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

Interim financial report at 30 June 2017 of the Intesa Sanpaolo Vita Insurance Group covering the 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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MANAGEMENT REPORT

COMPANY BODIES

Board of directors

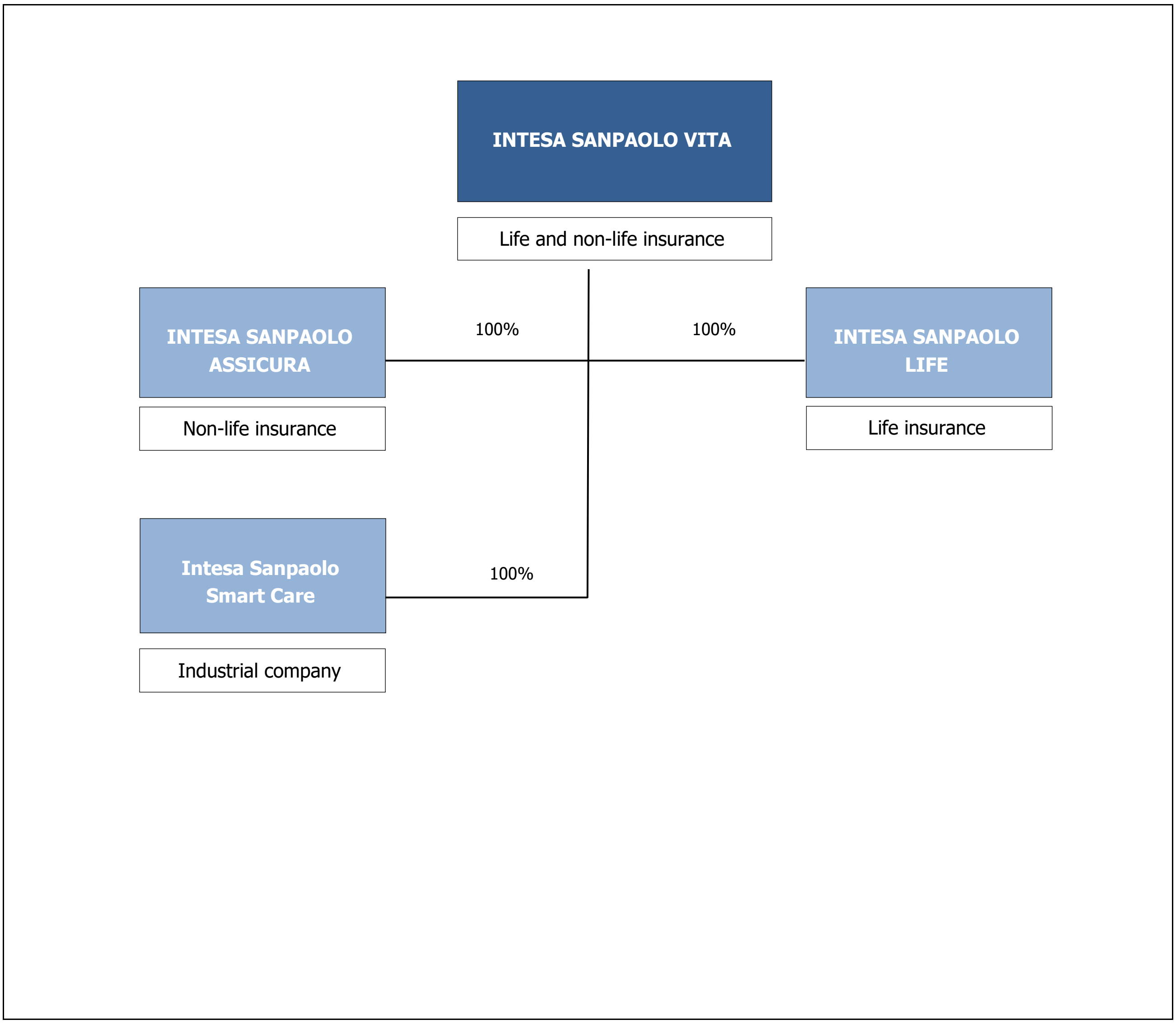
Chairman	Luigi Maranzana
Deputy chairman	Elio Fontana
Managing director	Nicola Maria Fioravanti
Directors	Paolo Fignagnani
	Giuseppe Attanà
	Franco Gallia
	Andrea Panozzo
	Anna Torriero
	Guglielmo Weber

Board of statutory auditors

Chairman	Massimo Broccio
Standing statutory auditors	Paolo Mazzi Riccardo Ranalli
Alternate statutory auditors	Eugenio Mario Braja Patrizia Marchetti

Independent auditors	KPMG S.p.A.

GROUP STRUCTURE



KEY CONSOLIDATED FIGURES

millions €

	30-06-2017	30-06-2016	31-12-2016	Change	
Operational figures					
Gross collection	8,973.4	10,799.9	19,422.5	-1,826.5	-16.9%
- of which Traditional products	*2,528.2*	*4,431.7*	*7,131.3*	*-1,903.5*	*-43.0%*
- of which Unit Linked products	*6,184.9*	*6,135.9*	*11,761.8*	*49.0*	*0.8%*
- of which Pensions products	*260.3*	*232.3*	*529.4*	*28.0*	*12.1%*
Premiums of Non-life business	233.2	200.3	393.8	32.9	16.4%
Life new business	8,894.8	10,717.9	19,239.4	-1,823.1	-17.0%
Claims paid:	-5,975.7	-5,788.5	-10,747.6	-187.2	3.2%
Net inflow	2,997.7	5,011.4	8,674.9	-2,013.7	-40.2%
Balance sheet figures					
Investments	121,165.9	114,874.8	117,892.2	3,273.7	2.8%
Insurance provisions	78,088.7	81,252.2	80,136.1	-2,047.4	-2.6%
- Life insurance contracts	7,570.6	7,276.7	7,497.0	73.6	1.0%
- Life financial contracts with DPF	65,542.5	66,822.6	66,711.8	-1,169.3	-1.8%
- Shadow accounting provision	4,327.2	6,606.1	5,334.6	-1,007.4	-18.9%
- Non-life insurance policies	648.4	546.9	592.7	55.7	9.4%
Financial liabilities	40,948.5	31,618.1	36,212.3	4,736.2	13.1%
- Unit-linked financial policies	39,201.1	29,903.6	34,531.8	4,669.3	13.5%
- Index-linked financial policies	0.8	48.3	0.8	-	0.0%
- Products with specific assets	-	-	-	-	0.0%
- Subordinated liabilities	1,348.0	1,345.3	1,316.2	31.8	2.4%
- Other liabilities	398.6	320.9	363.4	35.2	9.7%
Shareholders' equity	4,824.0	4,953.5	4,565.4	258.6	5.7%
Income statement					
Net earned premiums	2,932.4	4,788.4	7,902.6	-1,856.0	-38.8%
Net insurance benefits and claims	3,287.5	5,228.8	8,851.0	-1,941.3	-37.1%
Net fee and commission income	95.8	82.9	167.1	12.9	15.6%
Net income from financial instruments and investments	1,202.0	1,228.2	2,404.5	-26.2	-2.1%
Commissions and other acquisition costs	150.6	175.1	319.0	-24.5	-14.0%
Profit before taxes	474.3	533.6	930.7	-59.3	-11.1%
Net Income	345.4	366.8	638.7	-21.4	-5.8%
Ratio					
Expense ratio	*31.9%*	*31.9%*	*33.1%*	-0.1%	-0.3%
Non-life Loss ratio	*28.9%*	*29.1%*	*31.6%*	-0.2%	-0.7%
Gross collection/insurance provisions and financial liabilities	7.7%	9.2%	17.0%	-1.5%	-16.3%
Non-life combined ratio	*60.7%*	*61.0%*	*64.7%*	-0.3%	-0.5%
Net fees and commissions/financial liabilities (Index- and Unit-linked)	0.2%	0.2%	0.5%	0.1%	56.6%

RECLASSIFIED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Reclassified statement of financial position and income statement

millions €

	30-06-2017	31-12-2016	Change	
ASSETS				
Intangible assets	636.7	635.5	1.2	0.2%
Tangible assets	6.7	4.9	1.8	35.7%
Amount ceded to reinsurers from insurance provisions	16.2	17.3	-1.1	-6.4%
Investments	121,165.9	117,892.2	3,273.7	2.8%
- Lands and buildings (investment properties)	-	-	-	n.a.
- Investments in subsidiaries, associates and joint ventures	-	-	-	n.a.
- Held to maturity investments	-	-	-	n.a.
- Loans and receivables	15.0	16.3	-1.4	-8.3%
- Available-for-sale financial assets	76,611.2	78,056.9	-1,445.7	-1.9%
- Financial assets at fair value through profit or loss	44,539.8	39,819.0	4,720.8	11.9%
Receivables	284.5	403.6	-119.1	-29.5%
Other assets	2,691.4	2,299.9	391.6	17.0%
Cash and cash equivalents	604.6	1,495.0	-890.4	-59.6%
Total assets	**125,406.1**	**122,748.5**	**2,657.6**	**2.2%**
LIABILITIES				
Shareholders' equity	4,824.0	4,565.4	258.6	5.7%
- attributable to the Group	4,824.0	4,565.4	258.6	5.7%
- attributable to minority interests	-	-	-	n.a.
Other provisions	10.8	12.0	-1.2	-9.9%
Insurance provisions	78,088.7	80,136.1	-2,047.4	-2.6%
- Life insurance contracts	7,570.6	7,497.0	73.7	1.0%
- Life financial contracts with DPF	65,542.5	66,711.8	-1,169.3	-1.8%
- Shadow accounting provision	4,327.2	5,334.6	-1,007.4	-18.9%
- Non-life insurance policies	648.4	592.7	55.6	9.4%
Financial liabilities	40,948.5	36,212.3	4,736.2	13.1%
- Index-linked financial policies	0.8	0.8	-0.0	-1.2%
- Unit-linked financial policies	39,201.1	34,531.8	4,669.3	13.5%
- Products with specific assets	-	-	-	n.a.
- Subordinated liabilities	1,348.0	1,316.2	31.7	2.4%
- Other liabilities	398.6	363.4	35.2	9.7%
Payables	648.2	754.3	-106.1	-14.1%
Other liabilities	885.8	1,068.3	-182.6	-17.1%
Total Shareholders' equity and liabilities	**125,406.1**	**122,748.5**	**2,657.6**	**2.2%**

millions €

	30-06-2017	30-06-2016	Change	
Net earned premiums	**2,932.4**	**4,788.4**	**-1,856.0**	**-38.8%**
- Life businesses	2,757.6	4,639.8	-1,882.3	-40.6%
- Non-life businesses	174.9	148.6	26.3	17.7%
Net insurance benefits and claims	**-3,287.5**	**-5,228.8**	**1,941.2**	**-37.1%**
Net fee and commission income	**95.8**	**82.9**	**12.8**	**15.5%**
Net income from financial instruments and investments	**1,202.0**	**1,228.2**	**-26.0**	**-2.1%**
- Net income from financial instruments at fair value through profit or loss	41.5	-70.3	111.8	<-100%
- Other income	1,160.5	1,298.4	-137.9	-10.6%
Acquisition and administration costs	**-217.3**	**-226.8**	**9.5**	**-4.2%**
- Commissions and other acquisition costs	-150.6	-175.1	24.5	-14.0%
- Other costs	-66.7	-51.7	-15.0	28.9%
Other revenues and expenses	**-251.1**	**-110.3**	**-140.8**	**>100%**
Profit before taxes for the period	**474.3**	**533.6**	**-59.3**	**-11.1%**
- Income taxes	-128.9	-166.8	38.0	-22.8%
Consolidated profit after taxes	**345.4**	**366.8**	**-21.3**	**-5.8%**
Loss from discontinued operations	**-**	**-**	**-**	**n.d.**
Consolidated profit	**345.4**	**366.8**	**-21.3**	**-5.8%**
- attributable to the Group	345.4	366.8	-21.3	-5.8%

Statement of comprehensive income

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 30-06-2017	Total 30-06-2016
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**345,436**	**366,777**
Other comprehensive income after taxes without reclassification in the income statement	**73**	**-377**
Change in shareholders' equity of subsidiaries	-	-
Changes in the revaluation reserve of intangible assets	-	-
Changes in the revaluation reserve of tangible assets	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Actuarial gains (losses) arising from defined benefit plans	-	-377
Other items	73	-
Other comprehensive income after taxes with reclassification in the income statement	**-87,354**	**-12,489**
Foreign currency translation differences	-	-
Net unrealized gains (losses) on available for sale financial assets	-87,712	-12,489
Net unrealized gains (losses) on cash flow hedging derivatives	358	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-
Change in shareholders' equity of subsidiaries	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Other items	-	-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**-87,281**	**-12,866**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**258,155**	**353,911**
of which attributable to the Group	**258,155**	**353,911**
of which attributable to minority interests	**-**	**-**

Statement of changes in equity

thousands €

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2015	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30-06-2016
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	1,689,868	-	612,583	-	-	-	2,302,451
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	612,492	-	-245,715	-	-	-	366,777
	Other comprehensive income	648,589	-	-377	-39,301	26,812	-	635,723
	Total attributable to the Group	**4,599,469**	**-**	**366,491**	**-39,301**	**26,812**	**-**	**4,953,471**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,599,469**	**-**	**366,491**	**-39,301**	**26,812**	**-**	**4,953,471**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2016	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30-06-2017
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	1,798,568	-	639,165	-	-	-	2,437,733
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	638,710	-	-293,274	-	-	-	345,436
	Other comprehensive income	479,614	-	431	-18,109	-69,603	-	392,333
	Total attributable to the Group	**4,565,412**	**-**	**346,322**	**-18,109**	**-69,603**	**-**	**4,824,022**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,565,412**	**-**	**346,322**	**-18,109**	**-69,603**	**-**	**4,824,022**

Statement of cash flows (indirect method)

thousands €

INTESA SANPAOLO VITA S.p.A.	30-06-2017	30-06-2016
Profit (loss) before taxes for the period	**474,312**	**533,625**
Change in non-cash items	**-1,595,708**	**2,160,803**
Change in non-life provision from unearned premium	54,662	48,334
Change in non-life provision for outstanding claims and other insurance provisions	2,279	-4,212
Change in mathematical provisions and other life insurance provisions	-2,190,931	1,963,465
Change in deferred acquisition costs	-	-
Change in provisions	-1,183	-4,232
Non-cash income and expenses from financial instruments, investment property and equity investments	545,644	172,031
Other expenses	-6,179	-14,583
Change in receivables and payables generated by operating activities	**-557,865**	**-266,302**
Change in receivables and payables on direct insurance and reinsurance operations	14,806	-2,360
Change in other receivables and payables	-572,671	-263,942
Income taxes paid	**-128,876**	**-166,848**
Net cash generated/absorbed by cash items related to investment and financing activity	**-527,680**	**118,564**
Financial liabilities related to investment contracts	4,736,204	4,254,228
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-5,263,884	-4,135,664
CASH FLOW FROM OPERATING ACTIVITY	**-2,335,817**	**2,379,842**
Net cash generated/absorbed by lands and buildings (investment property)	-	83
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	-	-
Net cash generated/absorbed by loans and receivable	1,354	556,400
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	1,443,154	-4,391,171
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**1,444,508**	**-3,834,688**
Net cash generated/absorbed by Group's share capital and equity instruments	886	-286
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	-	-
Net cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**886**	**-286**
Effect of foreign-exchange differences on cash and cash equivalents		**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,495,047	3,003,162
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-890,423**	**-1,455,132**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	604,624	1,548,030

REFERENCE CONTEXT AND GROUP PERFORMANCE

The external context

The international economic climate and the Italian economy

In the first half of 2017, world economic growth strengthened its pace and became more widespread. Growth in international trade intensified. Inflation rebounded slightly. In many cases, financial figures proved surprisingly positive.

The exception to this picture was the United States. Despite expectations that fiscal policy would take an expansive turn under the new federal government, this proved not to be the case. Furthermore, the president and his entourage are under pressure from parliamentary and judicial inquiries. Overall, macroeconomic figures have been below expectations, although consistent with moderate economic expansion and full employment. Faced with the risk of the economy overheating, the Federal Reserve tightened its monetary policy stance. Official interest rates have been raised twice since the start of the year by a total of 50 bps. The Federal Reserve also warned of a gradual reduction in reinvestments of principal payments at maturity.

The Eurozone witnessed stunning growth in the first half of the year, far above the standards of recent years. Recoveries in exports and fixed investments more than offset the slight slowdown in consumption. Optimism has been fuelled not only by confidence surveys, but also by real data. Industrial output grew by 4% year on year in May, while GDP growth in the second quarter kept up the strong pace posted in the first quarter (0.6% quarter on quarter). Growth in economic activity across all countries in the Eurozone drove employment figures up and the unemployment rate down to 9.3%. Improved confidence figures were favoured by various factors, including general election outcomes in the Netherlands and France, which dispelled the risk of a victory by Euro-sceptic parties and, therefore, of major crisis in the Eurozone. Instead, the outcome of the French general election has raised expectations of fresh stimulus to the Eurozone reform process. The start of negotiations for the United Kingdom’s exit from the European Union did not have any major repercussions, with the exception of the impact on trade flows of a devalued Sterling.

Strong confidence over economic growth has also fully reached Italy. GDP in the first quarter grew by 0.4% year on year. Trend surveys and industrial output figures suggest a continuation of the positive growth momentum in the second quarter, driven by an increase in exports and a higher propensity to invest in businesses, as well as by consumption growth. As a result, consensus forecasts of GDP growth have been revised upwards. Employment growth slowed due to the phasing out of extraordinary measures which buoyed growth through 2016, though it remained sufficient to drive the unemployment rate down to 11.3% in May. Higher energy prices and growth in demand began to impact inflation, which rose temporarily to 2% in April, but then fell again. In terms of public finances, the primary budget surplus was insufficient to lower the debt-to-GDP ratio in a significant way, and the Italian government estimates it will remain about unchanged this year.

The European Central Bank began to adapt its monetary policy stance to improvements in economic conditions and the balance of risks. After announcing an initial reduction in its securities purchase programme from €80 billion to €60 billion as of April, in June the ECB dropped any reference to the likelihood of further interest rate cuts. Various ECB spokespeople also began to mention the need to adjust monetary policy further. Nevertheless, the ECB continued to forecast a rise in official rates only once the asset purchase programme is wound up completely, which will not be before December 2017.

The ECB’s monetary policy stance led to a strengthening of the exchange rate and a rise in medium/long-term interest rates. The ten-year Bund yield, which was negative at the end of 2016, rose to 0.47% at the end of the first half of 2017, while the ten-year BTP yielded 2.15% at the end of the second quarter, up from 1.83% at the end of 2016. The spread with German bonds remained essentially stable, although pressures were felt during the French electoral campaign.

The Euro/US dollar exchange rate rose almost constantly between January and June, gaining an overall 8.7% to close the quarter at 1.14.

The financial markets in the first half of 2017

The trend in international stock markets was positive overall in the first half of 2017, as risk aversion in investors gradually fell and stock prices showed lower volatility.

Various factors have contributed to propping up stock markets. One is the consolidation of world economic growth, in both emerging countries and major advanced economies. The flow of positive financial figures led to the upward review of growth forecasts, especially for the Eurozone and Japan. Moreover, the political risk posed by elections in the Netherlands and, in particular, France failed to materialise, with pro-euro and pro-European Union political parties emerging from the vote with stronger consensus, which helped lower the risk premium on stocks.

After dropping to a relative low in February, stock markets in the Eurozone progressively rose, driven by favourable developments in company earnings. The first quarter, in particular, delivered the most positive surprises, accompanied by confirmation or improvement in guidance for yearly results.

The Euro Stoxx index closed the first half of 2017 up by 6.5%; the CAC 40 rose by 5.3% at the end of the period; the Dax 30 performed well, rising by 7.4%, while the IBEX 35 index outperformed all the main Eurozone benchmarks, posting a rise of 11.7%. Outside the Eurozone, the Swiss market index SMI appreciated by 8.4%, while the United Kingdom's FTSE 100 index closed the quarter marginally up (+2.4%).

In the United States, the S&P 500 closed the period with a rise of 8.2%, while the Nasdaq Composite Index of technology stocks rose by 14.1%. The overall performance of the main Asian stock markets was slightly positive: the Chinese SSE A-Share benchmark index ended the first half of the year up by 2.9%, while the Nikkei 225 index posted a rise of 4.8% at the end of the half year.

The overall performance of the Italian stock market was satisfactory, driven by the recovery in the banking sector (which represents 26% of the FTSE MIB Index) and the progressive improvement in financial growth outlooks and company earnings. The FTSE MIB closed the half year up by 7%, while the FTSE Italia All Share Index rose by 8.6%. Mid-cap stocks posted the strongest performance, with the FTSE Italia STAR Index jumping by 24.3% over the half year. Alongside healthier fundamentals, growth was driven by new Individual Savings Plans (which invest a major part of their funding in stocks not included in the FTSE MIB benchmark).

Emerging economies and financial markets

In the first quarter of 2017, GDP growth for a sample covering 75% of emerging countries, rose to 3.9% on an annual basis from 3.8% in the fourth quarter of 2016. Asian economies proved to be the most dynamic (especially India). The downward economic trends of major commodity exporter countries appear to have bottomed out, although recession persisted in some (GDP growth was -0.4% in Brazil and -0.6% in Nigeria). In others, GDP grew at only modest rates due to structural restraints (0.5% in Russia) or to budget balancing policies (such as for the Gulf Cooperation Council - GCC and especially Saudi Arabia, where GDP posted growth of 0.9%, and South Africa, where GDP grew by a mere 1%).

Turning to countries where Intesa Sanpaolo subsidiaries are located, in the first quarter of 2017, GDP growth accelerated in CEE/SEE countries, driven by strong growth in Hungary (+4.1%) and Slovenia (+5.3%) in the CEE bloc, and in Romania (+5.6%) in the SEE bloc. Slower GDP growth was instead reported in Croatia (+2.5%) and Serbia (+1.2%), partly due to seasonal factors. Among other countries where the Group is present, the Ukrainian economy slowed (+2.5% in the first quarter of 2017 compared to +4.8% in the fourth quarter of 2016) due to the trade embargo on the Donbass region.

Egypt picked up the pace of its economic growth (+4.3%, up from +3.8%), driven by recovery in the major segments of the services sector (tourism, transport and telecommunications), construction and manufacturing.

The year-on-year inflation rate across a sample covering 75% of emerging economies dropped from 3.7% in December 2016 to 3.2% in June 2017. The first half of the year saw an easing of inflationary pressures fuelled by previous currency depreciation in Brazil (where price growth slowed from 6.3% at the end of 2016 to 3% in June 2017), Russia (from 5.4% to 4.4%), and South Africa (from 6.7% to 5.4%). Inflation instead rose in countries whose currencies had depreciated to varying degrees at the end of 2016. This was the case in Turkey (from 8.5% in December 2016 to 10.9% in June 2017), Mexico (from 3.4% to 6.4%), and, among countries where Intesa Sanpaolo subsidiaries are located, in Ukraine (from 12.4% to 15.6%) and Egypt (from 23.3% to 29.7%), where inflation was driven up by rises in regulated prices and lower subsidies.

Inflation growth and currency pressures led the central banks of Turkey and Mexico to raise interest rates moderately in the first few weeks of 2017. Interest rates also rose in some GCC countries, which followed in the steps of the US Federal Reserve given that their currencies are pegged to the US dollar. In Asia, the Chinese Central Bank signalled it was taking a less accommodating monetary policy stance by raising the refinancing rate by 10 bps twice in the first quarter. A weakening of inflationary pressures and a recovery in their respective currencies led the central banks of various Latin American commodity exporters to cut interest rates in their countries (Brazil, Chile, Colombia and Peru).

In the countries where Intesa Sanpaolo subsidiaries are located, the monetary policy remained accommodating in all CEE/SEE countries, following the prevalent trend in the Eurozone. Concerning other countries, Egypt raised interest rates significantly (+400 bps overall) twice (the second effected after the end of the first half of the year, at the start of July), bringing the overnight borrowing rate up to 19.75%. The increases were motivated by the need to combat inflationary pressures (and the associated risks of second-order effects) fuelled by the previous depreciation of the currency, in an effort to reconstitute reserves. Lower inflation and more stable domestic financial conditions enabled Russia to cut interest rates twice, bringing the reference rate down from 11% to 9%, and Ukraine to lower its reference rate from 14% to 12.5%.

The MSCI Emerging Markets Index rose by 13.7% in the first half of 2017, outperforming both the Euro Stoxx (+6.5%) and the S&P USA Index (+8.2%). Growth was driven primarily by a number of Asian markets (Hong Kong, +17.1%; Bombay, +15.5% and Jakarta, +10%) and Latin American markets (Buenos Aires, +29.5%), which more than offset the weakness of various Gulf markets (Oman, Qatar and Dubai), affected by recent local geopolitical tensions. As regards the countries where Intesa Sanpaolo subsidiaries are located, CEE and SEE markets posted growth generally in line with or slightly above the Euro Stoxx Index, with Romania, Slovenia, and Hungary gaining over 10%. The exception to the trend was Croatia, where the market fell by 6.5%, driven down by domestic political uncertainties and fears that the economy may perform below expectations. Renewed weakness in hydrocarbon prices and the persistence of Western sanctions in turn penalized the Russian stock market (-13%). Brighter prospects for the economy, thanks to the new currency regime and government measures to attract investment, instead led the Egyptian stock market to post a recovery (+9.3%).

Currency markets in the first half of 2017 witnessed a drop in value in the US dollar, arresting a rising trend that had lasted for over two years. The OITP index, which shows the value of the US dollar against a basket of emerging country currencies, depreciated by over 5%. Turning to countries where Intesa Sanpaolo subsidiaries are located, the Russian rouble gained 2% against the US dollar, while the Ukrainian hryvnia, buoyed by the IMF-backed adjustment programme, gained 3.8%. The Egyptian pound, after depreciating sharply towards the end of 2016 following the currency's float, remained stable at around EGP18 to USD1. The currencies of Central and South-Eastern Europe as a whole followed the Euro, which appreciated by around 8% against the US dollar in the first half of the year.

A number of Gulf countries (Saudi Arabia, Bahrain, Oman and Qatar) saw their ratings/outlooks downgraded in the first half of 2017 in response to the slow progress made in adjusting their economies to the new oil price scenario (in which prices are much lower than in the past) and political tensions in the region. Concerns over lending trends led Moody's to cut its credit rating for China (from Aa3 to A1 last May), while recent corruption episodes led both S&P and Moody's to change the outlook on their credit ratings for Brazil (BB and Ba2 respectively) to negative. Thanks to progress in financial stabilisation, S&P lifted the outlook to its BB+ credit rating on Russia to positive.

Outlook for 2017

The growth phase of the global economy will extend to the rest of the year, encouraging the central banks to further reduce their monetary stimulus measures and pushing the rate curves to rise. Some economic uncertainties, such as those related to the financial excesses in China, in addition to the political uncertainties related also to the unpredictability of the Trump administration, are still present. In Europe, the political risks are connected to the elections that will take place by next spring in various European countries, including Italy. The adaptation of the markets to the shift in monetary policy may lead to greater volatility in exchange and interest rates.

In 2017, the GDP performance in the emerging countries is expected to accelerate slightly, mainly due to the return to growth in Latin America (with Brazil coming out of the recession) and a strengthening of growth in the CIS countries and Sub-Saharan Africa. Asia is expected to maintain a pace in line with the one of 2016. The expected slowdown in China should be offset by more sustained growth in India. The additional slowdown of oil-producing countries, especially those of the GCC group, is expected to give rise to an overall slowdown of the MENA area.

The domestic insurance market

The domestic life market continued to lose ground in the first quarter of 2017 in terms of both gross premiums at €31.0 billion (-10.5% on the corresponding period of 2016) and new production at €26.2 million (-13.6% on the corresponding period of 2016).

This trend is mainly due to the drop in sales of traditional products, since many insurance companies contained new Class I-V policies (-25.0% on the first quarter of 2016), which still account for 59% of total premiums. In tandem, there was a significant growth in Class III premiums, which are characterised by a small capital absorption (+25.8% on the corresponding period of 2016).

New production reached €26.2 billion in the first quarter of 2017, down 13.6% on the corresponding period of 2016. Class I-V premiums fell by 30.3% on the first quarter of 2016, while Class III cross border premiums rose by 24.9%. Insurance companies invested more in unit-linked policies in the first three months of 2017, in terms of both innovation and promotion. Multi-class products performed positively, accounting for 26.1% of the market, with a growth of 9.5% compared to the corresponding period of 2016.

A breakdown of new production by distribution channel shows a drop of 22.9% in the bank and post office branches on the same period of 2016, posting premiums of €15.1 billion. Financial advisors recorded premiums of €3.5 billion, up 4.2% on the first quarter of 2016. The agency networks reached €3.2 billion, down 3.0% on the first three months of 2016. Cross border premiums also increased to €4.4 billion (+8.0% on the corresponding period of 2016).

The performance of the life insurance sector was affected by several factors that had an impact on the sector's distribution, organisational and product trends.

As a result of the coming into force of Solvency II, insurance companies revised their marketing and sales plans, in order to adjust their portfolio mix. They are increasingly moving from a majority of guaranteed return products to multi-class and unit-linked policies. Indeed, insurance companies are trying to limit sales of Class I products, promoting those of Class III. This strategy was launched in 2016 and will continue in 2017 and subsequent years.

Moreover, insurance companies are limiting the launch of new products and increasing their flexibility to better meet customer requirements.

Operators are increasingly introducing the Individual Savings Plans that are able to avail of the tax benefits provided by legislation.

Moreover, various changes in ownership took place during the period, as well as changes in the organisational structures aimed at eliminating the strict division between life and non-life businesses in order to achieve a more customer-focused approach.

At the end of March 2017, the total number of members of open pension plans reached 1,291,425, (+2.2% on the end of 2016), including 217,220 through collective agreements. Plan assets rose 2.6% to €17.6 billion.

New members of open pension plans numbered 34,255 at 31 March 2017 (+11.3% on 31 March 2016). An analysis of these new members by distribution channel shows that the bank and post office branches are still the best channel, signing up 29,520 new members, up 19.0% on 31 March 2016. The financial advisors ranked second with 2,475 open pension plans sold, followed by the agencies and sales teams at 1,870 and 390 new members, respectively. Contributions collected by open pension plans totalled €417 million in the first quarter of 2017, up 4.4% on the same period of 2016.

Members of individual pension plans reached 2,937,210 at the end of the first quarter of 2017, with plan assets amounting to €24.8 billion, up 4.0% on 31 December 2016.

New members of individual pension plans numbered 84,761 at 31 March 2017 (+5.5% on 31 March 2016). An analysis of these new members by channel shows that the agencies are still the best channel, signing up 39,915 new members, up 4.7% on 31 March 2016. The bank and post office branches ranked second with 37,860 new individual open pension plans sold (+6.0% on 31 March 2016). The financial advisors also improved, with 6,986 new members. The new production totalled €142 million in the first quarter of 2017, up 5.0% on the same period of 2016.

The supplementary pension business is a segment of the insurance market that still ensures great potential to insurance companies, in terms of both new member and volumes.

The domestic non-life business remained stable in the first quarter of 2017 compared to the corresponding period of 2017 (€8.9 billion). Despite the stiff market competition in the motor insurance segment, the improvement in the non-motor insurance segment led to a growth in premiums.

Specifically, the motor insurance segment recorded premiums of roughly €4.2 billion, down 2.0% on the corresponding period of the previous year. The non-mandatory covers confirmed the increase in motor property damage premiums, which went up 5.4%, thanks to the rise in sales of new vehicles. On the other hand, the motor third party liability insurance premiums decreased by 3.5%. However, despite the continued decreasing trend, there are the first signs of an upturn.

The umpteenth drop in the motor third party liability insurance premiums was caused by the ability of certain large competitors to continue to apply discounts, especially during renewals. However, most operators show the first signs of a more prudent approach when pricing policies for new customers.

Market operators recorded total non-motor insurance segment premiums of about €4.7 billion in the first quarter of 2017, up 1.8% on the same period of 2016.

The non-motor insurance segment recorded an increase in premiums thanks to a slight recovery of the economic cycle and the development of products that, due to their technological content, are increasingly complete in terms of ancillary services. Indeed, the new insurance products are enriched with technological tools that promote individual wellness and other prevention forms are spreading quickly.

The contribution of all the main business segments continues to be positive, first of all that of the health insurance business that benefitted from the increase in the collective component (+7.2%), but also that of the accident insurance (+3.5%), other damage to goods (+6.0%), support and assistance (+7.1%), legal protection (+8.6%) and pecuniary losses (+5.4%) businesses.

The competitive arena shows a concentration of the top five insurance groups, whose share contracted slightly to just under 68%. Despite the prolonged drop in premiums collected by the large groups, the other market operators performed well in terms of volumes.

Notwithstanding a slight decrease compared to the first quarter of 2016, the agency network remains the main distribution channel of the non-life insurance business, with a market share of 84.5%. This channel mostly sells MTPL and general third-party liability policies. With a share of 6.5%, the bank branches continued their growth, mostly in the sale of credit and pecuniary losses insurance policies. Direct sales accounted for an overall 8.7%.

Bank branches continued to grow during the first three months of 2017, recording premiums of €679 million, up 15.0% on the first quarter of the previous year. Market operators focused on the development of multi-channel solutions, the use of platforms supporting sales by managers and business diversification strategies. If, on one hand, the large volume growth recorded in the past could no longer be attained in the motor business, as the large players in the bancassurance market are now up and running, on the other hand, various projects for tailor-made products, customer retention and new products were introduced in the non-motor business, such as, for example, in the small business segment, which all major banks entered.

In legislative terms, the changes introduced by the Senate and confirmed by the Chamber of Deputies include discounts for car drivers that install certain tools, such as event data recorders, and for "virtuous" drivers residing in areas with a high claims ratio and more expensive policies. Moreover, the commission reinstated the tacit renewal for all non-life business policies, except for the MTPL.

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.

Accordingly, the division continued to implement strategies in the **life segment**, designed to rebalance premiums collected for class I and III policies by suspending pure class I product premiums and concentrating on the promotion of multi-class products through retail channels (via the Banca dei Territori division) and private banking channels (via the Private Banking-Fideuram division), commenced in previous years.

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

- introduction of initiatives to assist the ultimate parent, Intesa Sanpaolo, with a view to expanding opportunities for customer contact and service;
- design of innovative division communication tools to facilitate the circulation of insurance expertise both within the division and to assist the Banca dei Territori division in product placement by customer relations managers;
- consolidation of integration of the pension plan business previously managed by Intesa Sanpaolo Previdenza to best harmonise pension products for customers.

With respect to the **non-life segment**, the parent stepped up its focus on protection products designed for Intesa Sanpaolo Group customers for motor insurance, credit protection insurance as well as products for retail individual customers such as, principally, accident, family protection, prevention and health products.

Furthermore and in order to extend its product portfolio, the division is developing insurance products that include telematics technologies to enter new market sectors.

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 2017 and Intesa Sanpaolo Vita, as the insurance group's parent, 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, the supervisory authority, 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 €345.4 million, a reduction on the €366.8 million for the corresponding period of 2016.

The Group's results were attributable to an excellent operating performance, mainly characterised by:

- an approximate €2.6 billion increase in assets under management (+2.3%, €117.3 billion at period end compared to €114.7 billion at 31 December 2016);
- transition in the life business product mix from class I products to multi-class and unit-linked products;
- increase in the non-life business portfolio due to the upturn in premiums (+16.4%, €233.2 million for the reporting period compared to €200.3 million for the first half of 2016), mostly as a result of the higher sales of the credit protection insurance (CPI) policies tied to the loans issued by the Intesa Sanpaolo Group network and the other non-life lines of business excluding aviation, marine, bonds and credit.

This performance had the following main effects on profit or loss:

- smaller contribution of the technical performance (approximately €47.9 million) and net financial income (€24.3 million);
- higher net commission income (€12.9 million).

The net gains on financial instruments amounted to €1,202 million against €1,228 million in the corresponding period of 2016. The steady decline in market rates affected portfolio returns, especially for new investments. This trend was partly offset by the increase in assets under management and their sale given the rise in market prices thanks to the reduction in interest rates.

Comprehensive income decreased to €258.2 from €353.9 million for the first half of 2016. This is principally the effect of the larger decrease in the fair value reserve (under other comprehensive income) of -€87.7 million (-€12.5 million at 30 June 2016).

Risk management

An internal control system is of strategic importance to 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 healthy 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 ensure compliance of its organisation. 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 correct control culture.

The risk management system was reinforced again during the year to comply with the EU and national regulations issued as part of the preparatory phase before enactment of the Solvency II Directive. Specifically, the Group strengthened the procedures and models used to assess its risk profile, the related monitoring processes and governance documents of the insurance group.

This project not only involved the Group's internal processes but also included developing a greater risk management culture, which is shared by the entire organisation and applied to develop and introduce methods to identify, measure, communicate and manage risks.

The Intesa Sanpaolo Vita Insurance 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 correctly identifying the principal 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, sensitivity 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 prejudice 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 business;
- 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 the companies' assets.

The parent's governance system is described in the corporate governance documents, presented to and approved by the board of directors. In addition to its by-laws, the more significant documents are:

- directives on internal controls and the annual internal controls report;
- the risk management regulation;
- the proxies and powers system (approved in advance by the parent and subsequently by the boards of directors of the group companies, as well as by the supervisory board set up in compliance with Legislative decree no. 231, the audit committee and the local regulator). This system regulates the management

independence vested in the various company bodies to allow them to carry out their duties, in accordance with the organisational principles governing delegation and supervision.

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

Internal controls are structured according to the guidelines set out below:

- segregation of duties and responsibilities: duties and responsibilities are divided among company bodies in a clear manner in order to avoid gaps or overlapping powers that may impinge upon the company's proper functioning;
- formalisation: the actions of the boards of directors and delegated parties must always be documented to allow the checking of management activities and decisions taken;
- independence of controls: the necessary independence of the control structures from the operational units must be assured.

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, like 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 favours the involvement of all company units in the pursuit of the Group's objectives.

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 (the Risk Management Unit);
- 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 the line controls that are responsible for the transactions performed. 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, taking account of risk assumption, assessment and management policies as defined by the administrative body. 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:

- the commercial offer was revised as part of the production definition process to reduce the protection offered, promoting mixed solutions including class I and class III products and developing capital protection products. These products optimise the capital profile under Solvency II and have led to improved performances over time for policyholders compared to the old generation products;
- as part of the management of interest rate and spread risk, the term of assets was kept lower than the term of the liabilities, mitigating the reinvestment risk through the continuous reduction of average minimum guaranteed levels for assets under management;
- as part of the management of credit risk, a policy was introduced involving diversification and reduction of issuer exposures which, with the exception of the Italian, German and ultimate parent bonds, never have an overall exposure above 1%;
- total exposure has been contained as part of management of equity 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;
- in order to mitigate liquidity risk, efforts continued to focus the investment portfolio on actively traded and liquidable instruments by divesting positions comprised of structured instruments or that were not associated with sufficiently liquid trading markets;
- the careful selection of new investments, especially as regards the alternative investments portfolio;

- as part of the management of derivatives, in keeping with the policy of focusing investments on liquid instruments that are priceable and have measurable risks, the parent operated as a matter of preference on explicit derivatives, adequately linked to primary financial instruments, with the goal of mitigating interest rate risks (IRSs, futures, forwards), currency risks (DCSs and forwards) and credit spread risks (CDSs);
- as part of the management of operational risks, the business and control processes were strengthened.

These results can clearly be seen in the stress tests and economic capital measurements made by the parent, all within an operating context that saw the Group achieve higher profitability levels than the previous year.

The insurance group companies worked to implement the requirements of the Solvency II Directive in a consistent and coordinated manner, mainly focusing on system and the assessment method optimisation.

To this end, they identified areas and environments to be developed at strategic and operational level. Specifically, they identified the following six strategic areas:

- Products
- Asset Liability Management (ALM) policies
- Planning
- Capital allocation and management
- Reassurance policies
- Internal models and transition measures

A work group coordinated by a reference person was set up for each area.

At operational level, two macro environments were identified: one related to application tools, for which the data quality management (DQM), the quantitative reporting system, the source systems, the reserve calculation engine and the Solvency II report will be introduced. The other environment involves the governance tools and, especially, preparation of guidelines, formalisation of processes and operating guides and rationalisation of the methods.

In addition to the above, two specific processes will be introduced for the design activities: the Pillar II ORSA (Own Risk & Solvency Assessment) process and the Pillar III quantitative and qualitative reporting process.

The principal new products

During the first half of 2017, the Group, namely, Intesa Sanpaolo Vita, changed its multi-class life business offer to retail and individual customers of the Banca Dei Territori division significantly, replacing the "Giusto Mix" product with the new "InFondi Stabilità Insurance" investment solution, which provides more attractive financial terms and larger flexibility.

The new offer meets the increasing customer demand for capital protection, thanks to the introduction of the new management engine, the Flex Protetto fund, which, in conjunction with the Class I component, ensures a high overall investment protection level.

"InFondi Stabilità Insurance" is also highly flexible in terms of investment portfolio mix, including for smaller investments, and has renewed management engines, such as, in particular, the new Unit Linked Multiasset Flex 12 internal fund, characterised by the possibility to invest in funds of leading international fund managers.

The parent launched a communication plan dedicated to the flagship product of its new offer in the first half of 2017, in order to highlight its benefits for customers and its new features compared to its previous multi-class offer. Specifically, it created an integrated multi-channel (physical and digital) and multi-media (articles, videos and infographics) communication ecosystem in order to maximise its message effectiveness.

After a year spent renewing and enriching its offer for protection products, during the first half of the year, Intesa Sanpaolo Assicura focused on optimising its sales processes. Specifically, between December 2016 and May 2017, it extended the dematerialisation and distance sales to the ViaggiaConMe and MotoConMe policies and to all individual lines of the retail offer (health, accident and family), except for aCasaConMe, which will follow in July.

In June, the Group changed its assistance service provider for the motor insurance products, engaging Europ Assistance, and updated its minimum coverage limits based on European requirements.

Turning to SMEs, two regional management teams (Veneto Trentino AA Friuli VG and Emilia Romagna Marche Abruzzo Molise) launched, on a test basis, an offer that covers the risk of bad harvests for agricultural businesses. This test will be extended to other sectors in subsequent insurance campaigns.

At the same time, the Group's product development focused on the preliminary activities for the issues of the second half of 2017 and the "Non-life business project", an important initiative launched in the second half of 2016, which aims at creating certain fundamental drivers for the structural growth of the Group's non-life insurance business. This comprise the creation of a specialist sales network operating in synergy with the branches, the fine-tuning of a distant sales model through the on-line branch, the activation of Banca 5 (formerly Banca ITB), the optimisation of the offer to the Businesses segment, including by engaging the broker AON and the construction of an integrated offer system (insurance wallet) for the retail segment that streamlines the commercial offer.

The second quarter saw the launch of the pilot activities for distant sales of the on-line branch, the reporting agreement between AON and Banca dei Territori in Piedmont and the protection product specialists in Lazio and Veneto.

Performance

During the period, the Group reported gross premiums of €9,206.5 million for both the life (€8,973.4 million) and the non-life (€233.2 million) businesses and, in relation to the former, both products classified as insurance products and policies with a more financial content.

Life premiums decreased by 16.2% on the corresponding period of 2016 (€10,799.9 million).

Gross non-life premiums amounted to €233.2 million, up 16.4% on the €200.3 million for the corresponding period of 2016.

Income from traditional products decreased (-43%), in line with the Group's strategy to privilege class III products.

millions €

	30-06-2017	30-06-2016	Change	
Collection of contracts classified as insurance and investment with DPF:	**2,758.2**	**4,640.3**	**-1,882.1**	**-40.6%**
- Traditional (class I)	2,527.8	4,454.7	-1,926.9	-43.3%
- Capitalisation (class V)	0.5	0.4	0.1	25.0%
- Unit Linked (class III)	2.3	11.6	-9.3	-80.2%
- Pension funds and Fip (VI)	227.6	173.6	54.0	31.1%
Collection of contracts classified as investment without DPF:	**6,215.2**	**6,159.6**	**55.6**	**0.9%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	6,215.2	6,159.6	55.6	0.9%
Total Life business	**8,973.4**	**10,799.9**	**-1,826.5**	**-16.9%**

New life business, including income from financial products without discretionary participation features (DPF), came to €8,894.8 million (-17%) compared to €10,717.9 million for the corresponding period of 2016.

The distribution structure

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

In January, for smaller portfolios, the parent also availed of the financial advisors network of Fideuram - Intesa Sanpaolo Private Banking Group to distribute pension products.

The parent also has sales agreements with non-group banks, 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 business (CPI) products.

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 period and in order to contain exposure on specific portfolios, the parent, 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 portfolio is protected by non-proportional excess of loss treaties in order to contain excessive and catastrophic exposure. Retention has been reduced through proportional cover solely for specific guarantees and products, mainly assistance guarantees and legal protection.

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.

Non-life premiums reinsured during the period amounted to €3,613 thousand, compared to €3,294 thousand for the corresponding period of 2016, equal to roughly 1.6% of gross premiums (1.5% in the corresponding period of 2016). Reinsurance cost the Group €2,336 thousand for the period, including €2,042 thousand for proportional treaties and €294 thousand for excess of loss treaties.

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 ex ISVAP Circular no. 574/2005. 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.

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 first six months of the year for new insurance products, for which reference should be made to the relevant section of this report.

IT systems

During the first half of 2017, the parent consolidated the project launched in 2016, when the 2016-18 IT systems development road map was defined.

The road map, which was increasingly focused on the development and strengthening of the parent's IT system, started in 2016 from the technological infrastructure and will end in 2018 with the completion of the application upgrade.

The technological work carried out in 2016 included the design of the new modular and scalable application architecture and discontinuance of obsolete and no longer supported software and hardware components, which mitigated security risks and improved performance.

The parent defined a benchmark model for the creation of a platform to be used for its future digital growth.

The digital growth will comprise two strategic areas:

- the parent's communication channels and the requirements of internal and external customers that will be able to use either assisted or self-service channels for the same transactions, in addition to promptly activating the same services for non-group networks and mobile systems;
- the proprietary information for all internal and external uses of data.

The parent's entire technological transformation is only possible through a revision of the Universo management system, which affected many of the development projects and most investments: all this without "interrupting" the other internal projects.

The development objectives defined in the IT strategic plan are as follows:

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

The main releases for the commercial areas and products related to:

- Base Sicura Tutelati on the Private network;
- LaTuaScelta;
- addition of new OEIC to Synthesis;
- the new InFondiStabilità Insurance product.

The activation of a new non-group channel for the sale of policies is still under development.

With respect to the legislative and regulatory framework, the activities included:

- AML implementations to manage group profiles, beneficiary owners and strengthened due diligence for relevant customers;
- implementation of the new supervisory QTR required by Solvency II;
- upgrading of the accounting and financial reporting systems to comply with IFRS 9 requirements for the purposes of the Intesa Sanpaolo Vita Insurance Group's and Intesa Sanpaolo Group's consolidated financial statements.

As part of the development process for process efficiency and completion, the main activities carried out were as follows:

- the pilot phase of the IDEA project for the completion and remaking of the parent's proprietary information was launched;
- the settlement and collection procedures were optimised;
- the new product development process and new Promos actuarial engine for the users' self-establishing of product rules were issued;
- the renewal of the revaluation, unit transfer (?) and premium settlement procedures in the new Promos actuarial engine was completed;
- the centralised securities database was released for all insurance group companies, fed by the same single database of the ultimate parent, Intesa Sanpaolo.

With respect to development of the main technological activities:

- the internal application authentication systems were revised;
- the second stage of the renewal of the entire IT system was commenced.

During the first half of 2017, Intesa Sanpaolo Assicura's IT systems confirmed their role as one of the main drivers for its change, combining new technology with business development and continuing to follow the path set out in the business plan that envisages an increase in volumes.

Unlike in 2016, when many products were launched in order to complete the offer, including in segments not yet covered, such as the PMI, important digital innovation projects were commenced or concluded during the first half of the year, in particular:

- implementation of the multi-channel project for Intesa Sanpaolo customers that will be able to use either assisted or self-service channels for the same transactions;
- launch of a project for the enhancement of the proprietary information value for all internal and external uses of data.

Moreover, many projects were launched or concluded in order to ensure overall scalability both technologically and for the completion of process and internal tools.

The development objectives were as follows:

- **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 releases for the commercial area related to:

- the tariff revision for the ACasaConMe product;
- the multi-channel project for the motor and health products;
- the completion of the development of an app that checks distances covered by customers of the ViaggiaConMe motor product.

With respect to the legislative and regulatory framework, the activities included:

- implementation of the new QTR required by Solvency II;
- update of minimum coverage limits for the motor insurance.

As part of the development process for process efficiency and completion, the main activities enabled to:

- issue a new direct settlement system;
- release the first stage of the fraud prevention database;
- release the dematerialisation process for the health and motor policies;
- continue the roll out of applications to complete the automation of post-sales services;
- complete the migration of all non-life products to the on-line system, with a consequent reduction in the complex IT management issues;
- release the first stage of the CPI portfolio for the activation of additional checks and reconciliations between the life and non-life systems.

With respect to development of the main technological activities, the Group strengthened its applications' monitoring and control tools and implemented a new technological infrastructure for the product engine.

Staff

At 30 June 2017, the parent and its subsidiaries had 588 employees, 26 more than at 31 December 2016. The Group had 77 resources seconded from other companies of Intesa Sanpaolo Group and had seconded 53 employees to other companies of Intesa Sanpaolo Group.

	Intesa Sanpaolo Vita	Intesa Sanpaolo Life	Intesa Sanpaolo Assicura	Smart Care	**Totale**
Employees	382	60	113	-	555
- Managers	11	3	4	-	18
- Officers	187	10	42	-	239
- Other employees	184	47	67	-	298
Staff seconded from other companies to the Intesa Sanpaolo	69	4	4	-	77
Staff seconded to other companies of the Intesa Sanpaolo Group	25	-	28	-	53
Total	**426**	**64**	**89**	**-**	**579**
Other contractual forms	9	-	-	-	9
General total	**435**	**64**	**89**	**-**	**588**

As already mentioned, the Group implemented its new organisational model during the first half of the year, creating the actuary department that reports to the board of directors and completing and improving its management team by creating second level management roles (managers coming from Intesa Sanpaolo).

It also continued to select personnel with specialist and specific skills from both inside and outside the Intesa Sanpaolo Group, in order to supplement its organisational departments with non-managerial positions.

The conditions for activation of the reward system were met again at both group and parent level in 2016 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.

As per the specific provisions of the Group's remuneration policies, both the risk takers category and other employees received bonuses.

Principal regulatory developments in the period

Sector regulations

The main additional regulations published by the supervisory authority in the period are as follows:

IVASS regulation no. 34 of 7 February 2017

Corporate governance requirements for measuring assets and liabilities other than technical provisions and related methods and reporting.

IVASS regulation no. 35 of 7 February 2017

Instructions for adjusting the loss absorbing capacity of technical provisions and deferred taxes in the calculation of the solvency capital requirement using the standard formula.

Measure no. 56 of 9 February 2017

Measure for the temporary suspension of insurance premium payments to private insurers due to earthquakes.

IVASS regulation no. 36 of 28 February 2017

Requirements for the supervisory reporting of data and information for statistical surveys, studies and analyses relating to the insurance market.

Measure no. 58 of 14 March 2017

Measure for the on-line transmission of applications and reports relating to the Single Register of Intermediaries, amending ISVAP regulation no. 5 of 16 October 2006 and article 183 of Legislative decree no. 209 of 7 September 2005 - the Italian Private Insurance Code.

Measure no. 61 of 4 July 2017

Measure amending ISVAP regulation no. 24/2008 on data collection about complaints.

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 the year.

Premiums and net payments relating to insurance contracts

Premiums recognised in the period for the life and non-life business, including reinsurance, amounted to €2,938.0 million, down 39% on the corresponding period of the previous year (€4,793.4 million). This decrease mainly referred to the life business and principally to premiums for financial products with DPF.

millions €

	30-06-2017				30-06-2016			
	First year	Subsequent years	Single premiums	**Total**	First year	Subsequent years	Single premiums	**Total**
Life insurance products without DPF	1.1	10.8	390.2	**402.1**	1.3	11.3	370.9	**383.5**
Life insurance products with DPF	-	16.0	6.9	**22.9**	-	19.2	6.1	**25.3**
Life financial products with DPF	11.5	45.0	2,276.7	**2,333.2**	7.4	44.1	4,179.9	**4,231.4**
Non-life insurance products (*)				**179.79**				**153.2**
Total	**12.6**	**71.8**	**2,673.8**	**2,938.0**	**8.7**	**74.6**	**4,556.9**	**4,793.4**

The amounts paid in the life business increased from €4,171.9 million in the first half of 2016 to €4,359.3 million in the reporting period. The claims in the non-life business decreased by 96% from €122.1 million in the first half of 2016 to €50.3 million in the reporting period. The increase in the non-life business is due to the growth in the size of the policy portfolio which reported a worsened loss ratio in relative terms (from 29.1% in the corresponding period of 2016 to 28.9% in the reporting period). The reinsurers' share (of amounts paid) amount to €0.1 million for the life business and €2.1 million for the non-life business.

millions €

	Claims	Annuities	Surrenders	Maturities	Liquidation costs	**Total**
Insurance products without DPF	-51.7	-0.0	-161.2	-25.5	-4.1	**-242.5**
Insurance products with DPF	-5.2	-3.4	-24.2	-36.6	-	**-69.4**
Financial products with DPF	-1,002.1	-0.1	-2,832.8	-162.1	-	**-3,997.1**
Non-life business insurance products						**-50.3**
Total 30-06-2017	**-1,059.0**	**-3.5**	**-3,018.2**	**-224.2**	**-4.1**	**-4,359.3**
Insurance products without DPF	-48.5	-	-213.1	-55.0	-8.6	**-325.2**
Insurance products with DPF	-5.9	-3.7	-25.2	-33.2	-	**-68.0**
Financial products with DPF	-841.1	-0.1	-2,642.0	-245.5	-	**-3,728.7**
Non-life business insurance products						**-50.0**
Total 30-06-2016	**-895.5**	**-3.8**	**-2,880.3**	**-333.7**	**-8.6**	**-4,171.9**

Commissions

Net commissions on financial products without DPF, comprised of index-linked and financial unit-linked policies, amounted to €95.8 million, up 15.5% on the corresponding period of 2016 (€82.9 million). This net increase is due to the unit-linked products as the index-linked product portfolio is gradually maturing.

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

Financial income and expenses

Net gains on financial instruments decreased to €1,202.0 million compared to €1,228.2 million for the corresponding period of 2016. The €26.2 million decrease is mainly due to the smaller gains on the sale of available-for-sale instruments (€175.1 million) and larger losses on sales (€24.1 million). Net gains on other financial instruments rose by €177.8 million.

Commissions and operating expenses

Commissions and operating expenses amount to €150.6 million for the period, down 14% compared to €175.1 million for the corresponding period of 2016.

Investment management costs of €26.4 million decreased by 6% from €1.8 million in the corresponding period of 2016. The other administrative costs increased, from €23.5 million to €40.3 million for the period due to the revision of the allocation method of these costs among acquisitions, administration, payments and investments made during the second half of 2016 to better comply with Solvency II.

Other administrative costs as a percentage of total net premiums were roughly 0.4% compared to 0.5% for the first half of the pervious year.

Commissions and other acquisition costs as a percentage of net premiums came to 5.1% compared to 3.7% for the first half of 2016, following the change in the production mix.

Other revenues and expenses

Other net expenses went from €110.3 million for the first six months of 2016 to €251.1 million for the reporting period, mainly due to exchange rate trends.

Statement of financial position

Investments

The financial investments portfolio amounts to €121,166.0 million (up 2.8% compared to €117,892.2 million at 31 December 2016) and comprises available-for-sale assets (63.2%), assets designated at fair value through profit or loss (36.3%) with the remainder mostly consisting of financial assets held for trading and loans and receivables.

millions €

	30-06-2017		31-12-2016		Change	
Financial assets available for sale	76,611.2	63.2%	78,056.9	66.2%	- 1,445.7	-1.9%
Financial assets measured at fair value	43,980.8	36.3%	39,231.5	33.3%	4,749.3	12.1%
Financial assets held for trading	558.9	0.5%	587.5	0.5%	- 28.6	-4.9%
Land and buildings	-	0.0%	-	0.0%	-	n.a.
Investments in subsidiaries, associates and joint ventures	-	0.0%	-	0.0%	-	n.a.
Loans and receivables	15.0	0.0%	16.3	0.0%	- 1.3	-8.0%
Total	**121,165.9**	**100%**	**117,892.2**	**100%**	**3,273.7**	**2.8%**

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 volatile global financial markets, 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 distributed over a broad range of issuers, including, in particular, companies from the Eurozone.

Equity

At 30 June 2017, the Group reported equity of €4,824.0 million, including the profit for the period of €345.4 million, compared to equity at the start of the period of €4,565.4 million.

It recognised a €392.3 million fair value gain in the fair value reserve under equity compared to €480.0 million recognised at 31 December 2016 as a result of the different market values compared to the carrying amounts of AFS securities.

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

Liabilities with policyholders

Liabilities with policyholders, which include technical provisions of the life and non-life businesses as well as financial liabilities of the life business, increased by 2.3% from €114,668.8 million at 31 December 2016 to €117,290.7 million at the reporting date.

Technical provisions and financial liabilities of the life business, considering deferred liabilities with policyholders as well, went from €114,076.0 million at 31 December 2016 to €116,642.3 million at 30 June 2017 (+2.2%).

Insurance provisions

The life business' insurance provisions increased by 2.6%.

The increase in the non-life business insurance provisions was 9.4% from €592.7 million at the end of 2016 to €648.4 million at the reporting date.

Deferred liabilities with policyholders incorporating the policyholders' share of fair value gains and losses on investments and the accrual made after the liability adequacy test decreased from €5.334.6 million at 31 December 2016 to €4,327.2 million at the reporting date.

Financial liabilities

Financial liabilities rose by 13.5% from €34,532.6 million at the end of 2016 to €39,201.9 million at the reporting date. This increase is principally attributable to business trends and portfolio movements. It also incorporates fair value gains and losses on investments to which those liabilities are related.

millions €

	30-06-2017	31-12-2016	Change
Liabilities due to policyholders for Life segment	**116,642.3**	**114,076.0**	**2.2%**
Insurance provisions and financial liabilities:	112,315.1	108,741.5	3.3%
traditional	69,207.5	70,405.1	-1.7%
- of which financial liabilities	*-*	*-*	*n.a.*
- of which insurance provisions	*69,207.5*	*70,405.1*	*-1.7%*
linked	43,107.7	38,336.4	12.4%
- of which financial liabilities	*39,201.9*	*34,532.6*	*13.5%*
- of which insurance provisions	*3,905.7*	*3,803.8*	*2.7%*
Deferred liabilities due to policyholders	4,327.2	5,334.6	-18.9%
Insurance provisions for non-life segment	**648.4**	**592.7**	**9.4%**
Provision for unearned premiums	472.7	419.3	12.7%
Provision for outstanding claims	174.2	172.0	1.3%
Other insurance provisions	1.4	1.4	1.2%
Liabilities due to policyholders	**117,290.7**	**114,668.8**	**2.3%**

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**: unobservable 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 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, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
– monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model 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 uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models using price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where 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 considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:

– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values 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 searches 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 reproduction of prices of financial instruments listed on active markets (model calibration) without including discretional parameters (i.e., parameters whose values 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.

(€'000)

Financial assets/liabilities	Valuation technique	Main non-observable inputs	Minimum of variation range	Maximum of variation range	Unit	Fair value gain	Fair value loss
Securities	Discounted cash flows	Credit spread	-17	213	%	5,070	- 62,596
Structured securities	Two-rate model	Correlation			%		

(€'000)

Financial assets/liabilities	Non-observable parameters	Sensitivity	Variation in unobservable parameter
Securities held for trading and available-for-sale	Credit spread	-77	1 bps
Securities held for trading and available-for-sale	Correlation		

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

€'000

	Transfers among levels as at 30-06-2017					
	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	135,693	-	53,627	45,038	-	64,393
Financial assets designated at fair value through profit and loss	-	-	6,236	-	-	-
Financial assets available for sale	36	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Financial assets measured at fair value through profit and loss	**135,729**	**-**	**59,863**	**45,038**	**-**	**64,393**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Financial assets / liabilities 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 in the period and their changes are analysed below.

thousands €

	Profit and loss	Other comprehensive Income	Total
Financial assets available for sale	-79	45,115	45,036
Financial assets held for trading	2,260	-	2,260
Financial assets designated at fair value through profit or loss	-425	-	-425
Loans and receivables	-	-	-
Total	**1,756**	**45,115**	**46,871**

thousands €

	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss
Opening balance	**651,004**	**45,387**	**598,976**
Additions	**264,818**	**2,260**	**37,109**
Acquisitions	99,379	0	0
Fair value gains recognised in equity	50,117	0	0
Fair value gains recognised in profit or loss	0	2,260	0
Realised gains	67	0	0
Other increases	50,862	0	37,109
Decreases	**-63,011**	**0**	**-99,923**
Sales and repayments	-11,996	0	0
Fair value losses recognised in equity	-5,461	0	-416
Fair value losses recognised in profit or loss	0	0	0
Realised losses	-178	0	0
Other decreases	-338	0	-99,497
Closing balance	**852,811**	**47,647**	**536,162**

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 "Gains or losses on remeasurement of 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 insurance 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 results of operations of the two life and non-life segments, reference should be made to the annexes to these notes while the performance of the two segments during the period is commented on below.

Life business

The Group recorded gross premiums of €8,973.3 million (€10,799.9 in the first half of 2016), relating to both premiums on insurance products and financial products with DPF, as well as gross inflows from financial products without DPF.

Gross premiums decreased by 16.9% compared to the corresponding period of 2016.

millions €

	30-06-2017	30-06-2016	Change	
Collection of contracts classified as insurance and investment with DPF:	**2,758.2**	**4,640.3**	**-1,882.1**	**-40.6%**
- Traditional (class I)	2,527.8	4,454.7	-1,926.9	-43.3%
- Capitalisation (class V)	0.5	0.4	0.1	25.0%
- Unit Linked (class III)	2.3	11.6	-9.3	-80.2%
- Pension funds and Fip (VI)	227.6	173.6	54.0	31.1%
Collection of contracts classified as investment without DPF:	**6,215.2**	**6,159.6**	**55.6**	**0.9%**
- Index Linked (class III)	-	-	-	0.0%
- Unit Linked (class III)	6,215.2	6,159.6	55.6	0.9%
Total Life business	**8,973.4**	**10,799.9**	**-1,826.5**	**-16.9%**

At 30 June 2017, more than 3.6 million policies had been signed by group policyholders, up 3.4% on the previous year end.

Changes in the life insurance contracts are set out below:

	Contracts on 31-12-2016	New contracts	Other inflows	Payments and maturities	Other outflows	Contracts on 30-06-2017
Traditional	1,195,159	8,476	-	-64,284	-1,181	1,138,170
Capitalisation	2,230	4	-	-82	-	2,152
Unit Linked	468,977	76,441	-	-27,326	-	518,092
Pension	104,152	12,981	-	-344	-439	116,350
F.I.P.	28,932	-	-	-348	-998	27,586
Temporary Death Policies	1,130,478	189,750	-	-64,631	-86,665	1,168,932
Index Linked	26	-	-	-2	-	24
Open-Ended Pension Func	310,248	34,321	-	-1,838	-1,107	341,624
Multiramo	249,931	56,066	-	-6,147	-4,519	295,331
Total	**3,490,133**	**378,039**	**-**	**-165,002**	**-94,909**	**3,608,261**

The net charges relating to claims, including the adjustment to the insurance provisions, amount to €3,237.6 million, showing a 37.6% decrease on the €5,186.2 million recognised for the corresponding period of 2016. 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.

With regard to amounts paid, charges due to claims increased by 18.3%.

The provision for payable amounts, net of reinsurance, decreased by €94.4 million (€55.6 million for the six months ended 30 June 2016). The reduction in mathematical provisions, after accounting for the reinsurers' share, amounts to €1,236 million (€1,131 million for the first half of 206), whilst provisions resulting from pension fund management where the investment risk is borne by the policyholders increased by €102 million (€34 million for the corresponding period of 2016). The other technical provisions, net of the reinsurers' share, decreased by a net €31 million (€23 million in the first half of 2016).

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €66 million (€121 million in the first half of 2016). They include acquisition costs relating to insurance contracts and investment contracts with DPF. In particular, the caption includes acquisition commissions of €66 million (-21%), other acquisition costs of €8 million (€12 million in the corresponding period of 2016) and collection commissions of €13 million (-45% compared to €24 million for the six months ended 30 June 2016).

Investment management costs amount to €26 million for the first half of 2017 (€28 million for the corresponding period of 2016) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administrative costs amount to €40.3 million, up from €23.5 million for the first half of 2016. This increase is mainly due to the insurance parent. It revised the allocation of these costs among acquisitions, administration, payments and investments during the second half of the year to better comply with Solvency II.

Non-life business

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

Gross premiums for the period amount to €233.2 million, up on the corresponding period of 2016 (€200.3 million). The banking channel contributed €228.7 million, the financial advisors channel contributed €2.0 million whilst the other channels contributed €0.8 million.

A breakdown by distribution channel is as follows:

millions €

	30-06-2017					First half 2016					Change	
	Promoters	Bancassurance	Post office counters	Other channels	Total	Promoters	Bancassurance	Post office counters	Other channels	Total		
Health	1.9	7.9	-	-	9.8	2.2	3.9	-	-	6.1	3.7	60.7%
CPI	-	111.6	-	-	111.6	-	89.6	-	-	89.6	22.0	24.6%
Multi-guarantee on loans	-	-	-	-	-	-	29.1	-	-	29.1	-29.1	-100.0%
Property	0.1	52.0	1.7	-	53.7	0.1	18.0	1.8	-	19.9	33.8	n.a.
CPI on Neos leasing	-	-	-	-	-	-	0.2	-	-	0.2	-0.2	n.a.
Motor	-	47.6	-	0.5	48.2	-	46.5	-	2.0	48.5	-0.3	-0.6%
Other banking-insurance products	-	9.6	-	0.3	9.9	-	5.1	-	1.7	6.8	3.0	44.1%
Multi-risks property	-	-	-	-	-	-	-	-	-	-	0.0	n.a.
Total	**2.0**	**228.7**	**1.7**	**0.8**	**233.2**	**2.3**	**192.4**	**1.8**	**3.7**	**200.3**	**32.9**	**16.4%**

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

millions €

	30-06-2017	30-06-2016	Change	
Accident	1.7	0.7	1.0	n.d.
Health	7.5	7.0	0.5	7.1%
Land vehicles	2.8	3.0	-0.1	-3.3%
Railway rolling stock	-	-	-	n.d.
Aircraft	-	-	-	n.d.
Ships	-	-	-	n.d.
Goods in transit	-	-	-	n.d.
Fire and natural events	1.9	1.1	0.8	72.7%
Other damage to property	1.4	1.2	0.2	16.7%
Credit	1.1	1.0	0.1	10.0%
Surety	0.3	0.0	0.2	n.d.
Motor third party liability	26.4	27.7	-1.2	-4.3%
Aircraft liability	-	-	-	n.d.
Liability for ships	0.0	0.0	-0.0	n.d.
Legal protection	0.1	0.1	-0.1	n.d.
General third party liability	1.2	1.1	0.1	9.1%
Miscellaneous financial loss	4.9	6.3	-1.4	-22.2%
Assistance	0.8	0.7	0.1	14.3%
Total	**50.2**	**50.0**	**0.2**	**0.4%**

At 30 June 2017, non-life policies numbered 2,229,565.

Commissions and other acquisition costs, net of profit participation and other commissions received from reinsurers, amount to €63.4 million (€54.3 million for the corresponding period of 2016).

Investment management costs amount to €0.2 million for the period (€0.3 million for the corresponding period of 2016) and include general costs and personnel expenses related to the management of investment property and equity investments.

Administrative costs amount to €10.7 million, up from €9.4 million for the first six months of 2016.

Other information

Principal risks and uncertainties for companies included in the consolidation scope

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 department 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.

Within this context, 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 through 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 2017.

Related party transactions

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 "Other information" section of the notes to the interim consolidated financial statements.

Supervisory authority

In November 2016, IVASS performed an ordinary inspection at the parent's offices to obtain a better estimate of the technical provisions, the assumptions used to calculate these provisions and the SCR and the ALM of revaluable products. The inspection was concluded during the first quarter of 2017 and the board of directors was informed of the supervisory authority's findings during its meeting of 5 May 2017.

The parent promptly planned the actions to resolve the issues raised by the inspectors. The resolution plan is being monitored by the parent's supervisory body.

Some of the supervisory authority's findings alleged that the parent violated the requirements of article 30-bis.1 of Legislative decree no. 209/2005. The parent filed its reply within the timeframe provided for by the law, confirming that it had operated correctly.

Ownership structure

Intesa Sanpaolo Vita belongs to 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 18 third party shareholders. Its share capital is comprised of 655,157,496 ordinary registered shares with no nominal amount.

At 30 June 2017, Intesa Sanpaolo Vita Group held 341,478 shares of the ultimate parent, Intesa Sanpaolo. These shares were acquired in order to service the share incentive plan for senior management in relation to 2012, authorised by the shareholders of Intesa Sanpaolo in their meeting of 22 April 2013 and resolved upon by the boards of directors of Intesa Sanpaolo Vita and Intesa Sanpaolo Life. They were also acquired for the investment plan benefiting all employees (LECOIP) and investments included in pension products. The carrying amount and fair value of the shares is €0.9 million.

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

€'000

	No. of shares	Balance at 30.06.2017
Intesa Sanpaolo Vita S.p.A.	253,709	704
Intesa Sanpaolo Assicura S.p.A.	46,631	129
Intesa Sanpaolo Life DAC	41,138	114
Total	**341,478**	**947**

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 review of the Group's interim consolidated financial statements on a voluntary basis.

EVENTS AFTER THE REPORTING PERIOD

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.

Milan, 1 August 2017

The chairman of the Board of Directors

Luigi Maranzana
(signed on the original)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

thousands €

	INTESA SANPAOLO VITA S.p.A.	Total 30-06-2017	Total 31-12-2016
1	**INTANGIBLE ASSETS**	**636,705**	**635,544**
1.1	Goodwill	634,580	634,580
1.2	Other intangible assets	2,125	964
2	**TANGIBLE ASSETS**	**6,668**	**4,915**
2.1	Lands and buildings (self used)	-	-
2.2	Other tangible assets	6,668	4,915
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**16,198**	**17,311**
4	**INVESTMENTS**	**121,165,931**	**117,892,199**
4.1	Lands and buildings (investment properties)	-	-
4.2	Investments in subsidiaries, associates and joint ventures	-	-
4.3	Investments held to maturity	-	-
4.4	Loans and receivables	14,961	16,315
4.5	Financial assets available for sale	76,611,213	78,056,921
4.6	Financial assets at fair value through profit and loss	44,539,757	39,818,963
5	**RECEIVABLES**	**284,546**	**403,616**
5.1	Receivables arising from direct insurance operations	16,100	15,623
5.2	Receivables arising from reinsurance operations	2,615	649
5.3	Other receivables	265,831	387,344
6	**OTHER ASSETS**	**2,691,414**	**2,299,860**
6.1	Non-current assets held for sale and discontinued operations	-	-
6.2	Deferred acquisition costs	-	-
6.3	Deferred tax assets	189,121	195,287
6.4	Current tax assets	2,031,638	1,697,988
6.5	Other assets	470,655	406,585
7	**CASH AND CASH EQUIVALENTS**	**604,624**	**1,495,047**
	TOTAL ASSETS	**125,406,086**	**122,748,492**

thousands €

	INTESA SANPAOLO VITA S.p.A.	Total 30-06-2017	Total 31-12-2016
1	**SHAREHOLDERS' EQUITY**	**4,824,022**	**4,565,412**
1.1	**attributable to the Group**	**4,824,022**	**4,565,412**
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	Revenue reserves and other reserves	2,437,733	1,798,568
1.1.5	(Own shares)	-	-
1.1.6	Reserve for currency translation differences	-	-
1.1.7	Reserve for unrealized gains (losses) on available for sale financial assets	392,311	480,023
1.1.8	Reserve for other unrealized gains (losses) through equity	22	-409
1.1.9	Result of the period	345,436	638,710
1.2	**attributable to minority interests**	**-**	**-**
1.2.1	Share capital and reserves	-	-
1.2.2	Reserve for other unrealized gains (losses) through equity	-	-
1.2.3	Result of the period	-	-
2	**OTHER PROVISIONS**	**10,809**	**11,992**
3	**INSURANCE PROVISIONS**	**78,088,737**	**80,136,128**
4	**FINANCIAL LIABILITIES**	**40,948,524**	**36,212,320**
4.1	Financial liabilities at fair value through profit and loss	39,268,280	34,620,738
4.2	Other financial liabilities	1,680,244	1,591,582
5	**PAYABLES**	**648,220**	**754,294**
5.1	Payables arising from direct insurance operations	152,574	138,709
5.2	Payables arising from reinsurance operations	5,094	1,710
5.3	Other payables	490,552	613,875
6	**OTHER LIABILITIES**	**885,774**	**1,068,346**
6.1	Non-current liabilities held for sale and discontinued operations	-	-
6.2	Deferred tax liabilities	484,653	494,084
6.3	Current tax liabilities	296,282	416,895
6.4	Other liabilities	104,839	157,367
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**125,406,086**	**122,748,492**

INCOME STATEMENT

thousands €

INTESA SANPAOLO VITA S.p.A.		Total 30-06-2017	Total 30-06-2016
1.1	Net earned premiums	2,932,445	4,788,431
1.1.1	*Gross earned premiums*	*2,937,864*	*4,793,543*
1.1.2	*Earned premiums ceded*	*-5,419*	*-5,112*
1.2	Commission income	360,774	254,867
1.3	Gains (losses) on financial instruments at fair value through profit and loss	41,511	-70,290
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-
1.5	Income from other financial instruments and lands and buildings	1,235,978	1,398,695
1.5.1	*Interest income*	*933,620*	*921,465*
1.5.2	*Other income*	*99,598*	*99,378*
1.5.3	*Gains on disposal*	*202,760*	*377,852*
1.5.4	*Unrealized gains*	-	-
1.6	Other income	68,274	135,809
1	**TOTAL INCOME**	**4,638,982**	**6,507,512**
2.1	Net insurance benefits and claims	-3,287,516	-5,228,766
2.1.1	*Claims paid and change in insurance provisions*	*-3,289,793*	*-5,229,711*
2.1.2	*Reinsurers's hare*	*2,277*	*945*
2.2	Fee and commission expense	-264,988	-171,951
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	-
2.4	Expenses from other financial instruments and lands and buildings	-75,457	-100,250
2.4.1	*Interest expense*	*-35,578*	*-36,864*
2.4.2	*Other expenses*	*-1*	*-1*
2.4.3	*Losses on disposal*	*-37,324*	*-13,154*
2.4.4	*Unrealized losses*	*-2,554*	*-50,231*
2.5	Operating expenses	-217,306	-226,819
2.5.1	*Commissions and other acquisition costs*	*-150,643*	*-175,106*
2.5.2	*Investment management expenses*	*-26,380*	*-28,213*
2.5.3	*Other administrative expenses*	*-40,283*	*-23,500*
2.6	Other expenses	-319,403	-246,101
2	**TOTAL EXPENSES**	**-4,164,670**	**-5,973,887**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**474,312**	**533,625**
3	Income taxes	-128,876	-166,848
	PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**345,436**	**366,777**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-
	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**345,436**	**366,777**
	of which attributable to the Group	345,436	366,777
	of which attributable to minority interests	-	-

STATEMENT OF COMPREHENSIVE INCOME

thousands €

INTESA SANPAOLO VITA S.p.A.	Total 30-06-2017	Total 30-06-2016
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**345,436**	**366,777**
Other comprehensive income after taxes without reclassification in the income statement	**73**	**-377**
Change in shareholders' equity of subsidiaries	-	-
Changes in the revaluation reserve of intangible assets	-	-
Changes in the revaluation reserve of tangible assets	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Actuarial gains (losses) arising from defined benefit plans	-	-377
Other items	73	-
Other comprehensive income after taxes with reclassification in the income statement	**-87,354**	**-12,489**
Foreign currency translation differences	-	-
Net unrealized gains (losses) on available for sale financial assets	-87,712	-12,489
Net unrealized gains (losses) on cash flow hedging derivatives	358	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-
Change in shareholders' equity of subsidiaries	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Other items	-	-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**-87,281**	**-12,866**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**258,155**	**353,911**
of which attributable to the Group	**258,155**	**353,911**
of which attributable to minority interests	**-**	**-**

STATEMENT OF CHANGES IN EQUITY

thousands €

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2015	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30-06-2016
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	1,689,868	-	612,583	-	-	-	2,302,451
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	612,492	-	-245,715	-	-	-	366,777
	Other comprehensive income	648,589	-	-377	-39,301	26,812	-	635,723
	Total attributable to the Group	**4,599,469**	**-**	**366,491**	**-39,301**	**26,812**	**-**	**4,953,471**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,599,469**	**-**	**366,491**	**-39,301**	**26,812**	**-**	**4,953,471**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31-12-2016	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Change in Profit sharing	Amount as of 30-06-2017
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	1,798,568	-	639,165	-	-	-	2,437,733
	(Own shares)	-	-	-	-	-	-	-
	Result for the period	638,710	-	-293,274	-	-	-	345,436
	Other comprehensive income	479,614	-	431	-18,109	-69,603	-	392,333
	Total attributable to the Group	**4,565,412**	**-**	**346,322**	**-18,109**	**-69,603**	**-**	**4,824,022**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-	-	-	-	-
	Result for the period	-	-	-	-	-	-	-
	Other comprehensive income	-	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**4,565,412**	**-**	**346,322**	**-18,109**	**-69,603**	**-**	**4,824,022**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

thousands €

INTESA SANPAOLO VITA S.p.A.	30-06-2017	30-06-2016
Profit (loss) before taxes for the period	**474,312**	**533,625**
Change in non-cash items	**-1,595,708**	**2,160,803**
Change in non-life provision from unearned premium	54,662	48,334
Change in non-life provision for outstanding claims and other insurance provisions	2,279	-4,212
Change in mathematical provisions and other life insurance provisions	-2,190,931	1,963,465
Change in deferred acquisition costs	-	-
Change in provisions	-1,183	-4,232
Non-cash income and expenses from financial instruments, investment property and equity investments	545,644	172,031
Other expenses	-6,179	-14,583
Change in receivables and payables generated by operating activities	**-557,865**	**-266,302**
Change in receivables and payables on direct insurance and reinsurance operations	14,806	-2,360
Change in other receivables and payables	-572,671	-263,942
Income taxes paid	**-128,876**	**-166,848**
Net cash generated/absorbed by cash items related to investment and financing activity	**-527,680**	**118,564**
Financial liabilities related to investment contracts	4,736,204	4,254,228
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-5,263,884	-4,135,664
CASH FLOW FROM OPERATING ACTIVITY	**-2,335,817**	**2,379,842**

Net cash generated/absorbed by lands and buildings (investment property)	-	83
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	-	-
Net cash generated/absorbed by loans and receivable	1,354	556,400
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	1,443,154	-4,391,171
Net cash generated/absorbed by tangible and intangible assets	-	-
Other cash generated/absorbed by investment activity	-	-
CASH FLOW FROM INVESTING ACTIVITY	**1,444,508**	**-3,834,688**

Net cash generated/absorbed by Group's share capital and equity instruments	886	-286
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	-	-
Net cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**886**	**-286**

Effect of foreign-exchange differences on cash and cash equivalents		-

OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,495,047	3,003,162
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-890,423**	**-1,455,132**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	604,624	1,548,030

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.

In order to better guide the interpretation and the application of the new accounting standards, further reference was 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 complete the issued standards.

Lastly, again in terms of interpretation, the documents regarding the application of the IFRS prepared by the Italian Standard Setter Body (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.

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 governance systems, the prospective valuation of risks using the ORSA, 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 the ISVAP with regulation no. 7 of 13 July 2007, as subsequently amended by measure no. 53/2016, considering the additional disclosures required by

IAS 34 for the preparation of interim financial reporting.

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 2016 to which reference should be made for more detailed information.

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 doubt 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, Intesa Sanpaolo Assicura and Intesa Sanpaolo Smart Care.

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 with the line-by-line method, which establishes the following:

- the financial statements drawn up according to the IFRS 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 year 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.

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 2017 as they were 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".

The life insurance business segment includes the non-insurance subsidiary Smart Care.

Consolidation scope

Investments in subsidiaries, including in companies operating in business sectors that are different from that of the parent, are consolidated.

A list of the companies consolidated at 30 June 2017 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 €636,705 thousand (€635,544 thousand at 31 December 2016).

This caption mainly comprises goodwill and the expenses incurred for software acquired from third parties or developed internally. The table below provides a breakdown of the caption:

€'000

	Cost	Deemed cost or fair value	Carrying amount 30-06-2017	Cost	Deemed cost or fair value	Carrying amount 31-12-2016
Goodwill	634,580		634,580	634,580		634,580
Other intangible assets	2,125		2,125	964		964
Total	**636,705**	**-**	**636,705**	**635,544**	**-**	**635,544**

Goodwill of €634,580 thousand, unchanged from 31 December 2016, refers to the non-recurring transactions in which the Group was involved, especially the merger of Intesa Sanpaolo Vita and Sud Polo Vita into the parent on 31 December 2011 and the contribution of the Intesa Sanpaolo Previdenza SIM S.p.A. business unit on 1 December 2014.

Goodwill was tested for impairment by benchmarking it against the overall intrinsic value of the life portfolio measured at 31 December 2016. 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 regulation.

This measurement, which gives values considerably higher than goodwill, was supported by the elements characterising the operations in 2017 and mainly:

- the positive trend of new business, recording significant amounts and products with relative profitability above the portfolio’s average;
- the financial market performance maintained the positive balance of the fair value gains/losses on the segregated assets.

Moreover, the performance in the first half of 2017 and forecasts for the entire year are consistent with the 2016 results, without indicating subsequent events that may negatively affect measurement.

Other tangible assets (caption 2.2)

This caption, amounting to €6,668 thousand (€4,915 thousand at 31 December 2016), mainly comprises chattels, electronic systems, equipment and office machines. The increase for the period is mostly attributable to the contribution of Smart Care S.r.l. due to acquisition of the “ACasaconMe” and “ViaggiaConMe” product boxes.

AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS (caption 3)

The balance amounts to €16,198 thousand (€17,311 thousand at 31 December 2016), with a decrease of €1,113 thousand compared to 31 December 2016.

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 (investment property, equity investments and financial assets) amount to €121,165,931 thousand (€117,892,199 thousand at 31 December 2016).

Lands and buildings (investment properties) (caption 4.1)

This caption had a nil balance at 31 December 2016, as the Group sold the property in Via Hoepli 10, Milan in December as part of a wider-reaching disposal project performed by the Intesa Sanpaolo Group with a major Italian fund manager specialised in real estate funds.

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

Financial assets amount to €121,165,931 thousand (€117,892,199 thousand at 31 December 2016).

Loans and receivables (caption 4.4)

They amount to €14,961 thousand (€16,315 thousand at 31 December 2016) as follows:

thousands €

	30-06-2017	31-12-2016
Loans and receivables with bank customers	**14,699**	**16,048**
Loans and receivables with banks	**-**	**0**
Deposits with ceding companies	**-**	**0**
Other loans and receivables	**262**	**267**
- loans on policies	262	267
- secured loans	-	0
- employee loans	-	0
- others	-	0
Total	**14,961**	**16,315**

The Group's maximum exposure to the credit risk on loans and receivables is €14,961 thousand (€16,315 thousand at 31 December 2016), i.e., the carrying amount of such assets. Loans and receivables with banks mainly consist of debt instruments and are mostly short-term.

Financial assets available for sale (caption 4.5)

They amount to €76,611,213 thousand (€78,056,921 thousand at 31 December 2016), mainly comprise bonds and may be broken down as follows:

thousands €

	30-06-2017				31-12-2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	65,212,534	1,494,656	176,306	66,883,496	66,742,106	1,612,377	116,728	68,471,211
- Structured	4,011,311	155,093	72,011	4,238,415	3,744,660	252,998	4,568	4,002,226
- Other	61,201,223	1,339,563	104,295	62,645,081	62,997,446	1,359,379	112,160	64,468,985
Equity instruments	1,522,046	-	63	1,522,109	1,540,352	-	63	1,540,415
- Cost	-	-	63	63	-	-	63	63
- FVTPL	1,522,046	-	-	1,522,046	1,540,352	-	-	1,540,352
UCI shares	7,502,804	26,362	676,442	8,205,608	7,498,721	12,361	534,213	8,045,295
Total	**74,237,384**	**1,521,018**	**852,811**	**76,611,213**	**75,781,179**	**1,624,738**	**651,004**	**78,056,921**

The impairment test of investments classified as available-for-sale, which was conducted in compliance with the accounting policies adopted in the preparation of the 2016 annual consolidated financial statements, led to recognition of net losses of €2,554 thousand. This amount includes net impairment losses on bonds (€1,758 thousand), equity instruments (€354 thousand) and OEIC units (€32 thousand).

The following table shows the carrying amount of the Group’s exposure to sovereign risk:

€'000

	DEBT SECURITIES					
	Government bonds			Other		
	Value before impairment	Impairment	Carrying amount	Value before impairment	Impairment	Carrying amount
Schengen countries	49,546,315	-	49,546,315	12,673,697	-2,044	12,671,653
AUSTRIA	2,694	-	2,694	2,260	-	2,260
BELGIUM	3,057	-	3,057	177,587	-	177,587
BULGARIA	59,977	-	59,977	22,399	-	22,399
CROATIA	86,822	-	86,822	15,741	-	15,741
DENMARK	-	-	-	27,166	-	27,166
FINLAND	1,523	-	1,523	-	-	-
FRANCE	65,807	-	65,807	1,441,199	-	1,441,199
GERMANY	533,503	-	533,503	471,211	-	471,211
IRELAND	97,075	-	97,075	220,169	-	220,169
ITALY	47,299,645	-	47,299,645	6,393,311	-1,927	6,391,384
LUXEMBOURG	11,661	-	11,661	317,028	-	317,028
NORWAY	-	-	-	76,761	-	76,761
THE NETHERLANDS	74,624	-	74,624	1,242,594	-	1,242,594
POLAND	19,184	-	19,184	-	-	-
PORTUGAL	-	-	-	8,465	-	8,465
UNITED KINGDOM	-	-	-	1,416,904	-	1,416,904
ROMANIA	165,199	-	165,199	-	-	-
SLOVENIA	7,348	-	7,348	-	-	-
SPAIN	1,082,009	-	1,082,009	839,326	-117	839,209
SWEDEN	-	-	-	1,576	-	1,576
HUNGARY	36,187	-	36,187	-	-	-
North Africa	-	-	-	-	-	-
JAPAN	-	-	-	70,299	-	70,299
America	385,913	-	385,913	2,802,847	-124	2,802,723
Other countries	177,155	-	177,155	1,229,438	-	1,229,438
TOTAL	**50,109,383**	**-**	**50,109,383**	**16,776,281**	**-2,168**	**16,774,113**

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

They amount to €44,539,757 thousand (€39,818,963 thousand at 31 December 2016) and include assets held for trading (€558,930 thousand) and assets designated at fair value through profit or loss (€43,980,827 thousand).

Financial assets held for trading

Financial assets held for trading amount to €558,930 thousand (€587,482 thousand at 31 December 2016).

The breakdown of the caption at 30 June 2017 is set out below:

€'000

	30-06-2017				31-12-2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	217,933	13,121	-	231,054	223,155	33,447	-	256,602
- Structured	18,102	4,365	-	22,467	17,796	4,617	-	22,413
- Other	199,831	8,756	-	208,587	205,359	28,830	-	234,189
Equity instruments	-	-	-	-	-	-	-	-
UCI units	203,020	-	47,647	250,667	203,208	-	45,387	248,595
Derivatives	3,343	73,866	-	77,209	11,898	68,303	-	80,201
Total	**424,296**	**86,987**	**47,647**	**558,930**	**438,261**	**101,750**	**45,387**	**585,398**

Assets designated at fair value through profit or loss

Assets designated at fair value through profit or loss amount to €43,980,827 thousand (€39,231,481 thousand at 31 December 2016).

The breakdown of the caption at 30 June 2017 is set out below:

€'000

	30-06-2017				31-12-2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt instruments	2,864,461	426,735	2,662	3,293,858	2,908,204	384,992	2,721	3,295,917
- Structured	123,796	170,471	2,662	296,929	117,472	160,812	-	278,284
- Other	2,740,665	256,264	-	2,996,929	2,790,732	224,180	2,721	3,017,633
Equity instruments	779,645	-	-	779,645	687,631	-	-	687,631
UCI shares	39,416,326	-	19,149	39,435,475	34,651,678	-	19,565	34,671,243
Other financial investments	- -	42,502	514,351	471,849	-	-	576,690	576,690
Derivatives	-	-	-	-	-	-	-	-
Total	**43,060,432**	**384,233**	**536,162**	**43,980,827**	**38,247,513**	**384,992**	**598,976**	**39,231,481**

RECEIVABLES (caption 5)

They amount to €284,546 thousand (€403,616 thousand at 31 December 2016).

Sundry receivables include, in particular, receivables from the ultimate parent for payment of the IRES advance (€37,327 thousand), tax assets (€67,799 thousand), management commissions on unit-linked and index-linked policies (€77,051 thousand) and other receivables of €83,654 thousand, mainly consisting of hedges of the margins on derivatives agreed with Credit Suisse, Deutsche Bank and Morgan Stanley.

The following table sets out details of the caption at 30 June 2017:

€'000

	30-06-2017	31-12-2016
Direct insurance receivables (caption 5.1)	**16,100**	**15,623**
Premiums due from policyholders	9,411	9,857
Receivables from insurance brokers	1,194	2,677
Co-insurance receivables	3,802	1,454
Other	1,693	1,635
Reinsurance receivables (caption 5.2)	**2,615**	**649**
Other receivables (caption 5.3)	**265,831**	**387,344**
Tax assets	67,799	65,162
Management commissions on unit-linked policies	77,051	68,042
Receivables from the ultimate parent for tax payments on account	37,327	139,371
Other receivables	83,654	114,769
Total	**284,546**	**403,616**

OTHER ASSETS (caption 6)

The caption amounts to €2,691,414 thousand (€2,299,860 thousand at 31 December 2016).

€'000

	30-06-2017	31-12-2016
Non-current assets held for sale and disposal groups	-	-
Deferred acquisition costs	-	-
Deferred tax assets	189,121	195,287
Current tax assets	2,031,638	1,697,988
Sundry assets	470,655	406,585
Deferred commission expense on investment contracts	428,263	*243,279*
Other	*42,392*	*163,306*
Total	**2,691,414**	**2,299,860**

Deferred tax assets (caption 6.3)

This caption includes:

- deferred tax assets through profit or loss of €188,912 thousand (€195,087 thousand at 31 December 2016);
- deferred tax assets through equity of €209 thousand (€200 thousand at 31 December 2016).

€'000

	30-06-2017	31-12-2016
Deferred tax assets through profit or loss	188,912	195,087
Deferred tax assets through equity	209	200
Total	**189,121**	**195,287**

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 €2,031,638 thousand (€1,697,988 thousand at 31 December 2016). The caption includes payments on account and other tax receivables for 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 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 2017:

€'000

	30-06-2017	31-12-2016
Direct taxes	26,219	43,837
Tax on mathematical provisions	2,005,419	1,654,151
Total	**2,031,638**	**1,697,988**

Other assets (caption 6.5)

Sundry assets amount to €470,655 thousand (€406,585 thousand at 31 December 2016). The caption mainly comprises deferred commission expense of €428,263 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 2017:

€'000

	30-06-2017	31-12-2016
Deferred commission expense on investment contracts	428,263	371,787
Other	42,392	34,798
Total	**470,655**	**406,585**

CASH AND CASH EQUIVALENTS (caption 7)

At 30 June 2017, cash and cash equivalents amount to €604,624 thousand (€1,495,047 thousand at 31 December 2016). 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 2017:

€'000

	30-06-2017	31-12-2016
Share capital	320,423	320,423
Capital reserves	1,328,097	1,328,097
Revenue reserves and other reserves	2,437,733	1,798,568
Own shares	-	-
Reserve for currency translation differences	-	-
Reserve for unrealized gains and losses on assets available for sales	392,311	480,023
Other gains or losses recognised directly in equity	22	- 409
Profit for the period/year attributable to the owners of the parent	345,436	638,710
Total equity attributable to the Group	**4,824,022**	**4,565,412**

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 2016) 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 €2,437,733 thousand compared to €1,798,568 thousand at 31 December 2016.

The increase is mainly due to the allocation of the profit for the prior year.

Reserves for unrealized gains and losses on assets available for sales (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 insurance group. The policyholders' portion is included under the technical provisions.

The table below provides a breakdown of the caption at 30 June 2017:

€'000

	30-06-2017			31-12-2016		
	Unrealized gain	Unrealized losses	Total	Unrealized gain	Unrealized losses	Total
Total gross of shadow accounting	5,230,497	-291,799	4,938,698	6,238,495	-200,960	6,037,535
- Debt securities	4,558,041	-208,986	4,349,055	5,666,685	-106,687	5,559,998
- Equity instruments	325,150	-33,790	291,360	302,905	-36,266	266,639
- UCI shares	347,306	-49,023	298,283	268,905	-58,007	210,898
Shadow accounting	-4,633,781	260,355	-4,373,426	-5,527,537	181,798	-5,345,739
Total gross of income taxes	596,716	-31,444	565,272	710,958	-19,162	691,796
Tax effects	-183,963	11,002	-172,961	-219,181	7,408	-211,773
Total	**412,753**	**-20,442**	**392,311**	**491,777**	**-11,754**	**480,023**

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

€'000

	Debt securities	Equity securities	UCI shares	30-06-2017	31-12-2016
Opening balance	**440,100**	**22,097**	**17,826**	**480,023**	**648,895**
Increases	**16,142**	**9,007**	**15,391**	**40,540**	**-115,911**
Urealized gains	12,794	7,722	14,331	34,847	25,190
Accruals	-587	-1,050	367	-1,270	5,316
Other increases	3,935	2,335	693	6,963	-146,417
Decreases	**-111,761**	**-7,614**	**-8,877**	**-128,252**	**-52,961**
Unrealized losses	-96,336	-4,129	-4,843	-105,308	-109,296
Impairment losses	-	-286	-	-286	-
Utilisations	-11,701	-1,056	-3,796	-16,553	4,792
Other decreases	-3,724	-2,143	-238	-6,105	51,543
Closing balance	**344,481**	**23,490**	**24,340**	**392,311**	**480,023**

OTHER PROVISIONS (caption 2)

The caption amounts to €10,809 thousand at 30 June 2017 (€11,992 thousand at 31 December 2015) 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. The other decreases principally consist of savings on expenses provided for in relation to Intesa Sanpaolo Vita's merger.

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

€'000

	Tax provisions	Other provisions	30-06-2017	31-12-2016
Opening balance	**36**	**11,956**	**11,992**	**13,922**
Increases	**-**	**2,644**	**2,644**	**5,829**
- Additions	-	-	-	-
- Accruals	-	2,587	2,587	726
- Other increases	-	57	57	5,103
Decreases	**-36**	**-3,791**	**-3,827**	**-7,759**
- Decreases	-	-	-	-
- Utilisations	-	-3,646	-3,646	-3,648
- Other decreases	-36	-145	-181	-4,111
Closing balance	**-**	**10,809**	**10,809**	**11,992**

INSURANCE PROVISIONS (caption 3)

The table below provides a breakdown of the caption at 30 June 2017:

€'000

	Direct	Indirect	30-06-2017	31-12-2016
Non-life insurances provisions	**648,356**	**-**	**648,356**	**592,728**
Provision for unearned premium	472,711	-	472,711	419,304
Provision for outstanding claims	174,249	-	174,249	172,044
Other insurance provisions	1,396	-	1,396	1,380
of which following the liability adequacy test	-	-	-	-
Life insurance provisions	**77,440,381**	**-**	**77,440,381**	**79,543,400**
Mathematical provisions	68,642,954	-	68,642,954	69,938,648
Provision for outstanding claims	397,952	-	397,952	303,578
Insurance provisions where investment risk is borne by policyholders and provisions arising from pension fund management	3,905,730	-	3,905,730	3,803,754
Other insurance provisions	4,493,745	-	4,493,745	5,497,420
Total	**78,088,737**	**-**	**78,088,737**	**80,136,128**

The technical provisions of the life business decreased by 2.6%. This change 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 slight decrease 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 technical provisions and amount to €29.7 million (€32.5 million at 31 December 2016).

Insurance provisions and financial liabilities of the life business

Technical provisions and financial liabilities amount to €116,642,319 thousand (€114,076,033 thousand at 31 December 2016). Contracts falling within the scope of IFRS 4, insurance contracts and investment contracts with DPF account for roughly 91% of the life portfolio (92% at 31 December 2016), while the investment contracts falling within the scope of IAS 39 account for about 1% (1% at 31 December 2016). The remainder (8% and 7% at 31 June 2017 and 31 December 2016, respectively) refers to multi-class products.

Non-life insurance provisions

In the non-life segment, the technical provisions increased on the previous year end (+9%). They mainly refer to the portfolio held by Intesa Sanpaolo Assicura.

FINANCIAL LIABILITIES (caption 4)

Financial assets amount to €40,948,524 thousand (€36,212,320 thousand at 31 December 2016).

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

They amount to €39,268,280 thousand (€34,620,738 thousand at 31 December 2016) and include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

(€'000)

	Level 1	Level 2	Level 3	30/06/2017
Financial liabilities held for trading	140	66,202	-	66,342
Financial liabilities designated at fair value through profit or loss	-	39,201,938	-	39,201,938
Total	**140**	**39,268,140**	**-**	**39,268,280**
	Level 1	Level 2	Level 3	31/12/2016
Financial liabilities held for trading	-	88,105	-	88,105
Financial liabilities designated at fair value through profit or loss	-	34,532,633	-	34,532,633
Total	**-**	**34,620,738**	**-**	**34,620,738**

Financial liabilities held for trading

They amount to €66,342 thousand at 30 June 2017 and include non-hedging derivatives with negative fair values (€88,105 thousand at 31 December 2016).

Financial liabilities designated at fair value through profit or loss

The caption of €39,201,938 thousand (€34,532,633 thousand at 31 December 2016) includes the financial liabilities associated with index-linked and unit-linked investment contracts which do not present a significant insurance risk and, therefore, do not fall within the scope of IFRS 4.

Since the fair value of the financial liabilities represented by index-linked and unit-linked product deposits is not tied to the creditworthiness of the issuing companies but rather to that of the hedging assets, reference is made to the section of the notes on the disclosure on risks for further information on this aspect.

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:

€'000

	30-06-2017	31-12-2016
Subordinated liabilities	1,347,950	1,316,249
Financial liabilities associated with policies with eligible assets	-	-
Other financial liabilities	328,874	270,758
Deposits received from reinsurers	3,420	4,575
Total	**1,680,244**	**1,591,582**

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 the Group's liquidation.

Subordinated liabilities amounted to €1,347,950 thousand (€1,316,249 thousand at 31 December 2016).

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 2017:

€'000

	30-06-2017	31-12-2016
Direct insurance liabilities	152,574	138,709
Reinsurance liabilities	5,094	1,710
Other	490,552	613,875
Total	**648,220**	**754,294**

The caption "Direct insurance liabilities" of €152,574 thousand (€138,709 thousand at 31 December 2016) mainly includes commissions payable to distribution networks, as well as items to be settled deriving from co-insurance agreements.

"Other" mainly includes trade payables arising from direct and indirect insurance transactions of €226,872 thousand and the IRES paid on account to the ultimate parent as part of the national tax consolidation scheme, IRAP liabilities of €38,980 thousand and investment management fees of €52,245 thousand. The caption also comprises the liability for post-employment benefits.

Post-employment benefits

This caption showed the following changes during the period:

€'000

	30-06-2017	31-12-2016
Opening balance	**3,063**	**2,886**
Increases	**27**	**284**
- New entities included in the consolidation scope	-	-
- Current service cost	-	-
- Transfers between group companies	-	-
- Interest cost	21	284
- Other increases	6	-
Decreases	**- 43**	**- 107**
- Benefits paid	-	-
- Current service cost	-	-
- Curtailments	-	-
- Other decreases	- 43	- 107
- Entities excluded from the consolidation scope	-	-
Closing balance	**3,047**	**3,063**

OTHER LIABILITIES (caption 6)

Deferred tax liabilities (caption 6.2)

This caption includes deferred tax liabilities, as defined and regulated by IAS 12. The caption decreased during the period from €494,084 thousand to €484,653 thousand.

The following table sets out details of the caption at 30 June 2017:

€'000

	30-06-2017	31-12-2016
Deferred tax liabilities through profit or loss	311,318	282,132
Deferred tax liabilities through equity	173,335	211,952
Total	**484,653**	**494,084**

Current tax liabilities (caption 6.3)

The caption, amounting to €296,282 thousand (€416,895 thousand at 31 December 2016), 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:

€'000

	30-06-2017	31-12-2016
Deferred liabilities relating to investment contracts	899	1,022
Pension funds	378	399
Seniority bonuses	2,547	2,534
Deferred operating costs	-	-
Other	101,015	153,412
Total	**104,839**	**157,367**

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 refer to index-linked policies (€899 thousand, €1,022 thousand at 31 December 2016).

Deferred operating costs include the portion of the future expenses provision set aside for financial contracts in relation to which it was not necessary to defer the loading.

Other 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 €2,932,445 thousand, showing a decrease of 39% compared to the corresponding period of 2016 (€4,788,431 thousand).

€'000

	30/06/2017			30/06/2016		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life gross earned premiums	179,791	- 4,901	174,890	153,221	- 4,622	148,599
Gross written premiums	*233,198*	*- 3,646*	*229,552*	*200,266*	*- 3,332*	*196,934*
Change in provision of unearned premium	*- 53,407*	*- 1,255*	*- 54,662*	*- 47,045*	*- 1,290*	*- 48,335*
Life gross written premium	2,758,073	- 518	2,757,555	4,640,322	- 490	4,639,832
Total	**2,937,864**	**- 5,419**	**2,932,445**	**4,793,543**	**- 5,112**	**4,788,431**

Commission income (caption 1.2)

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

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.

The following table shows the details of commission income for the period:

€'000

	30/06/2017	30/06/2016
Unit-linked financial products	342,286	235,263
Index-linked financial products	-	402
Other commission income	18,488	19,202
Total	**360,774**	**254,867**

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

This caption is a net gain of €41,511 thousand (net loss of €70,290 thousand for the corresponding period of 2016). 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 observed on financial markets 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 €1,235,978 thousand (€1,398,695 thousand for the corresponding period of 2016). The decrease is substantially due to the smaller gains compared to the first six months of 2016.

A breakdown of the caption is given in the annex to the notes “Gains and losses on financial instruments and investments”.

Other Income (caption 1.6)

This item amounts to €68,274 thousand (€135,809 thousand for the corresponding period of 2016) and mainly consists of other technical income (€54,853 thousand), relating to the management commissions for contracts classified as “insurance” (mostly unit-linked products and pension funds), and exchange rate gains on investments (€8,991 thousand).

COSTS

Net insurance benefits and claims (caption 2.1)

The caption amounts to €3,287,516 thousand (€5,228,766 thousand for the corresponding period of 2016) as follows:

€'000

	30/06/2017			30/06/2016		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life net insurance benefit and claims	**-51,909**	**2,014**	**-49,895**	**-44,512**	**1,937**	**-42,575**
Claims paid	-50,270	2,072	-48,198	-50,008	2,286	-47,722
Change in provision for outstanding claims	-2,205	-58	-2,263	4,531	-349	4,182
Change in recoveries	582	-	582	934	-	934
Change in other insurance provisions	-16	-	-16	31	-	31
Life net insurance benefit and claims	**-3,237,884**	**263**	**-3,237,621**	**-5,185,199**	**-992**	**-5,186,191**
Claims paid	-4,308,993	64	-4,308,929	-4,121,916	142	-4,121,774
Change in provision for outstanding claims	-94,375	-21	-94,396	56,679	-1,048	55,631
Change in mathematical provisions	1,236,101	220	1,236,321	-1,130,456	-86	-1,130,542
Change in technical provisions where investment risk is borne by policyholders and provisions arising from pension fund management	-101,977	-	-101,977	33,795	-	33,795
Change in insurance provisions	31,360	-	31,360	-23,301	-	-23,301
Total	**-3,289,793**	**2,277**	**-3,287,516**	**-5,229,711**	**945**	**-5,228,766**

Fee and commission expense (caption 2.2)

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

The following table gives a breakdown of the caption for the first half of 2017:

€'000

	30/06/2017	30/06/2016
Commission expense for management and dealing services	1,099	744
Unit-linked financial products	260,974	154,721
Index-linked financial products	-	13,337
Retroceded commission income on unit-linked funds	2,779	2,557
Other commission expense	136	592
Total	**264,988**	**171,951**

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

The caption amounts to €75,457 thousand (€100,250 thousand for the corresponding period of 2016).

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 €37,324 thousand on available-for-sale investments, fair value losses of €2,554 thousand and interest expense of €35,578 thousand.

Operating Expenses (caption 2.5)

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

€'000

	30/06/2017	30/06/2016
Gross commissions and other acquisition costs	**151,101**	**175,488**
Acquisition commissions	125,166	134,029
Other acquisition costs	12,311	16,944
Change in deferred acquisition costs	- 4	- 7
Premium collection commissions	13,628	24,522
Profit participation and other commissions received from reinsurers	**- 458**	**- 382**
Investment management costs	**26,380**	**28,213**
Other administrative costs	**40,283**	**23,500**
Total	**217,306**	**226,819**

The investment management costs mainly consist of costs of financial instruments (€5,841 thousand; €8,774 thousand for the corresponding period of 2016) and investment management commissions and custody expenses (€20,539 thousand; €19,406 thousand for the corresponding period of 2016).

The increase in other administrative costs is due to the rise in personnel expense, partly offset by the reduction in operating costs and operating and organisational developments of the parent.

Other expenses (caption 2.6)

This caption, equal to €319,403 thousand (€246,101 thousand for the corresponding period of 2016), includes, inter alia, the net accruals to the provisions for risks and charges (€155 thousand; €420 thousand for the corresponding period of 2016), depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets (€239 thousand; €104 thousand for the corresponding period of 2016), exchange rate losses (€93,873 thousand; €32,825 thousand for the corresponding period of 2016) and other technical costs (€214,614 thousand; €196,248 thousand for the corresponding period of 2016). 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:

€'000

	30/06/2017	30/06/2016
Current taxes	93,522	178,751
Change in current taxes of previous years	-	-
Change in deferred tax assets	12,206	-3,504
Change in deferred tax liabilities	23,148	-8,399
Total	**128,876**	**166,848**

PART E - RELATED PARTIES

The group companies have performed transactions with companies of 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 advantage. The Group did not carry out atypical and/or unusual transactions during the year, either intragroup, with related parties or third parties.

(€'000)

	Ultimate parent	Controlled entities by significant influence	Entities controlled by the ultimate parent	TOTAL	Ultimate parent	Other Group entities
Loans and receivables	-	-	-	-	-	-
Available-for-sale financial assets	3,191,207	-	50,184	3,241,391	3,191,207	-
Financial assets at fair value through profit or loss	359,114	-	77,750	436,864	359,114	-
Other receivables	39,168	-	4,111	43,279	39,168	-
Other assets	825,770	-	143,152	968,922	825,770	-
Cash and cash equivalents	451,626	-	2,112	453,738	451,626	-
ASSETS	**4,866,885**	**-**	**277,309**	**5,144,194**	**4,866,885**	**-**
Insurance provisions	752,055	-	-	752,055	752,055	-
Financial liabilities	46,537	-	17,236	63,773	46,537	-
Unrealized gains and losses equity reserve	217,275	-	143	217,418	217,275	-
Liabilities	172,469	-	116,197	288,666	172,469	-
Other liabilities	29,502	-	25,857	55,359	29,502	-
LIABILITIES	**1,217,838**	**-**	**159,433**	**1,377,271**	**1,217,838**	**-**
Net earned premiums	-	-	-	-	-	-
Fee and commission income	31	-	2,775	2,806	31	-
Gains on investments	3,263	-	8,876	12,139	3,263	-
Net gains on available-for-sale financial assets	47,731	-	-19	47,712	47,731	-
Other income	9,915	-	12,647	22,562	9,915	-
Net insurance benefits and claims	-8,509	-	-1,345	-9,854	-8,509	-
Fee and commission expense	-98,210	-	-98,909	-197,119	-98,210	-
Commissions and other acquisition costs	-19,014	-	-12,120	-31,134	-19,014	-
Investment management costs	-	-	-14,274	-14,274	-	-
Other administrative costs	-1,796	-	1,551	-245	-1,796	-
Other costs	-83,178	-	-66,433	-149,611	-83,178	-
INCOME STATEMENT	**-149,767**	**-**	**-167,251**	**-317,018**	**-149,767**	**-**

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;
- receivables and payables relating to personnel secondment or recharging of costs for the use of equipped space made available by the Group;
- 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;
- liabilities for investment contracts which do not fall under the scope of application of IFRS 4;
- liabilities relating to an insurance capitalisation contract for the partial accumulation of post-employment benefits of employees of Intesa Sanpaolo;
- subordinated loans;
- commissions payable to the Intesa Sanpaolo networks accrued by the latter against the placement of products of insurance companies;

- receivables and payables with the ultimate parent Intesa Sanpaolo for the tax consolidation scheme for IRES purposes;
- payables to Intesa Sanpaolo Group companies that provide IT services.

Income and expense refer mainly 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 technical 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.

ANNEXES TO THE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Income statement by segment

value in €

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total 30-06-2017	**Total 30-06-2016**	**Total 30-06-2017**	**Total 30-06-2016**	**Total 30-06-2017**	**Total 30-06-2016**	**Total 30-06-2017**	**Total 30-06-2016**
1.1	Net earned premiums	174,890,000	148,599,000	2,757,555,000	4,639,832,000	-	-	2,932,445,000	4,788,431,000
1.1.1	*Gross earned premiums*	*179,791,000*	*153,221,000*	*2,758,073,000*	*4,640,322,000*	-	-	*2,937,864,000*	*4,793,543,000*
1.1.2	*Earned premiums ceded*	*-4,901,000*	*-4,622,000*	*-518,000*	*-490,000*	-	-	*-5,419,000*	*-5,112,000*
1.2	Commission income	-	-	360,774,000	254,867,000	-	-	360,774,000	254,867,000
1.3	Gains (losses) on financial instruments at fair value through profit and loss	289,000	180,000	41,222,000	-70,470,000	-	-	41,511,000	-70,290,000
1.4	Income from investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
1.5	Income from other financial instruments and lands and buildings	7,232,000	20,672,000	1,228,746,000	1,378,023,000	-	-	1,235,978,000	1,398,695,000
1.6	Other income	13,552,000	11,863,000	58,150,000	127,259,000	-3,428,000	-3,313,000	68,274,000	135,809,000
1	**TOTAL INCOME**	**195,963,000**	**181,314,000**	**4,446,447,000**	**6,329,511,000**	**-3,428,000**	**-3,313,000**	**4,638,982,000**	**6,507,512,000**
2.1	Net insurance benefits and claims	-49,895,000	-42,575,000	-3,237,621,000	-5,186,191,000	-	-	-3,287,516,000	-5,228,766,000
2.1.2	*Claims paid and change in insurance provisions*	*-51,909,000*	*-44,512,000*	*-3,237,884,000*	*-5,185,199,000*	-	-	*-3,289,793,000*	*-5,229,711,000*
2.1.3	*Reinsurers's share*	*2,014,000*	*1,937,000*	*263,000*	*-992,000*	-	-	*2,277,000*	*945,000*
2.2	Fee and commission expense	-	-	-264,988,000	-171,951,000	-	-	-264,988,000	-171,951,000
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
2.4	Expenses from other financial instruments and lands and buildings	-130,000	-2,055,000	-75,327,000	-98,195,000	-	-	-75,457,000	-100,250,000
2.5	Operating expenses	-74,276,000	-63,936,000	-146,542,000	-166,475,000	3,512,000	3,592,000	-217,306,000	-226,819,000
2.6	Other expenses	-42,450,000	-31,547,000	-277,192,000	-214,110,000	239,000	-444,000	-319,403,000	-246,101,000
2	**TOTAL EXPENSES**	**-166,751,000**	**-140,113,000**	**-4,001,670,000**	**-5,836,922,000**	**3,751,000**	**3,148,000**	**-4,164,670,000**	**-5,973,887,000**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**29,212,000**	**41,201,000**	**444,777,000**	**492,589,000**	**323,000**	**-165,000**	**474,312,000**	**533,625,000**

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Consolidation area

Company	Country of registered office	Country of operating office (5)	Method (1)	Activity (2)	Shareholding Direct %	% Total stake (3)	% Available voting rights at ordinary shareholders' meeting (4)	% of consolidation
INTESA SANPAOLO VITA S.p.A.	086		G	1	0,00%	0,00%		100,00%
INTESA SANPAOLO LIFE DAC	040		G	2	100,00%	100,00%		100,00%
EURIZONVITA BEIJING BUSINESS ADVISORY CO	016		G	11	100,00%	100,00%		100,00%
INTESA SANPAOLO ASSICURA S.p.A.	086		G	1	100,00%	100,00%		100,00%
INTESA SANPAOLO SMART CARE S.r.l.	086		G	11	100,00%	100,00%		100,00%

(1) Consolidation method: Line-by-line =L, Proportionate =P, Line-by-line by common control =C
(2) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 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
(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

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

Name	Non-controlling interests investment %	Voting rights % available at ordinary share/quotaholders' meetings to non-controlling interests	Profit (loss) for the year attributable to non-controlling interests	Equity attributable to non-controlling interests	Financial higlights							
					Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends distributed to third parties	Gross premiums

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Non-consolidated equity investments

Name	Country of registered office	Country of operating office (5)	Business (1)	Type (2)	Direct investment %	Total investment % (3)	Voting rights % available at ordinary share/quotaholders' meetings (4)	Carrying amount

(1) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate 11=other
(2) a=subsidiary (IAS 27) ; b=associate (IAS 28); c=joint venture (IAS 31); indicate with an asterisk (*) investments classified as held for sale pursuant to IFRS 5 and show the key at the foot 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.

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Breakdown of technical insurance items

value in €

		30-06-2017	30-06-2016
Non-life segment			
NET EARNED PREMIUMS		**174,890,000**	**148,599,000**
a	Gross written premiums	229,552,000	196,934,000
b	Change in the provision for unearned premiums	-54,662,000	-48,335,000
NET INSURANCE BENEFITS AND CLAIMS		**-49,895,000**	**-42,575,000**
a	Claims paid	-48,198,000	-47,722,000
b	Change in the provisions for outstanding claims	-2,263,000	4,182,000
c	Change in claims to be recovered	582,000	934,000
d	Changes in other insurance provisions	-16,000	31,000
Life segment			
NET EARNED PREMIUMS		**2,757,555,000**	**4,639,832,000**
NET INSURANCE BENEFITS AND CLAIMS		**-3,237,621,000**	**-5,186,191,000**
a	Claims paid	-4,308,929,000	-4,121,774,000
b	Change in the provisions for outstanding claims	-94,396,000	55,631,000
c	Change in mathematical provisions	1,236,321,000	-1,130,542,000
d	Change in the povisions for policies where the investment risk is borne by the policyholders and provisions for pension fund	-101,977,000	33,795,000
e	Changes in other insurance provisions	31,360,000	-23,301,000

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Income and expenses from financial assets

value in €

		Interests	Other income	Other expenses	Gain on disposal	Losses on disposal	Total realised income and expenses	Unrealized gains: Unrealized gains	Unrealized gains: Reversal of impairment losses	Unrealized losses: Unrealized losses	Unrealized losses: Impairment losses	Total unrealised gains and losses	Total income and expenses 30-06-2017	Total income and expenses 30-06-2016
Result of investments		**965,383,000**	**148,938,000**	**-326,249,000**	**844,141,000**	**-100,930,000**	**1,531,283,000**	**523,096,000**	**0**	**-646,617,000**	**-2,554,000**	**-126,075,000**	**1,405,208,000**	**1,161,243,000**
a	From land and buildings (investment properties)	0	0	0	0	0	0	0	0	0	0	0	0	703,000
b	From investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c	From investments held to maturity	0	0	0	0	0	0	0	0	0	0	0	0	0
d	From loans and receivables	218,000	0	0	1,882,000	-4,822,000	-2,722,000	0	0	0	0	0	-2,722,000	9,255,000
e	From available for sale financial assets	933,172,000	99,598,000	-1,000	200,878,000	-32,502,000	1,201,145,000	0	0	0	-2,554,000	-2,554,000	1,198,591,000	1,324,696,000
f	From financial assets held for trading	5,012,000	0	-3,010,000	7,819,000	-3,552,000	6,269,000	20,631,000	0	-20,660,000	0	-29,000	6,240,000	-14,826,000
g	From financial assets designated at fair value through profit and loss	26,981,000	49,340,000	-323,238,000	633,562,000	-60,054,000	326,591,000	502,465,000	0	-625,957,000	0	-123,492,000	203,099,000	-158,585,000
Result of receivables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Result of cash and cash equivalents		**230,000**	**0**	**0**	**0**	**0**	**230,000**	**0**	**0**	**0**	**0**	**0**	**230,000**	**655,000**
Result of financial liabilities		**-41,601,000**	**0**	**-20,000**	**12,560,000**	**-31,704,000**	**-60,765,000**	**20,575,000**	**0**	**-163,216,000**	**0**	**-142,641,000**	**-203,406,000**	**66,257,000**
a	From financial liabilities held for trading	-6,023,000	0	-20,000	12,560,000	-31,078,000	-24,561,000	20,409,000	0	-1,784,000	0	18,625,000	-5,936,000	-64,492,000
b	From financial liabilities designated at fair value through income statement	0	0	0	0	-626,000	-626,000	166,000	0	-161,432,000	0	-161,266,000	-161,892,000	167,613,000
c	From other financial liabilities	-35,578,000	0	0	0	0	-35,578,000	0	0	0	0	0	-35,578,000	-36,864,000
Result of payables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**924,012,000**	**148,938,000**	**-326,269,000**	**856,701,000**	**-132,634,000**	**1,470,748,000**	**543,671,000**	**0**	**-809,833,000**	**-2,554,000**	**-268,716,000**	**1,202,032,000**	**1,228,155,000**

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Breakdown of insurance expenses

value in €

		Non-life segment		Life segment	
		30-06-2017	30-06-2016	30-06-2017	30-06-2016
Gross commissions and other acquisition costs		-63,813,000	-54,676,000	-87,288,000	-120,812,000
a	Acquisition commissions	-58,903,000	-49,879,000	-66,263,000	-84,150,000
b	Other acquisition expenses	-4,606,000	-4,468,000	-7,705,000	-12,476,000
c	Change in deferred acquisition costs	4,000	7,000	0	0
d	Collection commissions	-308,000	-336,000	-13,320,000	-24,186,000
Commissions and profit sharing from reinsurers		458,000	382,000	0	0
Investment management expenses		-242,000	-245,000	-26,138,000	-27,968,000
Other administrative expenses		-10,679,000	-9,397,000	-33,116,000	-17,695,000
Total		**-74,276,000**	**-63,936,000**	**-146,542,000**	**-166,475,000**

HALF YEAR REPORT

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

Breakdown of other comprehensive income

value in €

	Allocations		Reclassification adjustments to income statement		Other changes		Total changes		Taxes		Balance	
	Total 30-06-2017	Total 30-06-2016	Total 30-06-2017	Total 30-06-2016	Total 30-06-2017	Total 30-06-2016	Total 30-06-2017	Total 30-06-2016	Total 30-06-2017	Total 30-06-2016	al 30-06-2017	al 31-12-2016
Other comprehensive income after taxes without reclassification in the income statement	**73,000**	**-377,000**	**-**	**-**	**-**	**-**	**73,000**	**-377,000**	**-**	**-**	**-336,000**	**-409,000**
Change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the revaluation reserve of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the revaluation reserve of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) arising from defined benefit plans	73,000	-377,000	-	-	-	-	73,000	-377,000	-	-	-336,000	-409,000
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income after taxes with reclassification in the income statement	**358,000**	**-**	**-18,109,000**	**-39,301,000**	**-69,603,000**	**26,812,000**	**-87,354,000**	**-12,489,000**	**-**	**-**	**392,669,000**	**480,023,000**
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
Net unrealized gains (losses) on available for sale financial assets	-	-	-18,109,000	-39,301,000	-69,603,000	26,812,000	-87,712,000	-12,489,000	-	-	392,311,000	480,023,000
Net unrealized gains (losses) on cash flow hedging derivatives	358,000	-	-	-	-	-	358,000	-	-	-	358,000	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-	-	-	-	-	-	-	-	-	-	-
Change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**431,000**	**-377,000**	**-18,109,000**	**-39,301,000**	**-69,603,000**	**26,812,000**	**-87,281,000**	**-12,866,000**	**-**	**-**	**392,333,000**	**479,614,000**

Company: INTESA SANPAOLO VITA S.p.A. **Reporting period: 2017**

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

value in €

Reclassified financial asset categories		Type of asset	Amount of assets reclassified in the year at the reclassification date	Carrying amount at 30/06/2017 of the reclassified assets		Fair value at 30/06/2017 of the reclassified assets		Assets reclassified in 2017		Assets reclassified up to 2017		Assets reclassified in 2017		Assets reclassified up to 2017	
out of	into			Assets reclassified in 2017	Assets reclassified up to 2017	Assets reclassified in 2017	Assets reclassified up to 2017	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	Gain or loss that would have been recognised in profit or loss if the reclassification had not been made	Gain or loss that would have been in other comprehensive income if the reclassification had not been made	Gain or loss that would have been recognised in profit or loss if the reclassification had not been made	Gain or loss that would have been in other comprehensive income if the reclassification had not been made
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

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 (the "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 months ended 30 June 2017. The parent's 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 2017 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, 2 August 2017

KPMG S.p.A.

(signed on the original)

Maurizio Guzzi
Director of Audit