and equity investments	180,953	502,088
Other expenses	16,611	-60,363
Change in receivables and payables generated by operating activities	**226,831**	**611**
Change in receivables and payables on direct insurance and reinsurance operations	-7,318	-2,904
Change in other receivables and payables	234,149	3,515
Income taxes paid	**-105,081**	**-127,693**
Net cash generated/absorbed by cash items related to investment and financing activity	**-700,098**	**-361,524**
Financial liabilities from financial contracts issued by insurance companies	2,615,524	2,518,201
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit and loss	-3,315,622	-2,879,725
CASH FLOW FROM OPERATING ACTIVITY	**3,477,302**	**-2,878,827**
Net cash generated/absorbed by lands and buildings (investment property)	-	-
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	8	141
Net cash generated/absorbed by loans and receivable	208	167
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-3,773,389	2,733,195
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOWS FROM INVESTING ACTIVITY	**-3,773,173**	**2,733,503**
Net cash generated/absorbed by Group's share capital and equity instruments	-94,816	-3,206
Net cash generated/absorbed by own shares	-	-
Dividends payment	-	-
Net cash generated/absorbed by minority interests' share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments	-	-
Other cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**-94,816**	**-3,206**
Effect of foreign-exchange differences on cash and cash equivalents	**-**	**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	823,870	768,108
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-390,687**	**-148,530**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	433,183	619,578

REFERENCE CONTEXT AND GROUP PERFORMANCE

THE ECONOMIC AND FINANCIAL CONTEXT

The macroeconomic scenario

2019 began with substantial stagnation in global trade, due to punitive duties imposed by the United States on a wide range of its imports from China, the countermeasures adopted by the Chinese government and the risk of a further escalation in the trade wars. The repercussions affected the rest of Asia and Europe. Global manufacturing continued to slow down for the entire first half of the year. The deadline for Brexit was postponed to 31 October 2019, as a result of substantial paralysis of the UK political system to handle the need to choose from among realisable options.

The US economy continued to show relatively robust growth, with a gradual acceleration of the year-on-year increase in GDP, up to a peak of 3.2% in the first quarter. There was a slowdown in the second quarter, which had been signalled by a weakening in economic surveys, specifically for industrial companies. Domestic demand is being driven by the last positive effects of the tax reform and highly favourable financial conditions. Unemployment fell to below 4%, but signs of wage pressure were still confined to the more highly qualified professions. Inflation returned above 2%, which enabled the Federal Reserve to open up to precautionary monetary stimulus measures. Though continuing to reduce the reinvestment of principal payments at maturity of its securities portfolio, the central bank stopped increasing the official rates and, right at the end of the half year, announced a possible preventative cut, as insurance against the risks of slowdown in production activities.

Rather contrasting growth trends were seen in the Eurozone. In the first quarter, the GDP growth accelerated on a quarterly basis, to 0.4%, while annual growth stabilised at 1.2%. Nonetheless, that trend partially reflects transitional factors that boosted construction in the winter months, to the detriment of the second quarter. Economic surveys signalled that the slowdown continued in the second quarter, still driven by the weakness in the manufacturing sector, even though with a few feeble signs of stabilisation. The positive trend in the labour market, characterised by continued robust growth in employment despite the slowdown in the GDP, resulted in a decrease in unemployment, which dropped to 7.5% in May. Inflation decreased, amounting to 1.3% in June, significantly far off the targets of the European Central Bank. The latter reacted to the slowdown in the economy by announcing a new cycle of targeted longer-term refinancing operations (TLTRO III), and extending the commitment to keep official rates stable for the entire first half of 2020. At the end of the half year, the possibility of new expansionary measures was envisaged, also including cuts to official rates and the reopening of the APP (Asset Purchase Programme).

Given the absolute stability of short-term rates at negative levels, the trend in medium and long-term rates reflected the growing expectations of new monetary easing. The 5 and 10-year swap rates dropped to -0.17% and 0.24%, respectively, decreasing by 42 basis points and 63 basis points on December 2018. Government bond yields also decreased significantly. Nonetheless, the spread of 10-year BTP on German securities remained very high, fluctuating between 240 and 280 basis points.

The Italian economy remained stuck in a phase of substantial stagnation. In the first quarter, the year-on-year growth of the GDP came to 0.1%: the decrease in inventories offset almost all the growth of final domestic demand and net exports. Industrial production decreased: in May, it was 0.7% lower than one year before. The construction and services sectors showed a more favourable performance, which offset the weakness in the manufacturing sector. Despite the absence of GDP growth, employment continues to increase (0.4% year-on-year in May) and the unemployment rate decreased to 9.9%. Inflation was less than 1% in June. Public accounts performed better than expected in the initial months of 2019. As a result, the government was able to move the deficit target for 2019 from 2.4% to 2.04% of the GDP. Nonetheless, the debt-to-GDP ratio continued to rise.

On currency markets, the Euro did not see substantial changes on the US dollar, with monthly averages that fluctuated in a very small range of 1.119 to 1.142.

The financial markets in the first half of 2019

The MSCI Emerging Markets Index gained 8.7% in the first half of 2019, following the increases in both the Euro Stoxx (+14.4%) and the S&P USA Index (+17.4%). The boost was mainly provided by several Asian (Shanghai, +19.5%) and Latin American markets (Sao Paulo, +14.9%) while Middle Eastern stock markets showed weaker performances, penalised by regional tensions and the year-on-year decrease in the price of oil (average price in the first half was -10% year-on-year), though recovering compared to the fourth quarter of 2018.

Considering countries where ISP subsidiaries are located, in CIS countries, the rate cuts and additional progress in stabilising the domestic financial situation provided a significant boost to the Russian index (+29.5%) while the Ukrainian stock market (-1.9%) was impacted by the slowdown in the economy and political uncertainty. In the CEE/SEE areas, double digit increases were gained in Romania and Slovenia, while Egypt outperformed the rest of the MENA countries (+8.2%) due to sustained growth of the economy.

The tensions over currencies that had affected the second half of last year gradually eased, due to the changed expectations of monetary policy in advanced countries, which resulted in a generalised reduction in risk premium and less concern regarding the capacity of countries with large current account deficits to finance to meet their commitments. In the first half of 2019, the US dollar showed no significant changes against a basket of emerging country currencies (OITP index +0.2%), despite the further depreciation of both the Argentine peso (-11.4%) and the Turkish lira (-8.2%), focal points of the tensions on currencies seen in summer 2018.

In countries where ISP subsidiaries are located, both the Russian rouble (+9.2%) and the Ukraine hryvnia (+5.9%) appreciated against the US dollar, supported by the high domestic interest rates and greater confidence in the continuation of stabilisation policies. The currencies of CEE/SEE countries saw little change on the US dollar, a performance that reflects that of the EUR/USD exchange rate. In the MENA area, the Egyptian pound gained strength on the US dollar (+7.3%), benefiting from the currency inflows, both for the current portion (tourism, remittances, Suez Canal) and the financial portion.

In the first half of 2019, yields on the long section of the curve followed those of advanced countries downwards. With regard to the trend in the CDS spread, in countries where ISP subsidiaries are located this process involved both CEE/SEE countries (specifically, Slovakia and Slovenia in the Eurozone and Croatia and Romania among the other EU countries), and CIS countries and, in the MENA area, Egypt. In the same period, Russia and Egypt saw their ratings upgraded, by Moody's and by Fitch, respectively.

The first half of 2019 featured a general increase in the risk appetite of investors on international stock indices, which translated into generally highly positive performances of these stock indices, though with differing trends and intensity within the period.

Among the factors supporting the stock markets, we specifically note the monetary policies of central banks, which returned to adopting an expansive approach, to support a slowing down international economic cycle.

Recent corporate results in the Eurozone were both positive and negative. Though occurring among signs of weakness in the economy and profit trends (specifically in the first quarter of the year), these provided positive elements to investors, frequently confirming the guidance provided on the current year.

Among the negative factors, the most important was the new escalation of tensions in international trade between the United States and China, with new duties imposed in May, though mitigated by the announcement of negotiations starting up again at the end of the half year. More generally, the consolidation of protectionist policies had an impact, representing a potential brake on cyclical expansion.

European Parliamentary elections did not have significant impacts on the stock markets, with pro-EU political parties prevailing, while a dialogue on public finance was started between Italy and the European Commission, also in view of the upcoming government budget for 2020.

The Euro Stoxx index closed the half year up by 14.4%, the performance of the CAC 40 was highly positive (+17.1%) at the end of the period, as well as that of the Dax 30 (+17.4%), while the IBEX 35 underperformed, closing the half year at +7.7%. Outside the Eurozone, the Swiss market index SMI reported a strong increase (+17.4%), while the United Kingdom's FTSE 100 index closed the half year up by +10.4%.

In the US equity market, the S&P 500 index recorded a largely positive balance (+17.4%) at the end of the first half of the year, while the Nasdaq Composite technology stocks index performed even better, closing the period at +21.2%. The main Asian stock markets showed positive performances, with differing intensity: the Nikkei 225 index at 6.3%, while the Chinese SSE A-Share benchmark index reported a much better performance (+22.1%).

The Italian stock market recorded positive a performance overall during the half of the year, though with extreme volatility: the FTSE MIB index ended up by 15.9%, after recording a peak of +20.3% on 17 April, and the FTSE Italia All Share index showed a slightly lower performance (+14.9%). Mid-cap stocks marginally underperformed blue chips; the FTSE Italia STAR index went up 13.6%.

The European corporate bond markets ended the first six months of 2019 with risk premiums (measured as asset swap spreads - ASW) down compared to the beginning of the year. The period was marked by an overall positive tone, except in May, when, above all, the uncertainties linked to the tensions between the United States and its main trade partners contributed to an increase in risk aversion: in that month spreads expanded on April by around 25% for the Investment Grade (IG) sector, and by around 14% for High Yield (HY) securities (Datastream data).

In 2019, monetary policies confirmed their position among the main market drivers, both for the US Federal Reserve and the ECB. At its June meeting, the ECB announced that it could be ready to launch a new asset purchase programme if the economic scenario were to evolve adversely. The opening to new expansionary policies, their impact on interest rates, and the resulting search for yields by investors, had positive effects on all asset classes, both high and low risk, also due to the fact that, as demonstrated by the data provided by Moody's, global default rates for speculative securities were confirmed at very low levels.

In this context, the first half of 2019 saw similar performance for IG and HY securities: according to the data provided by Datastream, spreads of the two asset classes tightened by around 27% since the beginning of the year. At sector level, the performances of industrial and financial bonds were substantially similar.

The evolution of interest rates also had a positive effect on the primary market, where volumes increased, especially in June. The search for yields was reflected in strong demand for each single issue, also for Italian issuers, despite the uncertainties linked to the negotiations between the European Commission and Italy with regard to sovereign debt. In the first half of 2019, the trend in "green" issues, linked to projects having a positive impact on the environment, increased. This trend also regarded issuers that are not strictly connected with the utilities sector, such as industrial companies and financial institutions.

Emerging economies and financial markets

In the initial months of 2019, the GDP performance in emerging countries continued on the path of gradual slowdown which began in the second half of the previous year. This was impacted by the uncertainties linked to the trade policy approach of the United States, international and domestic political tensions and the trend in commodity prices, as well as specific factors such as the adverse weather conditions in several countries. In the first quarter, the year-on-year growth in the GDP for a sample covering 75% of emerging countries slowed to 4.1% compared to 4.6% in the previous quarter and 5.2% in the same quarter of 2018. This result reflects the slowdown in the economies in the BRICS Group, which was particularly sharp during the quarter for Brazil (GDP +0.5% year-on-year), Russia (GDP +0.5%), South Africa (GDP +0.1%) and India (GDP +5.7%), while China kept a pace in line with the fourth quarter of 2018 (GDP +6.4%). With regard to countries where ISP subsidiaries are located, the year-on-year performance of the economy remained particularly lively in CEE countries (specifically in Hungary) and in Croatia and Romania, among SEE countries, while it slowed in Serbia and CIS countries. In the MENA area, Egypt kept on its path of sustained growth (GDP +5.6%).

Following the first quarter, in the period of April and May, the year-on-year growth rate of industrial production showed signs of recovery in Brazil (from -2% in the 1st quarter to +1.7% in the two-month period April-May) and in Russia (from +2.1% to +2.8%), while it slowed down in China (from +6.4% to +5.2%). The manufacturing PMI for the 15 emerging economies that publish this indicator dropped to 49.9 in June, the lowest level in five months. In CEE/SEE countries where ISP subsidiaries are located, high frequency indicators seem to suggest that the GDP trend in the second quarter will remain strong overall.

The year-on-year inflation rate across a sample covering 75% of emerging economies rose to 4% in May 2019 from 3.5% in December 2018. The acceleration was due to the volatile components of foodstuffs and hydrocarbons, while underlying inflationary pressures remained low. In countries where ISP subsidiaries are located, the strong internal demand resulted in some pressure on prices in the CEE/SEE areas, though largely balanced by the normalisation of previous increases in hydrocarbon prices. In the CIS area, the increase in VAT triggered an increase in inflation, which rose to 4.7% in Russia in June (above the 4% target), but the impact on the price index was less than forecast. In May, inflation changed slightly in Ukraine (+9.6%)

while it accelerated sharply in Moldova (+4.6%). In the MENA area, inflation was erratic in Egypt in the half year (down to 9.4% year-on-year in June after 14.1% in May), partly due to a mismatch in the review dates of several administered tariffs in 2018 and 2019.

The domestic insurance market

The life market

Premiums of the domestic life market in the first three months of 2019 came to €29.3 billion (-5.9% on the corresponding period of 2018). The rise in class I and V policy sales, did not offset the downturn in class III premiums.

With a decrease of 34.8% compared to the corresponding period of the previous year, Class III products collected premiums of €7.8 billion for the three months of the year. On the other hand, class I and V products rose by 12.8% to €20.9 billion, accounting for 71.3% of the total life market.

Multi-class products collected premiums of €9.4 billion in the first three months of the year, up 16.9% on the corresponding period of 2018. They were invested in segregated funds (65.7%) and unit-linked products (34.3%). As a percentage of the total life market, these premiums accounted for 32.1% in the first quarter of 2019.

Turning to distribution, the bank and post office branches, with a share of 61.4% and premiums handled of €18.0 billion, maintained a significant position in the sale of life insurance products. At 21.9%, agents and brokers sold premiums worth €6.4 billion while financial advisors, at 16.7%, collected premiums of €4.9 billion.

The financial markets recovered slightly in the first quarter of 2019, but there remains a general lack of confidence that drives customers towards products with higher guarantees. Indeed, the component invested in segregated funds increased, not only due to a greater offer of stand-alone class I products but also to an increase in the class I component within the multi-class products.

The non-life market

The Italian non-life market's premiums grew by 4.1% in the first quarter of 2019 to €9.4 billion compared to the corresponding period of the previous year. This is the largest quarterly growth of the last two years and was triggered by the good performance of both the motor and non-motor insurance segments.

Specifically, the motor insurance segment recorded premiums of roughly €4.3 billion, up 1.5% on the corresponding period of the previous year. The non-mandatory motor property damage covers confirmed the increase in motor property damage premiums, which went up 4.9%. The motor third vehicle party liability insurance premiums recovered slightly by 0.8%, thanks to the stable number of vehicles on the roads and an increase in the average premiums.

Market operators recorded total non-motor insurance segment premiums of about €5.1 billion in the first quarter of 2019, up 6.3% on the same period of 2018, the highest increase of the last 15 years.

The non-motor insurance segment premiums' positive performance was assisted by the upturn in the general economy and product innovation.

All the main business segments made a positive contribution again, especially the health insurance class (+16.5%), the other damage to goods class (+10.6%), support and assistance

(+10.4%) and pecuniary losses (+8.3%). Premiums of the fire and other natural events, accident insurance and legal protection classes grew at a slower-than-average pace (5.7%, 5.9% and 6.0%, respectively).

The agency and broker network remains the main distribution channel of the non-life insurance sector, with a market share of 83.1% and an increase of 2.5% in premiums handled. This channel mostly sells MTPL, general third party liability, bond insurance and other damage to goods policies. With a share of 7.7%, the bank branches continued their growth, mostly in the sale of credit and pecuniary losses insurance policies. They collected premiums of €725 million in the first quarter of 2018, up 22.4% on the corresponding period of the previous year. Direct sales accounted for an overall 8.9% in the first three months of 2019, up by 4.7%.

The spread of modular insurance products, which offer various covers and services within the one product that can vary over time to respond to the customer’s changed requirements, continued in the first quarter of 2019.

Action plans and business development

The Intesa Sanpaolo Vita insurance Group confirmed its **leadership** position in the **bancassurance** and **pension** segments during the period, thanks partly to continuation of its strategies rolled out with the set up of the insurance division.

This division focuses on customer relations, promoting product innovation and the launch of cutting edge products. It acts as the insurance specialist for the Intesa Sanpaolo Group.

The parent, Intesa Sanpaolo Vita, actively participated in development of the following activities for the insurance group:

- design of new insurance products, including traditional, in order to promptly seize any financial market opportunities to offer capital protection to its customers;
- creation of a new welfare platform for collective policies to assist commercial penetration;
- updating of customer services and the organisational structure in compliance with national and EU legislation, principally with IVASS Regulation no. 44/2019 (customer due diligence), IVASS, the supervisory authority, Regulation no. 41/2018 (disclosure on insurance products), Regulation (EU) 2016/679 "GDPR" (customer data protection), Directive 2014/65/EU "MIFID II" (extending investor protection to the insurance sector) and IVASS Regulation no. 38/2018 (corporate governance);
- roll-out of the development of the new IT platform used by Intesa Sanpaolo Assicura, in collaboration with the ultimate parent's IT department, that has a multi-channel approach and allows process digitalisation together with a review of the target processes (customer journey).

With reference to the **non-life business**, the group focused on the activities to facilitate achievement of the business plan goal set by the Intesa Sanpaolo Group for Intesa Sanpaolo Assicura, namely to become the market leader in the retail non-motor sector.

The group launched various projects during the first half of the year, relating to:

- distribution strategies: the training of specialists to assist the sales network and an advertising campaign on protection through several channels commenced in 2018 were continued;
- product strategies: the new XME Protezione modular product's commercial performance was very satisfactory (with more than 340,000 contracts signed since its launch in July 2018) and the motor offer was completed by adding telematics solutions and a non-telematics product;
- after-sales strategies: the internal strengthening of after-sales and claims management activities to make them more efficient is still underway.

The insurance group's governance approach hinges on its adequate capitalisation, in line with the ruling regulatory requirements. Specifically, the Group complied with all new requirements of the Solvency II Directive in the first half of 2019 and Intesa Sanpaolo Vita, as the insurance group's parent, as well as all insurance group companies, published the Solvency and Financial Condition Report (SFCR) of the Intesa Sanpaolo Vita Insurance Group, availing of the option provided by article 216-novies.2 of the Italian Private Insurance Code and article 36 of IVASS Regulation no. 33/2016. The Group also concentrates on cost management to ensure continuity and cost synergies.

PERFORMANCE

Overall performance

The profit for the period came to €305.5 million, a reduction on the €379.2 million for the corresponding period of 2018.

The group recognised a satisfactory operating result, as a result of:

- **net earned premiums**: they increased by €1,041.4 million (+33.0%) to €4,187.3 million for the first six months of 2019 from €3,145.9 million for 30 June 2018, mainly due to:
  - the larger traditional product offer, which led to an increase of 34% in premiums earned from €2,904.5 million to €3,892.8 million;
  - a 6% increase in the pension plan business, from €338.5 million for 30 June 2018 to €358.3 million for 30 June 2019;

- **net claims incurred:** they rose by €1,151.9 million (+33%) to €4,595.4 million for the first six months of 2019 from €3,443.5 million for 30 June 2018;
- **net fee and commission income**: they decreased by €14.0 million (-11.0%) to €109.5 million for the first six months of 2019 from €123.4 million for 30 June 2018. The decrease is due to the 55% fall (from €5,603.1 million to €2,545.8 million) in sales of unit-linked products, affected by the uncertainties of financial markets;
- **net gains on financial instruments and investments**: they rose by €18.5 million (+2%) to €1,086.5 million for the first six months of 2019 from €1,068.0 million for 30 June 2018, mainly due to:
  - larger gains on financial instruments at fair value through profit or loss for the main part related to assets hedging the unit-linked and pension product provisions (€241.3 million);
  - smaller net gains on AFS financial instruments (€175.1 million and smaller net interest income (€28.5 million).

  The smaller gains for the reporting period are also a result of the defensive financial strategy that the group adopted in the first half of 2018 as a result of its expectations about interest rate trends;

- **acquisition and administration costs**: these are in line with the corresponding period of 2018 and amount to €224.3 million (+1%) compared to €221.5 million;
- **other net costs**: they amount to €153.0 million compared to €165.4 million for 30 June 2018, reflecting the smaller unrealised exchange losses.

Comprehensive income rose to €610.6 million from €63.9 million for the first half of 2018. This is the effect of the larger fair value gains recognised under other comprehensive income which amounted to €296.3 million (-€312.8 million for the first half of 2018).

Income taxes came to €105.1 million for the reporting period (tax rate of 26%) against €127.7 million for the first half of 2018 (tax rate of 25.0%).

Risk management

An internal control system is of strategic importance to the Intesa Sanpaolo Vita Group as it is a fundamental part of the entire governance system, which allows the group to manage its activities in line with its strategies and policies in a prudent and effective manner.

The risk management system is an important informational tool for the company bodies, keeping them fully up-to-date, ensuring the efficient monitoring of risks and their interaction, providing guidance about strategies and policies and how to adapt their organisation consistently. It is also important to ensure compliance with general and sector regulations, especially those issued by the supervisory authority and to encourage the adoption of a valid control culture.

The Intesa Sanpaolo Vita Group implemented an internal control system based on the following pillars:

- the internal control environment, based on senior management's awareness of the importance of properly identifying the key tools making up the control system, i.e.:
    - formalisation of roles, tasks and responsibilities (delegated powers, internal codes and procedures, circulation of organisational charts, segregation of duties, with the subsequent segregation of the processes sensitive to business risks);
    - internal communication system (necessary information and production times needed to generate flows and reports, timely reporting to management, awareness and receptiveness of the operating personnel);
- the risk management process, that is, the ongoing process to identify and analyse those internal and external factors that may jeopardise the attainment of company objectives, in order to manage them (risk identification, measurement and monitoring);
- the adequacy of the methods used to design, structure and effectively perform controls at the various organisational levels (line/operational, hierarchical, risk management and internal audit), essential to allow senior management to check that their instructions are being followed correctly;
- the IT system, whose objective is to ensure the integrity and completeness of the data and information used to manage and monitor the company's processes and operations;
- monitoring activities carried out by the relevant persons (line managers, risk management officers, actuaries, internal auditors, senior management, board of statutory auditors, independent auditors, pension fund managers, open pension funds and individual pension plans) and, for Intesa Sanpaolo Life, the committees responsible for audit and risk, investments and accounting and reporting to ensure continuous supervision of the internal controls and to identify and implement any improvements necessary to resolve critical issues identified, ensuring the maintenance, updating and improvement of the system.

As part of the larger Intesa Sanpaolo Group, the insurance group complies with its regulations to ensure the consistent and prompt management of business risks in line with the relevant national legislation. It monitors risk management results on an ongoing basis as well as developments in internal controls to protect the interests of policyholders and the integrity of group assets.

The organisational structure is defined in such a manner as to guarantee the segregation of duties and responsibilities between operational functions and control units, as well as the independence of the latter from the former.

In order to strengthen supervision of their operations, the insurance group companies have set up special committees to analyse performance, investment management, commercial management, risk management and anti-money laundering issues across the various departments.

The ultimate parent's risk management and control system, also adopted by the insurance group, involves the company bodies and the operational and supervisory units in the comprehensive management of the parent and the group, whilst respecting the different roles and levels of responsibility, which are intended to guarantee the adequacy of the system as a whole at all times.

The internal controls are commensurate with the group's size and operational characteristics and the nature and intensity of risks, as is the risk management system, which is commensurate with the size, nature and complexity of the activities carried out, in order to identify, assess and monitor the most significant risks, being those whose consequences may undermine the solvency of the parent and the group or represent a serious obstacle to the fulfilment of their objectives.

Senior management is also vested with the task of propagating a "control culture", which ensures that staff at all levels are aware of their own roles, including in relation to control activity, and fosters the involvement of all company units in the pursuit of the group's objectives.

Risk management process

The risk control and management system of the entire insurance group complies with the provisions of insurance supervisory regulations and is consistent with the corresponding regulations on internal controls of the ultimate parent, Intesa Sanpaolo, through the definition of principles, as well as the responsibilities of the internal bodies and departments entrusted with supervisory duties that contribute to the correct functioning of the internal controls. The group's risk management process is adjusted to reflect its risk profile self assessment and risk appetite. In addition to the first level documentation mentioned above, the group has its own operating rules and guidance for the management of all risks to which it is exposed.

Intesa Sanpaolo Life D.A.C. adopts those rules and guidance as a basis for defining its own policies, in compliance with applicable legislation, reporting to the parent any incompatibility of those rules with the country in which it operates.

The group's risk management process envisages three macro-stages:

1. risk assessment;
2. analysis and management of individual risks to which the parent and the group are exposed;
3. valuation and monitoring/reporting.

The risk assessment gives senior management an immediate overview of the group's risk exposure that can be used when taking decisions and prioritising actions, including at strategic level. It includes five stages to be performed at least annually, or when a trigger event occurs:

- stage 1 - Identification: all risk assessment activities in the various internal areas, carried out with the assistance of the risk owners;
- stage 2 - Mapping: all activities aimed at collecting/mapping information and updating risks;
- stage 3 - Valuation: the processing of the collected information and valuation of risk exposure;
- stage 4 - Validation: the validation of the analyses performed;
- stage 5 - Reporting: all internal reporting about risk exposure.

After the risks have been identified, the group prepares specific documents for each one, defining how they should be managed and the tolerance levels. Moreover, the risks that are difficult to quantify but are held to be material for the group are assessed and possible mitigation measures are proposed in order to manage them.

When the risk assessment process is concluded, the group manages the individual risks in accordance with the procedures and operating tolerance levels set out in the rules making up its risk management framework.

The last macro-stage entails monitoring and measuring risks.

The monitoring process includes regular stress tests. They comprise a number of techniques used by the insurance companies to:

- measure their vulnerability to exceptional but plausible events;
- allow senior management to understand the link between risk taken on and the risk appetite and the adequacy of the available capital.

If the stress tests show a potential non-compliance with the minimum regulatory requirements and/or the inadequacy of a risk control, the risk committee identifies and proposes possible improvements to the companies' boards of directors in order to consolidate their financial stability, also taking into account the group's solvency.

This activity is supplemented by a structured process to collect the information necessary to calculate the indicators and metrics used for the purposes of the RAF to check early warning limits and thresholds.

The risk management process is an integral part of the insurance group's and individual insurance companies' organisational structure and decision-making processes, as it has been designed in compliance with the internal risk assessment and solvency process and the risk appetite framework.

The risk management strategy

The Intesa Sanpaolo Vita Group is committed to developing an effective risk management unit given its contribution to the balanced performance of the insurance group's activities. To assist this objective:

- clear risk governance and management principles have been defined;
- risk governance and management tools have been introduced;
- a risk governance and management culture has been promoted at all levels of the insurance group.

The parent has ultimate responsibility for the definition of risk management and internal control strategies and guidelines, also in its capacity as the parent of the insurance group, and to ensure their adequacy and solidity over time with regard to their completeness, functionality and effectiveness, in line with the size and operational characteristics of the companies and the insurance group, as well as the nature and intensity of the parent's and group's risks. The subsidiaries are also vested with similar prerogatives within the context of the objectives allocated to them. Specifically, the administrative bodies of the group companies are responsible for:

- setting objectives at regular intervals, in line with the capital adequacy level and the guidelines of the Intesa Sanpaolo Group as implemented by Intesa Sanpaolo Vita and its subsidiaries;
- approving risk management policies and strategies and risk tolerance levels for the parent and subsidiaries;
- regularly examining the results achieved, including those relating to stress testing activities, as well as the underlying risk profiles of the parent and the subsidiaries, as communicated by senior management and the independent risk control unit (risk management);
- acquiring information concerning the most significant critical issues in the area of risk management and internal controls of Intesa Sanpaolo Vita and its subsidiaries as identified by the various bodies responsible for their monitoring and control;
- the prompt assessment of the aforementioned critical issues and the implementation of the necessary corrective measures.

The internal controls consist of three lines of defence:

- line controls (first level);
- risk monitoring (second level);
- internal audit (third level).

The risk management unit contributes to the second line of defence by reconciling the prerogatives of independence from line controls with close cooperation with those line controls that are responsible for the assigned activities. This unit ensures that the group's market, technical and operational risks are identified, assessed and monitored with a view to maintaining those risks within a limit that is consistent with the group's assets, considering the risk assumption, assessment and management policies as defined by the board of directors. It also prepares suitable reports and provides timely and systematic information to senior management and the board of directors.

Principal results of the risk management strategy

The strategic priority attributed to the gradual reduction of risks and their ongoing monitoring and management has achieved important results:

- as part of the management of interest rate risk, the duration mismatch was decreased by both aligning the investment maturities with the profiles of the liabilities and by using bond forwards, also to reduce the reinvestment risk;
- as part of the management of surrender risk, in addition to closely monitoring the trends and net cash flows for each asset under management, adequate liquidity was maintained to cover unforeseeable outcomes without necessarily having to make unplanned divestments;
- the careful selection of new investments, especially as regards the alternative investments portfolio;
- as part of the management of derivatives, in accordance with the guidelines of the investments framework resolution, the parent operated as a matter of preference on derivatives to mitigate interest rate risks (forwards), currency risks (DCSs and forwards) and equities risks (options);
- as part of the management of operational risks, the business and control processes were strengthened.

Organisational and operating changes

During the first half of 2019, the parent implemented a number of organisational changes in order to gradually strengthen its safeguards of the internal control, core operations and business support processes.

Specifically, it created a business welfare unit reporting to the managing director, whose mission is to develop a supplementary pension plan commercial offer for businesses.

In order to streamline the insurance group's structure and strengthen specific controls at the insurance parent level, the group reorganised its finance and actuary, administration, financial reporting, planning and management control and HR and change management areas.

It set up a distribution monitoring unit within the commercial area to achieve compliance with the new law (article 46.3 of IVASS Regulation no. 40/2019, governing the activities of party in charge of ensuring the correct implementation of the policies and procedures for the organisation, management and control of the regulatory distribution provided for by article 114-bis of the Italian Private Insurance Code).

Additional organisational changes were made to comply with the provisions of IVASS Regulation no. 38/2018, which required the creation of the insurance group's key audit, compliance and risk management and actuary units (in the case of the insurance group, the parent's same key units have been entrusted with the relevant duties and responsibilities for both the parent and the group).

With reference to the parent's design activities (product development and efficiency raising and compliance projects), during the first half of 2019, it extended its retail commercial offer by launching the Sicuro e Dedicato product, while it added the Programma Private product to its private network offer. It is also currently restyling its Mio Domani product by introducing ESG funds.

The following projects are being implemented to improve efficiency for 2019:

- Solvency II: during the first half of 2019, the group developed the automated procedures aimed at making the solvency process more efficient. This has included the creation of a user interface to analyse and validate the relevant QRT and of a single database for group valuations. Moreover, steps were taken to allow users to download their tables from the solvency II database according to their specific profile and to receive an email whenever a file concerning them is uploaded. Automated data quality controls for group valuations are also expected to be developed;

- USP: with reference to the assessment of the adequacy of the standard formula to calculate its risk profile, in agreement with the supervisory authority, Intesa Sanpaolo Assicura held it appropriate to use the USP to calculate its price risk and provisioning capital requirement for the NSLT health non-life insurance business;

- IDEA: during the first half of 2019, implementation of this project has been extended to other IT areas, such as, for example, the commercial (for life products), claims and actuary areas and actuary department. By the end of the year, the projects for the implementation of dashboards to be used by the individual companies' managing directors to calculate the key performance indicators and some operating efficiency indicators which have been completed. They will be extended to further IT areas, such as digital channels, benchmarking, policy performance, customer operations and instant customer feedback;

- cyber security: in close collaboration with the ultimate parent's cybersecurity business continuity management department, the parent has prepared a plan for a comprehensive audit of IT risk controls based on the continuous improvement of safeguards and to standardise the policies and conduct of all insurance companies;
- outsourcing monitoring: this projects aims at improving the monitoring of the services' quality (which are considered as outsourced services pursuant to IVASS Regulation no. 38/2018) by developing an automated control of the outsourcers' KPI (this monitoring is already in place for the KPI of the telephone, mailing and main back office services);
- initial margin calculation: the project has the objective of implementing the tools and processes required by law to ensure the calculation and exchange of specific measures (such as the initial margin) relating to the derivative management of derivatives;
- investment management: the project's objective is to incorporate the management of class C and unrestricted capital investments carried out on behalf of other group companies into the parent's management application;
- pension product migration and dematerialisation: the project provides for the migration of the pension product portfolio to the parent's policy management application, with the aim of aligning the processes, rationalising costs and making the development of new functionalities more efficient. At the same time, activities are underway to extend the sales methods used by the various channels (on-premises, remote, off-premises and IB self that entail the dematerialisation of contractual documentation for pension products.

During the first half of the year, the insurance group commenced implementing a single integrated accounting system in order to optimise and streamline its processes and tools in anticipation of the adoption of IFRS 17.

The group also organised the measures necessary to achieve compliance with the EU legislation:

- IDD (Insurance Distribution Directive): it implemented the product oversight governance activities;
- GDPR: it commenced the implementation of the data loss prevention automated solution and continued the development of automation projects.

With reference to regulatory issues and changes in internal controls, a process for the ongoing adjustment of internal regulations to the various requirements (supervisory, business and management, support and control processes) is in place. The parent also updates the governance regulations with which all the insurance companies are required to comply. The parent's efficiency raising and technological upgrade IT project continued, which will cover the overall system infrastructure.

The principal new products

During the first half of the year, the parent once again focused on its multi-class products, adding new investment options to existing products and increasing the Class I portion that may be invested. Moreover, given the great demand for guaranteed principal products, it gave its networks the possibility to sell limited amounts of Class I products.

Specifically, it added three internal funds of the single premium multi-class product sold to retail and individual customers by Intesa Sanpaolo, which already included flexible internal funds, and increased the Class I component. The new product, "InFondi Stabilità PlusInsurance", was rolled out in February 2019 and replaced its previous version.

Turning to the products distributed by Intesa Sanpaolo Private Banking, the group increased the class I component of the multi-class product "Synthesis", which is the top-range product, up to 50% of the investment and added a new single-premium Class I product, "Programma Private", in order to meet the investment needs of the most risk-averse customers thanks to the guarantee on invested capital at all times.

The commissions on the "Penso a Te" and "Base Sicura Tutelati" products, the Class I policies offered to specific customers, have been reduced following the specific comparisons carried out as part of the group's MiFID II project.

With respect to the products sold by Intesa Sanpaolo Assicura to its retail individual customers, the group launched "XME Protezione" at the end of July 2018, as part of its focus on the protection project designed to meet customers' needs for cover in the other non-life lines of business excluding aviation, marine, bonds and credit.

This new modular product allows the manager to include highly personalised cover for the customers and their family members and different homes in one policy.

Customers have up to 18 covers to protect themselves against risks affecting their homes (including those arising from natural disasters), their families and health.

XME Protezione has lifecycle functionalities to allow the relationship manager to modify the policy to reflect changes in the customer's needs, such as the inclusion of new forms or insured "objects" or an increase or decrease in the cover levels.

With respect to personal cover, Intesa Sanpaolo Assicura modified the tariffs of products designed for group employees.

The ProteggiMutuo product of the credit protection insurance product line was revised during the year with its dematerialisation along with some other products of the same line (ProteggiPrestito, BusinessSempre, Business5 and ProteggiConMe) to comply with the new requirements as per the IVASS letter of 2018.

Developments in the motor insurance products were completed during the period to ensure their compliance with management of the risk certificate. Specific trade discounts were introduced for the Auto Viaggia Con Me product calculated by combining the bank and insurance data while discounts were also offered for motor vehicle third party liability products when the car owner has a black box as provided for by IVASS Regulation no. 37.

A new product, Tutela Business - Manifattura, was launched in the third quarter of 2018 for manufacturing, processing and maintenance SMEs (that also engage in sales activities). This innovative product is characterised by its modular nature and wide range of covers, as well as a guided risk profiling and identification system.

With respect to business corporate products, the activities covered by the scouting agreement with the broker AON were continued for business customers (based mainly in Piedmont and Lombardy) with the parent providing coinsurance services to selected corporate business customers.

Changes to the motor insurance products were completed during the period to ensure their compliance with the law (contract simplification for the ViaggiaConMe "contratti semplici e chiari" product). The new range of Viaggia Con Me products was rolled out in May:

- a non-telematics motor vehicle third party liability product and other complementary covers (VCM Classica);
- a new telematics device (Box Light) was added as an option to the VCM Consumo and VCM KM Illimitati products. The customer may choose between the emergency button clear box and the new device without the emergency button.
- the road assistance cover has been modified by including, for example, a replacement vehicle also in the basic version.

In March 2019, Intesa Sanpaolo Life launched a new Class III product, "Doppio Centro", which combines a single premium invested in a conservative flexible fund with a monthly payment plan in an international equity fund included in the benchmark. This product includes a term life cover that protects the policyholders if the fund return is lower than the premiums paid. This cover entailed recognition of the related premiums in accordance with the provisions for insurance liabilities of IFRS 4. Moreover, the company launched a commercial offer granting the policyholders that invest in the Prospettiva, Prospettiva 2.0 and Exclusive Insurance products a "loyalty bonus" equal to 1.5% of the amount of the premium starting from December.

The group's performance for the first half of 2019

During the period, the group reported gross premiums of €6,538.4 million (30 June 2018: €8,838.4 million) for both the non-life (€313.4 million) and the life (€6,225.0 million) businesses and, in relation to the latter, both products classified as insurance products and policies with a more financial content.

Gross life premiums amounted to €16,225.0 million, down 28% on the €8,590.1 million for the same period of the previous year.

Traditional product premiums increased (25%), offset by the decrease in Class III products (-54%) and Class VI pension products (-6%).

(in millions of euro)

	30.06.2019	30.06.2018	Change	
Insurance and financial products with DPF	**3,946.4**	**2,951.6**	**994.7**	**34%**
- Traditional (Class I)	3,405.9	2,726.4	679.5	25%
- Capitalisation (Class V)	0.4	0.6	- 0.1	-21%
- Unit-linked (Class III)	309.7	8.2	301.4	>100%
- Pension funds (Class VI)	230.4	216.4	14.0	6%
Financial products without DPF	**2,278.6**	**5,638.5**	**-3,359.9**	**-60%**
- Unit-linked (Class III)	2,278.6	5,638.5	-3,359.9	-60%
Total life business	**6,225.0**	**8,590.1**	**-2,365.1**	**-28%**

The life new business, including financial products with discretionary participation features (DPF), came to €6,141.1 million (30 June 2018: €8,515.0 million). The increase in sales of insurance unit-linked products of €300.9 million, despite being immaterial as a percentage of total premiums (+4%), is entirely attributable to Intesa Sanpaolo Life, and its "Doppio Centro"product.

The distribution structure

The parent, Intesa Sanpaolo Vita, mainly uses the banking network of the Intesa Sanpaolo Group to distribute its insurance savings and investment products as well as its CPI and pension products.

The agreement with Cassa di Risparmio di Fermo for the distribution of the multi-class product Equilibrio Dinamico to its retail and individual customers, is now fully up and running.

The parent also has sales agreements with non-group brokers, mainly for post-sales services and, marginally, for the distribution of pension products.

Intesa Sanpaolo Assicura's main distribution channel is Intesa Sanpaolo Group's sales network for its home and family, motor, health, lifestyle, cards, financing and SME products. Focus on the banking network's Tutela product was bolstered by the introduction of more than 200 specialists during 2018. These professionals provide prompt and specialised assistance to the Banca dei Territori branch managers and were provided with intensive training courses by Intesa Sanpaolo Assicura to give them the relevant insurance and technical expertise.

The subsidiary also avails of the financial advisors network of Fideuram - Intesa Sanpaolo Private Banking Group to distribute the Salute Fideuram product on an exclusive basis. Finally, it has management only agreements with non-group banks.

Reinsurance policy

During the first half of the year and in order to contain exposure on specific portfolios, Intesa Sanpaolo Vita agreed proportionate reinsurance treaties on both a proportionate basis and an excess of loss basis for whole/term life insurance products with complementary covers for pension products. It also agreed an excess of loss treaty for catastrophic risks relating to the retained portion of all portfolios.

Other run-off treaties continue to apply, both on a proportionate and an excess of loss basis for life insurance policies and certain accident covers of non-life businesses (temporary and permanent disability).

It was not deemed necessary to agree additional reinsurance contracts, as is the case when the existing reinsurance treaties cannot be used, during the period.

All its treaties are signed with leading operators and comply with ISVAP (the Italian Insurance Regulator) Circular no. 574/D. The reinsurer with the lowest rating is in line with the Master Resolution which provides for a minimum rating of A (Standard & Poor's) for long tail business.

Intesa Sanpaolo Assicura's current policy protects the portfolio using non-proportional excess of loss treaties in order to contain excessive and catastrophic exposure. Retention has been reduced through proportional cover exclusively for specific guarantees and products, mainly support and assistance, legal protection, motor vehicle third party liability (ViaggiaConMe no box) and health insurance (dread disease).

The main products reinsured with excess of loss treaties refer to the GTPL and MTPL classes (ViaggiaConMe), fire, other damage to goods and GTHL (aCasaConMe), illness/accident products (health) and CPI.

Premiums reinsured during the period amounted to €15,194 thousand, compared to €5,069 thousand for the corresponding period of the previous year, equal to roughly 4.9% of gross premiums (30 June 2018: 2.0%). Reinsurance cost the group €6,129 thousand for the period, including €5,960 thousand for proportional treaties and €169 thousand for excess of loss treaties.

During the period, the subsidiary agreed proportionate coinsurance polices and concurrently transferred them under optional reinsurance treaties with high risk transfer percentages that are not applicable to the current reinsurance treaties.

All its treaties were signed with leading operators and comply with IVASS Regulation no. 38 of 3 July 2018 on corporate governance. The reinsurer with the lowest rating is in line with the group's reinsurance policy which provides for a minimum rating of A- (Standard & Poor's) for long tail business.

No new treaties were entered into during the first half of the year. All treaties were signed with leading and specialised operators.

While continuing to assess the opportunities offered by the market, the group does not engage in inwards reinsurance.

Research and development

The group incurred R&D costs during the period for new insurance products.

IT systems

In the first half of 2019, the group consolidated the technological evolution undertaken in previous years and published its strategic plan on information and communication technology.

The strategic pan introduced a significant element of discontinuity with respect to the past, as it envisages a new dimension, i.e., that of the insurance parent.

A different governance model has been designed to implement the new plan and the projects will be conducted in synergy by the insurance companies or carried out by the parent's IT department on behalf of all group companies. Specifically:

- **core operations** by individual company for all product, system and core process developments;
- **direction** and **supervision** by the insurance parent for the relevant regulatory updates, technological upgrades and specific digital evolution;
- **centralised management** for common regulatory updates, application standardisation, digital evolution and cyber security.

By incorporating the issues raised in the previous plan, the 2019-2021 strategic plan supplements them with three new goals:

1. <u>digital evolution</u> by adequately upgrading the architecture and technological infrastructure;
2. <u>system rationalisation</u> through IT coordination at insurance group level in identifying solutions and implementing them;
3. <u>cyber security upgrade</u> as part of the overall group plan, launching the projects necessary to achieve adequate security levels in organisational, operating and technological terms, as well as training and raising awareness among employees on IT risk issues.

New business projects

In terms of IT tools, the most significant projects supporting product development are:

1. product development in foreign currency (released in the first half of 2019) - application upgrade in order to allow the development of a Class I product connected to a foreign currency segregated fund;

2. Collective welfare platform (released in the first half of 2019) - creation of a platform to support the sale and collective management for the integrated management of all sale and post-sale transactions.

"In-force" (process) projects

As regards the application systems currently in force, two priority projects have been planned:

1. completing the efficiency improvement of the portfolio back end procedures - release in production in July 2019 - this is aimed at completing making the processes in the claims liquidation area more efficient through a procedure, to be subsequently extended to the whole insurance group, in order to ensure the quality of payments and related transfers through the implementation of controls in the settlement phase;

2. pension product dematerialisation and online reporting - release in production in July 2019 - the project involves a review of the customer journey of pension products, becoming part of the multi-channel bank process and embracing the new digital customer experience with the aim of extending the multi-channel functionalities to pension products (about 550,000 policies in portfolio).

Legislative projects

GDPR - In collaboration with the ultimate parent, Intesa Sanpaolo, in 2017, the group commenced an operating project to make the IT infrastructure and applications compliant with the **GDPR** (the General Data Protection Regulation) requirements, i.e., Regulation (EU) 2016/679 governing the treatment and privacy of personal data. The data masking of the test database will be completed in July 2019.

Regulation 41 -Launched in February 2019, this project's main objective is reaching compliance with IVASS Regulation no. 41 with specific reference to the online management of insurance transactions. The regulation provides that online transactions be enabled in the reserved areas of the insurance companies' websites (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Life) in accordance with article 42 of said regulation.

MIFID-II - The new MIFID II regulation for financial intermediaries has introduced a series of obligations for the agents and brokers of financial savings products, including life insurance products. During the first half of 2019, the group carried out a project for the design of a monthly reporting system.

Projects for technological and digital evolution and application streamlining

The evolution of architecture and technological infrastructure will be implemented in the strategic plan through two intervention drivers: the first, of a technological nature, involves the creation of a new digital architecture, while the second, targeting efficiency, focuses on an overall streamlining of all applications. The digital evolution involves common interventions for the entire insurance group, with non-core systems (SAP, Data Hub) managed centrally by the parent and management systems by the individual insurance companies.

Data management and analytics

In recent years, data management and analytics has become a strategic growth element in terms of both business and operating efficiency. The activation of advanced data analysis tools requires a preparation process in terms of data and tools that the insurance group launched in 2018.

It defined a road map for the 2019-2021 period which provides for the completion of the activities for the single customer view, the identification of IT tools for advanced data analysis, the consolidation of IDEA and of data quality processes and tools in 2019. These activities will enable the introduction of analytics and data management in an cost-accounting perspective.

Application streamlining

In tandem with the projects related to the characteristics of the technological architecture, the group launched a long term project for the streamlining of the application architecture at insurance group level. In particular, this transformation process has already commenced for Intesa Sanpaolo Vita and it is in an advanced stage of completion.

2019-2021 evolution of application architecture

During 2018, the new Gianos 4D anti-money laundering management system was released and the IRION system for the management of data quality was introduced. The MG Alfa actuarial engine and the IDEA system for reporting and business intelligence were consolidated.

1. The application architecture will be further rationalised in 2019, through three reference projects:
2. the migration of the parent's and Fideuram's accounting system to SAP, necessary for the transition to IFRS 17;
3. the launch of the project for the migration of pension products to the Universe system in February 2019, with a view to streamlining and centralising the platform;
4. the release of the document management system in June 2019 that will allow the internalisation of the control and management system of all paper documentation.

During the first half of 2019, in collaboration with the parent's IT department, Intesa Sanpaolo Assicura rolled out the development of the new IT platform that will replace the IT systems currently in place with a market solution that has a multi-channel approach and allows process digitalisation together with a review of the target processes (customer journey). Furthermore, the project for a review of the sale and post-sale processes for motor products was started, both in the internet banking channel and the branch front end, with the simultaneous review of the customer journey.

The subsidiary also introduced projects to ensure the scalability of its technology and processes and internal tools. The objectives of the development areas are set out below:

- **Commercial:** meet the needs of customers and the distribution networks, and enable new service models in line with the ultimate parent's projects;
- **Legislative/regulatory:** implement and complete processes and tools to assist legislative compliance;
- **Process efficiency and completion:** reduce operational risks, increase process efficiency and service levels;
- **Technological**: reduce IT risks and development costs for project management, update the application infrastructure and integrate the business processes.

The main project releases for the commercial area related to:

- the launch of the new motor range, with the introduction of two new types of products, one with a battery box and a classic version without the box, which complement the existing glass box;
- the completion of the XMeProtezione product with the last missing features (downgrade);
- the revision of the Proteggi Mutuo product with the introduction of new cover combinations sold with new loans and on existing loans.

The main releases for the legislative and regulatory area related to:

- compliance with IVASS Regulation no. 41 on the management of third party contact persons;
- the development of the new procedure requested by Bank of Italy regarding the calculation of unearned premiums;
- the development of a USP (undertaking specific parameter) calculation engine based on IVASS requests in order to correctly calculate the solvency capital ratio;

The main releases for the process efficiency and completion projects related to:

- review of post-sale processes on existing products, e.g., the automated management of payments;
- dematerialisation of the green card and insurance certificate which is now emailed to customers in advance when they sign a policy;
- creation of a single customer view at division level to facilitate the processing of customer service;
- dematerialisation of the claims handling documentation management process;
- technological upgrade of the data base through the transition from the 2014 to 2017 version with management and performance benefits.

Human resources

At 30 June 2019, the parent and subsidiaries had 697 employees, 29 more than at 31 December 2018, when it had 668 employees. The group has 143 resources seconded from other companies of the Intesa Sanpaolo Group and has seconded 56 employees to other companies of the Intesa Sanpaolo Group.

	Intesa Sanpaolo Vita	Intesa Sanpaolo Life	Intesa Sanpaolo Assicura	Total
Employees	383	78	147	608
- Managers	10	2	7	19
- Officers	193	15	56	264
- Other employees	180	61	84	325
Staff seconded from other companies of Intesa Sanpaolo Group	116	-	27	143
Staff seconded to other companies of Intesa Sanpaolo Group	27	7	22	56
Total	**472**	**71**	**152**	**695**
Other contractual forms	2	-	-	2
Total	**474**	**71**	**152**	**697**

During the first half of the year, and especially in January, organisational changes were made to create a more functional structure to achieve the business plan objectives. Some of subsidiaries' departments were incorporated by the parent.

As a result of those changes, 35 employees were transferred to the parent.

The group appointed three new department heads (IFRS staff) as part of the plan to develop internal talent.

To achieve an optimal organisational structure, including non-management positions, the group continued to recruit specialists both from within the Intesa Sanpaolo Group and on the market, with eight external people hired.

Moreover, seven new graduates joined the group for a six-month internship, also with a view to creating a pool of talented young people to draw on should the need to increase unit staff arise.

The conditions for activation of the reward system were met again in 2018 and the bonuses proposed by the remuneration committee and subsequently approved by the board of directors were paid to the employees of the "risk taker" category.

The rest of the employees also received one-off bonuses.

In 2018, the insurance companies introduced a specific reward system (the "Team Incentive System") for the managers and the other personnel on permanent contracts belonging to specific units.

Unfortunately, the system was not activated in 2018 as the current operating profit target was not achieved.

Performance bonuses were paid to certain white collars and some were promoted to managers as acknowledgement of their achievements and professional growth.

Training

Training to employees is promoted and organised through the Insurance Academy, the development and training platform dedicated to all the people who work in the Intesa Sanpaolo insurance group.

The Insurance Academy's training courses comply with the guidelines for the ongoing specialisation and training of employees, which include, specifically:

- courses on operating processes and "job" characteristics led by internal personnel from the various structures and professional areas;
- ongoing, regular courses as part of organic programmes;
- tailored courses based on roles and responsibilities.

The courses are designed on the basis of specific analyses of the training needs through:

- inquiries of the unit heads; this allows the Insurance Academy's annual training plan to be integrated with specific ad hoc initiatives identified as priorities from time to time;
- analysis of knowledge gaps due to organisational, regulatory or process changes;
- the analysis of the content of the Tableau de Bord specifically implemented in 2018 in collaboration with parent's key units, containing a summary of the results of their activities.

During the first half of the year, 24 classroom courses and 20 e-learning courses (webinar/e-learning/educast) were held for the parent's employees).

Specialised training

The most significant projects included:

- classroom and online training to raise awareness about cyber security in line with the parent's guidelines;
- "La Divisione Insurance si presenta" workshop to introduce the insurance group as part of the wider onboarding project designed specifically for new hires;
- specialised training for the staff of the various units; specifically:
- training courses for the actuary team, which give credits to members of the relevant register that are valid for the continuous training purposes ;
- technical behavioural courses for business welfare specialists, which accompanies their growth in an increasingly complex scenario;
- the class and online training plan that assist all employees with the transition to the HR process digitalisation.

Managerial training

The insurance division managers used the "Scuola dei Capi" app to access the digital content made available by the parent.

Mandatory training

The group continued to provide and monitor mandatory courses. The situation at 30 June 2019 was as follows:

- training pursuant to Legislative decree no. 231/2001 on the administrative liability of companies: two new modules, "D. Lgs 231/2001" (taken by 65% of employees) and"D. Lgs 231/2001 and Modello 231: parte speciale" (taken by 68% of employees), were activated on the Intesa Sanpaolo group platform "Apprendo" in May;
- training on anti-money laundering: activated in April, again on Apprendo, the "Antiriciclaggio 2019 Divisione Insurance" course was completed by 82% of those signed up;
- training on health and safety in the workplace: courses on health and safety continued on the "In Academy";
- training pursuant to the GDPR: activated in January on Apprendo, the new e-training course "Privacy e trattamento dati" (taken by 82% of employees). Two specific issues, data breach and treatment register, were explored in greater detail in classroom.

In compliance with ISVAP regulation no. 20/2008, the parent's directors attended a training course given by various lecturers from both inside (managers) and outside the group (academics and professionals).

The board of directors received training on the following topics in the first half of 2019:

- IVASS Regulation no. 38/2018 and its implementation: 29 January;
- Solvency II: 8 April;
- changes to anti-money laundering laws: 27 June.

Well-being

The insurance group introduced the "Mywell-being" project in the first half of the year. It comprises a series of cyclical activities designed and planned to help improve the office life. The activities are promoted through the group's "myinsurance" portal, and signing up is voluntary. They also aim at reinforcing corporate identity and engagement with all colleagues. In the first half of 2019, they were organised into four flows:

- Fit - dedicated to physical well-being, with yoga, pilates and functional training courses;
- Food - to promote discussion and greater mindfulness around food also through the Food education laboratories organised in partnership with Slow Food, the of "Smartmerenda" initiatives in the courtyard of Viale Stelvio and the activities connected to the urban vegetable garden in the Milan office, now in its fifth year;
- Culture - to engage in art and cultural activities;
- Passion – to create interest-based communities through spontaneous groups in which a "passioner" colleague shares their own passion or outside work abilities.

The group also participated in the children at work with their parents project in the first half of 2019. This was sponsored by the newspaper Corriere della Sera and the office of the Prime Minister. Employees of the Milan office brought their children to work on 31 May, to enjoy the office spaces in a fun way, thanks to the organised entertainment of the school of circus and theatrical arts.

Communication and employer branding

The communication campaign focused on the following:

- myinsurance, the communication portal for all the people of the Intesa Sanpaolo Vita Group. In the first few months of the year, the new content strategy was defined and two new sections were created: the new digital HR services section, which went online on 1 April, and the services to people section, launched on 28 May;
- the first section was created to assist employees with dealing with the changes made to the systems and digital platforms to manage the services addressed to them;
- the second section, which is dedicated to the insurance group community, includes services that may be useful for employees in carrying out their daily work or outside the office;
- in addition to the usual information about the group's commercial performance, the most important news was also reported on the internal monitors;
- with the opening of the insurance group's official page on LinkedIn, an area in the ultimate parent's company page and the four affiliated pages of Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Life and Intesa Sanpaolo Life, the governance, guidelines and editorial plans to manage and enrich all pages with content were defined;
- in addition to recruiting talents, this page is also a useful tool to promote the insurance group's image and the strategic lines of the 2018-2021 business plan, enhance its reputation, stimulate stakeholders, create a community and a network to exchange and share information.

Once again, the parent took place in the climate analysis, an initiative for all companies of the Intesa Sanpaolo Group launched on 4 June. It is an important listening event where people can express their view of the group, its management and customers. In this edition, for the first time, the group's employees were given the opportunity to answer specific questions about the insurance group.

Innovation

In the first half of 2019, meetings were held with sector experts to disseminate the culture of innovation and the creation of mindsets increasingly oriented towards innovation. The employees of the four insurance companies were involved. During these meetings, the main innovation trends in the international non-life, life and asset management markets were presented and activities were organised to raise awareness of digital disruption issues.

With the same aims, the group launched the "Social Talks" initiative, a series of three meetings to promote innovation and discuss the conscious use of social networks.

The initiatives were accompanied by communication and engagement campaigns on multiple channels and assessed through specific feedback questionnaires and the NPS. The group also worked on the creation of a structured process for monitoring and presenting the main innovation trends. The first output were meetings and newsletters addressed to employees.

The group introduced a customised mapping and monitoring methodology to manage and accelerate the innovation projects. Moreover, certain core measures were taken to assist the insurance business:

- expansion of the technological innovation scope (e.g., introducing robotic process automation, artificial intelligence to support products, etc.);
- co-design of products/services and business models dedicated to new customer targets through new work methods;
- definition of business transformation programs with a view to digitisation and professional development paths aimed at identifying and integrating the "new professions" within the organisation;
- use of new virtual reality technologies and edutainment logics for the dissemination of the protection culture;
- launch of challenges on innovation issues.

Principal regulatory changes in the first half of the year

Sector regulations

The supervisory authority published the following regulations that affect the group in the first half of 2019:

- **Regulation no. 44 of 12 February 2019** "IVASS Regulation containing implementing provisions aimed at preventing the use of insurance companies and insurance intermediaries for money laundering and terrorist financing through organisation, procedures and internal controls and customer due diligence, pursuant to article 7.1.a) of Legislative decree no. 231 of 21 November 2007".

  The regulation implemented article 7.1.a) of Legislative decree no. 231 of 21 November 2007 (the "anti-money laundering decree"), as amended by Legislative decree no. 90 of 25 May 2017, which transposed Directive (EU) 2015/849 into Italian law. It also takes into account the guidelines issued jointly by the European supervisory authorities (EBA, ESMA and EIOPA) on simplified and enhanced customer due diligence measures and risk factors, published on 4 January 2018 (the "joint guidelines").The decree confirmed the attribution of regulatory powers concerning organisation, procedures, internal controls and customer due diligence to the supervisory authorities, requesting them to develop criteria and methodologies for the analysis and assessment of the risks with which the companies must comply. The regulations issued intend to strengthen - in line with the provisions of the Italian law and European guidelines - anti-money laundering safeguards, privileging a risk-based approach and requesting insurance companies and intermediaries to take an active part in identifying and assessing the risks of money laundering and terrorist financing to which they are actually exposed and in choosing the most appropriate measures to deal with them.

Measures issued by IVASS include:

- **Measure no. 86 of 14 May 2019** "Amendments to ISVAP regulations nos. 1 of 1 October 2013 and 39 of 2 August 2018".

  With decision no. 2043 of 28 March 2019, the Council of State abolished article 10 of IVASS Regulation no. 1/2013, with reference to the part in which it did not provide for the commencement of a consultation with the body that, having received a sanction proposal from the competent offices, is required to impose the sanction (the "enhanced consultation"). The measure intends to implement the aforementioned decision by filling the regulatory gap resulting from the abolition of said article 10 by including the enhanced consultation in Regulation no. 1/2013 with the same terms as those laid down in Regulation no. 39/2018, which already provided for this procedure for violations committed from 1 October 2018 (date of entry into force of the changes made to Title XVIII of the Italian Private Insurance Code by Legislative decree no. 68 of 21 May 2018, which transposed Directive (EU) 2016/97 of the European Parliament and Council of 20 January 2016 on insurance distribution into Italian law).The measure also amended Regulation no. 39/2018, extending the possibility to apply the enhanced consultation to the cases that were previously excluded: in this way the defensive rights of those charged with the alleged violations are enhanced, extending the scope of the Council of State's decision also to cases not contemplated by it.

Finally, regulations under public consultation include:

- **Document no. 8** of 2 August 2018 which includes the draft measure of the calculation of costs and any excess to define settlements between insurance companies for direct compensation.

  The group provided IVASS with the necessary information in due time and revised its internal regulations to comply with the new implemented requirements. It also commenced the actions necessary to introduce the additional obligations to send data/make changes to internal processes that will become effective in the second half of 2019.

With reference to regulatory issues and changes in internal controls, a process for the ongoing adjustment of internal regulations to the various requirements imposed by the regulators or required by business developments and changes in the management, support and control processes is in place. The parent also updates the governance regulations with which all the insurance companies are required to comply.

The parent's efficiency raising and technological upgrade IT project was finalised in order to ensure the ongoing adjustment of its systems to comply with external changes (markets, products, laws, etc.).

Premiums and net payments relating to insurance contracts

Premiums recognised in the period for the life and non-life business, including reinsurance, amounted to €4,259.8 million, up 35.2% on the corresponding period of the previous year (€3,199.9 million). This increase mainly referred to the life business and principally to premiums for financial products with DPF.

(in millions of euro)

	30.06.2019				30.06.2018			
	First year	Subsequent years	Single premiums	Total	First year	Subsequent years	Single premiums	Total
Insurance products without DPF	2.3	313.3	392.8	**708.4**	1.7	10.1	398.0	**409.8**
Insurance products with DPF	-	11.8	6.5	**18.3**	-	13.6	6.6	**20.2**
Financial products with DPF	0.8	46.0	3,172.8	**3,219.6**	4.0	46.4	2,471.1	**2,521.6**
Non-life insurance products				**313.4**				**248.3**
Total	**3.2**	**371.1**	**3,572.1**	**4,259.8**	**5.7**	**70.2**	**2,875.8**	**3,199.9**

The amounts paid in the life business decreased from €4,530.6 million at 30 June 2018 to €3,667.1 million at 30 June 2019. The amounts paid in the non-life business increased by from €53.3 million at 30 June 2019 to €60.0 million at 30 June 2018.

The increase in the non-life business is due to the growth in the policy portfolio which reported a deterioration in the loss ratio in relative terms (from 26.6% at 30 June 2018 to 32.6% at 30 June 2019).

(in millions of euro)

	Claims	Annuities	Surrenders	Maturities	Liquidation costs	Total
Insurance products without DPF	-46.4	-	-133.2	-8.1	-4.0	**-191.7**
Insurance products with DPF	-7.4	-3.7	-17.0	-25.9	-	**-54.0**
Financial products with DPF	-886.9	0.1	-2,000.5	-533.9	-	**-3,421.4**
Non-life business insurance products						**-60.0**
Total 30.06.2019	**-940.7**	**-3.8**	**-2,150.8**	**-567.8**	**-4.0**	**-3,727.1**
Insurance products without DPF	-41.9	-	-140.8	-6.3	-3.6	**-192.6**
Insurance products with DPF	-25.5	-3.7	-24.9	-29.6	-	**-83.7**
Financial products with DPF	-951.2	-0.1	-3,192.4	-110.6	-	**-4,254.3**
Non-life business insurance products						**-0.1**
Total 30.06.2018	**-1,018.7**	**-3.8**	**-3,358.1**	**-146.4**	**-3.6**	**-4,530.7**

Commissions

Net fees and commissions on financial products without DPF, comprised of financial unit-linked policies, amounted to €109.5 million, down 11.0% at 30 June 2018 (€123.4 million).

More information is available in the notes to the interim consolidated financial statements.

Financial income and expense

Net gains on financial instruments increased to €1,086.5 million compared to €1,067.9 million for the corresponding period of 2018.

The €18.6 million increase is principally due to larger gains on financial instruments at fair value through profit or loss, mostly assets hedging the unit-linked and pension product provisions (€241.3 million), partly offset by smaller net gains on AFS financial instruments (€175.1 million and smaller net interest income (€28.5 million).

Commissions and operating expense

Acquisition and administration costs amount to €224.3 million for the period, up 1.3% compared to €221.5 million for the corresponding period of 2018.

Investment management costs of €24.7 million decreased slightly from €26.3 million in the corresponding period of 2018. The other administration costs increased from €38.3 million to €45.2 million for the period.

Other revenue and expense

Other net costs went from €165.4 million for the first six months of 2018 to €153.0 million for the reporting period, mainly due to exchange rate trends.

Statement of financial position

Investments

The financial investments portfolio amounts to €129,135.5 million, up 6% compared to €122,227.7 million at 31 December 2018. It comprises AFS securities (59%), securities at fair value through profit or loss (41%) with the remainder mostly consisting of financial assets held for trading and loans and receivables.

(in millions of euro)

	30.06.2019		31.12.2018	
Investments in subsidiaries, associates and joint ventures	2.1	0.0%	2.1	0.0%
Loans and receivables	18.8	0.0%	19.0	0.0%
Available for sale financial assets	75,893.1	59%	72,122.7	59.0%
Financial assets measured at fair value	53,221.6	41%	50,083.9	41.0%
Total	**129,135.5**	**100.0%**	**122,227.7**	**100.0%**

The group's investment transactions carried out during the first half of the year complied with the guidelines specified in the Finance Policy of the group companies and, in particular, with the general principles of prudence and enhancement of the quality of assets from a medium and long-term perspective.

Against the backdrop of global financial markets which maintained a favourable trend throughout the period, the group continued to pursue a policy aimed at limiting the financial risk whilst at the same time maintaining a level of profitability that is commensurate with the commitments made to policyholders. The bond portfolio includes bonds issued by the Italian government, foreign governments, international bodies and national banks and corporate bonds placed by a broad range of issuers, including, in particular, companies from the Eurozone.

Equity

At 30 June 2019, the group reported equity of €5,093.9 million, including the profit for the period of €305.5 million, compared to equity at the start of the period of €4,586.9 million.

(in millions of euro)

	30.06.2019	31.12.2018
Share capital and reserves attributable to the Group	**5,093.9**	**4,586.9**
Share capital and reserves	4,494.1	3,968.5
Gains (losses) on financial assets available for sale	294.3	-2.0
Consolidated profit (loss) for the period	305.5	620.4

The group recognised net fair value gains of €294.3 million in the fair value reserve under equity compared to net fair value losses of €2.0 million recognised at 31 December 2018 as a result of the different market values compared to the carrying amounts of AFS securities.

As a result of the application of shadow accounting, the differences between the fair value and cost of the aforementioned instruments, net of the tax effects, are recognised in this reserve for the sole part pertaining to the Group. The policyholders' portion is included under the insurance provisions.

Liabilities with policyholders

Liabilities with policyholders, which include insurance provisions of the life and non-life businesses as well as financial liabilities of the life business, increased by 5% from €118,848.0 million at 31 December 2018 to €124,624.1 million at the reporting date.

(in millions of euro)

	30.06.2019	31.12.2018	Change
Liabilities with life policyholders	**123,752.4**	**118,059.7**	**5%**
Insurance provisions and financial liabilities:	119,673.6	116,170.9	3%
traditional	67,578.6	66,969.8	1%
- of which insurance provisions	67,578.6	66,969.8	1%
linked	52,095.0	49,201.0	6%
- of which financial liabilities	47,501.7	44,885.2	6%
- of which insurance provisions	4,593.3	4,315.8	6%
Deferred liabilities due to policyholders	**4,078.8**	**1,888.8**	**116%**
Insurance provisions of the non-life segment	**871.7**	**788.3**	**11%**
Provision for unearned premiums	651.5	590.7	10%
Provision for outstanding claims	216.3	194.6	11%
Other provisions	4.0	2.9	34%
Liabilities with policyholders	**124,624.1**	**118,848.0**	**5%**

Insurance provisions and financial liabilities of the life business, including deferred liabilities with policyholders as well, increased by 5% from €118,059.7 million at 31 December 2018 to €123,752.4 million at 30 June 2019.

Technical provisions

Insurance provisions of the life business increased by 4% from €73,174.5 million at 31 December 2018 to €76,250.7 million.

The increase in the non-life business insurance provisions was 11% from €788.3 million at the end of 2018 to €871.7 million at the reporting date.

Deferred liabilities with policyholders incorporating the policyholders' share of fair value gains and losses on investments increased from €1,888.8 million at 31 December 2018 to €4,078.8 million at 30 June 2019.

Financial liabilities

Financial liabilities rose by 6.0% from €46,684.0 million at the end of the previous year to €49,299.5 million at the reporting date. This increase is principally attributable to business trends for the period. It also incorporates fair value gains and losses on investments to which those liabilities are related.

Measurement of the fair value of financial assets and liabilities

This section summarises the criteria used by the Group to measure the fair value of financial instruments. As illustrated in the basis of preparation section of the notes to the interim consolidated financial statements, the application of IFRS 13 governing fair value measurement and the related disclosure is mandatory from 1 January 2013.

The standard does not extend the scope of fair value measurement. The aim, in fact, was to concentrate in a single standard the rules for fair value measurement previously contained in various standards, in some cases, with requirements in conflict with one another.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not as part of a forced liquidation or distress sale) at the measurement date. Fair value is a market-based measurement that is not entity-specific.

An entity shall measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by entities, giving precedence to the use of market-observable inputs that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase consistency and comparability in fair value measurements.

There are three different input levels:

- **level 1**: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- **level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly for the assets or liabilities to be measured;
- **level 3**: non-observable inputs for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: highest priority is attributed to quoted prices (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instrument prices (level 2) and lowest priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (level 3).

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process for financial instruments (which is governed within the Intesa Sanpaolo Group by the "Fair Value Policy") entails the following phases:

- **identification of the sources for measurement**: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- **certification and treatment of market data for measurements**: this stage consists of the precise verification of the market parameters used (checking the integrity of data contained on the proprietary platform with respect to the source), reliability tests (consistency of each single figure with similar or comparable figures) and verification of actual application methods;
- **validation of pricing models and Model Risk Assessment**: this phase is aimed at verifying the consistency and the compliance of the various measurement techniques used with current market practice, to identify any critical aspects in the pricing models used and to determine any adjustments necessary for measurement;
- **monitoring consistency of pricing models over time**: regular monitoring that the pricing model used in the valuation reflects the market conditions, in order to discover any gaps promptly and start the necessary verifications and actions.

The fair value policy also provides for adjustments to reflect the model risk and other valuation uncertainties. In particular, model risk is the possibility that the valuation of a complex instrument is significantly influenced by the model chosen. Indeed, it is possible that models that price elementary instruments consistently may give different prices for exotic instruments. In these cases, where possible, alternative models are compared, and when necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shifts), and periodically reviewed. These fair value adjustments, due to model risks, are part of a mark to market adjustment policy adopted for the purposes of also considering, in addition to the model risk described above, other factors that could influence valuation and are essentially attributable to:

- high and/or complex risk profiles;
- position illiquidity caused by temporary or structural market conditions or the quantity of assets held (in case of excessive concentration); and
- valuation difficulties due to the lack of liquid and observable market parameters.

In the case of level 2 inputs, the valuation is not based on prices of the financial instrument being valued but on prices or credit spreads derived from official prices of instruments that are substantially similar in terms of price risk, using a given calculation method (pricing method).

Resort to this approach entails searching for transactions on active markets relating to instruments that are comparable to the instrument being valued in risk factor terms. The calculation methods classified as level 2 allows the replication of prices of financial instruments listed on active markets (model calibration) without including discretional parameters (i.e., parameters that cannot be obtained from prices of financial instruments on active markets or that cannot be pegged at levels that duplicate prices on active markets) that would have a significant influence on the final valuation price.

In order to calculate the fair value of certain types of financial instrument, valuation models are used that entail the use of parameters that cannot be observed directly on the market and, hence, require the valuer to make estimates and assumptions (level 3).

As required by IFRS 13, the following tables provide quantitative information about significant unobservable inputs used for the fair value measurement of financial assets and financial liabilities valued at level 3 as well as the effects of a change in one or more unobservable parameters used in the valuation technique used to calculate fair value.

(in thousands of euro)

Financial assets/liabilities	Valuation technique	Main non-observable inputs	Minimum value of range of changes	Maximum value of range of changes	Unit	Fair value gain	Fair value loss
Structured Securities	Two-factor model		-47	95	%	2,004	-1,858

(in thousands of euro)

Financial assets/liabilities	Non-observable parameters	Sensitivity	Change in non-observable parameter
Held for trading and available for sale securities	Correlation	-89	1%

The amount of securities transferred to another fair value level is specified below:

(in thousands of euro)

	Transfers at 30.06.2019					
	to level 1		to level 2		to level 3	
	from level 2	from level 3	from level 1	from level 3	from level 1	from level 2
Financial assets held for trading	-	-	-	-	-	-
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
Financial assets available for sale	558,007	-	96,478	-	-	-
Hedging derivatives	-	-	-	-	-	-
Financial assets measured at fair value	**558,007**	**-**	**96,478**	**-**	**-**	**-**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**

Transfers from one level to another are made on the basis of the empirical observation of intrinsic factors of the instrument being valued or its markets. Transfer from level 1 to level 2 takes place if an adequate number of inputs, i.e., a limited number of investors that hold the float, no longer exist. This event often materialises when the instrument nears maturity. Conversely, securities that upon issue are illiquid and for which trades are numerous and are thus classified in level 2 are reclassified into level 1 when an active market is identified.

The impact on profit or loss and equity of level 3 securities recognised at 30 June 2019 and their changes are analysed below:

(in thousands of euro)

Transfers	Profit or loss	Other comprehensive Income	TOTAL
Available for sale financial assets	-455	36,922	36,466
Financial assets held for trading	20	-	20
Financial assets designated at fair value through profit or loss	2,172	-	2,172
Loans and receivables	-	-	-
Equity investments	-	-	-
Total	**1,737**	**36,922**	**38,659**

(in thousands of euro)

	Financial assets available for sale	Financial assets held for trading	Financial assets at fair value through profit and loss FVO
Opening balance	**1,342,289**	**49,387**	**358,784**
Increases	**360,440**	**475**	**2,874**
Acquisitions	264,790	-	-
Fair value gains recognised in equity	46,561	-	-
Fair value gains recognised in profit or loss	-	475	2,874
Transfers from L1 to L3 - increases	-	-	-
Transfers from L2 to L3 - increases	-	-	-
Realised gains	274	-	-
Other increases	48,816	-	-
Decreases	**-143,192**	**-81**	**-167,596**
Sales and repayments	-84,841	-	-2,500
Fair value losses recognised in equity	-10,081	-	-
Transfers from L3 to L1 - decreases	-	-	-
Transfers from L3 to L2 - decreases	-	-	-
Fair value losses recognised in profit or loss	-	-	-701
Realised loss	-2,247	-	-16
Other decreases	-46,024	-81	-164,378
Foreign currency	**-**	**-**	**-**
Closing balance	**1,559,537**	**49,782**	**194,062**

Fair value gains and losses on securities classified as available-for-sale are recognised in equity caption 1.1.7 “Fair value reserve” except for impairment losses which are recognised in profit or loss in caption 2.4.4. “Impairment losses”. Fair value gains or losses are recognised in caption 1.3 “Net fair value gains (losses) on financial instruments at fair value through profit or loss” when they relate to securities classified as held for trading and at fair value through profit or loss.

BUSINESS SEGMENTS

The group operates principally in the life business, whilst the contribution of the non-life business is gradually growing.

It is active in Italy and, to a lesser extent, in other European Union member states. Its activities in other countries are conducted entirely by the subsidiary Intesa Sanpaolo Life.

For details regarding the financial position and results of operations of the two life and non-life segments, reference should be made to the annexes to the notes to the interim consolidated financial statements while the performance of the two segments during the reporting period is commented on below.

Life business

The group recorded gross premiums of €6,225.0 million, relating to both premiums on insurance products and financial products with DPF, as well as gross inflows from financial products without DPF.

During the first half of the year, the gross premiums of unit-linked products were adversely affected by the negative market scenario while traditional product premiums increased by 34%. Given customers' reduced risk appetite, the group introduced new class I products during the year: Programma Private.

Gross premiums decreased by 27.5% compared to the corresponding period of 2018.

(in millions of euro)

	30.06.2019	30.06.2018	Change	
Insurance and financial products with DPF:	**3,946.4**	**2,951.6**	**994.7**	**34%**
- Traditional (Class I)	3,405.9	2,726.4	679.5	25%
- Capitalisation (Class V)	0.4	0.6	-0.1	-21%
- Unit-linked (Class III)	309.7	8.2	301.4	>100%
- Pension funds (Class VI)	230.4	216.4	14.0	6%
Financial products without DPF:	**2,278.6**	**5,638.5**	**-3,359.9**	**-60%**
- Unit-linked (Class III)	2,278.6	5,638.5	-3,359.9	-60%
Total Life business	**6,225.0**	**8,590.1**	**-2,365.1**	**-28%**

Changes in the life insurance contracts are set out below:

	Contracts on 31.12.2018	New contracts	Other inflows	Payments and maturities	Other outflows	Contracts on 30.06.2019
Contracts under the scope of IFRS 4	**3,351,387**	**219,063**	**598**	**-114,421**	**-67,502**	**3,389,125**
Traditional	1,006,873	11,095	336	-44,943	-1,195	972,166
Capitalisation	1,959	2	2	-44	-	1,919
Unit-linked	533,396	38,090	2	-19,942	-	551,546
Pension	136,514	6,463	-	-658	-547	141,772
Individual pension funds	24,739	-	-	-284	-304	24,151
Term life	1,249,041	141,615	231	-45,800	-63,916	1,281,171
Index-linked	22	-	27	-37	-	12
Open pension plans	398,843	21,798	-	-2,713	-1,540	416,388
Contracts under the scope of IAS 39	**526,787**	**70,697**	**23**	**-19,312**	**-8,500**	**569,695**
Unit-linked	34,352	-	4	-2,876	-	31,480
Multi-class	492,435	70,697	19	-16,436	-8,500	538,215
Total	**3,878,174**	**289,760**	**621**	**-133,733**	**-76,002**	**3,958,820**

The net claims incurred, including the adjustment to the insurance provisions, amount to €4,516.5 million, showing a 33.0% increase on the €3,390.1 million recognised for the corresponding period of 2018. This performance is the result of the combined effect of the containment of benefits paid and the increase in insurance provisions, due principally to the commercial performance.

The provision for payable amounts increased by €387.5 million (€33.3 million for the six months ended 30 June 2018). The reduction in mathematical provisions, after accounting for the reinsurers' share, amounts to €980.4 million (€1,417.4 million for the first half of 2018), whilst provisions resulting from pension fund management where the investment risk is borne by the policyholders decreased by €277.5 million (€184.3 million for the corresponding period of 2018). The other insurance provisions, net of the reinsurers' share, increased by €21.0 million (it decreased by €59.7 million in the first half of 2018).

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €86.1 million (€92.4 million in the first half of 2018). They include acquisition costs relating to insurance contracts and investment contracts with DPF. In particular, the caption includes acquisition commissions of €54.2 million (€61.3 million in the corresponding period of 2018), other acquisition costs of €6.0 million (€5.9 million in the corresponding period of 2018) and collection commissions of €25.9 million (€25.1 million for the six months ended 30 June 2018).

Investment management costs amount to €24.6 million for the period (€26.0 million for the corresponding period of 2018) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administration costs amount to €33.3 million, up from €29.6 million for 30 June 2018.

Non-life business

The Intesa Sanpaolo Vita Group is also active in the non-life business through its subsidiary Intesa Sanpaolo Assicura and with the accident and health insurance products merged into the parent from the former Centrovita Assicurazioni.

Gross premiums for the first half of 2019 amount to €313.4 million, up on the corresponding period of the previous year (€248.3 million). In line with the contribution to the Intesa Sanpaolo Group's business plan, the non-life business saw growth in its non-motor line of business, especially the home and healthcare products due to the strong focus on retail and SME customers.

The quality of the new products developed by the insurance group and the banking network's distribution strategy are clearly successful. The penetration rate of the non-motor policies sold to Intesa Sanpaolo customers increased from 6.9% at 30 June 2018 to 8.7% at 30 June 2019.

A breakdown by distribution channel is as follows:

(in millions of euro)

	30.06.2019	%	30.06.2018	%	Change %
Credit protection	112.3	36.0%	105.1	42.0%	7%
Home and family	62.4	20.0%	59.9	24.0%	4%
Motor	58.8	19.0%	52.6	21.0%	12%
Health and accidents	63.7	20.0%	20.6	8.0%	209%
Other	16.1	5.0%	10.0	4.0%	61%
Total	**313.4**	**100%**	**248.3**	**100%**	**26.2%**

A breakdown of Intesa Sanpaolo Assicura's gross premiums by business segment is as follows:

(in millions of euro)

	30.06.2019	30.06.2018	Change %
Motor	**58.8**	**52.6**	**12%**
CPI	**112.3**	**129.2**	**-13%**
Non-motor	**141.8**	**66.0**	**115%**
of which: Home and family	62.4	34.7	80%
of which: Health and accident	63.3	21.3	193%
of which: Businesses and AON	9.1	3.0	202%
of which: Other	7.0	7.0	-0.1%
Total	**313.0**	**247.9**	**26.24%**

As shown in the above table, sales of non-motor products (excluding CPI), on which the 2018-2021 business plan hinges, rocketed by 115%.

The following table sets out the claims paid in the principal non-life lines of business:

(in millions of euro)

	30.06.2019	30.06.2018
Accident insurance (Class 1)	5.9	2.4
Health insurance (Class 2)	6.4	6.4
Motor vehicle property damage (Class 3)	3.0	2.8
Fire (Class 8)	2.7	2.1
Other damage to goods (Class 9)	3.4	2.1
Motor third party liability (Class 10)	29.9	26.5
General third-party liability (Class 13)	2.7	1.6
Credit insurance (Class 14)	0.4	0.4
Bonds (Class 15)	0.9	0.7
Pecuniary losses (Class 16)	3.5	4.1
Legal protection (Class 17)	0.1	0.9
Support and assistance (Class 18)	1.0	0.8
Total	**60.0**	**50.8**

At 30 June 2019, non-life policies numbered 3,002,094.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €70.3 million (€65.2 million for the corresponding period of 2018).

Administrative costs amount to €16.4 million, up from €12.3 million for the first six months of 2018.

OTHER INFORMATION

Principal risks and uncertainties for companies included in the consolidation scope

The Intesa Sanpaolo Group, which encompasses the companies included in the consolidation scope of Intesa Sanpaolo Vita, has had a Risk Management Unit for some time. This unit is responsible for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of risk profiles, the verification of mitigation effectiveness and reporting to senior management.

In accordance with the process defined by the ultimate parent for operational risks, the Intesa Sanpaolo Vita Group has set up a monitoring system for financial, insurance and operational risks using an integrated reporting system, which provides management with the information necessary to manage and/or reduce the risks taken on.

Going concern

The group considers that the risks to which it is exposed do not raise any doubts as to its ability to continue as a going concern.

Non-recurring transactions and capital management

No non-recurring transactions took place in the first half of 2019.

Related party transactions

The Intesa Sanpaolo Vita Group has undertaken transactions with Intesa Sanpaolo group companies as part of its ordinary operations. These transactions, which took place at normal market conditions to the mutual benefit of both parties, are analysed in greater detail in the "Related parties" section of the notes to the interim consolidated financial statements.

Ownership structure

Intesa Sanpaolo Vita belongs to the Intesa Sanpaolo Group and is 99.99% controlled by Intesa Sanpaolo S.p.A. which also manages and coordinates it. Its residual share capital is held by 21 third party shareholders. Its share capital is comprised of 655,157,496 ordinary shares with no nominal amount.

At 30 June 2019, the Intesa Sanpaolo Vita Group held 503,570 shares of the ultimate parent, Intesa Sanpaolo. These shares were acquired in order to service the share incentive plan for senior management authorised by the shareholders of Intesa Sanpaolo and resolved upon by the boards of directors of Intesa Sanpaolo Vita and Intesa Sanpaolo Life. The carrying amount and fair value of the shares is €1.0 million.

A breakdown of the ultimate parent's shares held by the Intesa Sanpaolo Vita group companies at the reporting date is as follows:

(in thousands of euro)

	Number of Shares	30.06.2019
INTESA SANPAOLO VITA S.p.A.	352,187	663
INTESA SANPAOLO ASSICURA S.p.A.	67,129	126
INTESA SANPAOLO LIFE LIMITED	90,254	193
Total	**509,570**	**982**

Main offices

The parent's registered office is located in Corso Inghilterra 3, Turin and its administrative offices are located in Viale Stelvio 55/57, Milan.

Audit

KPMG S.p.A. performs the statutory audit of the group's consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

No events have taken place after the reporting date that would have had a negative effect on the group's financial position, financial performance or cash flows.

The global economic growth is expected to speed-up again in the second half of 2019, but in a context still characterised by strong uncertainty and very modest about-turn signs. As for the potential risks, a new escalation of the trade war between China and the United States may occur. Moreover, the latter could also threaten duties on car imports from Europe at the end of the year. On 31 October, the United Kingdom should leave the European Union, potentially without an exit deal. There are also increasing tensions in the Strait of Hormuz, a crucial hub for the global oil market.

This uncertain context is the reason for the central banks' decision to ease the monetary policy again. The Federal Reserve has announced a rate cut, although it will probably be less than the markets hope for. The European Central Bank has anticipated several stimulus measures to be taken if the economy does not improve significantly: changes in future orientation, cuts in official rates and an amendment to the asset purchase programme.

In general, European economic growth should have reached its lowest point in the second quarter, but the acceleration expected in the second half of 2019 is modest. Another significant widening of the spread on the Italian debt cannot be ruled out if its fiscal package does not ensure a decrease in the debt ratio. On the other hand, if the Italian government's can guarantee a reduction in its debt ratio and that it will continue its fiscal stimulus plan, the spread could start to decrease again, as they did at the beginning of the summer. The Italian economy's growth, inexistent so far, could pick up slightly in the second half of the year, if foreign demand continues to improve.

In the second half of 2019, emerging economies are expected to recover due to easier financial conditions, more public investment spending (including in Russia and the GCC countries) and economic reforms announced by authorities (including in Brazil), the overcoming of some extraordinary factors (especially floods and droughts) that occurred in the first part of the year. However, there are still risks of a possible deterioration should current trade disputes (primarily between the United States and China) and geo-political tensions (specifically in the Gulf area) intensify.

Milan, 31 July 2019

The chairman of the Board of Directors

Luigi Maranzana
(signed on the original)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

		30.06.2019	31.12.2018
1	**INTANGIBLE ASSETS**	**652,930**	**648,578**
1.1	Goodwill	634,580	634,580
1.2	Other intangible assets	18,350	13,998
2	**TANGIBLE ASSETS**	**13,833**	**1,262**
2.1	Lands and buildings (self used)	-	-
2.2	Other tangible assets	13,833	1,262
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**24,436**	**19,653**
4	**INVESTMENTS**	**129,135,513**	**122,227,671**
4.1	Lands and buildings (investment properties)	-	-
4.2	Investments in subsidiaries, associates and joint ventures	2,065	2,073
4.3	Investments held to maturity	-	-
4.4	Loans and receivables	18,780	18,988
4.5	Financial assets available for sale	75,893,089	72,122,673
4.6	Financial assets at fair value through profit or loss	53,221,579	50,083,938
5	**RECEIVABLES**	**481,735**	**340,626**
5.1	Receivables arising from direct insurance operations	66,221	44,272
5.2	Receivables arising from reinsurance operations	5,188	3,108
5.3	Other receivables	410,326	293,246
6	**OTHER ASSETS**	**2,848,680**	**2,770,115**
6.1	Non-current assets held for sale and discontinued operations	-	-
6.2	Deferred acquisition costs	-	-
6.3	Deferred tax assets	178,831	182,854
6.4	Current tax assets	2,116,128	2,054,590
6.5	Other asset	553,721	532,671
7	**CASH AND CASH EQUIVALENTS**	**433,184**	**823,870**
	TOTAL ASSETS	**133,590,311**	**126,831,775**

(in thousands of euro)

		30.06.2019	31.12.2018
1	**SHAREHOLDERS' EQUITY**	**5,093,919**	**4,586,927**
1.1	**attributable to the Group**	**5,093,919**	**4,586,927**
1.1.1	Share capital	320,423	320,423
1.1.2	Other equity instruments	-	-
1.1.3	Capital reserves	1,328,097	1,328,097
1.1.4	Retained earnings and other equity reserves	2,834,869	2,318,117
1.1.5	Treasury share (-)	-	-
1.1.6	Exchange difference reserves	-	-
1.1.7	Gains or losses on available for sale financial assets	294,312	-1,972
1.1.8	Reserve for other unrealized gains (losses) through equity	10,695	1,882
1.1.9	Result of the period	305,523	620,380
1.2	**attributable to minority interests**	**-**	**-**
1.2.1	Capital and reserves attributable to minority interests	-	-
1.2.2	Reserve for other unrealized gains (losses) through equity	-	-
1.2.3	Net profit (loss) for the year attributable to minority interests	-	-
2	**PROVISIONS**	**10,417**	**14,138**
3	**TECHNICAL RESERVES**	**77,122,461**	**73,962,758**
4	**FINANCIAL LIABILITIES**	**49,299,503**	**46,683,980**
4.1	Financial liabilities at fair value through profit or loss	47,554,785	44,938,273
4.2	Other financial liabilities	1,744,718	1,745,707
5	**PAYABLES**	**1,158,715**	**739,428**
5.1	Arising out of direct insurance business	167,800	160,507
5.2	Arising out of reinsurance business	17,493	8,075
5.3	Other payables	973,421	570,845
6	**OTHER LIABILITIES**	**905,296**	**844,545**
6.1	Liabilities of disposal groups held for sale	-	-
6.2	Deferred tax liabilities	462,792	433,281
6.3	Current tax liabilities	286,295	240,900
6.4	Other liability	156,209	170,364
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**133,590,311**	**126,831,775**

INCOME STATEMENT

(in thousands of euro)

		30.06.2019	30.06.2018
1.1	Net earned premiums	4,187,291	3,145,921
1.1.1	*Gross premiums written*	4,198,959	3,151,883
1.1.2	*Reinsurance premiums*	-11,669	-5,962
1.2	Commission income	485,039	461,401
1.3	Net income on financial instruments at fair value through P&L	156,199	-64,308
1.4	Income on investments in subsidiaries, associate & joint ventures	-	-
1.5	Income from other financial instruments and lands and buildings	1,036,453	1,252,458
1.5.1	*Interest income*	805,918	848,609
1.5.2	*Other income*	100,676	104,242
1.5.3	*Realised gains*	129,859	299,608
1.5.4	*Unrealised gains*	-	-
1.6	Other revenues	84,296	96,974
1	**TOTAL INCOME**	**5,949,278**	**4,892,447**
2.1	Net insurance benefits and claims	-4,595,402	-3,443,511
2.1.1	*Amounts paid and change in technical reserves*	-4,598,770	-3,448,503
2.1.2	*Reinsurers' share*	3,369	4,992
2.2	Commission expenses	-375,581	-337,964
2.3	Losses on investments in subsidiaries associates & joint ventures	-8	-141
2.4	Expenses from other financial instruments and lands and buildings	-106,123	-120,130
2.4.1	*Interest expenses*	-32,367	-46,934
2.4.2	*Other expenses*	-8	-7
2.4.3	*Realised losses*	-70,775	-65,381
2.4.4	*Unrealised losses*	-2,973	-7,809
2.5	Operating expenses	-224,275	-221,467
2.5.1	*Commissions and other acquisition costs*	-154,377	-156,856
2.5.2	*Investment management expenses*	-24,651	-26,269
2.5.3	*Other administrative costs*	-45,248	-38,342
2.6	Other costs	-237,283	-262,345
2	**TOTAL EXPENSES**	**-5,538,673**	**-4,385,557**
	PROFIT (LOSS) BEFORE TAX FOR THE PERIOD	**410,605**	**506,889**
3	Income tax	-105,081	-127,693
	PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**305,523**	**379,196**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**-**	**-**
	CONSOLIDATED NET PROFIT (LOSS) FOR THE PERIOD	**305,523**	**379,196**
	of which attributable to the Group	305,523	379,196
	of which attributable to the minority interests	-	-

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)	30.06.2019	30.06.2018
CONSOLIDATED NET PROFIT (LOSS) FOR THE PERIOD	**305,523**	**379,196**
Other items of income after taxes without reclassification to profit or loss	**1,024**	**-2,559**
Share of other comprehensive income of associates	-	-
Reserve for revaluation model on intangible assets	-	-
Reserve for revaluation model on tangible assets	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-
Actuarial gains or losses arising from defined benefits plan	1,095	46
Other items	-71	-2,605
Other items of income after taxes with reclassification to profit or loss	**304,072**	**-312,787**
Foreign currency translation differences	-	-
Reserve for unrealized gains and losses on available for sale financial assets	296,284	-312,820
Net unrealized gains and losses on cash flows hedging derivatives	7,789	-
Net unrealized gains and losses on hedge of a net investment in foreign operations	-	-
Share of other comprehensive income of associates	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-
Other items	-	34
OTHER COMPREHENSIVE INCOME	**305,097**	**-315,345**
TOTAL COMPREHENSIVE INCOME	**610,620**	**63,851**
Of which attributable to the Group	**610,620**	**63,851**
Of which from minority interest	**-**	**-**

STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

		Amount as of 31.12.2017	Change in Closing Balances	Allocation	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30.06.2018
Shareholders' equity attributable to the Group	Share capital	320,423	-	-	-	-	-	320,423
	Other equity instruments	-	-	-	-	-	-	-
	Capital Reserves	1,328,097	-	-	-	-	-	1,328,097
	Revenue reserves and other reserves	2,182,342	-	586,218	-	220	-	2,768,780
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	587,119	-	-207,923	-	-	-	379,196
	Other comprehensive income	400,214	-	-14,682	-19,488	-281,175	-	84,869
	Total attributable to the Group	**4,818,195**	**-**	**363,613**	**-19,488**	**-280,955**	**-**	**4,881,365**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,818,195**	**-**	**363,613**	**-19,488**	**-280,955**	**-**	**4,881,365**

(in thousands of euro)

		Amount as of 31.12.2018	Change in Closing Balances	Allocation	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30.06.2019
Shareholders' equity attributable to the Group	Share capital	320,423	-	-		-		320,423
	Other equity instruments	-	-	-		-		-
	Capital Reserves	1,328,097	-	-		-		1,328,097
	Revenue reserves and other reserves	2,318,117	-	931,577		-414,825	-	2,834,869
	(Own shares)	-	-	-		-		-
	Result for the period	620,380	-	-314,857		-		305,523
	Other comprehensive income	-90	-	296,948	4,074	4,074	-	305,006
	Total attributable to the Group	**4,586,928**	**-**	**913,668**	**4,074**	**-410,751**	**-**	**5,093,919**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-		-	-	-
	Result for the period	-	-	-		-		-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,586,928**	**-**	**913,668**	**4,074**	**-410,751**	**-**	**5,093,919**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(in thousands of euro)

	30.06.2019	30.06.2018
PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**410,605**	**506,889**
Change in non-cash items	**3,645,046**	**-2,897,110**
Change in non-life provision for unearned premium	56,728	48,426
Change in non-life provision for outstanding claims and other insurance provisions	21,989	6,915
Change in mathematical provisions and other life insurance provisions	3,372,486	-3,394,768
Change in deferred acquisition costs	-	-
Change in provisions	-3,720	592
Non-cash income and expenses from financial instruments, investment property and equity investments	180,953	502,088
Other expenses	16,611	-60,363
Change in receivables and payables generated by operating activities	**226,831**	**611**
Change in receivables and payables on direct insurance and reinsurance operations	-7,318	-2,904
Change in other receivables and payables	234,149	3,515
Income taxes paid	**-105,081**	**-127,693**
Net cash generated/absorbed by cash items related to investment and financing activity	**-700,098**	**-361,524**
Financial liabilities related to investment contracts	2,615,524	2,518,201
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit and loss	-3,315,622	-2,879,725
CASH FLOW FROM OPERATING ACTIVITY	**3,477,302**	**-2,878,827**
Net cash generated/absorbed by lands and buildings (investment property)	-	-
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	8	141
Net cash generated/absorbed by loans and receivable	208	167
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-3,773,389	2,733,195
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**-3,773,173**	**2,733,503**
Net cash generated/absorbed by Group's share capital and equity instruments	-94,816	-3,206
Net cash generated/absorbed by own shares	-	-
Dividends payment	-	-
Net cash generated/absorbed by minority interests' share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments	-	-
Other cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**-94,816**	**-3,206**
Effect of foreign-exchange differences on cash and cash equivalents	**-**	**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	823,870	768,108
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-390,687**	**-148,530**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	433,184	619,578

The parent's legal representatives (*)

The chairman – Luigi Maranzana................(signed on the original)...(**)

(*) For foreign companies, the signature of the general representative for Italy is required.

(**) Specify the position held by the signatory representative.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PART A - BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The legislative context

As set forth by Legislative decree no. 38 of 28 February 2005, those companies falling under the scope of Legislative decree no. 209/05 "Codice delle Assicurazioni Private" (Italian Code for Private Insurance Companies), are required to draw up their consolidated financial statements, starting from 2005, in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission.

The group's interim consolidated financial statements have, therefore, been prepared in compliance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606 of 19 July 2002, as well as applying the standards or subsequent amendments endorsed after that date.

The new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission with Regulation no. 2067/2016, has replaced IAS 39, which governed the classification and measurement of financial instruments, with effect from 1 January 2018. IFRS 9 covers the classification and measurement of financial instruments, impairment and hedge accounting.

Starting from 1 January 2018, the new standard IFRS 15 also came into force, replacing IAS 18 – Revenue and IAS 11 – Construction contracts. It was adopted by the Intesa Sanpaolo Vita Group, as well as the Intesa Sanpaolo Group, as of such date.

Moreover, the new standard IFRS 16 became applicable as of 1 January 2019, replacing the previous standard IAS 17 - Leases which is deemed to have insignificant effects on the insurance group. It made significant changes to the accounting for leases, based on the right-of-use model. The group has chosen to carry out the first-time adoption (FTA) through the modified retrospective approach, which provides the option, established by IFRS 16, of recognising the cumulative effect of the adoption of the standard at the date of first-time adoption and without restating the comparative information. As a result, the figures for 2019 will not be comparable with regard to the recognition of the right-of-use assets and the corresponding lease liabilities. The adoption of the new standard is deemed to have insignificant effects on the insurance group. Its effects are disclosed in the "Other items of property, plant and equipment" and "Liabilities" sections of these notes.

IFRS 17 will become applicable from 1 January 2022. The group is currently upgrading its system in order to manage insurance contracts in accordance with the new standard.

In order to best understand and apply the new reporting standards, reference was also made to the following documents, even though they have not been endorsed by the European Commission:

- "Framework for the preparation and presentation of financial statements" of the International Accounting Standards Board;
- "Implementation guidance, basis for conclusions" and any other documents prepared by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) to supplement the issued standards.

Lastly, again in terms of interpretation, the documents regarding the application of the IFRS prepared by the Italian Accounting Standard Setter (Organismo Italiano di Contabilità, OIC), the Italian Association of Insurance Companies (Associazione Nazionale delle Imprese di Assicurazioni, ANIA) and the Italian Banking Association (Associazione Bancaria Italiana, ABI) were considered.

With regard to IFRS 9, on 3 November 2017, the European Official Journal published Regulation no. 1988/2017 that extends the two options (temporary exemption and overlay approach) to both insurance financial statements of insurance groups and consolidated financial statements of financial conglomerates, such as the Intesa Sanpaolo Group.

Both options were introduced in 2016 in order to avoid volatility of results deriving from the misalignment of effective dates of the new standard IFRS 17 on insurance contracts expected for 1 January 2022, replacing the current IFRS 4, and the new standard IFRS 9.

In December 2017, the Intesa Sanpaolo Vita Group, together with the ultimate parent, Intesa Sanpaolo, opted for the temporary exemption which defers the adoption of IFRS 9 to 1 January 2022, the date proposed by the IASB in its amendment, in order to implement the standard together with IFRS 17 for the insurance group.

The group checked its compliance with the requirements to apply the temporary exemption and, specifically, that the carrying amount of insurance liabilities as a percentage of total liabilities exceeded 90% (predominance ratio).

On 1 January 2016, the Solvency II Directive became applicable to the European insurance sector. The new legislation completely revised the calculation method of the synthetic indicators used to measure insurance companies' solvency.

The group's insurance companies took steps to comply with the new regulations and the new calendar for reporting to the supervisory authority, IVASS. The main reports cover the eligible own funds, the solvency capital requirement (SCR) and the solvency ratio. Intesa Sanpaolo Vita calculated the aggregate solvency ratio of the insurance companies as the insurance parent of the Intesa Sanpaolo banking group.

With reference to capital management, pursuant to Solvency II and the guidelines provided by the supervisory authority about how to apply the EIOPA guidelines on systems of governance, the prospective valuation of risks using the ORSA (own risk and solvency assessment) guidance, the group companies defined the method to calculate their own funds. The related management rules are designed to assess capital requirements and the optimum allocation of capital.

Basis of presentation

These interim consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report.

They have been prepared based on the instructions about layouts issued by ISVAP with regulation no. 7 of 13 July 2007, as subsequently amended by measure no. 53/2016, supplemented with the additional disclosures required by IAS 34.8 for the preparation of interim financial reporting (minimum components of interim financial statements).

The interim consolidated financial statements and these notes have been drawn up in Euros as the functional currency. The amounts are expressed in thousands of Euros, unless specified otherwise.

Accounting policies

The accounting policies used to draw up these interim consolidated financial statements are the same as those applied to prepare the annual consolidated financial statements at 31 December 2018 to which reference should be made for more detailed information, except for the new standards applied as of 1 January 2019 (see the reference legislative framework).

These accounting policies have been identified assuming the consolidated companies will continue to operate as it is deemed that there are no significant uncertainties that generate doubts as to their ability to continue as going concerns.

Share-based payment

Based on the treasury share repurchase programme commenced by Intesa Sanpaolo S.p.A. to service the senior management free share assignment plan, the group has purchased the ultimate parent's shares.

These shares are measured at fair value. Fair value gains or losses on the shares are recognised in profit or loss with the concurrent recognition of personnel expense of the same amount and an increase in the related equity reserve for the ultimate parent's shares.

PART B - CONSOLIDATION POLICIES AND SCOPE

CONSOLIDATION POLICIES

These interim consolidated financial statements include, as well as the interim financial statements of the parent, Intesa Sanpaolo Vita, those of the subsidiaries Intesa Sanpaolo Life and Intesa Sanpaolo Assicura. In compliance with IFRS 10, all the investments in subsidiaries, including those working in business sectors that are different to those of the parent, are consolidated on a line-by-line basis, as follows:

- the IFRS financial statements of the parent and its subsidiaries are grouped line by line, summing all the carrying amounts of the assets, liabilities, equity, revenue and costs;
- the carrying amount of the parent's investments in each subsidiary and the corresponding part of their equity are eliminated and the non-controlling interest in the profit or loss for the period and in equity is shown separately;
- any positive differences between the carrying amount of the parent's investments in each subsidiary and the corresponding part of their equity are allocated to the subsidiary's relevant assets and, for the remaining part, to goodwill at the time of first consolidation and, afterwards, among the equity reserves. Any negative differences are recognised in profit or loss. In the case where the investments held by the parent come from transactions carried out with Intesa Sanpaolo group companies, because they are transactions between entities under common control and in the absence of explicit information regarding this situation in the IFRS, the same carrying amount was maintained;
- intragroup balances and transactions, including revenue, costs and dividends, are eliminated.

All the interim financial statements of the companies included in the consolidation scope have the same reporting date and are expressed in Euros. Segment reporting by geographical segment is not presented because the group mainly operates in Italy.

The interim financial statements used for consolidation are those at 30 June 2019 approved by the relevant bodies of the subsidiaries, adjusted where necessary to comply with the parent's accounting policies. All the group entities and companies use the Euro as their functional and presentation currency.

Segment reporting is based on the significant business segments in which the group operates as follows:

- non-life insurance business;
- life insurance business.

Details are given in the annex to the notes "Income statement by business segment".

CONSOLIDATION SCOPE

The interim consolidated financial statements include Intesa Sanpaolo Vita and the companies that it directly and indirectly controls – as specifically set out by IFRS – including the companies operating in dissimilar sectors from the parent.

Similarly, structured entities are included when the requisite of effective control is met, even if there is no stake in the company.

Companies are considered subsidiaries where Intesa Sanpaolo Vita is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question. Control only exists if all of the following conditions are met. The parent has:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Intesa Sanpaolo SmartCare, in which Intesa Sanpaolo Vita held a 49% investment at the reporting date, is measured using the equity method which entails initial recognition of the investment at cost and subsequent adjustment based on the parent's share of the investee's equity. The difference between the fair value of the investment and the parent's share of the investee's equity is included under the investment's carrying amount.

The parent's share of the investee's profit or loss for the period is recognised in the specific income statement caption.

A list of the companies consolidated at 30 June 2019 is provided in the annex to the notes "Consolidation scope".

PART C - NOTES TO THE STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS (CAPTION 1)

The caption amounts to €652,930 thousand (€648,578 thousand at 31 December 2018).

It mainly comprises goodwill and the expenses incurred for software acquired from third parties or developed internally and is broken down below:

(in thousands of euro)

	30.06.2019			31.12.2018		
	Costs	Deemed cost or fair value	Carrying amount	Costs	Deemed cost or fair value	Carrying amount
Goodwill	634,580	-	634,580	634,580	-	634,580
Other intangible assets	18,350	-	18,350	13,998	-	13,998
Total	**652,930**	**-**	**652,930**	**648,578**	**-**	**648,578**

Goodwill of €634,580 thousand, unchanged from 31 December 2018, refers to the non-recurring transactions in which the group was involved, especially the merger of Intesa Sanpaolo Vita (€596.3 million) and Sud Polo Vita (€35.3 million) into the parent on 31 December 2011 and the contribution of the Intesa Sanpaolo Previdenza SIM S.p.A. business unit (€2.9 million) on 1 December 2014.

Intesa Sanpaolo Vita as a whole was identified as a cash-generating unit considering both the accounting origination of the goodwill recognised in the consolidated financial statements and the structure of the group's internal control and reporting systems, thus comparing the parent's future profitability to the carrying amount of the goodwill recognised in the group's interim consolidated financial statements.

Goodwill was tested for impairment at 31 December 2018 in line with IAS 36, by comparing the cash-generating unit's carrying amount to its recoverable amount (the higher of fair value less costs to sell and its value in use). For the purposes of the consolidated financial statements, the parent deemed the analyses at value in use to be suitable. It was determined using the appraisal value, which is the parent's value as a going concern, i.e., the sum of the embedded value (the present value of future profits generated by each policy net of the in-force value and adjusted net asset value) and the value of future business that the parent expects to realise in the next three years, the period of time used as a reference under national and international best practice.

The discount rate used to calculate the intrinsic value was derived from the "risk neutral" approach, using the Euroswap curve adjusted by the volatility adjustment defined in the Solvency II Directive.

This measurement gave values considerably higher than the carrying amount of goodwill.

Moreover, it was supported by the elements characterising operations in 2019 and mainly:

- the trend of assets under management, which remained substantially stable;
- the trend of surrenders relating to Class I traditional products, which were offset by new contracts for multi-class products with a higher profit margin;
- the trend of new business, recording significant amounts and products with relative profitability above the portfolio’s average.

The performance in the first half of 2019 and forecasts for the entire year are consistent with the 2018 results, without events that may negatively affect measurement.

Other tangible assets (caption 2.2)

This caption, amounting to €13,833 thousand (€1,262 thousand at 31 December 2018), mainly comprises chattels, electronic systems, equipment and office machines. Starting from 2019, as required by IFRS 16, it also presents right-of-use assets of €12,379 thousand,

AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS (CAPTION 3)

This caption increased by €4,783 thousand to €24,436 thousand (€19,653 thousand at 31 December 2018).

The reinsurance treaties are entered into with leading counterparties whose degree of solvency is supported by the high ratings assigned.

INVESTMENTS (CAPTION 4)

Total investments amount to €129,135,513 thousand (€122,227,671 thousand at 31 December 2018.

Investments in subsidiaries and associates and interests in joint ventures (caption 4.2)

This caption amounts to €2,065 thousand at 30 June 2019 (€2,073 thousand at 31 December 2018) and refers to the equity measurement of the 49% investment held in Intesa Sanpaolo Smart Care S.r.l., which recognised equity of €4,214 thousand at 30 June 2019.

Financial assets (captions 4.3, 4.4, 4.5 and 4.6)

Financial assets amount to €129,133,448 thousand (€122,225,598 thousand at 31 December 2018).

Loans and receivables (caption 4.4)

This caption of €18,780 thousand (€18,988 thousand at 31 December 2018) is made up as follows:

(in thousands of euro)

	30.06.2019	31.12.2018
Loans and receivables whith bank customers	13,962	14,168
Other loans and receivables	4,818	4,820
- loans on policies	230	247
- other	4,588	4,573
Total	**18,780**	**18,988**

The maximum exposure to the credit risk on loans and receivables is €18,780 thousand, i.e., the carrying amount of such assets.

Available-for-sale financial assets (caption 4.5)

They amount to €75,893,089 thousand (€72,122,673 thousand at 31 December 2018), mainly comprise bonds and may be broken down as follows:

(in thousands of euro)

	30.06.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	60,446,116	3,382,334	233	63,828,683	57,202,099	2,895,007	292	60,097,398
- Structured	582,818	71,578	232	654,628	619,256	3,482	291	623,029
- Other debt securities	59,863,298	3,310,757	1	63,174,055	56,582,842	2,891,526	1	59,474,368
Equity instruments	1,052,009	1	31	1,052,040	952,675	1	73	952,749
- Measured at cost	-	-	31	31	-	-	73	73
- Measured at fair value	1,052,009	1	-	1,052,009	952,675	1	-	952,676
UCI shares	9,453,092	-	1,559,274	11,012,366	9,730,602	-	1,341,924	11,072,526
Total	**70,951,216**	**3,382,335**	**1,559,537**	**75,893,089**	**67,885,375**	**2,895,008**	**1,342,289**	**72,122,673**

The impairment test of investments classified as available-for-sale, which was conducted in line with the criteria adopted in the preparation of the 2018 annual consolidated financial statements, led to recognition of impairment losses of €2,968.4 thousand. This amount includes impairment losses on bonds (€2.7 thousand), equity instruments (€2,510.6 thousand) and OEIC units (€455.0 thousand). The following table shows the carrying amount of the group's exposure to sovereign risk:

(in thousands of euro)

	DEBT INSTRUMENTS	
	Government bonds	Other debt instruments
	Balance Sheet value	Balance Sheet value
Schengen countries	49,588,663	9,855,544
AUSTRIA	2,253	2,189
BELGIUM	4,131	154,414
BULGARIA	62,705	18,645
CROATIA	96,417	10,730
DENMARK	-	19,752
FINLAND	3,072	-
FRANCE	1,662,195	1,369,219
GERMANY	390,106	384,164
GREECE	-	-
IRELAND	89,363	173,750
ITALY	45,550,699	4,600,944
LUXEMBOURG	-	190,539
NORWAY	-	49,873
NETHERLANDS	68,307	987,472
POLAND	31,017	-
PORTUGAL	-	7,660
UK	101,207	1,141,210
ROMANIA	207,878	-
SLOVENIA	-	-
SPAIN	1,309,276	744,984
SWEDEN	-	-
HUNGARY	10,035	-
JAPAN	-	68,523
North Africa	39,672	-
Americas	-	2,308,056
Other countries	930,868	1,037,358
TOTAL	**50,559,202**	**13,269,481**

Financial assets at fair value through profit or loss (caption 4.6)

They amount to €53,221,579 thousand (€50,083,938 thousand at 31 December 2018) and include assets held for trading (€394,828 thousand) and assets designated at fair value through profit or loss (€52,826,751 thousand).

Financial assets held for trading

Financial assets held for trading amount to €394,828 thousand (€320,640 thousand at 31 December 2018).

The breakdown of the caption at 30 June 2019 is set out below:

(in thousands of euro)

	30.06.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	**124,455**	**9,291**	**2,749**	**136,494**	**120,990**	**9,541**	**2,556**	**133,087**
Structured	1,384	789	2,749	4,922	2,557	1,638	2,556	6,751
Other	123,071	8,501	-	131,572	118,433	7,903	-	126,336
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
UCI shares	56,651	-	47,033	103,684	61,017	-	46,831	107,848
Derivatives	29,097	125,553	-	154,650	48,914	30,792	-	79,705
Total	**210,203**	**134,844**	**49,782**	**394,828**	**230,921**	**40,333**	**49,387**	**320,640**

Assets designated at fair value through profit or loss

Assets designated at fair value through profit or loss amount to €52,826,751 thousand (€49,763,297 thousand at 31 December 2018).

The breakdown of the caption at 30 June 2019 is set out below:

(in thousands of euro)

	30.06.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	3,371,406	103,836	28,907	3,504,149	3,389,710	77,878	29,475	3,497,063
- Structured	80,129	28,407	28,907	137,443	101,948	67,878	29,475	199,302
- Other debt securities	3,291,277	75,429	-	3,366,706	3,287,762	10,000	-	3,297,762
Equity instruments	1,186,907	-	-	1,186,907	976,836	-	-	976,836
UCI shares	47,722,303	-	18,178	47,740,482	44,685,112	-	18,880	44,703,992
Other financial investments	246,485	-	146,977	393,462	276,277	-	310,429	586,706
Non-hedging financial Derivatives	-	1,751	-	1,751	-	-1,300	-	-1,300
Total	**52,527,101**	**105,587**	**194,062**	**52,826,751**	**49,327,936**	**76,578**	**358,784**	**49,763,297**

RECEIVABLES (CAPTION 5)

They amount to €481,735 thousand (€340,626 thousand at 31 December 2018). Sundry assets include, in particular, tax assets (€54,846 thousand), management commissions on unit-linked and index-linked policies (€102,280 thousand) and other amounts receivable of €252,756 thousand, mainly consisting of hedges of the margins on derivatives agreed with Morgan Stanley, Deutsche Bank and Goldman Sachs, which came to €248,812 thousand at the reporting date.

Premiums due from policyholders jumped by 69% from €36,643 thousand to €61,823 thousand at 30 June 2019. The increase is principally attributable to the subsidiary Intesa Sanpaolo Assicura (its portion rose from €35,987 thousand to €61,206 thousand at 30 June 2019), thanks to its launch of the modular product "XME protezione" in 2018, which allows payment of the premiums in instalments. The subsidiary did not avail of the option provided by article 1901.2/3 of the Italian Civil Code for the non-payment of instalments subsequent to the first one.

Other financial assets include the VAT recharged to co-insurers (€5,825.7 thousand) by the parent in accordance with article 60.7 of Presidential decree no. 633/72 (VAT decree). Law decree no. 119/2018 that introduced a tax amnesty labelled as "tax peace", which came into force on 24 October 2018 and was converted into Law no. 136 of 17 December 2018, whose article 6 governs the settlement procedure for tax disputes. The parent decided to avail of the new provisions for the settlement of its tax disputes at all stages and court levels, still pending on 24 October 2018 (the effective date of Law decree no. 118/2018). Specifically, it settled its tax disputes relating to 2003, 2004, 2005, 2006, 2007, 2008 and 2009. The settlement procedure required filing the related application with the tax authorities before 31 May 2019. Accordingly, those tax disputes are now all settled.

The following table sets out details of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Direct insurance receivables (caption 5.1)	**66,221**	**44,272**
Premiums due from policyholders	61,823	36,643
Amounts due from insurance brokers	170	347
Co-insurance assets	1,725	4,952
Other	2,504	2,331
Reinsurance receivables (caption 5.2)	**5,188**	**3,108**
Sundry receivables (caption 5.3)	**410,326**	**293,246**
Tax assets	54,846	73,816
Management commissions on unit-linked policies	102,280	100,082
Amount due from the ultimate parent for tax payments on account	443	443
Other receivables	252,756	118,905
Total	**481,735**	**340,626**

OTHER ASSETS (CAPTION 6)

The caption amounts to €2,848,680 thousand (€2,770,115 thousand at 31 December 2018).

(in thousands of euro)

	30.06.2019	31.12.2018
Deferred tax assets	178,831	182,854
Current tax assets	2,116,128	2,054,590
Other assets	553,721	532,671
Deferred commission expense on investment contracts	*461,917*	*492,177*
Other	*91,804*	*40,494*
Total	**2,848,680**	**2,770,115**

Deferred tax assets (caption 6.3)

Deferred tax assets of €178,831 thousand (€182,854 thousand at 31 December 2018) are made up as follows:

- deferred tax assets through profit or loss of €178,538 thousand (€179,217 thousand at 31 December 2018);
- deferred tax assets through equity of €293 thousand (€3,637 thousand at 31 December 2018).

(in thousands of euro)

	30.06.2019	31.12.2018
Deferred tax assets through profit and loss	178,538	179,217
Deferred tax assets through equity	293	3,637
Total	**178,831**	**182,854**

Deferred tax assets derive from deductible temporary differences, such as losses on securities, amortisation of insurance contract portfolios, accruals to provisions for risks and charges, amortisation of intangible assets and unused tax losses carried forward.

The deferred tax assets were calculated using the tax rate deemed reasonable considering when they will reverse.

Current tax assets (caption 6.4)

Current tax assets amount to €2,116,128 thousand (€2,054,590 thousand at 31 December 2018). The caption includes payments on account and other tax withholdings or prior year tax assets that can be offset against taxes of subsequent years. The caption also comprises tax assets on mathematical provisions pursuant to article 1.2 of Legislative decree no. 209/2002 as converted by article 1 of Law no. 265/2002 and subsequent amendments.

The following table sets out details of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Direct taxes	18,689	35,193
Tax on mathematical provisions	2,097,439	2,019,397
Total	**2,116,128**	**2,054,590**

Other assets (caption 6.5)

Other asset items amount to €553,721 thousand (€532,671 thousand at 31 December 2018). The caption mainly comprises deferred commission expense of €461,917 thousand associated with products of a financial nature without DPF, such as index-linked and unit-linked policies.

The following table sets out details of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Deferred commission expense on investment contracts	461,917	492,177
Other	91,804	40,494
Total	**553,721**	**532,671**

CASH AND CASH EQUIVALENTS (CAPTION 7)

At 30 June 2019, cash and cash equivalents amount to €433,184 thousand (€823,870 thousand at 31 December 2018). The caption includes cash and cash equivalents and demand deposits, including treasury current accounts.

SHAREHOLDERS' EQUITY (CAPTION 1)

This caption includes equity instruments making up equity, in line with the rules laid down by the Italian Civil Code and the laws regulating the insurance sector, taking into account the necessary adjustments for consolidation. The table below provides a breakdown of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Share capital	320,423	320,423
Other equity instruments	-	-
Capital reserves	1,328,097	1,328,097
Revenue reserves and other reserves	2,834,869	2,318,117
(Own shares)	-	-
Reserve for currency translation differences	-	-
Reserve for unrealized gains and losses on assets available for sale	294,312	-1,972
Other gains or losses recognized directly in equity	10,695	1,882
Profit for the period/year attributable to the owners of the parent	305,523	620,380
Total Shareholders' Equity	**5,093,919**	**4,586,927**

The overall increase in equity is mainly due to the profit for the period, the income-related and the other equity-related reserves and the fair value reserve.

Share capital (caption 1.1.1)

The parent's share capital amounts to €320,423 thousand, divided into 655,157,496 ordinary registered shares with no nominal amount.

Capital reserves (caption 1.1.3)

These reserves of €1,328,097 thousand (€1,328,097 thousand at 31 December 2018) include the parent's share premium reserve).

Revenue reserves and other reserves (caption 1.1.4)

The caption includes the legal reserve, the statutory reserve, the extraordinary reserve and other reserves. It also includes the IFRS FTA reserve. These reserves amount to €2,834,869 thousand compared to €2,318,117 thousand at 31 December 2018.

Reserve for unrealized gains and losses on assets available for sale (caption 1.1.7)

The caption includes fair value gains and losses deriving from the remeasurement of financial instruments classified as available-for-sale financial assets.

As a result of application of shadow accounting, the differences between the fair value and cost of the aforementioned instruments, net of the tax effects, are recognised in this reserve for the sole part pertaining to the Group. The policyholders' portion is included under the insurance provisions.

The table below provides a breakdown of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019			31.12.2018		
	Unrealized gains	Unrealized losses	Total	Unrealized gains	Unrealized losses	Total
Total gross of shadow accounting	**4,657,859**	**-148,700**	**4,509,159**	**2,676,323**	**-744,770**	**1,931,552**
- Debt instruments	3,969,360	-44,136	3,925,224	2,293,410	-444,145	1,849,265
- Equity instruments	332,464	-16,658	315,806	226,293	-30,157	196,136
- UCI shares	356,035	-87,906	268,129	156,619	-270,468	-113,849
Shadow accounting	-4,218,154	132,609	-4,085,545	-2,658,605	724,756	-1,933,849
Total gross of income taxes	**439,705**	**-16,091**	**423,614**	**17,717**	**-20,014**	**-2,297**
Tax effects	-134,202	4,900	-129,302	-5,083	5,408	325
Total	**305,503**	**-11,191**	**294,312**	**12,635**	**-14,607**	**-1,972**

The following table shows changes in the caption in the period:

(in thousands of euro)

	Debt instruments	Equity instruments	UCI shares	30.06.2019	31.12.2018
Opening balance	**4,444**	**752**	**-7,168**	**-1,972**	**397,957**
Increases	**284,481**	**24,410**	**29,530**	**338,421**	**72,356**
- Fair value gains	275,923	23,378	27,366	326,667	25,723
- Accruals	165	-	2,163	2,329	17,797
- Other increases	8,394	1,032	-	9,425	28,836
Decreases	**-31,947**	**-4,907**	**-5,283**	**-42,137**	**-472,285**
- Fair value losses	-14,787	-1,353	-558	-16,698	-354,482
- Impairment losses	-3	-31	-	-34	-15
- Utilisations	-8,629	-2,491	-2,625	-13,746	-89,979
- Other decreases	-8,527	-1,032	-2,100	-11,659	-27,809
Closing balance	**256,979**	**20,254**	**17,079**	**294,312**	**-1,972**

OTHER PROVISIONS (CAPTION 2)

The caption amounts to €10,417 thousand at 30 June 2019 (€14,138 thousand at 31 December 2018) and comprises other provisions that mainly include accruals for future personnel expense and for product disputes. The remainder relates to accruals made for tax purposes.

INSURANCE PROVISIONS (CAPTION 3)

The table below provides a breakdown of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Non-life insurance provisions	**871,718**	**788,303**
Provision for unearned premiums	651,506	590,708
Provision for outstanding claims	216,261	194,646
Other insurance provisions	3,951	2,948
Life insurance provisions	**76,250,742**	**73,174,455**
Provision for outstanding claims	368,335	756,005
Mathematical provisions	67,030,502	66,039,995
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	4,593,315	4,315,786
Other insurance provisions	4,258,591	2,062,669
Total	**77,122,461**	**73,962,758**

The insurance provisions of the life business increased by 4%. This increase can be attributed to the portfolio's performance, the revaluation of benefits and the trend of the shadow accounting provision (included in the other provisions), which shows a rise in line with the financial markets' performance.

The group performed the liability adequacy test (LAT) to check that the net provisions are sufficient to meet its commitments with policyholders. The related results are shown in the insurance provisions and amount to €25 million (€23 million at 31 December 2018).

Insurance provisions and financial liabilities of the life business

Insurance provisions and financial liabilities of the life business amount to €123,752,396 thousand (€118,059,693 thousand at 31 December 2018). Contracts falling within the scope of IFRS 4, insurance contracts and investment contracts with DPF account for roughly 86% of the life portfolio (88% at 31 December 2018), while the investment contracts falling within the scope of IAS 39 account for about 1% (1% at 31 December 2018). The remainder (13% and 12% at 30 June 2019 and 31 December 2018, respectively) refers to multi-class products.

Non-life insurance provisions

These insurance provisions increased by 11% from €788,303 thousand at the previous year end to €871,718 thousand at the reporting date. They mainly refer to the portfolio held by Intesa Sanpaolo Assicura.

FINANCIAL LIABILITIES (CAPTION 4)

Financial liabilities amount to €49,299,503 thousand (€46,683,980 thousand at 31 December 2018).

Financial liabilities at fair value through profit or loss (caption 4.1)

They amount to €47,554,785 thousand (€44,938,273 thousand at 31 December 2018) and include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

(in thousands of euro)

	Level 1	Level 2	Level 3	30.06.2019
Financial liabilities held for trading	2,382	50,657	-	53,039
Financial liabilities designated at fair value through profit and loss	-	47,501,746	-	47,501,746
Total	**2,382**	**47,552,403**	**-**	**47,554,785**

	Level 1	Level 2	Level 3	31.12.2018
Financial liabilities held for trading	3,414	47,514	-	50,928
Financial liabilities designated at fair value through profit and loss	-	44,886,345	1,000	44,887,345
Total	**3,414**	**44,933,859**	**1,000**	**44,938,273**

Financial liabilities held for trading

They amount to €53,039 thousand at 30 June 2019 and include non-hedging derivatives with negative fair values (€50,928 thousand at 31 December 2018).

Financial liabilities designated at fair value through profit or loss

The caption amounts to €47,501,746 thousand (€44,887,345 thousand at 31 December 2018) and includes the financial liabilities associated with unit-linked investment contracts which do not present a significant insurance risk and, therefore, do not fall within the scope of IFRS 4 as well as non-hedging derivatives with negative fair values.

Other financial liabilities (caption 4.2)

The caption includes subordinated liabilities, financial liabilities associated with investment contracts with eligible asset products, other financial liabilities and deposits from reinsurers. Other financial liabilities include sundry liabilities with policyholders of Intesa Sanpaolo Life. The table below gives a breakdown of the caption:

(in thousands of euro)

	30.06.2019	31.12.2018
Subordinated liabilities	1,418,609	1,390,361
Other financial liabilities	324,947	353,809
Deposits received from reinsurers	1,162	1,538
Total	**1,744,718**	**1,745,707**

The main contribution in the change in this caption compared to 31 December 2018 is accrued interest on subordinated liabilities.

Subordinated liabilities

The caption comprises financial liabilities, recognised at amortised cost, pertaining to the parent, the creditors' repayment of which is subordinated to the settlement of the senior debt in the case of liquidation.

Subordinated liabilities amount to €1,418,609 thousand (€1,390,361 thousand at 31 December 2018).

They do not provide for early repayment or provisions allowing their conversion into equity or into another type of liability.

The two series of bonds placed by Intesa Sanpaolo Vita, recognised at amortised cost, include the issue costs of €3,518 thousand and €5,975 thousand, respectively, for the bonds issued in September 2013 (nominal amount of €500 million) and December 2014 (€750 million).

PAYABLES (CAPTION 5)

The following table sets out details of the caption at 30 June 2019:

(in thousands of euro)

	30.06.2019	31.12.2018
Direct insurance liabilities	167,800	160,507
Reinsurance liabilities	17,493	8,075
Sundry liabilities	973,421	570,845
Total	**1,158,715**	**739,428**

The caption "Direct insurance liabilities" of €167,800 thousand (€160,507 thousand at 31 December 2018) mainly includes commissions payable to distribution networks, as well as items to be settled deriving from co-insurance agreements.

"Sundry liabilities" mainly include trade payables arising from direct insurance transactions of €570,838 thousand, IRAP tax liabilities of €46,902.4 thousand and investment management fees of €66,063.9 thousand. The caption also comprises the liability for post-employment benefits and lease liabilities of €12,197 thousand.

Post-employment benefits

This caption showed the following changes during the period:

(in thousands of euro)

	30.06.2019	31.12.2018
Opening balance	**3,014**	**3,046**
Increases	**340**	**109**
- Interest costs	19	37
- Other increases	322	72
Decreases	**-53**	**-141**
- Curtailments	-5	-28
- Other decreases	-48	-114
- Entities excluded from the consolidation scope	-	-
Closing balance	**3,301**	**3,014**

OTHER LIABILITIES (CAPTION 6)

Deferred tax liabilities (caption 6.2)

This caption includes deferred tax liabilities, as defined and regulated by IAS 12. It increased during the reporting period from €433,281 thousand to €462,792 thousand. It is broken down below:

(in thousands of euro)

	30.06.2019	31.12.2018
Deferred tax liabilities through profit or loss	327,647	428,715
Deferred tax liabilities through equity	135,145	4,566
Total	**462,792**	**433,281**

Current tax liabilities (caption 6.3)

The caption, amounting to €286,295 thousand (€240,900 thousand at 31 December 2018), mainly comprises the accrual for the tax on the mathematical provisions (Law no. 265/2002) accrued at the reporting date.

Other liabilities (caption 6.4)

The following table sets out details of this caption:

(in thousands of euro)

	30.06.2019	31.12.2018
Deferred liabilities relating to investment contracts	991	1,075
Pension funds	427	353
Seniority bonuses	3,379	3,035
Other liabilities	151,412	165,901
Total	**156,209**	**170,364**

The caption mainly includes liabilities relating to deferred commission income associated with index and unit-linked investment contracts with an insurance risk considered to be not significant and to long-term employee benefits.

Deferred liabilities relating to investment contracts entirely refer to unit-linked policies of €991 thousand (€1,075 thousand at 31 December 2018).

“Sundry items” mainly includes the provision for retention commissions. These liabilities refer to the accrual for the cost of retention commissions accrued at the reporting date, even though the related obligation has not materialised since their payment is subject to the retention of the contracts in the portfolio on the renewal date.

PART D - NOTES TO THE INCOME STATEMENT

REVENUE

Net earned premiums (caption 1.1)

The net earned premiums for the period amount to €4,187,290.7 thousand, showing an increase of 33% compared to the corresponding period of 2018 (€3,145,921.4 thousand).

(in thousands of euro)

	30.06.2019			30.06.2018		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life business						
Gross premiums	252,600	-11,148	**241,452**	200,260	-5,462	**194,798**
Recognized premiums	*313,398*	*-15,218*	***298,180***	*248,322*	*-5,097*	***243,226***
Change in the provisions for unearned premiums	*-60,798*	*4,070*	***-56,728***	*-48,062*	*-366*	***-48,428***
Life business						
Gross premiums	3,946,360	-521	**3,945,839**	2,951,623	-499	**2,951,123**
Total	**4,198,959**	**-11,669**	**4,187,291**	**3,151,883**	**-5,962**	**3,145,921**

Commission income (caption 1.2)

Fees and commissions refer to financial contracts which do not have a significant insurance risk and do not include DPF, such as unit-linked policies.

Fee and commission income includes premium loading and, for the unit-linked policies, the management commissions on contracts with investments in an internal fund. Other commission income includes the management commissions retroceded by the managers to the companies for unit-linked products.

It is broken down below:

(in thousands of euro)

	30.06.2019	30.06.2018
Unit-linked financial products	463,123	436,773
Other commission income	21,916	24,627
Total	**485,039**	**461,401**

Gains (losses) on financial instruments at fair value through profit or loss (caption 1.3)

This caption is a net gain of €156,199 thousand (net loss of €64,308 thousand for the corresponding period of 2018). It is broken down in the annex "Gains and losses on financial instruments and investments".

The larger net gains on financial instruments at fair value through profit or loss are due to the change in fair value based on financial market trends compared to the previous year which affected both instruments designated at fair value through profit or loss and investments held for trading.

Income from other financial instruments and lands and buildings (caption 1.5)

This caption amounts to €1,036,453 thousand (€1,252,458 thousand for the corresponding period of 2018). The decrease is substantially due to the smaller gains compared to the first six months of 2018, despite the increase in these assets.

A breakdown of the caption is given in the annex "Gains and losses on financial instruments and investments".

OTHER INCOME (caption 1.6)

This item amounts to €84,296 thousand (€96,974 thousand for the corresponding period of 2018) and mainly consists of other insurance income (€58,087 thousand), mostly relating to the management commissions for unit-linked products and pension funds, and exchange gains on investments (€18,142 thousand).

COSTS

Net insurance benefits and claims (caption 2.1)

The caption amounts to €4,595,402 thousand (€3,443,511 thousand for the corresponding period of 2018) as follows:

(in thousands of euro)

	30.06.2019			30.06.2018		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life business	**82,235**	**-3,092**	**79,143**	**58,364**	**-5,094**	**53,270**
Amounts paid	60,009	-2,463	57,545	50,864	-3,730	47,134
Change in claims provision	21,614	-629	20,986	8,213	-1,364	6,849
Change in recoveries	-552	-	-552	-778	-	-778
Change in other insurance provisions	1,164	-	1,164	65	-	65
Life business	**4,516,535**	**-276**	**4,516,259**	**3,390,139**	**102**	**3,390,241**
Amounts paid	3,667,128	-192	3,666,936	4,530,605	-258	4,530,347
Change in provision for payable amounts	-387,670	131	-387,538	32,755	593	33,348
Change in mathematical provisions	980,573	-216	980,358	-1,417,202	-233	-1,417,435
Change in technical provisions where investments risk is borne by the policyholders and provisions arising from pension fund management	277,529	-	277,529	184,258	-	184,258
Change in other insurance provisions	-21,025	-	-21,025	59,723	-	59,723
Total	**4,598,770**	**-3,369**	**4,595,402**	**3,448,503**	**-4,992**	**3,443,511**

FEE AND COMMISSION EXPENSE (caption 2.2)

Fee and commission expense includes the commissions for the acquisition of contracts classified as financial and, for the unit-linked policies, the management commissions retroceded to placement agents.

It is broken down below:

(in thousands of euro)

	30.06.2019	30.06.2018
Management and brokerage services	1,208	1,357
Unit-linked financial products	328,137	296,845
Retroceded commission income on unit-linked funds	46,036	38,936
Other commission expense	201	825
Total	**375,581**	**337,964**

Expenses from other financial instruments and lands and buildings (caption 2.4)

The caption amounts to €106,123 thousand (€120,130 thousand for the corresponding period of 2018).

Its breakdown is provided in the annex to the notes "Gains and losses on financial instruments and investments". The caption mainly consists of realised losses of €70,775 thousand on available-for-sale investments, fair value losses of €2,973 thousand and interest expense of €32,367 thousand.

Operating expenses (caption 2.5)

The following table gives a breakdown of the costs in question:

(in thousands of euro)

	30.06.2019	30.06.2018
Commissions and other acquisition costs	156,399	157,555
a Acquisition commissions	120,783	120,766
b Other acquisition costs	9,546	11,381
c Change in deferred acquisition costs	-3	-5
d Premium collection commissions	26,073	25,414
Commissions and other acquisitions costs net of commissions and profit commissions from reinsurers	-2,022	-698
Investment management costs	24,651	26,270
Other administrative costs	45,248	38,341
Total	**224,275**	**221,467**

The investment management costs mainly consist of costs of financial instruments (€6,010 thousand) and investment management commissions and custody expenses (€18,641 thousand).

Other administration costs include the reversal of lease payments for company cars and the recognition of depreciation of the right-of-use assets.

The increase in other administration costs is due to IT, advisory and commercial costs.

Other expenses (caption 2.6)

This caption, equal to €237,283 thousand (€262,345 thousand for the corresponding period of 2018), includes, inter alia, the net accruals to the provisions for risks and charges (€153 thousand), depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets (€2,646 thousand), exchange losses (€5,922 thousand) and other insurance costs (€214,518 thousand). The latter amount mostly consists of retention commissions paid to the sales network.

Income taxes (caption 3)

This caption represents the consolidated tax expense calculated in compliance with the rules in force in the different countries where the group companies operate, taking into account the effects of deferred tax assets and liabilities.

The following table sets out details of this caption:

(in thousands of euro)

	30.06.2019	30.06.2018
Current taxes	205,946	46,662
Change in current taxes of previous years	-	-
Decrease in current taxes of the period	-	-
Change in deferred taxes assets	-2,376	25,421
Change in deferred taxes liabilities	-98,488	55,610
Total	**105,081**	**127,693**

PART E - RELATED PARTIES

The group companies have performed transactions with companies of the Intesa Sanpaolo Group as part of their normal operations, which are summarised below. These transactions were carried out at normal market conditions and to both parties' mutual benefit. The parent did not carry out atypical and/or unusual transactions during the year, either intragroup, with related parties or third parties.

(in euro)

	Ultimate parent	Entities controlled by the ultimate parent	Other related parties	TOTAL
Loans and receivables	-	4,588	-	4,588
Available-for-sale financial assets	2,341,833	31	-	2,341,864
Financial assets at fair value through profit or loss	99,390	9,494	15,681	124,565
Other receivables	1,059	4,448	-	5,508
Other assets	754,886	4,133	2,331	761,350
Cash and cash equivalents	58,757	-2,139	871	57,490
ASSETS	**3,255,925**	**20,555**	**18,884**	**3,295,364**
Insurance provisions	-	-	-	-
Financial liabilities	653,118	1,011	-	654,129
Fair value reserve	111,207	-	-	111,207
Payables	320,484	39,748	22,692	382,924
Other liabilities	34,562	15,039	-	49,601
LIABILITIES	**1,119,370**	**55,798**	**22,692**	**1,197,860**
Net earned premiums	-	-	-	-
Commission income	-	-	2,844	2,844
Gains (losses) on investments	5,494	11,894	-	17,388
Net gains on available-for-sale financial assets	19,174	51	8,921	28,145
Other income	15,297	4,184	-	19,481
Net charges relating to claims	-957	-161	-	-1,117
Commission expense	-203,973	-15,683	-55,885	-275,541
Commissions and other acquisition costs	-79,243	-421	-	-79,664
Investment management costs	-	-12,260	-114	-12,374
Other administrative costs	-7,692	-209	-1,165	-9,066
Other costs	-106,956	-36,463	-119	-143,539
INCOME STATEMENT	**-358,855**	**-49,069**	**-45,519**	**-453,443**

Assets and liabilities mainly refer to:

- ownership of bonds issued by the ultimate parent, Intesa Sanpaolo, or its subsidiaries;
- ownership of OEIC units managed by Intesa group companies;
- financial protection arrangements for unit-linked products;

- personnel secondment or recharging of costs for the use of equipped space made available by the group;
- fee and commission expense which is deferred and relates to contracts which do not fall under the scope of application of IFRS 4;
- deposits on current accounts opened with group banks;
- security deposits with Intesa Sanpaolo and its subsidiaries;
- subordinated loans;
- commissions payable to the Intesa Sanpaolo networks accrued by the latter for the placement of products of insurance companies;
- assets and liabilities with the ultimate parent, Intesa Sanpaolo under the tax consolidation scheme for IRES purposes;
- amounts payable to Intesa Sanpaolo group companies that provide IT services.

Income and expense mainly refer to:

- net gains on the financial instruments issued by group companies;
- fees that have accrued on current accounts opened with banks;
- costs and income from existing service contracts involving the reciprocal secondment of personnel or making available equipped spaces;
- net expenses from awarding insurance benefits to group companies and the change in the insurance provisions;
- interest expense on subordinated loans;
- the cost of commission fees and commission expense to the network for the placement of insurance or investment contracts;
- management commissions recognised to group companies that manage the securities portfolios;
- expenses for IT services supplied by the outsourcer of Intesa Sanpaolo Group.

Significant non-recurring events and transactions

Please see the "Other information" section of the Directors' report for information on significant non-recurring events and transactions.

ANNEXES TO THE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement by business segment

In euro

		Non-life business		Life business		Consolidation adjustments		Total	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
1.1	Net earned premiums	241,451,844	194,797,914	3,945,838,901	2,951,123,462	-	-	4,187,290,745	3,145,921,376
1.1.1	*Gross premiums*	*252,599,503*	*200,260,331*	*3,946,359,828*	*2,951,622,770*	-	-	*4,198,959,331*	*3,151,883,101*
1.1.2	*Ceded premiums*	*-11,147,659*	*-5,462,417*	*-520,927*	*-499,308*	-	-	*-11,668,586*	*-5,961,725*
1.2	Commission income	-	-	485,038,974	461,400,595	-	-	485,038,974	461,400,595
1.3	Net fair value gains (losses) on financial instruments at fair value through P&L	17,706	107,743	156,181,263	-64,415,290	-	-	156,198,969	-64,307,547
1.4	Income from investments in subsidiaries, associate & joint ventures	-	-	-	-	-	-	-	-
1.5	Income from other financial instruments and lands and buildings	4,477,995	12,083,661	1,031,975,134	1,240,374,110	-	-	1,036,453,129	1,252,457,771
1.6	Other revenues	15,825,688	15,974,724	72,920,474	83,556,834	-4,450,421	-2,557,060	84,295,741	96,974,498
1	**TOTAL INCOME**	**261,773,233**	**222,964,042**	**5,691,954,746**	**4,672,039,711**	**-4,450,421**	**-2,557,060**	**5,949,277,558**	**4,892,446,693**
2.1	Net insurance benefits and claims	-79,142,740	-53,269,786	-4,516,259,094	-3,390,241,090	-	-	-4,595,401,834	-3,443,510,876
2.1.2	*Amounts paid and change in insurance provision*	*-82,235,022*	*-58,363,861*	*-4,516,535,450*	*-3,390,139,016*	-	-	*-4,598,770,472*	*-3,448,502,877*
2.1.3	*Reinsurers' share*	*3,092,282*	*5,094,075*	*276,356*	*-102,074*	-	-	*3,368,638*	*4,992,001*
2.2	Fee and commission expenses	-	-	-375,581,382	-337,963,599	-	-	-375,581,382	-337,963,599
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	-	-8,304	-140,757	-	-	-8,304	-140,757
2.4	Expenses from other financial instruments and lands and buildings	-1,107,764	-1,675,088	-105,014,813	-118,454,898	-	-	-106,122,577	-120,129,986
2.5	Acquisition and administration costs	-84,757,680	-77,005,807	-143,968,108	-149,021,768	4,450,421	4,560,168	-224,275,367	-221,467,407
2.6	Other costs	-45,511,809	-43,569,995	-191,771,652	-218,263,387	-	-511,460	-237,283,461	-262,344,842
2	**TOTAL COST**	**-210,519,993**	**-175,520,676**	**-5,332,603,353**	**-4,214,085,499**	**4,450,421**	**4,048,708**	**-5,538,672,925**	**-4,385,557,467**
	PROFIT (LOSS) BEFORE TAX FOR THE PERIOD	**51,253,240**	**47,443,366**	**359,351,393**	**457,954,212**	**-**	**1,491,648**	**410,604,633**	**506,889,226**

Consolidation area

Entity name	Country of office registration	Country of principal place of business (5)	Method (1)	Activity (2)	Direct shareholding	%Group equity ratio (3)	Availability of minority interest to voting right (4)	Consolidation
INTESA SANPAOLO VITA S.p.A.	086		L	1	0.00%	0.00%		100.00
INTESA SANPAOLO LIFE DAC	040		L	2	100.00	100.00		100.00
INTESA SANPAOLO ASSICURA S.p.A.	086		L	1	100.00	100.00		100.00

(1) Consolidation method: Line-by-line =L, Proportionate =P, Line-by-line by common management =C

(2) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding company; 4.1=mixed financial holding company; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding companies; 10=real estate 11=other

(3) the sum of the investments of all the companies that along the investment chain lie between the company preparing the consolidated financial statements and the company being consolidated. If more than one subsidiary has an investment in the latter company, the single amounts should be summed.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this information is only required when the country of the operating office is different to that in which the company's registered office is located.

Consolidation scope: investments in companies with significant non-controlling interests

					Financial highlights							
Entity name	Non-controlling interest %	% Availability to minority interest of voting rights in the general shareholders' meeting	Consolidated profit (loss) attributable to minority interests	Shareholders' equity to minority interest	Total assets	Investments	Insurance provisions	Financial liabilities	Equity	Net profit (loss) of the period	Dividend distributed to third parties	Gross written premiums
INTESA SANPAOLO SMART CARE S.r.l.	51		-8,643	2,149,139	16,783,376				4,213,999	-16,947		

Non-consolidated equity investments

Entity name	Country of office registration	Country of principal place of business	Financial instruments(1)	Type (2)	Direct shareholding	% Group equity ratio(3)	% availability of minority interest to voting right	Carrying amount
INTESA SANPAOLO SMART CARE S.r.l.	086		11	b	0			2,064,860

(1) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding company; 4.1=mixed financial holding company; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding companies; 10=real estate 11=other

(2) a=subsidiary (IFRS 10) ; b=associate (IAS 28); c=joint venture (IFRS 11); indicate with an asterisk (*) the equity investments classified as held for sale pursuant to IFRS 5 and show the key at the end of the table

(3) the sum of the investments of all the companies that along the investment chain lie between the company preparing the consolidated financial statements and the company being consolidated. If more than one subsidiary has an investment in the latter company, the single amounts should be summed.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this information is only required when the country of the operating office is different to that in which the company’s registered office is located.

Interests in non-consolidated structured entities

In euro

	Revenue received from the structured entity during the year	Carrying amount (at the transfer date) of the assets transferred to the structured entity during the year	Carrying amount of the assets recognised by the reporting entity related to the structured entity	Matching statement of financial position asset caption	Carrying amount of liabilities recognised by the reporting entity related to the structured entity	Matching statement of financial position liability caption	Maximum exposure to risk of failure
GERMAN POST PENS 3.75 18/01/2021	1,888	-	108,138	A 4.5	-	-	101,648
E-MAC NL05-3 A 25/07/2038	42,102	-	3,210,823	A 4.5	-	-	3,171,804

Breakdown of technical insurance items

In euro

		30.06.2019	30.06.2018
Non-life business			
NET EARNED PREMIUMS		241,451,844	194,797,914
a	Recognized premiums	298,179,776	243,225,644
b	Change in provision for unearned premiums	-56,727,932	-48,427,730
NET CLAIMS INCURRED		-79,142,740	-53,269,786
a	Amounts paid	-57,545,144	-47,133,661
b	Changes in provision for outstanding claims	-20,985,612	-6,849,355
c	Change in recoveries	551,791	778,481
d	Change in other insurance provisions	-1,163,775	-65,251
Life business			
NET EARNED PREMIUMS		3,945,838,901	2,951,123,462
NET CLAIMS INCURRED		-4,516,259,094	-3,390,241,090
a	Amounts paid	-3,666,935,788	-4,530,346,948
b	Change in provision for payable amounts	387,538,418	-33,348,204
c	Change in mathematical provisions	-980,357,743	1,417,435,156
d	Change in insurance provisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	-277,528,813	-184,257,963
e	Change in other insurance provisions	21,024,832	-59,723,131

Breakdown of insurance expenses

In euro

		Interest	Other income	Other expenses	Realized gains	Realized losses	Sum of realized discounted operations	Unrealized gains and reversal of impairment losses		Impairment losses		Sum of unrealized discounted operations	30.06.2019	30.06.2018
								Unrealized gains	Reversal of the impairment of the period	Unrealized losses	Accumulated depreciation			
Investments		**831,817,098**	**170,057,831**	**-431,917,221**	**666,305,511**	**-282,781,050**	**953,482,169**	**2,843,024,005**	**-**	**-139,970,567**	**-2,972,586**	**2,700,080,852**	**3,653,563,021**	**200,184,398**
a	Investment property	-	-	-	-	-	**-**	-	-	-	-	**-**	**-**	**-**
b	Investment in subsidiaries, associates and joint venture	-	-	-8,304	-	-	**-8,304**	-	-	-	-	**-**	**-8,304**	**-140,757**
c	Held-to-maturity financial assets	-	-	-	-	-	**-**	-	-	-	-	**-**	**-**	**-**
d	Loans and receivables	297,791	-	-	832,213	-683,987	**446,017**	-	-	-	-	**-**	**446,017**	**1,066,142**
e	Available for sale financial assets	805,436,259	100,676,234	-7,694	129,026,757	-70,091,366	**965,040,190**	-	-	-	-2,972,586	**-2,972,586**	**962,067,604**	**1,178,135,519**
f	Financial assets held for trading	3,028,567	-	-2,162,062	10,780,790	-23,211,420	**-11,564,125**	35,668,300	-	-42,602,614	-	**-6,934,314**	**-18,498,439**	**-15,580,968**
g	Financial assets designated at fair value through profit or loss	23,054,481	69,381,597	-429,739,161	525,665,751	-188,794,277	**-431,609**	2,807,355,705	-	-97,367,953	-	**2,709,987,752**	**2,709,556,143**	**-963,295,538**
Other financial assets		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents		**183,875**	**-**	**-**	**-**	**-**	**183,875**	**-**	**-**	**-**	**-**	**-**	**183,875**	**65,606**
Financial liabilities		**-34,111,772**	**-**	**-4,887**	**3,712,514**	**-18,312,316**	**-48,716,411**	**-1,809,116,409**	**-**	**-709,392,859**	**-**	**-2,518,509,268**	**-2,567,225,679**	**867,635,692**
a	Financial assets held for trading	-1,744,778	-	-4,887	3,712,514	-17,201,906	**-15,239,057**	843,791	-	-17,102,002	-	**-16,258,211**	**-31,497,268**	**2,626,632**
b	Financial assets designated at fair value through profit or loss	-	-	-	-	-1,110,410	**-1,110,410**	-1,809,960,200	-	-692,290,857	-	**-2,502,251,057**	**-2,503,361,467**	**911,942,602**
c	Other financial liabilities	-32,366,944	-	-	-	-	**-32,366,944**	-	-	-	-	**-**	**-32,366,944**	**-46,933,542**
Liabilities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**797,889,251**	**170,057,831**	**-431,922,108**	**670,018,025**	**-301,093,366**	**904,949,633**	**1,033,907,596**	**-**	**-849,363,426**	**-2,972,586**	**181,571,584**	**1,086,521,217**	**1,067,885,696**

Breakdown of acquisition and administration costs

	Non-life business		Life business	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**
Gross commissions and other acquisitions costs net of profit participation and other commissions received from reinsurers	-68,251,489	-64,479,193	-86,125,169	-92,376,945
Investment management costs	-87,732	-258,777	-24,562,950	-26,010,651
Other administration costs	-16,418,459	-12,267,837	-33,279,989	-30,634,172
Total	**-84,757,680**	**-77,005,807**	**-143,968,108**	**-149,021,768**

Breakdown of other comprehensive income

In euro

	Allocation		Transfers to profit or loss account		Other changes		Total changes		Taxes		Balance at	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	31.12.2018
Other items that will not be reclassified subsequently to profit or loss	**1,024,065**	**46,083**	**-**	**-**	**-**	**-2,604,826**	**1,024,065**	**-2,558,743**	**-**	**-**	**602,065**	**-422,000**
Change in equity of investees	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Net actuarial gains (losses) and adjustments to defined benefit plans	1,094,736	46,083	-	-	-	-	1,094,736	46,083	-	-	1,094736	-
Other items	-70,671	-	-	-	-	-2,604,826	-70,671	-2,604,826	-	-	-492,671	-422,000
Other items that will be reclassified subsequently to profit or loss	**295,923,745**	**-14,728,577**	**4,074,362**	**-19,487,929**	**4,074,362**	**-278,570,012**	**304,072,469**	**-312,786,518**	**-**	**-**	**304,404,413**	**331,944**
Translation reserve	-	-	-	-	-	-	-	-	-	-	-	-1,971,903
Net fair value gains (losses) on AFS financial assets	288,135,006	-14,762,441	4,074,362	-19,487,929	4,074,362	-278,570,012	296,283,730	-312,820,382	-	-	294,311,827	2,303,847
Gains (losses) on cash flow hedges	7,788,739	-	-	-	-	-	7,788,739	-	-	-	10,092,586	-
Gains (losses) on hedges of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-
Change in equity of investees	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) from discontinued operations or disposals of non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	33,864	-	-	-	-	-	33,864	-	-	-	-
OTHER COMPREHENSIVE INCOME (EXPENSE)	**296,947,810**	**-14,682,494**	**4,074,362**	**-19,487,929**	**4,074,362**	**-281,174,838**	**305,096,534**	**-315,345,261**	**-**	**-**	**305,006,478**	**- 90,056**

Breakdown of reclassified financial assets and effects on profit or loss and comprehensive income

In euro

Financial assets categories affected by the reclassification	Type of activity	Reclassified financial instruments amount for the period at the reclassification date	Gross book value as at 30.06.2019 Details on reclassified financial instruments		Fair value 30.06.2019 Reclassified at		Reclassified financial instruments for the period		Financial instruments which are reclassified until 30.06.2019		Reclassified financial instruments for the period		Financial instruments which are reclassified until 30.06.2019	
			Reclassified financial instruments for the period	Financial instruments which are reclassified until 30.06.2019	Reclassified financial instruments for the period	Financial instruments which are reclassified until 30.06.2018	Fair value gains or losses through profit or loss	Fair value losses or gains through equity	Fair value gains or losses through profit or loss	Fair value losses or gains through equity	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-	-	-	-

The parent’s legal representatives (*)

The chairman – Luigi Maranzana.......................(signed on the original)................................(**)

(*) For foreign companies, the signature of the general representative for Italy is required.
(**) Specify the position held by the signatory representative.

INDEPENDENT AUDITORS' REPORT

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(Translation from the Italian original which remains the definitive version)

Report on review of interim consolidated financial statements

To the board of directors of
Intesa Sanpaolo Vita S.p.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of the Intesa Sanpaolo Vita Insurance Group, comprising the statement of financial position income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, included into the interim financial report of the group as at and for the six month ended 30 June 2019. The directors are responsible for the preparation of these interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the group's interim consolidated financial statements of the Intesa Sanpaolo Vita Insurance Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 1 August 2019

KPMG S.p.A.

(signed on the original)

Maurizio Guzzi
Director of Audit