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Bloomberg Transcript

# Q1 2017 Earnings Call

## Company Participants

- Agostino Scornajenchi, Unknown
- Matteo del Fante, CEO, General Manager and Director

## Other Participants

- Ashik Musaddi, Executive Director and Co
- Emanuele Borghetti, Research Analyst
- Gian Luca Ferrari, Banca di credito finanziario S.p.A., Research Division
- Giovanni Razzoli, Analyst
- Matija Gergolet, Equity Analyst
- Michael Joseph Werner, Executive Director and Equity Research Analyst
- Unidentified Participant, Analyst

## Presentation

### Matteo del Fante {BIO 6237992 <GO>}

Good evening, everybody. First, let me say that I'm very proud to be here in my new role as the CEO of Poste Italiane, a group that has a potential of (change) when I was General Manager of Cassa Depositi e Prestiti, which by chance is our most important client and also a shareholder. I'm also confident that my 25 year experience in the (inaudible) industry will represent a key contribution to the group's activity. In order to ensure continuity in all the relevant operations and businesses of Poste for several weeks since my appointment, I've been working closely with the management team that I would like to thank for their support.

Moving to our slides, Slide #2, with the figures of First Quarter 2017. Let me give you a general overview of our key numbers. Revenues for the period for Q1 are close to EUR 10 billion, almost in line with last year. EBIT is EUR 526 million versus EUR 562 million of 2016 Q1, a year that was impacted by positive nonrecurring items mainly related to the release of past unutilized accrual as well as the deconsolidation of the (magistrate surrounding). Without including these effects, EBIT is essentially in line versus last year. Net profit at EUR 351 million versus EUR 367 million of last year, mainly as a consequence of the previously stated EBIT dynamics. These figures generated funds from operations of EUR 262 million, which is 5% higher than last year.

If we move to Slide #3, some general comments on THE specific businesses. Let's start with financial services. I can confirm our strategic focus on delivering a superior return on equity and shareholder value and operating profit, in fact, moved from EUR 267 million to EUR 228 million mainly as a consequence of lower fees from postal savings, partially offset by higher revenues from payment cards and financial product distribution fees. Insurance and asset management, our second pillar, I can confirm our strategic focus on delivering growth in life and increasingly in non-life insurance as well as asset management. Revenues stood at EUR 7.1 billion substantially in line with the last year. And operating profits show a 44% solid growth mainly due to higher fees as a consequence of continuous growth in technical reserves. And finally, mail and parcels. I can confirm our strategic focus on the turnaround story in mail and growth in parcels. Revenues were equal to EUR 914 million, down EUR 2.4 million from last year. With respect, the decline mainly relates to the reduction of the traditional postal volumes.

Before moving to a more analytical analysis of the business units, let's look at the asset breakdown on Slide #4. Total volume increased of assets by 1%, bringing total assets to EUR 498 billion versus EUR 493 billion at the end of last year. The mix remains substantially stable and well balanced with a clear resilience of postal savings collection. Let me highlight the material increase in our current account deposit for about EUR 5 billion from end of '16 and EUR 7 billion versus Q1 of 2016.

And let me now hand over to the Group Controller that I'm pleased to introduce, Agostino Scornajenchi, who will comment on the specific business unit results.

## Agostino Scornajenchi {BIO 20403591 <GO>}

Well thank you, Matteo. Good evening, everybody. Let me start with our financial service revenues evolution on Slide #5. Revenues declined by 2.4%. The robust increase in payment costs and financial product distribution has been more than offset by lower fees from postal savings collection and transaction banking.

(Here are your) additional details on Slide #6. We are going to provide you the breakdown of the financial service business unit revenues. The major key points here are the following: the retirement on current account deposits, stable revenues are mainly due to higher capital gains substantially compensated by lower interest income. Let me remind you that during the course of 2017, we expect to generate total revenues in the region of EUR 2 billion as a combination of capital gains and yield. Fees from postal savings collection. The slight reduction is attributable to lower fees as a consequence of lower postal savings average collection and lower recognized communication and marketing costs. Regarding fees from transaction banking, the revenue decrease is mainly due to lower revenues from payment slips and tax return forms. On distribution fees, we recorded growing revenues in personal loans and other personal financing products. This is a growth area for Banco Posta that has (rested) and renewed its offer range. On payments card fees, we have a remarkable 26% increase that is the result of the consolidated success of the Postepay Evolution card.

Let's now move to Slide #7 on active portfolio management. Let me hear for now the following major items: an increase in average deposit of Bancoposta account moving to EUR 55 billion from EUR 48 billion in 2016, up almost 14%. The unrealized capital gains amount to about EUR 1 billion, with the EUR 2.9 billion at the year-end 2016. This is mainly due to the recent spread and interest rate dynamics of the realized capital gains in the First Quarter.

Let's now move to Bancoposta regulatory framework and capital position. Inasmuch as Bancoposta's capital (inaudible) is concerned, let me stress 4 major key points. First, Bancoposta regulatory framework continues to be fully aligned to EU standards. First quarter Tier 1 ratio reached 16.1%, more than doubling the minimum regulatory requirements. First quarter 2017, leverage ratio stands at 3% as a consequence of higher assets under management. Should the growth of Bancoposta's assets under management continue, we are prepared to recapitalize Bancoposta with no impact on our dividend policy. Fourth, First Quarter profitability recorded a solid 32% ROE. We expect 29% for the full year 2016.

Let's now move to insurance and asset management on Slide #9. In an overall unfavorable market scenario, down 24% in the first two months of the first year according to the Italian insurance industry association, Poste Vita's gross weighted premiums decreased by only 3%. Despite this, Poste Vita remains the #1 life insurer in the Italian market. In our non-life premium, we have benefited from double-digit growth even if from a small base. Inasmuch as asset management operations are concerned, let me underline that assets under management increased by close to 29%, reaching EUR 7.8 billion, confirmed this area as one of our key strategic growth pillars. This also highlights the successful corporation with (inaudible), which delivers relevant material results. With regard to our investment portfolio breakdown. The increase of investments in multi asset funds, which moved from 14% at year-end 2016, to 16% the First Quarter 2017 confirmed our diversification strategy toward a more adequate risk to return profile. This continues to be fully aligned with our capital requirements.

Let's now move to Slide #10 on the mail and parcel business units. On volumes, let me (right) here, starting from the Second Quarter 2016, Poste decided to drop the service for unaddressed mail, which is characterized by high volumes but very low tariffs. As a result of this, in order to correctly represent the structural decline in traditional mail volume, underdressed mail has to be neutralized. Net of this effect, it's clear that First Quarter 2017 volumes show an approximately 7.2% decline vis-Ã -vis First Quarter 2016. On the other hand, on parcel business, volumes increased by almost 21% year-on-year, confirming the positive momentum, mainly driven by the growing e-commerce penetration in Italy. Revenues increased about 11%, mainly thanks to the improvement of our offering range, which partially counterbalanced the ongoing pricing pressure within the industry.

Moving to Slide #7. As you can see in the chart, both total revenues as well as operating costs remain substantially stable period-over-period. I will comment on overall cost dynamics in the following charts.

Let's now discuss the group operating costs on Slide #12. And let me focus on our cost structure at consolidated level. Overall, group operating costs fell by almost 2% versus last year as a consequence of our continued cost management actions and despite higher variable costs related to higher parcel volumes.

Moving to slide #13. Labor costs fell by almost 2% year-on-year, mainly as a consequence of about 5,700 people that have left the group in 2016, according to our voluntary preretirement plan. For 2017, we expect additional 4,000 people to leave the group through this plan. As of the end of March, about 1,800 people have already signed up to their preretirement scheme. And they will leave the group by end of the year. We will therefore see the full impact on payroll of such reduction in 2018 in line with our plan.

Let's now run through our P&L evolution below the EBIT line on Slide #14. Net income for the period equaled EUR 351 million versus EUR 367 million in the First Quarter 2016. On top of the already commented EBIT evolution from '16 to '17, this performance is related to a net financial income equal to EUR 6 million. Tax shares for a total consideration of EUR 181 million corresponding to a tax rate of about 34% and further reduction with respect to 2016. For the full year 2017, we expect a normalized tax rate of around 38%.

Let's now move on to Slide #15, commenting on CapEx. The optimization of the overall investment plan for the period is part of our restructuring program. More specifically, the majority of the investment program is mainly related to information technology and digital platforms. The balance is related to a selective upgrade of facilities, construction of data center buildings and postal and logistics operations.

And finally, let me focus on the industrial net financial position on Slide #16. First, let me (arrive) that the positive contribution of our FFO is the result of the already commented operating performance. On the other side, negative change in working capital is mainly due to the cash-out related to the early retirement plan finalized in 2016 and mentioned before and the ordinary seasonality of our working capital position, which usually worsens in the First Quarter of each year. On top of our recovering CapEx, in the First Quarter 2017, we recorded a cash-out for around EUR 220 million related to the first tranche of payment of the (inaudible) stake, the balance will be paid in 2018.

So thank you for your attention. And let me hand over to the CEO, Matteo del Fante, for some closing remarks.

## Matteo del Fante {BIO 6237992 <GO>}

Thank you, Agostino. The coming months will be key for all of us in order to work on a new strategic plan for the group, which will be focused on broadening our current offering in the insurance sector and asset management as well as enhancing opportunities to create value from Poste's unique distribution network.

With regard to financial services, we will concentrate on reinforcing Payment Systems' position, leveraging on our client base and our client and recent acquisition of the (inaudible) stake. We will also give additional focus in developing innovative services for the public administration. And on the postal logistics front, we will continue to strengthen our parcel business, driven by e-commerce and continue to improve the quality of postal services.

All this will contribute to strengthen the group's capital generation in support of our 2017 business policies, which will be finalized over the next few months and should be similar to that of the last two years. It is my intention to share with you as soon as possible the new strategic plan by the end of the year or at the beginning of next year at the latest. And I will be very keen to meet investors over the next few months also to receive feedback and to incorporate the feedback on our strategic plan exercise that will be key for the next three years.

And thank you for your attention. And we can now open up to the Q&A session.

# Questions And Answers

## Operator

(Operator Instructions) And we will take our first question from Gian Luca Ferrari from Mediobanca.

## Q - Gian Luca Ferrari

Compliments for the appointment, Mr. del Fante. My first question is on the revenues from postal savings. Basically, revenues are down 13% year-on-year despite overall stable average assets. So it is implying on an unrealized basis that 50 bps has gone down to 44 basis points. I was wondering why, as the 50 bps remuneration should be written in stone until end of 2019? The second question is on the acceleration on the volumes in the postal business. In the parcel business in particular, plus 21% year-on-year last year in Q1 and in full year, they went up by 10%, 13%. So I was wondering what's brought this big jump in volumes in Q1 '17. Last question is on a sentence brought in the press release saying that's the new plan will give particular attention to services for the public administration. I don't want to ask your plan in advance of course. But I was wondering if you can give more color to what that means.

## A - Matteo del Fante {BIO 6237992 <GO>}

Thank you very much, Mr. Ferrari. On postal savings, it's a good spot and it's going to be our first focus. The reason why the stock has increased notwithstanding the fact that the revenues have decreased is relatively straightforward. The stock increases by the accrual of interest. And there is no, at the moment, intention whatsoever to reconsider the payment in terms of percentage. You referred to the 50 bps going down to 40 bps. That's not on the table. The reason why we have lower revenues is because at the moment, we have lower or less product offering that we can use to regain clients. So we are just in the process with CDP of reviewing the product offering to give a different pace to our market share defense. The acceleration of the parcel business is on the back of mainly one agreement with one key e-commerce client that was signed end of last year and that allowed us to increase significantly volumes in the last quarter of 2016 and will now carry on the activity also in 2017. So you're seeing a smaller percentage in 2016 only because the signature was late in the last quarter of 2016. So on an annual basis, you see a smaller percentage versus the increase of 21% of Q1. On public administration, I think we have and I believe also from my background that we will have to look for fees from the public administration from services that only Poste can give to public administration locally, especially in the more remote areas of the country. And that's something that we will target in the plan. We have already some ideas but it's clearly premature to comment.

## Operator

Our next question comes from the line of Giovanni Razzoli from Equita.

## Q - Giovanni Razzoli {BIO 7269718 <GO>}

A couple of questions on my side. The first one is if you can elaborate a bit more on the trading performance of the active portfolio management in the quarter if you can share with us what was the trading performance in the quarter. And also, referring to the mark-to-market of (inaudible) portfolio, it seems there has been a quite substantial decrease in the unrealized gains on a quarter-on-quarter basis. They went down for about something like EUR 2 billion on a quarter-on-quarter basis. If I see the evolution of the yield and of the spread of the Italian (gov) is, year-to-date, I see a 50 to 40 basis point widening. So I was wondering whether you have changed your hedging strategy here. If you can provide us with an update of the sensitivity to a 100 basis points increase of the yield of the unrealized gains on the yield today? And if you can also help us to understand what could be the contribution of the active portfolio management in terms of trading on a full year basis? Last year, you had something like EUR 450 million of contribution. In 2015, it was more or less the same, EUR 425 million. My perception is that with the EUR 950 million of unrealized gains today and the outlook for the evolution of the yield for the rest of the year, your flexibility here is significantly reduced. So if you can help me to elaborate a bit more on these lines going forward?

## A - Matteo del Fante {BIO 6237992 <GO>}

I think that is a good question. Thank you, Mr. Razzoli. I mean, first of all, it's no surprise to any of you the high correlation of our shares to the risk-free rate and this portfolio is probably a part of that picture. What I can tell you is that even before my appointment, the management, correctly in my position, took advantage of the market window and realized, for the First Quarter, EUR 397 million gains, which compares very much in line with the EUR 386 million of Q1 of 2016. So out of the indicative of EUR 500 million that we would expect in 2017, we have already brought home EUR 400 million in Q1. Another information, without going into the details of the sensitivities that we are not, for the time being, disclosing formally to the market but as you can imagine, they are totally disclosed and analyzed from a regulatory standpoint to the official authorities. I can add that the figures you see on Page seven of EUR 953 million, with a sharp decrease from EUR 2.8 billion, almost 40% of that decrease has been recouped from the end of Q1 to yesterday when we ran the figures the last time. So there is a high correlation with the level of our risk-free rate, which is an obvious statement looking also, again, at the share performance correlation versus the risk-free rate itself. But a good news is that what we had to bring home in 2017, in order to sustain also our dividend policy, we managed to do in the First Quarter even before I was appointed.

## Operator

Our next question comes from the line of Emanuele Borghetti from Intermonte.

## Q - Emanuele Borghetti {BIO 19118661 <GO>}

Just a couple of questions from my side. Regarding the insurance business, if you could provide us with the Solvency II ratio, I'm sorry, if you already said that. Probably I missed it. Then the other question regards to the cost of labor. I was wondering if you have an update regarding the ongoing negotiation with the unions regarding the new contract for the employees.

## A - Agostino Scornajenchi {BIO 20403591 <GO>}

Solvency.

## A - Matteo del Fante {BIO 6237992 <GO>}

Solvency, I can look at the figures of 2016. We're talking end of the year, 295%, which slightly decreased at the end of -- relatively stable on a very high level at the end of Q1 at 280%. In terms of labor cost, the second part of the question is that we are starting to open the table for the negotiation. I think the good news, again, is that in the figures that we have planned for 2017 and that you partially see, we are already accounting for some room for that negotiation that has to happen. So we are now going to that table with, again, to our head from the figures we are releasing to the market today.

## Operator

Our next question comes from Ashik Musaddi from JPMorgan.

## Q - Ashik Musaddi {BIO 15847584 <GO>}

Just like a couple of questions. First of all, is it possible to get the yield to maturity on your financial services assets, which is around EUR 48 billion? So that's number one. Secondly, is it possible to give -- to get some more color on cost of labor? I mean, how will that trend down? I mean, how much should we expect on an annual basis the reduction in the cost of labor? And thirdly, is it possible to give more color on Solvency II ratio, as in what were the main moving parts? How much was the positive from rising interest rates? How much was the negative from spread movement between Italian bonds and euro. So any thoughts would be great?

## A - Matteo del Fante {BIO 6237992 <GO>}

Let me say if I may that as -- it's a bit unfair to a new CEO to ask (inaudible) questions (inaudible).

## Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay, yes. That's fine, no worries.

## A - Matteo del Fante {BIO 6237992 <GO>}

(inaudible) a few years. But never released. So I think the easy answer -- sorry, to the first 2 question is that we're not disclosing those figures. But it's important to me to take note of what are the key lines that you're looking at in terms of the (inaudible).

## Q - Ashik Musaddi {BIO 15847584 <GO>}

Maybe I will take it off-line. Just one, cost of labor, I think that would still be fine. How should we think -- I mean, you mentioned that roughly 4,000 people are expected to go away this year. But how should we think about the reduction in the cost?

## A - Matteo del Fante {BIO 6237992 <GO>}

That's a big question and clearly a very sensitive one. When you have a company that has EUR 6 billion labor cost and EUR 2.8 billion of other cost, of which there is also a strong correlation with labor because also, the nonlabor cost has a correlation with labor. Clearly, that cost line is extremely important. And this is one of the key items that we will focus. At the moment, the commitment we're taking is that for 2017, we will reach our target of 4,000 to 5,000 in order to keep the labor cost stable over 2017 versus 2016. But there are tools. It's part of, also, the strategy it's not that labor comes first, I believe that business comes first. And if business can sustain increasing revenues with a stable labor cost. I believe that we will all would be happy. But if business doesn't sustain an increase in revenues, clearly, we'll have to work on the cost side. So I think that this is all in the works. And I think in terms of Solvency II sensitivities, I don't know whether Mr. Scornajenchi wants to specify something or we can take this...

## Q - Ashik Musaddi {BIO 15847584 <GO>}

We can take it off-line. That's fine. Just one more thing is thanks a lot for giving the dividend guidance for 2017. That's really helpful for investors. Thanks a lot for that.

## A - Matteo del Fante {BIO 6237992 <GO>}

We didn't give...

## A - Agostino Scornajenchi {BIO 20403591 <GO>}

(inaudible)

## A - Matteo del Fante {BIO 6237992 <GO>}

A specific...

## Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes, yes. But indication is good.

## A - Matteo del Fante {BIO 6237992 <GO>}

Indication that's the name that I know that this is what was given last year in terms of dividend policy of 80%. And clearly I feel that, in defining the new plan I have to take very serious consideration with the aim of conserving, if possible, the current dividend policy. But that's clearly something that has to be justified by the numbers and obviously follow the approval of the board on the procedure. But I wanted to say today that I'm not coming here to change substantially on Day 1 the way that investors that have been following and investing in this company look at us at the moment.

## Operator

Our next question comes from Mike Werner from UBS.

## Q - Michael Joseph Werner {BIO 4790902 <GO>}

I just had a couple of questions on my behalf. First, I know this is maybe early days for you. But I was just wondering if you had any color as to the proposed sale of BancoPosta Fondi to Anima and how you view, ultimately, the relationship with Anima. I saw that -- you noted that you do want to focus on broadening the product offering in asset management. And I was just -- I wanted to see how that related to Anima. Then secondly, you noted that you're going to maintain that target for 4,000 employees to achieve early retirement. You hit around 1,800 to date. Is there any guidance as to what the restructuring charge for this early retirement will be for full year 2017?

## A - Matteo del Fante {BIO 6237992 <GO>}

Yes. I think we're working with the -- our colleagues of Anima on strengthening the partnership. At the moment, they have a good performance of our network. As we stated, we increased the placement from 7 to -- from 6 to -- sorry, to 7.8, which is almost a 30% increase of funds distributed by our network. And that's clearly one value (inaudible) proposition that is on the top of my agenda. In terms of labor cost, we have already accounted for, in the 2016 balance sheet, for the severance payment of the expected exit of 2017. And Agostino, more specifically...

## A - Agostino Scornajenchi {BIO 20403591 <GO>}

We have thought of something in the region EUR 500 million, respect an average of EUR 450 million, EUR 400 million in the previous years. And we expect to continue with the same pace for 2017. Of course, this is something that, as usual, we disclosed in the last quarter of 2017.

## Operator

Our next question comes from Matija Gergolet from Goldman Sachs.

## Q - Matija Gergolet {BIO 3561672 <GO>}

My first question is about the tax rate. I don't know if I heard wrongly. But I wrote down in my notes that you expect the tax rate of 33% for the full year. If you could please clarify because that seemed a little bit low to me. Secondly, just a follow-up on the income from the agreement with CDP on the postal bonds, postal savings, because I also thought that, that was a fairly stable, say, income. But something has clearly happened in the First Quarter. Could you just perhaps now provide us a little bit, say, of guidance for the full year? So last year revenues were almost EUR 1.6 billion but now, is this event in Q1 just a one-off? Then we should have a gain close to EUR 400 million of revenues per quarter? Or is that a structural decline there? I think that's a little bit surprising. Then perhaps lastly, just on capital gains, just checking on something you said, did I hear correctly that you expect to book EUR 500 million of capital gains for full year 2017? Or was it a different figure? And perhaps also on these capital gains, also in light of notice certainly a lot of comments, a lot of, say, interest. It might be early days but now, would you be comfortable giving, say, an indication whether you see this no net interest margin of (EUR 2 billion) as sustainable for a few more years? Or whether you see that given the rates, that's something which needs to be addressed, maybe at the next industrial plan?

## A - Matteo del Fante {BIO 6237992 <GO>}

Okay. On tax, probably we were not clear enough. But for the First Quarter, we have a 34% tax rate, which compares with the 35.4% of Q1 2016. But we expect for the full year of 2017, a normalized tax rate of around 38%. The question on postal savings is a key one because every euro less in that agreement goes down to our EBIT level. So we are working and hopefully very soon, we will be able to come back with a renewed product offering to make sure that year-end returns from CDP are closer to the one of 2016, then to the extrapolated Q1 results. But it's premature to be entirely honest. On capital gain, we basically choose this EUR 500 million. And it was chosen in the -- at the time of the IPO of the company, that EUR 500 million run rate that we can sustain. Clearly, we are in the position of being able to benefit at the net interest margin given the amount of also additional cash that we generate. As we said, we generated in the first three months of the year EUR 5 billion extra cash on our current accounts. So in case of a higher interest rate, clearly, you have an underperformance on the portfolio and on the unrealized capital gains. But you have the opportunity to rebuild the stock at higher interest rate level. In the way, we are in a position of benefiting, if you think about it, of any weakness because we are in the position of being able to increase our exposure to government risk when markets are weaker. So -- but rebalancing the effect that we have on the mark-to-market of the current portfolio. That's really an area where I also want to do more talk with an analyst to have a sustainable interest margin over time. I think we have to give a long-term answer to the market on that specific business as well. It's on my agenda.

## Operator

We have a follow-up question from Giovanni Razzoli from Equita.



## Q - Giovanni Razzoli {BIO 7269718 <GO>}

Sorry to bother you again with a clarification on the trading performance. So you said that on -- in the quarter-to-date, you had recorded something like 40% of the decrease in the hidden gains on the portfolio. If I round that figure, you started with something like EUR 2 billion of decrease. You said that you had EUR 400 million of realized gains, meaning that the negative mark-to-market in the quarter was EUR 1.5 billion, 40% or 50%, EUR 600 million that will give me with the unrealized capital gains today of EUR 1.5 billion. I was wondering whether this figure is more reasonable as an indication of the today level of unrealized gains based on your comments.

## A - Matteo del Fante {BIO 6237992 <GO>}

Yes.

## Operator

Our next question comes from (Anna Adano) from Autonomous.

## Q - Unidentified Participant

Two questions from my side. First of all, if I look at your deposit base, it has grown by 10% since the end of December. And I would like to know what's your expectation for the remainder of 2017? In other words, how much of this is implied in your NII guidance of EUR 2 billion? And the second question is regarding your exposure to (inaudible) 1 and 2 -- and how much is the latest exposure and whether you're expecting any permanent loss to be recognized throughout 2017? And also, if you can tell us your exposure to Alitalia because, from memory, you have roughly $17 million exposure to a contiguous convertible note and if you expect this to be written down?

## A - Matteo del Fante {BIO 6237992 <GO>}

Okay. On the first question, I think we cannot take increase in deposits of Q1 and extrapolate it for the rest of the year. Our goal is to maximize shareholder value across products and products are postal savings, obviously, insurance/asset management and current deposits. And clearly, we have a special performance on Q1 of the third but I would expect a more stable profile for the full year of 2017. On (Atlanta) and Alitalia, I think Mr. Scornajenchi give you a more accurate answer.

## A - Agostino Scornajenchi {BIO 20403591 <GO>}

(inaudible) as you probably know, the average 2016 Postelita subscriber total investment of EUR 260 million, of which EUR 210 million has been called by -- hosted by the company, of which 80% has been allocated on the accounts of the company. $24 million remained on the separated asset of the insurance company. As you know, following the (inaudible) that we had at the end of 2016 in line with the behavior followed by most of our competitors and on the basis of a specific study that has been developed by an expert, we have defined the persistent range between 20% and 50% and we potentially decided to take the higher part of the range and we accounted the precision of 15% with an accounting impact quite limited because already limited on the part located on the company of $12 million. So even if we will decide to increase such the precision in the coming months, we expect that no relevant impact on accounts of the company and also on the consolidated accounts of the Poste Group.

## A - Matteo del Fante {BIO 6237992 <GO>}

On Alitalia, as you know, we have today -- we have signed an agreement with Alitalia in 2015, in which we granted a facility of EUR 75 million to help the company in this (recircling) plan. This is not a credit versus the Alitalia company, it is a credit versus the (Mid-co), that is the holding company of Alitalia. Following the press, we heard a lot of rumors about the possibility for the company to launch a new restructuring plan. We know that today, another restructuring plan will be launched by the commissar that has been recently appointed. And up to date, we are monitoring the situation. And we will decide the valuation and the possibility to recover such credit in the coming months. For the moment, we stick on the position we have taken at the end of 2016. We have realized that in our consolidated accounts. But for the moment, not the precision and accrual I've taken on (inaudible). For sure, we will have more comment about that during the Second Quarter of 2017.

## Operator

(Operator Instructions) As there are no further questions in the queue that will conclude today's Q&A session. And I now would like to turn the call back to Mr. del Fante for any additional or closing remarks.

## A - Matteo del Fante {BIO 6237992 <GO>}

We just would like to thank everybody for the time you spent on Poste. And we reaffirm my commitment and also willingness to meet most of you who would like a few minutes to understand the way we look at the company and what we need to invent in defining the new strategic plan. And that is going to be our key focus for next few months. And thank you again.