



# Cassa depositi e prestiti

2013 Annual Report







# Cassa depositi e prestiti

**2013 Annual Report**

**PARENT COMPANY OF THE CDP GROUP**

REGISTERED OFFICE  
ROME – Via Goito, 4

COMPANY REGISTER OF ROME  
Entered in Company Register of Rome no. 80199230584  
Registered with Chamber of Commerce of Rome at no. REA 1053767

SHARE CAPITAL  
Share capital €3,500,000,000.00 fully paid up

Tax code 80199230584 – VAT registration no. 07756511007





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Administrative and control bodies

(Translation from the Italian original)



## Board of Directors (in office at 31 December 2013)

Franco Bassanini	<i>Chairman</i>
Giovanni Gorno Tempini	<i>Chief Executive Officer</i>
Maria Cannata	<i>Director</i>
Olga Cuccurullo	<i>Director</i>
Marco Giovannini	<i>Director</i>
Mario Nuzzo	<i>Director</i>
Francesco Parlato	<i>Director</i>
Antimo Prosperi	<i>Director</i>
Alessandro Rivera	<i>Director</i>

## Supplementary members for administration of Separate Account

(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/2003)

Director General of the Treasury	<i>Director<sup>(1)</sup></i>
State Accountant General	<i>Director<sup>(2)</sup></i>
Piero Fassino	<i>Director</i>
Massimo Garavaglia	<i>Director</i>
Antonio Saitta	<i>Director</i>

<sup>(1)</sup> Vincenzo La Via.

<sup>(2)</sup> Roberto Ferranti, delegate of the State Accountant General.

### **Board of Auditors (in office at 31 December 2013)**

Angelo Provasoli	<i>Chairman</i>
Gerhard Brandstätter	<i>Auditor</i>
Andrea Landi	<i>Auditor</i>
Ines Russo	<i>Auditor</i>
Giuseppe Vincenzo Suppa	<i>Auditor</i>
Luciano Barsotti	<i>Alternate auditor</i>
Angela Salvini	<i>Alternate auditor</i>

### **Non-Controlling Shareholders Support Committee (in office at 31 December 2013)**

Matteo Melley	<i>Chairman</i>
Antonello Arru	<i>Member</i>
Marcello Bertocchini	<i>Member</i>
Piero Gastaldo	<i>Member</i>
Renato Gordini	<i>Member</i>
Mariano Marroni	<i>Member</i>
Ivano Paci	<i>Member</i>
Pierfranco Giovanni Risoli	<i>Member</i>
Roberto Saro	<i>Member</i>

### **Parliamentary Supervisory Committee (in office at 31 December 2013)**

Ferdinando Aiello	<i>Chamber of Deputies</i>
Dore Misuraca	<i>Chamber of Deputies</i>
Angelo Rughetti	<i>Chamber of Deputies</i>
Davide Zoggia	<i>Chamber of Deputies</i>
Bruno Astorre	<i>Senate</i>

Cinzia Bonfrisco	<i>Senate</i>
Luigi Marino	<i>Senate</i>
Paolo Naccarato	<i>Senate</i>
Stefano Fantini	<i>Council of State</i>
Guido Salemi	<i>Council of State</i>
Pancrazio Savasta	<i>Council of State</i>
Claudio Gorelli	<i>State Audit Court</i>

### **Judge of the State Audit Court (in office at 31 December 2013)**

(Article 5.17, Decree Law 269/2003 – attends meetings of the Board of Directors and the Board of Auditors)

Mauro Orefice

Marco Boncompagni

*(Alternate since 27 March 2013)*

### **General Manager**

Matteo Del Fante

### **Independent auditors**

PricewaterhouseCoopers S.p.A.





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Report on operations  
of the Group

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Financial highlights

## Highlights - CDP S.p.A.

(millions of euros)

	2013	2012
<b>RECLASSIFIED BALANCE SHEET DATA</b>		
Total assets	314,685	305,431
Cash and cash equivalents and other treasury investments	147,507	139,062
Loans to customers and banks	103,211	100,508
Equity investments and shares	32,693	30,570
Postal funding	242,417	233,631
Other direct funding	26,788	16,462
Equity	18,138	16,835
<b>RECLASSIFIED PERFORMANCE DATA *</b>		
Net interest income	2,539	3,522
Gross income	3,114	3,800
Operating income	2,953	3,677
Net income (loss)	2,349	2,853

## New lending and managed resources - CDP S.p.A.

(millions of euros)

Business lines	Total 2013	Total 2012
Public Entities and Territory	5,925	3,345
Infrastructure	2,160	2,800
Enterprises	8,210	6,724
<b>Total new lending and managed resources</b>	<b>16,294</b>	<b>12,869</b>
Non-recurring transactions	879	9,433
<b>Grand total</b>	<b>17,173</b>	<b>22,302</b>

## Main indicators

(units; %)

	2013	2012
<b>PERFORMANCE RATIOS *</b>		
Spread interest-bearing assets liabilities	1.1%	1.5%
Cost/income ratio	4.1%	2.9%
ROE	14.0%	19.7%
<b>CREDIT RISK RATIOS</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.292%	0.118%
Net writedowns/Net loans to customers and banks	0.039%	0.020%
<b>RATING (as of the date of approval of the Report)</b>		
Fitch Ratings	BBB+	
Moody's	Baa2	
Standard & Poor's	BBB	
<b>OPERATING STRUCTURE</b>		
Average number of employees	544	512

\* As of the 2013 financial statements, the income statement item "210. Gains (Losses) on equity investments" is recognised in the reclassified income statement under Dividends and gains (losses) on equity investments. The amounts as at 31/12/2012 have been revised accordingly.

## Highlights - CDP Group

(millions of euros)

	2013	2012
<b>RECLASSIFIED BALANCE SHEET DATA</b>		
Total assets	317,518	309,384
Cash and cash equivalents and other treasury investments	148,960	140,858
Loans to customers and banks	105,963	102,927
Equity investments and shares	26,269	24,770
Postal funding	242,417	233,631
Other direct funding	23,801	15,607
Equity	20,390	18,262
- of which pertaining to the shareholders of the parent company	19,295	18,186
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	2,868	3,531
Gross income	3,572	3,533
Profit (loss) on banking and insurance operations	3,821	3,533
Operating income	3,496	3,396
Net income (loss)	2,522	2,929
- of which pertaining to the shareholders of the parent company	2,501	2,927

## New lending and managed resources - CDP Group

(millions of euros)

Business lines	Total 2013	Total 2012
Public Entities and Territory	7,651	4,380
Infrastructure	3,760	2,858
Enterprises	16,140	15,410
<b>Total new lending and managed resources</b>	<b>27,551</b>	<b>22,648</b>
Non-recurring transactions	1,762	9,433
<b>Grand total</b>	<b>29,314</b>	<b>32,081</b>

# 1. Presentation of the Group

## 1.1. ROLE AND MISSION OF THE CDP GROUP

The CDP Group (the “Group”), composed of Cassa depositi e prestiti S.p.A. (“CDP”), and the subsidiaries subject to its management and coordination, works to support growth in Italy. It employs its resources – mainly funded through its management of postal savings (postal savings bonds and postal passbook savings accounts) – in accordance with its institutional mission, in its capacity as a:

- leader financier of investments by the public administration;
- catalyst for infrastructure development;
- key player in supporting the Italian economy and business system.

The CDP Group promotes local development, financing investment by the public administration, assisting local authorities in leveraging their real estate holdings, investing in social housing and supporting energy efficiency policies.

In its role as catalyst for infrastructure development, the Group uses corporate and project finance to support public-interest projects and enterprises investing in the delivery of public services. It also performs this role by taking direct equity stakes in infrastructure companies and subscribing units in domestic and international infrastructure equity funds.

The Group also uses debt and equity instruments to support strategic domestic companies and small and medium-sized enterprises (“SMEs”), thereby fostering their growth, efficiency, international expansion and investment in research.

Since CDP exercises de facto control over Terna S.p.A., the Terna Group – a major operator of electricity transmission grids and the operator and main owner of the high-voltage National Transmission Grid (NTG) – is also fully consolidated in the financial statements.

### 1.1.1. 2013-2015 Business Plan of the CDP Group

Financial year 2013 marks the end of the period covered by the CDP 2011-2013 Business Plan, approved by the Board of Directors in March 2011. The final results show that the main objectives initially set were fully achieved despite the significant change in the market environment that followed the Plan’s approval and the change in the mix of CDP lending (greater use of risk capital and instruments to support Italy’s economy directed at enterprises).

The total resources mobilised by CDP in the period 2011-2013 (excluding subsidiaries) amounted to €56 billion, as opposed to the Plan objective of €43 billion. The main financial targets (net income, return on capital and cost/income ratio) were also achieved in full and major technological innovation projects were either launched or completed in keeping with the efficiency objectives set out by the Plan.

The 2013-2015 Business Plan of the CDP Group was approved on 11 September 2013. It updates the Group's strategic guidelines and medium/long-term objectives.

Specifically, the Plan states that the CDP Group has a leading role in implementing Italy's industrial policy through lending for public investment, infrastructure and enterprises to reverse the economic cycle in the medium/long term, as well as through direct investment in risk capital, electricity grids and strategic assets, and indirect investment aimed at supporting SMEs and strategic enterprises in their growth and international expansion.

According to the Plan, up to €80 billion will be mobilised and managed for the Public Entities and Territory, Infrastructure and Enterprises segments, equivalent to about 5% of Italy's GDP, of which: (i) up to €23 billion in productive public investment; (ii) up to €9 billion in the planning, launch and financing of infrastructural works; (iii) up to €48 billion in supporting the growth and international expansion of enterprises and leveraging strategic assets for the country.

Moreover, additional resources can be mobilised in the three-year period covered by the Plan through specific regulatory provisions and changes to the by-laws, aimed at expanding the scope of the Group's operations.

In order to achieve the Plan's goals, action needs to be taken on some key factors, including funding and share capital. A further consolidation of the relationship with Poste Italiane is expected through the renewal of the multi-year agreement on funding and management of postal savings. A commercial paper programme, with securities in euros or other currencies, has already been launched and the institutional funding channel and the current Euro Medium Term Notes programme have been extended to the separate account. Another priority of the Plan is to consolidate its capitalisation through the internal generation of share capital (notwithstanding the return objectives set by the shareholders) and the release of share capital used in equity investments through partial disposals of shares held, while retaining strategic equity investments.

## 1.2. COMPOSITION AND STRUCTURE OF THE CDP GROUP

In addition to the parent company Cassa depositi e prestiti S.p.A. ("CDP" or "parent company"), the scope of consolidation includes the subsidiaries: CDP GAS S.r.l. ("CDP GAS"), CDP Reti S.r.l. ("CDP Reti"), CDP Investimenti Società di Gestione del Risparmio S.p.A. ("CDPI SGR"), Fintecna S.p.A. ("Fintecna"), Fintecna Immobiliare S.r.l. ("Fintecna Immobiliare"), Fondo Strategico Italiano S.p.A. ("FSI"), Quadrante S.p.A. ("Quadrante"), SACE S.p.A. ("SACE"), Simest S.p.A. ("SIMEST"), Terna S.p.A. ("Terna") and their subsidiaries and associates, as well as the Plus and Extra segments of Fondo Investimenti per la Valorizzazione ("FIV").

CDP manages and coordinates the following companies, with a view to coordinating the actions of the subsidiaries and CDP in the interest of the Group: CDP GAS, CDP Reti, CDPI SGR, Fintecna, Fintecna Immobiliare, FSI, Quadrante, SACE and SIMEST.

For information on transactions with related parties, refer to the appropriate section of the Notes to the consolidated financial statements.

For a breakdown of the companies included in the scope of consolidation, refer to the relevant annex to the consolidated financial statements.

Compared with 31 December 2012, the changes to the scope of consolidation relate to:

- the acquisition by Fincantieri of 55.63% of STX OSV (which later took the name of VARD Group);
- the acquisition by FSI of 84.55% of Ansaldo Energia on 4 October 2013;
- the first consolidation of the balances of the income statement of the Fintecna Group, Fintecna Immobiliare Group, SACE Group, SIMEST and Quadrante;
- the assessment of requirements under SIC 12 for the consolidation of FIV fund;
- the merger by incorporation, effective 21 October 2013, of SunTergrid S.p.A. into Terna Plus S.r.l., in which Terna holds a direct stake.

The following section describes the CDP Group's main companies.

### **1.2.1. Parent company - Cassa depositi e prestiti S.p.A.**

Cassa depositi e prestiti S.p.A. ("CDP") is the company resulting from the transformation of CDP from a government agency into a joint-stock company, as ordered by Article 5 of Decree Law 269 of 30 September 2003, ratified with amendments by Law 326 of 24 November 2003, as amended. Subsequent decrees issued by the Minister for the Economy and Finance implemented the decree law and established the assets and liabilities of CDP, as well as the guidelines for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

The Decree Law outlines the new company's main lines of activity, which maintain continuity with CDP's mission prior to the transformation. Subsequent regulatory changes considerably expanded CDP's institutional mission and areas of responsibility.

Therefore, CDP is now a long-term investor operating outside the public administration, providing funding for national infrastructure and the economy. CDP's corporate purpose comprises the following activities.

- 1) Any sort of financing of the State, regions, local authorities, Public Entities and public law bodies by using funds redeemable by way of postal savings passbooks and interest-bearing postal bonds, guaranteed by the State and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds deriving from the issue of securities, the taking on of loans and other financial transactions, which can be guaranteed by the State.
- 2) Any sort of financing using funds guaranteed by the State, directed at public-interest initiatives “promoted” by the entities referred to in the previous point, to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), or carried out in favour of SMEs for the purpose of supporting the economy. The financial transactions can be conducted either directly (if for an amount equal to or greater than €25 million) or through the banking system, with the exception of operations in favour of SMEs, which may be conducted: (i) through the banking system, (ii) for the purposes of Article 2 of Decree Law 69 of 21 June 2013 ratified with amendments, by Law 98 of 9 August 2013, also through financial brokers authorised to conduct financial leasing transactions secured by the banking system, (iii) or through the subscription of investment funds managed by an asset management company, whose corporate purpose achieves one of the institutional missions of CDP. Financial transactions carried out for operations “promoted” by the entities referred to in the point above or directed at supporting the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), can be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality.
- 3) Acquiring equity investments in companies of major national interest, as defined in the decree of the Minister for the Economy and Finance of 8 May 2011, having a stable financial position and performance and adequate profit-generating prospects. These equity investments can be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or Public Entities, holds an interest.
- 4) Any sort of financing of projects, plants, networks and other infrastructure intended to supply public services and for the reclaiming of land. using funds derived from the issue of securities, the taking on of loans and other financial transactions, without State guarantee, without raising demand funds.

Following regulatory provisions and statutory changes in keeping with the strategic guidelines set out in the Business Plan, the year 2013 witnessed a further expansion of the scope of CDP, whose corporate purpose has been broadened to include the following activities.

- 5) Allocation of funds made available under point 1 to Italian banks and branches of EU and non-EU banks operating in Italy and duly authorised to conduct banking transactions for the disbursement of mortgages mainly for the purchase of principal dwellings and for renovation and energy efficiency works in compliance with the parameters and priorities as may be set out by applicable legislation.
- 6) Purchase of covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate.

- 7) Purchase of securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs for the purpose of increasing lending to SMEs.

All of the above activities must be conducted by CDP in a manner such that, within the context of the separate accounting and organisational system, they preserve the long-term financial stability of the organisation while ensuring a return on investment for shareholders.

In accordance with Article 5.6 of Decree Law 269/2003, the provisions of Title V of the Consolidated Banking Act concerning supervision of non-bank financial intermediaries, taking account of the characteristics of the entity subject to supervision and the special rules that govern the Separate Account, apply to CDP.

The company is also subject to the oversight of a Parliamentary Supervisory Committee and the State Audit Court.

#### **ORGANISATIONAL AND ACCOUNTING SEPARATION**

Article 5.8 of Decree Law 269/2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company.

By the end of the 2004 financial year, CDP had completed the procedures to implement organisational and accounting separation after having obtained the opinion of the Bank of Italy and submitting the definitive criteria to the Ministry for Economy and Finance (MEF) pursuant to Article 8 of the MEF decree of 5 December 2003. As such, the organisational and accounting separation took full effect from 2005.

CDP's implementation of this system of organisational and accounting separation was necessary to ensure compliance with EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP funding, such as postal bonds and passbook savings accounts, benefit from a state guarantee in the event of issuer default. The existence of this guarantee, which is justified, first and foremost, by the social and economic importance of postal savings (which was defined by the MEF decree of 6 October 2004 as a service of general economic interest on the same level as the activities of lending to Public Entities and public-law bodies under the Separate Account), makes it necessary to distinguish between activities that are not of general economic interest and are, therefore, potentially conducted in competition with other market players.

More specifically, the separation arrangements put in place by CDP envisage:

- for accounting purposes, the establishment of three operating units called, respectively, Separate Account, Ordinary Account, and Joint Services, within which CDP's existing organisational units have been re-grouped. Separate Account includes, in general, the units responsible for financing regional and local government, Public Entities and public-law bodies or financing directed at public-interest initiatives "promoted" by such entities, funding to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE), and funding in favour of SMEs for the



purpose of supporting the economy. Separate Account also includes the management of the assets and functions transferred to the MEF with CDP's transformation into a joint-stock company, and the provision of advisory services to government bodies. Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy, control and support for the company in the light of the company's unique status;

- the existence of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to Accounts and Joint Services, and the second level the subsequent allocation to Accounts of the costs and revenues of Joint Services on the basis of appropriate analytical accounting methods;
- the recognition and measurement of any internal transactions between Separate Account and Ordinary Account, or between the Accounts and Joint Services, using the respective market prices as a benchmark, with a view to preventing unauthorised transfers of resources;
- the preparation of separate annual income statements on the basis of the levels of separation described above.

As regards the organisational structure of CDP as at 31 December 2013, Separate Account includes the following areas: Public Entities, Operational Innovation Project, Economic Support, Public Interest Lending, Relationship Management and Postal Savings. Ordinary Account includes the Financing area. Joint Services include the Corporate Centre areas and the governance and control bodies.

From the very start of operations for the Ordinary Account, CDP chose to keep cash flows separated for the two Accounts, although such a strict division is not required by the system of accounting separation. In other words, the forms of funding, lending and liquidity management (deposits and current accounts) for the Separate Account are distinct and autonomous from the analogous instruments used for the Ordinary Account, with the sole exception of temporary and exceptional circumstances.

## STRUCTURE

In financial year 2013, the Postal Savings Area was established. Its task is to ensure that the activities concerning the distribution of postal savings are carried out correctly, while the Real Estate Area was integrated in the Relationship Management Area.

### 1.2.2. Companies subject to management and coordination

#### 1.2.2.1. CDP Investimenti SGR S.p.A.

CDPI SGR was established on 24 February 2009 by CDP together with Associazione delle Fondazioni bancarie e Casse di Risparmio S.p.A. (ACRI) and the Italian Banking Association (ABI). The company is registered in Rome and has share capital of €2 million, fully paid up, of which CDP holds 70%.

CDPI SGR's primary business is providing collective asset management services by promoting, establishing and managing real estate investment funds, as defined by the regulations governing the sector.

### **Mission**

CDPI SGR is the Group's asset management company active in the real estate sector by promoting, establishing and managing closed funds reserved to qualified investors in specific real estate market segments falling under the scope of the Group's operations: private social housing ("EPS") and the leveraging of the real estate holdings owned by Public Entities.

As at 31 December 2013, CDPI SGR manages two real estate funds reserved to qualified investors: Fondo Investimenti per l'Abitare ("FIA"), which has total subscriptions amounting to €2.028 billion, of which at year-end 2013 a total of €225 million was called up, and Fondo Investimenti per la Valorizzazione, composed of two specific segments, Plus, which had total subscriptions of €100 million (of which a total of €20.4 million was called up) and Extra, which had total subscriptions of €725 million, of which €495 million paid in.

FIA's operations were started by the company on 16 July 2010 and its institutional purpose is to expand the availability of social housing throughout the country. FIA invests primarily in real estate funds and local EPS initiatives through equity interests, both non-controlling and controlling, of up to 80% in the capital of investees. A Prime Minister's Order, issued acting on a proposal of the Minister of Infrastructure and Transportation ("MIT") of July 2012, was published in February 2013 in the Official Gazette. It raised the original 40% threshold for FIA holdings in target funds and companies to a maximum of 80%, without prejudice to the requirement of ensuring investment by other investors. The company's Board of Directors, followed by the Unitholders' Meeting, approved some amendments to the fund management rules to reflect this key change in investment operations by FIA.

FIV is an umbrella real estate investment fund whose main objective is to promote and favour the privatisation of real estate owned by the State and Public Entities, by purchasing, including through auctions or other competitive procedures, real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental. Unlike FIA, which is a fund of funds, FIV invests directly in real estate and its asset management operations are aimed at increasing the value of the purchased real estate through their active management and disposal also in the light of market trends.

The scope of CDPI SGR's operations involves investment in transactions and projects of economic and social relevance to the country. Both the EPS activities and those to leverage, upgrade and dispose of the real estate of Public Entities are geared toward investment operations that yield a moderate yet sustainable financial return for long-term institutional investors, while reaching positive results for Italy's overall socio-economic wellbeing.

## STRUCTURE

In 2013, the company's organisational chart underwent the following changes:

- the Operations and Social Housing Development Area (previously Operations and Development Area) was introduced and, through units that report directly to it, it is responsible for the processing of investment/disinvestment of FIA and FIDA resources;
- the FIV Investment unit, which was previously part of the Operations and Development Area, now reports directly to the Director General. This unit is in charge of processing investment/disinvestment opportunities for FIV and of operations concerning the relevant investments;
- the Anti-Money Laundering unit was merged into the Compliance unit;
- Risk Management was converted from an outsourcing unit into a co-sourcing unit.

At 31 December 2013, CDPI SGR had 32 employees, of whom 6 executives, 15 middle managers, and 11 office staff, including the Head of the Legal Department, on secondment from the parent company for 50% of his work activities. During the financial year 7 employees were hired, while one left.

### 1.2.2.2. *Fintecna Immobiliare*

Fintecna Immobiliare is a company incorporated in 2007 within Fintecna Group to support the reorganisation of the construction, civil and systems engineering sectors belonging to the former IRI Group. In this context, it has dealt with the real estate operations by taking over its portfolio and managing the related leveraging and sales operations.

On 1 November 2013, following the demerger of the real estate operations of Fintecna Group, CDP took over the entire equity investment of Fintecna in Fintecna Immobiliare and in Quadrante. The demerger is part of an asset allocation plan involving the real estate holdings of the Group's companies whose specific objective is to leverage available expertise and tap potential synergies. With its recent transfer into the Group, the activities of the Fintecna Immobiliare Group have been integrated into a broader range of services geared toward leveraging public-owned real estate holdings.

## MISSION

Fintecna Immobiliare is a company specialised in real estate operations, whose management is based on the following guidelines:

- structured support of market-oriented initiatives, both directly and through subsidiaries, by conducting activities for the construction of new buildings based on a risk/return assessment that takes into account the allocated financial resources;
- integration of the expertise of the Fintecna Immobiliare Group in the provision of real estate services with other CDP Group entities operating in the same sector.

## STRUCTURE

At 31 December 2013, the employees of Fintecna Immobiliare numbered 129, of whom 20 were executives, 46 middle managers and 63 office staff. Compared with the situation at 31 December 2012 (119 employees, of whom 20 executives, 46 middle managers and 53 office staff), workforce increased by 10 employees during the year.

### 1.2.2.3. FSI

FSI is a holding company that invests in companies in order to create value for its shareholders by promoting the growth, operating efficiency, consolidation and the national and international competitiveness of the companies in which it takes a stake.

The company was incorporated on 2 August 2011 with share capital of €1 billion. Then, pursuant to the agreement signed with the Bank of Italy by which it would become a shareholder of FSI in exchange for the transfer of its stake in Assicurazioni Generali S.p.A., the Extraordinary Shareholders' Meeting of FSI on 20 March 2013 approved a share capital increase against payment.

Following the said transaction, the share capital of FSI is fully underwritten and paid-up for €4,351,227,430. It is divided as follows:

- CDP holds 338,098,196 ordinary shares, equivalent to 77.702% of the share capital and voting rights of FSI;
- Fintecna holds 10,000,000 ordinary shares, equivalent to 2.298% of the share capital and voting rights of FSI;
- Bank of Italy holds 29,008,182 ordinary shares and 58,016,365 preference shares, equivalent to 20% of the share capital and voting rights of FSI.

FSI acquires equity holdings – usually non-controlling interests – in companies of “major national interest” that have a stable financial position and performance, adequate profit-generating prospects and significant scope for growth, capable of generating value for investors.

## MISSION

Within the framework of its investment initiatives, FSI seeks to distinguish itself as a proactive catalyst for large, financially sound companies that intend to pursue a strategic development plan.

FSI's goal is to invest in non-controlling interests (mainly through capital increases) with market returns (pegged to the various benchmark business sectors) and a medium/long-term time horizon. In this context, given this time horizon, FSI plans to establish a clear agreement with the other shareholders of the investee companies in order to: (i) ensure an adequate degree of representation and active governance in keeping with its role of non-controlling financial investor and with best market practices; (ii) ensure a

constant flow of information; (iii) identify opportunities for leveraging and/or liquidating the investment on market terms.

Therefore, FSI's goal is to ensure that once it divests itself of its stake, the target company will be left in a position to grow and become more competitive, capable of prospering in global markets and of generating wealth and sustainable employment.

FSI plans to make investments of a substantial individual size, establishing appropriate concentration limits for each sector based on available capital.

FSI operates transparently in selecting and approving investments. To that end, it has established transparent operational processes to identify and select investment opportunities as well as coinvestors. These processes include the approval of each investment by the Investment Committee and Board of Directors and are designed to ensure compliance with the principles of objectivity, fairness, transparency, cost-effectiveness and profitability of the investment.

## STRUCTURE

FSI's organisational structure is composed of five macro-areas: In addition to the Investment Department, these include four units: Equity Investments; Legal and Corporate Affairs; Administration, Control, Operational Support and Human Resources; Risk Management. The Investment Department is responsible for selecting, assessing and conducting investment transactions, as well as actively monitoring the investee companies, while the other units are responsible for corporate functions and the associated reporting of the investee companies as well as overseeing support and corporate governance processes. The internal auditing and compliance activities (outsourced to CDP) are independent from the company's operational units and report directly to the Board of Directors, working in close cooperation with the parent company.

At 31 December 2013, staff (in addition to the Chief Executive Officer) numbered 22 employees, of whom 9 assigned to the Investment Department and 13 to the other units (including secretarial staff). During the financial year, 3 employees were hired in the units.

### 1.2.2.4. *Fintecna Group*

Fintecna was formed in 1993 for the specific purpose of restructuring recoverable businesses and/or performing transitional management activities connected with the liquidation of the Iritecna Company, preparing the way for its privatisation. At the end of this complex task, which entailed the privatisation of more than 200 companies over five years, the then shareholder, IRI, tasked Fintecna with the coordination and management of the liquidation, reorganisation and disposal of numerous other companies, among them Finsider S.p.A., Italsanità S.p.A., Finmare and Sofinpar S.p.A.

With effect from 1 December 2002, Fintecna absorbed IRI, which was in liquidation, and its residual assets. With this operation, Fintecna, which was already specialised in the management of liquidation activities and the related privatisations, acquired major interests in important national companies operating in the industrial sector, particularly Fincantieri, Tirrenia di Navigazione, and Società Stretto di Messina.

During the period from 2003 to 2005, Fintecna consolidated its presence in the real estate sector as a result of major acquisitions from the state amounting to around €1,250 million. At the end of 2006, the real estate assets were spun off to a separate company, Fintecna Immobiliare, with the transfer of the portfolio on 1 January 2007. The same year saw the transfer to Fintecna, free of charge, of Patrimonio dello Stato S.p.A., with Fintecna responsible for divesting some of the property portfolio that the MEF had transferred at no cost to Patrimonio dello Stato S.p.A. in 2003 and 2004.

In the period from 2007 to 2010, specific legislation transferred to Fintecna – or to its wholly-owned subsidiaries – the assets of Ente Partecipazioni e Finanziamento Industrie Manifatturiere (EFIM), which was in compulsory receivership, and those of the EFIM subsidiaries in compulsory receivership. Fintecna also received the assets of two liquidated Public Entities, IGED and Italtrade, and those of the Comitato per l'intervento nella SIR e in settori ad alta tecnologia, and assigned to manage the liquidation process. Fintecna designated three wholly-owned subsidiaries to carry out the work of winding-up and disposal: Ligestra S.r.l., Ligestra Due S.r.l. and Ligestra Tre S.r.l.

On 9 November 2012, CDP acquired the entire share capital of Fintecna from the MEF in exercise of a purchase option granted under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012.

## **MISSION**

Thanks to its very history, the Fintecna Group has developed special expertise in the administration of equity investments and in privatisation processes.

Fintecna Group has also become expert at carrying out special projects to help government departments deal with specific issues.

The Fintecna Group's main activities are currently:

- the management of equity investments involving policy-setting, coordination and control both of companies destined for divestment (privatisation/liquidation) and of companies that will be held over a longer period in the Fintecna portfolio;
- the "specialised" management of complex liquidation processes with a view to shortening and optimising the resources and results of the liquidation process;
- the comprehensive and flexible management of the significant litigation arising mainly from acquired companies, the aim of which is to reach arrangements that comply with the legal requirements and cost effectiveness criteria while opening the way to the successful and rapid settlement of ongoing litigation;

- other activities, including providing support (under specific legislation) to the people affected by the earthquakes in Abruzzo in 2009 and Emilia in 2012, as well as the provision of professional assistance to the special commissioner in charge of overseeing the debt reduction plan of Roma Capitale, which Fintecna has assigned to its wholly-owned subsidiary, XXI Aprile S.r.l.

## STRUCTURE

The main sectors of activity in which the Fintecna Group operates are:

- shipbuilding, through Fincantieri S.p.A. (99.36%) and its subsidiaries and associates. The Fincantieri Group designs, builds and sells merchant and military vessels, and carries out repairs and conversions. Its main business line is in the area of passenger ships (cruise ships and large ferries), mega-yachts (over 70 metres), military vessels and submarines. Fincantieri also operates in the field of mechanical engineering. Starting from financial year 2013, with the acquisition of the VARD Group, Fincantieri has become the world leader in the construction of offshore specialised vessels;
- liquidation activities through separate asset pools assigned to special purpose entities. The Fintecna Group holds several asset portfolios transferred to the State such as: (i) the assets of the former EFIM and former Italtred (held through the Fintecna subsidiary Ligestra S.r.l.); (ii) the assets of IGED (held through the Fintecna subsidiary Ligestra Due S.r.l.) (iii) the assets of the Comitato per l'intervento nella SIR e nei settori ad alta tecnologia (held through the subsidiary Ligestra Tre S.r.l.).

At 31 December 2013, the employees of the Fintecna Group numbered 20,559, of whom 346 were executives, 6,785 middle management and office staff and 13,428 workers.

At the parent company Fintecna S.p.A., the workforce grew from 166 employees at the end of 2012 to 170 at 31 December 2013.

At 31 December 2013 the employees of the Fincantieri Group numbered 20,389, compared with 10,240 at 31 December 2012. This change is almost entirely the result of the acquisition of the VARD Group. As regards Fincantieri, the company continued the implementation of the Reorganisation Plan signed in December 2011 and in July 2013 it signed an agreement at the Ministry of Labour with trade unions to extend the special wage supplementation mechanism (temporary layoffs) for all Italian production sites by another 12 months (until 19 August 2014).

### 1.2.2.5. SACE Group

SACE was established in 1977 as a Public Entity under the supervision of the MEF. In 2004, it was transformed into a joint-stock company (società per azioni), wholly owned by the MEF.

On 9 November 2012, CDP acquired the entire share capital of SACE from the MEF by exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August, 2012.

## MISSION

The SACE Group is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring. Specifically, the corporate purpose of the parent company, SACE, is insurance, reinsurance, co-insurance and the provision of guarantees against risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other risks to which Italian companies and companies associated with them or controlled by them, including foreign companies, are directly or indirectly exposed in the performance of their activities outside Italy and or in the internationalisation of the Italian economy. SACE's corporate purpose also includes issuing, on market terms and conditions and in compliance with EU regulations, guarantees and insurance for foreign companies in Italy for transactions of strategic importance for the internationalisation of the Italian economy and for the economic security of Italy.

The SACE Group today serves over 25,000 customers in more than 180 countries around the world.

## STRUCTURE

The SACE Group is made up of the parent company, SACE, and the following:

- SACE BT, established in 2004, specialising in short-term credit insurance services;
- SACE Do Brasil, established in 2012;
- SACE Fct, established in 2010, specialising in the financing of trade receivables, with particular reference to government receivables;
- SACE SRV, established in 2007, a subsidiary of SACE BT specialising in the acquisition of business information, the management of applications and debt collection.

At 31 December 2013 the employees of the SACE Group numbered 717, of which 40 executives, 268 management-level staff, 408 office staff and 1 producer. Of these, 467 worked for the parent company. The workforce expanded by 12 compared with 31 December 2012.

### 1.2.2.6. SIMEST

SIMEST is a joint-stock company formed in 1991 to promote foreign investment by Italian companies and to provide technical and financial support for investment projects.

On 9 November 2012, CDP acquired 76% of the share capital of SIMEST from the Ministry for Economic Development, exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012. The other shareholders consist of a group of private-sector investors, including UniCredit S.p.A. (12.8%), Intesa Sanpaolo S.p.A. (5.3%), Banca Popolare di Vicenza S.C.p.A. (1.6%) and Eni (1.3%).



## MISSION

As the development finance institution charged with supporting and promoting Italian companies' activities abroad, SIMEST has, since 1999, administered various financial instruments providing public support for the international expansion of Italian firms.

Its main activities include:

- investment in the share capital of companies outside the European Union: (i) by directly acquiring up to 49% of the share capital of foreign firms; (ii) through a venture capital fund established by the Ministry for Economic Development (MISE); (iii) by investing in the capital of companies in Italy and within the EU by directly acquiring stakes, under arm's length conditions and without any advantages, of up to 49% of the share capital of Italian companies and/or their EU subsidiaries that develop investments in production and in innovation and research (bailouts are not permitted);
- financing the activities of Italian companies abroad by: (i) supporting export credits for investment goods produced in Italy; (ii) financing feasibility studies and technical assistance programmes connected with investments; (iii) financing programmes for entering foreign markets;
- providing Italian companies seeking to internationalise their businesses with technical assistance and advisory services including: (i) seeking out foreign partners and investment opportunities, as well as foreign commercial contracts; (ii) pre-feasibility and feasibility studies; (iii) advice on financial, legal and corporate issues concerning investment projects abroad.

## ORGANISATIONAL STRUCTURE AND WORKFORCE

At 31 December 2013, the company had 157 employees, of which 10 senior managers, 78 middle managers and 69 office employees. The increase of 1 employee compared with 31 December 2012 (156 employees) is the net balance of 2 terminations and the hiring of 3 employees during the year.

### 1.2.2.7. Other companies subject to management and coordination

#### CDP GAS S.R.L.

CDP GAS is an investment vehicle formed in November 2011 and wholly owned by CDP, through which, on 22 December 2011, an 89% interest in Trans Austria Gasleitung GmbH ("TAG") was acquired from Eni International B.V. CDP GAS classifies TAG as a jointly-controlled company under existing governance rules based on shareholders' agreements with the other shareholder, Gas Connect Austria.

TAG is the exclusive operator for the transport of gas in the nearly 400-km Austrian segment of the gas pipeline linking Russia to Italy through Ukraine, Slovakia and Austria. The infrastructure transports Russian natural gas to Italy, accounting for about 30% of Italy's gas imports, thus representing an asset of strategic importance to the country.

The mission of CDP GAS is the management of the equity investment in TAG, through a dedicated team with expertise in the gas transport sector.

At 31 December 2013, the company has 3 employees, one of whom was seconded to TAG to act as Managing Director.

#### **CDP RETI S.R.L.**

CDP Reti is an investment vehicle, formed in October 2012 and wholly-owned by CDP, through which CDP purchased from Eni a stake of 30% less one share of the voting capital of Snam S.p.A. (SNAM) on 15 October 2012. At 31 December 2013, as a result of the purchase of additional shares on the market, CDP Reti's holding in SNAM amounted to 1,014,491,489 shares, equal to 30.0258% of the voting share capital and 30.00000002% of the issued share capital of SNAM. The increase in its holding of voting share capital in SNAM to over 30% did not entail the obligation to launch a public takeover bid pursuant to Article 106.1 of Legislative Decree 58/1998 (TUF), as also confirmed by Consob Resolution 18330 of 26 September 2012, due to the exemption applicable to the case under consideration for "transfer between entities having major equity investments" as per Article 106.5 b) of TUF.

CDP Reti's mission is therefore to manage the holding in SNAM, monitoring the infrastructure it operates to ensure it is developed and maintained appropriately, and developing the necessary expertise in hydrocarbon transport, dispatching, distribution, regasification and storage in order to oversee its investments most effectively.

#### **QUADRANTE S.p.A.**

Quadrante S.p.A. is a special-purpose real estate company whose mission is to leverage its property portfolio, which consists of two adjacent areas totalling 67 hectares, located in the Centocelle district of Rome:

- one of these is a 52-hectare plot of buildable land called Centralità di Torrespaccata;
- the other covers 15 hectares and is located in the Centocelle Park.

The company has no employed staff, since the development and management of the company's activities is provided directly by the Board of Directors.

### **1.2.3. Terna Group**

Terna – Rete Elettrica Nazionale S.p.A. is a major operator of electricity transmission grids. It is the operator and the main owner of the high-voltage National Transmission Grid (NTG).

Terna is responsible for the planning, construction and maintenance of the grid, bringing together skills, technologies and innovation in line with international best practice. It is also responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and, as such, it is charged with safely balancing electricity supply and demand. The company is also responsible for planning, developing and maintaining the NTG.

The current structure of the company is the result of the unification of ownership and operation of the NTG in November 2005 (in implementation of the Prime Minister's Order of 11 May 2004).

Since June 2004 the company has been listed on the Italian Stock Exchange.

Terna is also a founding member of ENTSO-E, the major European network of transmission operators. The organisation acts as a cooperative entity at the European level to promote the internal market in electricity and cross-border trade and to provide coordinated management of electricity transmission grids.

Terna S.p.A. is the parent company of the Terna Group, which is discussed in more detail below.

## STRUCTURE

At 31 December 2013, the Terna Group included, in addition to Terna, the following fully consolidated companies: Terna Rete Italia S.p.A., Terna Rete Italia S.r.l. (formerly Telat S.r.l.), Terna Storage S.r.l., Terna CG d.o.o., and Terna Plus S.r.l. directly controlled by Terna with a stake of 100%.

The Terna Group's scope of consolidation also includes the associated companies CESI S.p.A. (in which Terna has a 42.70% holding), CrnoGorski Elektroprenosni Sistem AD - CGES (22.09%), Coreso S.A. (22.49%) and the joint venture ELMED ETUDES S.à.r.l. (50%), all accounted for using the equity method.

Terna is responsible for the operational management of the subsidiaries under special service agreements for providing assistance, coordination and consulting services to the companies during the construction and operation of plants (relating to, for example, applications for permits or measures of any kind, procurement procedures, contract and tender management, accounting and financial services).

The Terna Group's core business consists mainly in regulated activities, which means that Terna is remunerated based on a tariff system determined by the Authority for Electricity and Gas for the main regulated activities that Terna carries out in Italy, namely the transmission and dispatching of electricity, both pursuant to the authorisation of the Ministry for Economic Development. These Regulated Activities, relating to the transmission and dispatching of electricity on the Italian national grid, are carried out by the parent company Terna S.p.A. and the subsidiaries under its direct control.

Through its experience and technical expertise, the Terna Group also develops new activities and business opportunities on the free market (unregulated business activities) through Terna Plus S.r.l., a subsidiary directly controlled by the parent company Terna S.p.A.

Compared with 31 December 2012, changes in the Group's organisational structure relate solely to unregulated business activities. Specifically, in order to rationalise the business organisation within the Group, the merger by incorporation of SunTergrid S.p.A. into Terna Plus S.r.l. was signed on 18 October 2013 and took effect on 21 October 2013. Moreover, on 24 July 2013, the subsidiary SunTergrid S.p.A. trans-

ferred 100% of the share capital of the Rete Solare S.r.l. Company, the holder of the single authorisation for the construction and operation of a photovoltaic power plant in Aranova, in the Municipality of Ferrara, to Tozzi Sud S.p.A., a company entirely controlled by Tozzi Industries S.r.l.

In addition to retaining ownership of the concession for the transmission and dispatching of electricity (issued through the Decree of the Minister for Productive Activities of 20 April 2005), Terna also continues to own the capital assets and is responsible for preparing the NTG Development Plan and the Defence Plan.

At 31 December 2013, the Terna Group had 3,442 employees, compared with 3,433 at the end of 2012.

## 2. The market

### 2.1. MACROECONOMIC SCENARIO

Global gross domestic product (GDP) grew by 3.0% in 2013, down slightly on the 2012 rate of 3.1%. This performance was again driven by the emerging economies, which saw an aggregate 4.7% rise in GDP, down from 4.9% in 2012. The advanced economies expanded at a much slower pace, achieving growth of 1.3% (+1.4% in 2012) despite a variety of internal differences in performance.

After a disappointing start to the year, the second half of 2013 saw a fresh recovery in global business, which translated into an increase in exports – including in the emerging economies<sup>1</sup>. The United States economy grew 1.9%, thanks to support for household demand and despite public spending cuts. The recovery of the Japanese economy continues apace, as it starts to see the effects of fiscal stimulus measures, an accommodating monetary policy and structural reforms adopted at the start of the year. Japan's GDP saw an aggregate increase of 1.7% in 2013 (+1.4% in 2012).

The effects of the crisis continue to hamper growth in eurozone countries, albeit decreasingly so. GDP figures show the first signs of recovery, with a contraction of 0.4% in 2013 compared to 0.7% in 2012. However, the recovery is not only proving to be very slow, but also highly unreliable. This is partly because of the uncertain trajectory of the global economy, but also stems from internal factors relating to the different growth prospects of the various countries, many of which still face excessive levels of public and private debt, coupled with a highly fragmented financial market. In 2013, the European banking system continued to reduce loans to businesses and households, and to make it harder to access credit.

Italy's GDP fell 1.9% on the year in 2013. The deterioration of the national economy was not helped by anaemic internal demand, mainly caused by the drop in gross fixed investments (-4.7%) and household consumption (-2.6%). GDP was improved by the change in net foreign demand, resulting from an increase in exports (+0.1%) and a simultaneous reduction in imports (-2.8%)<sup>2</sup>.

Industrial activity continued to fall in 2013, with the average over the entire year down 3.0% against 2012. The poorest performers were consumer durables (-6.4%), capital goods (-5.6%) and energy

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<sup>1</sup> International Monetary Fund, *World Economic Outlook Update*, January 2014.

<sup>2</sup> Istat, *PIL e indebitamento AP (anni 2011-2013)*, 3 March 2013.

(-3.2%), while production of consumer non-durables only fell slightly (-0.1%). There was, however, a 5.6% increase in production of intermediate goods<sup>3</sup>.

Unemployment continued to rise during the year. In December 2013, the unemployment rate reached 12.7% (+1.2% on the year). The rate of youth unemployment hit 41.6% – a year-on-year increase of 4.2%<sup>4</sup>.

The average annual inflation rate for 2013 was at 1.2%, much lower than the 3.0% rate recorded in 2012. This trend mainly reflects the weakness of pressures on costs – particularly energy products – and the severe and prolonged contraction of household consumer spending. The rise in the normal rate of VAT as of early October 2013 seems to have had a modest effect on inflation<sup>5</sup>. In the third quarter of 2013, consumer household income grew 0.5% on the year (at current values), but, net of inflation, buying power decreased 0.8%. At the same time, final household consumer spending fell 0.7% at current values. In view of these trends, Italian households' propensity to save reached 9.8% – up 1.1% compared to the third quarter of 2012<sup>6</sup>.

## 2.2. THE FINANCIAL MARKET AND INTEREST RATES

In 2013, the European Central Bank (ECB) adopted a highly expansive monetary policy, cutting the principal refinancing rate by 25 basis points in May and by a further 25 basis points in November. The cost of money consequently reached a historical low of 0.25%. This move was dictated by the deterioration of the European economy during the year and the consequent downward revisions of economic growth forecasts. As a result of the ECB's decisions, the main market rates stayed extremely low: in December 2013, the 3-month Eonia and Euribor rates were at 0.17% and 0.27%, respectively<sup>7</sup>.

The general easing of tensions over eurozone sovereign debt has contributed to a reduction in 10-year bond spreads, which in turn has had a positive effect on financial and monetary conditions in the affected countries – albeit in different ways. The spread between 10-year Italian and German government bonds fell from 319 basis points at the start of 2013 to 215 at the end of the year<sup>8</sup>. However, the enduringly relaxed monetary policy and the general climate of confidence in financial markets do not seem to have eased the problems that companies and households face in accessing credit. This

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3 Istat, *Produzione Industriale (dicembre 2013)*, 10 February 2014.

4 Istat, *Occupati e disoccupati (dicembre 2013)*, 31 January 2014.

5 Istat, *Prezzi al consumo (dicembre 2013)*, 14 January 2014.

6 Istat, *Reddito e risparmio delle famiglie e profitti delle società (III trimestre 2013)*, 9 January 2014.

7 Datastream figures.

8 Datastream figures.

phenomenon is particularly evident in Italy, where, due to uncertainty of demand and restrictions in the supply of credit, loans to non-financial companies and households fell yet again in 2013, down 5.9% and 1.3%, respectively<sup>9</sup>.

Compared to the start of the year, late 2013 saw strong growth in share prices in Europe, with an increase of 25% in Germany, 17% in the United Kingdom and 18% in France. In the same period, the Borsa Italiana index rose 17%. The performance of Europe's stock markets reflected the general recovery of global equity markets, with the MSCI index rising 24%<sup>10</sup>. On foreign exchange markets the euro continued to gain in strength, largely reflecting the inflow of investments into the eurozone, probably triggered by the easing of sovereign risk<sup>11</sup>. The single currency gained against the US dollar, reaching 1.38 dollars per euro, and even more markedly against the yen, climbing to 140 yen per euro.

## 2.3. BANK LENDING AND HOUSEHOLD SAVINGS

In 2013, the main market in which CDP operates was affected by the persistence of the 'credit crunch' that also influenced the previous year. The volume of loans disbursed by the banking sector to Public Entities, non-financial companies and producer households fell 4.8% on the year, on the back of another – more contained – decline of 1.8% in 2012. The poor performance of the market was mainly caused by lending to business (non-financial companies and producer households), which saw a particularly sharp year-on-year decline of 5.5%, while loans to Public Entities declined less dramatically – down 2% in the period under review.

Meanwhile, household financial assets<sup>12</sup> increased, up 1.5% on the year to December 2013. This growth was mainly driven by the significant increase in the asset management sector (+17.6%). The following sectors also saw growth, albeit at lower rates: life insurance (+4.6%); postal savings, including finance ministry interest-bearing bonds (+2.4%); and bank funding, through current accounts and deposits (+1.7%). On the other hand, bank bonds and government debt instruments declined (-9.8% and -7.8%, respectively).

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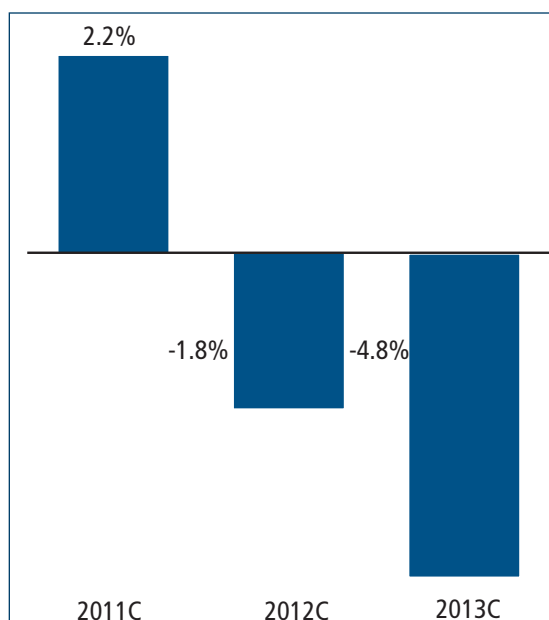
<sup>9</sup> Bank of Italy figures.

<sup>10</sup> Datastream figures.

<sup>11</sup> Bank of Italy, *Economic Bulletin*, no. 1, January 2014.

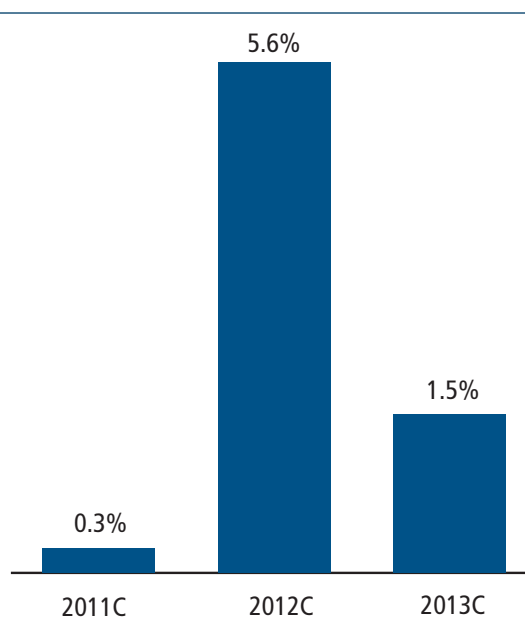
<sup>12</sup> Household financial assets in the form of bank income (current accounts, deposits and bonds), postal savings, investments in mutual funds (asset management), government bonds and life insurance.

### Bank lending to general government and firms (% change in stock)



Source: CDP based on Bank of Italy data.

### Household financial assets (% change in stock)



Source: CDP based on Bank of Italy, ABI, ANIA and Assogestioni data.

## 2.4. PUBLIC FINANCES

Public finances worsened slightly in 2013 compared with 2012. General government net borrowing stood at 3% of GDP (the same as last year), but the primary balance was at 0.3% of GDP, down from €39.1 billion to €34.7 billion<sup>13</sup>.

The increase in net debt is due to a reduction in total revenues that was not offset by a proportional reduction in total public sector expenditure, although it did fall. Total general government expenditure in 2013 fell 0.2% compared to the previous year, but still reached 51.2% of GDP<sup>14</sup>. Total revenues fell 0.3% compared with 2012, down to 48.2% of GDP in 2013, caused in particular by a contraction in current income (-0.7%). Lastly, general government debt increased in 2013 by nearly 6% of GDP compared with 2012, up from 127% to 132.6% of GDP<sup>15</sup>.

<sup>13</sup> Istat, *PIL e indebitamento AP (anni 2011-2013)*, 3 March 2014. The figures for 2013 are still provisional.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

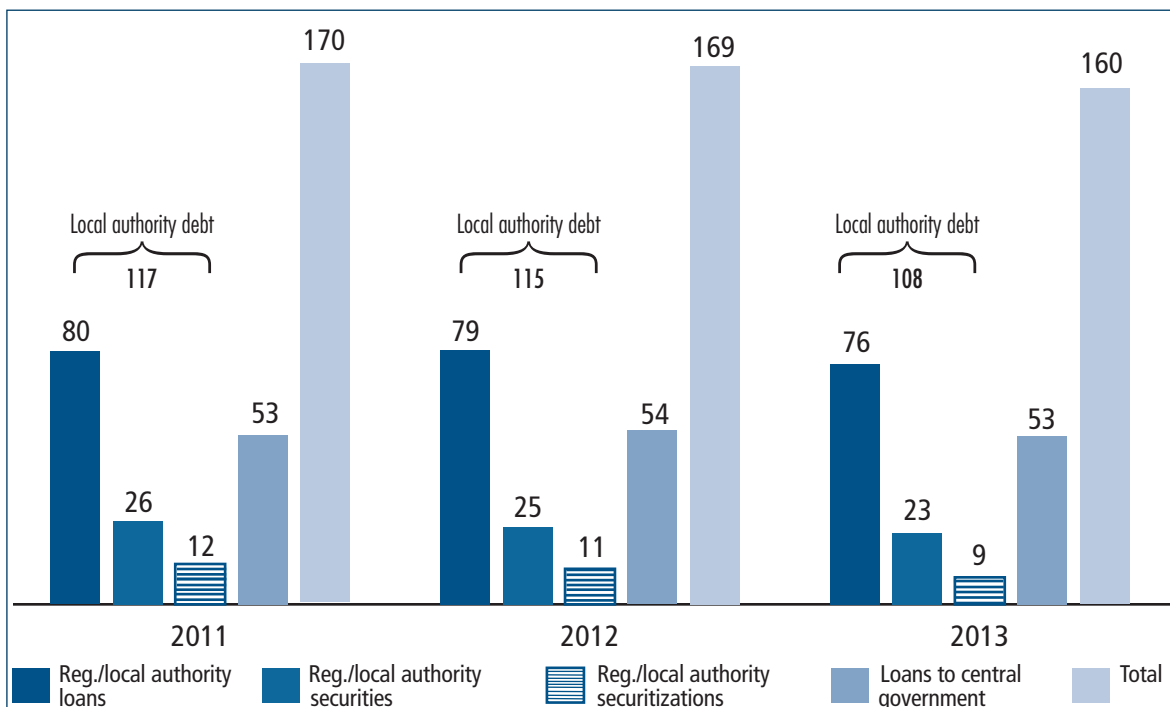


If we analyse the debt of regional and local governments (Municipalities, Provinces, Regions and Other local authorities) and loans to central government – CDP’s market – we can see that in December 2013 the amount of outstanding loans to regional and local governments stood at €76 billion, down about €3 billion compared with year-end 2012. On the same date, the volume of bonds issued by regional and local governments was €23 billion, down about €2 billion compared with December 2012. Securitisations and other forms of borrowing stood at €9 billion, showing a contraction of about €2 billion over the period in question.

Overall, by December 2013, the debt of regional and local governments had fallen to €108 billion, down €7 billion compared with year-end 2012<sup>16</sup>. The greatest contributors to the debt were regional and local governments (Municipalities and Provinces), which at that date had debts of approximately €56 billion (52% of the total), while the amount of debt attributable to the Regions was around €37 billion (34% of the total) and Other Local Authorities accounted for around €15 billion (14% of the total).

Interest-bearing loans owed by central governments fell by about €1 billion between December 2012 and December 2013, from €54 billion to €53 billion. Overall, CDP’s market also contracted over the same period by €9 billion, falling from €169 billion to €160 billion.

### Stock of regional and local authority debt and loans to central government *(billions of euros)*



16 Any non-reconciliations are due to rounding.

## 2.5. THE REAL ESTATE MARKET

The prospects of the real estate market are inextricably linked to the macroeconomic environment.

While 2012 saw a collapse in real estate sales from the early months of the year onwards, 2013 has shown modest signs of improvement. The decline in residential property sales has slowed and there has been a marked increase in corporate investment compared to last year's lows.

Nomisma's preliminary results for 2013 show that the number of home sales in Italy could fall by 8.3%<sup>17</sup>, further reducing the size of the market but, at the same time, marking a massive curtailment of the 25.8% drop seen in 2012.

Similarly, the Quarterly Report of the Agenzia del Territorio (Land Registry) for Q3 2013 reports an annual change of 6.6% in sales across the entire real estate sector – lower than the value for the same quarter of 2012.

Even though demand-side purchasing power has increased in recent years, with prices declining faster than average family income, real accessibility to the real estate market is subject to households' ability to self-finance<sup>18</sup>. In just two years, the number of mortgage-backed transactions has fallen from 66.3% in 2011 to 47.5% of 2013, just as the average loan-to-value ratio has declined more swiftly, reaching 62%.

## 2.6. FSI'S MARKET

In terms of FSI's European operations, it made 94 transactions in 2013, worth USD 95 billion. This is lower than 2012's figure of USD 121 billion and far below the peaks seen in 2006 and 2007. Its investments have mainly been in the mass consumer sector (22%), insurance, financial intermediation and services (16%), and the industrial sector (14%). Geographically speaking, its investments have been concentrated mostly in the United Kingdom (30%) and Germany (25%). Investments in Italy account for just 5% of the total (the lowest on record), despite generally attractive valuations.

In Italy, moreover, the private equity market only accounted for 0.078% of GDP in 2012, compared with 0.834% in the UK, 0.253% in France, 0.194% in Germany, and a European average of 0.264%. In addition, since 2006, seven leading international private equity firms (with more than €1.5 billion of assets under management) have decided to reduce their direct presence in Italy, closing down their regional branch offices.

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<sup>17</sup> Nomisma four-monthly report on the Property Market 2013, published in November.

<sup>18</sup> Ibid.

In terms of FSI's market segment in Italy, there were 7 deals involving funds in 2013 (3 by FSI), compared with 5 (2 by FSI) in 2012.

### Equity capital investments completed in 2013 in Italy in FSI's "fund buyer" segment

(millions of euros)

Target	Buyer	Revenues 2012	Equity (3)	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011
Ansaldo Energia	Fondo Strategico Italiano	1,300	<b>657</b>	84.6%	Industry and size
SIA (1)	Fondo Strategico Italiano - F2i - Fondo Orizzonte	348	<b>286</b>	59.3%	Sector
Valvitalia (1)	Fondo Strategico Italiano	361	<b>151</b>	49.5%	Sector
Engineering	One Equity Partners (JP Morgan)	770	<b>116</b>	29.9%	Sector
Camfin	Clessidra, Intesa Sanpaolo and UniCredit	6.072 (2)	<b>380</b>	62.3%	Size
Rhiag	Apax Partners	673	<b>170</b>	100.0%	Size
Ruffini Partecipazioni	Tamburi Investment Partners	624	<b>103</b>	14.0%	Size
<b>Total invested by funds</b>			<b>1,863</b>		

(1) Binding investment agreement signed.

(2) Referred to Pirelli's revenues.

(3) Equity investment made

Source: Dealogic, Factset, Private Equity Monitor, Mergermarket, press reports.

Six deals among industrial firms were concluded in 2013, compared with 5 in 2012.

### Equity Investments completed in 2013 in Italy in FSI's "industrial buyer" segment

(millions of euros)

Target	Buyer	Revenues 2012	Equity (1)	Stake acquired	FSI scope of investment Min. Dec. 3/5/2011
Loro Piana	LVMH	631	<b>2,000</b>	80.0%	Size
Impregilo	Salini	2,281	<b>1,363</b>	77.0%	Industry and size
Saras	Rosneft	2,670	<b>273</b>	21.0%	Industry and size
Fata Assicurazioni Danni (2)	Cattolica Assicurazioni	434	<b>179</b>	100.0%	Industry and size
Lombardini Discount (3)	MD	803	<b>n/a</b>	100.0%	Size
Dytech-Dynamich Fluid Technologies	Tokai Rubber Industries	310	<b>63</b>	100.0%	Size
<b>Total invested by industrial buyers</b>			<b>3,878</b>		

(1) Amount paid for equity stake acquired.

(2) Binding investment agreement signed.

(3) Company having an unstable financial position.

Source: Dealogic, Factset, Mergermarket, press reports.

## 2.7. THE ITALIAN ELECTRICITY MARKET

### ENERGY DEMAND IN ITALY

In 2013, demand for electricity stood at 317,144 million kWh<sup>19</sup>, down 3.4% compared with 2012, which ended with drop of 1.9%.

### ELECTRICITY PRODUCTION

Aggregate electricity production in 2013 was 277,380 million kWh<sup>20</sup>, down 3.6% compared to the previous year.

Breaking down the production figures into the main energy sources, net of auxiliary services, shows: a decline in thermal energy production (-12%) and a significant increase in hydroelectric power generation (+21.4%) and energy from renewable wind, PV and geothermal sources (+13.7%).

### DISPATCHING AND TRADE

Terna ensures demand is met with adequate production margins by planning grid unavailability in view of production plant unavailability and bearing in mind the expected output of renewables plants.

In 2013, foreign trade fell on aggregate by 1 TWh compared to the previous year.

The National Single Price on the Italian stock market ("IPEX") was, on average, higher than the prices on the French ("PNX") and German ("EEX") exchanges, although it was lower than last year:

- IPEX: 63 €/MWh (-16% year-on-year);
- PNX: 43 €/MWh (-6% year-on-year);
- EEX: 38 €/MWh (-9% year-on-year).

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<sup>19</sup> Provisional figures.

<sup>20</sup> Provisional figures.

## 3. Operating performance

### 3.1. PARENT COMPANY AND COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

#### 3.1.1. Lending and investment of the CDP Group

During 2013, the Group mobilised and managed resources for approximately €28 billion, an increase of about 22% over the previous year, due to increased volumes mobilised by the parent company and the major subsidiaries. This performance was mainly attributable to the “Enterprises” segment (59% of the total) and the “Public Entities and Local Bodies” segment (28% of the total); the volumes of new lending in favour of infrastructure projects were also significant (14% of the total). Taking into account non-recurring transactions, the volume of resources mobilised and managed in 2013 amounted to over €29 billion (approximately -9% compared to 2012).

#### New lending and management resources - CDP Group

(millions of euros)

Business lines	Total 2013	Total 2012	% change
<b>Public Entities and Territory</b>	<b>7,651</b>	<b>4,380</b>	<b>75%</b>
- of which CDP S.p.A.	5,925	3,345	77%
- of which SACE Group	1,682	1,000	68%
- of which CDPI SGR	619	72	759%
- of which intercompany transactions	(575)	(38)	n/s
<b>Infrastructure</b>	<b>3,760</b>	<b>2,858</b>	<b>32%</b>
- of which CDP S.p.A.	2,160	2,800	-23%
- of which SACE Group	1,601	58	n/s
<b>Enterprises</b>	<b>16,140</b>	<b>15,410</b>	<b>5%</b>
- of which CDP S.p.A.	8,210	6,724	22%
- of which SACE Group	8,173	6,920	18%
- of which SIMEST	5,170	4,759	9%
- of which FSI	689	274	152%
- of which intercompany transactions	(6,102)	(3,266)	87%
<b>Total new lending and managed resources</b>	<b>27,551</b>	<b>22,648</b>	<b>22%</b>
<b>Non-recurring transactions</b>	<b>1,762</b>	<b>9,433</b>	<b>-81%</b>
- of which CDP S.p.A.	879	9,433	-91%
- of which FSI	884	-	n/s
<b>Grand total</b>	<b>29,314</b>	<b>32,081</b>	<b>-9%</b>

Note: the item does not include the resources mobilised by SACE BT, which uses short-term instruments that are not directly comparable to the rest of the Group (amount of SACE BT equivalent to €28.8 bn in 2012 and €26.1 bn in 2013).

### 3.1.2. Lending and investment of the parent company

During 2013 CDP mobilised and managed resources totalling over €16 billion, an increase of 27% compared to 2012. This performance was mainly attributable to lending related to the fund for advances aimed at the payment of general government trade payables (managed on behalf of the MEF), the progress made in relation to the financing of operations to support exports and international expansion for Italian businesses, the capital increase subscribed in Fondo Strategico Italiano and the operations of the Fondo Investimenti per la Valorizzazione ("FIV") to leverage public property. Including non-recurring transactions carried out during the year (payment of the balance on Fintecna purchase price), new lending exceeded €17 billion.

Total resources mobilised and managed by CDP in 2011-2013 amounted to €56 billion, reaching and far exceeding the target set in the 2011-2013 Business Plan (€43 billion).

#### New lending and managed resources - CDP

(millions of euros)

Business lines	Total 2013	Total 2012	% change
<b>Public Entities and Territory</b>	<b>5,925</b>	<b>3,345</b>	<b>77%</b>
- of which Public Entities	5,344	3,308	62%
- of which Equity investments and funds	581	38	n/s
<b>Infrastructure</b>	<b>2,160</b>	<b>2,800</b>	<b>-23%</b>
- of which Public Interest Lending	994	1,449	-31%
- of which Loans	1,112	1,269	-12%
- of which Equity investments and funds	54	82	-35%
<b>Enterprises</b>	<b>8,210</b>	<b>6,724</b>	<b>22%</b>
- of which Economic Support	5,663	6,326	-10%
- of which Equity investments and funds	2,546	398	540%
<b>Total new lending and managed resources</b>	<b>16,294</b>	<b>12,869</b>	<b>27%</b>
<b>Non-recurring transactions</b>	<b>879</b>	<b>9,433</b>	<b>-91%</b>
- of which Equity investments and funds	879	9,433	-91%
<b>Grand total</b>	<b>17,173</b>	<b>22,302</b>	<b>-23%</b>

More specifically, new lending and managed resources in 2013 were mainly in the form of i) lending to enterprises through operations to support the economy (€5.7 billion, or 35% of the total), ii) direct lending to Public Entities and advances, managed on behalf of the MEF, on general government trade payables (totalling € 5.3 billion, or 33% of the total) and iii) financing of infrastructure development (€2.1 billion, or 13% of the total); in addition, investments in equity and funds totalled €3.2 billion (20% of the total).

### 3.1.2.1. Public Entities

The parent company's support for Public Entities and public-law bodies is primarily offered through the Public Entities area, which is responsible for lending to these entities using products offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination. In support of public bodies, CDP, through CDPI SGR, also promoted the creation of the FIV fund dedicated to leveraging their property assets.

The following table reports the financial highlights related to the reclassified balance sheet and income statement, together with a number of key indicators.

#### Public Entities - Highlights

(millions of euros; %)

	2013	2012
<b>BALANCE SHEET</b>		
Loans to customers and banks	84,617	85,418
Amounts to disburse on loans in repayment	6,610	7,388
Commitments to disburse funds	5,664	8,018
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	337	355
Gross income	340	358
Operating income	335	352
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.092%	0.086%
Net writedowns/Net loans to customers and banks	0.0004%	0.0002%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	0.4%	0.4%
Cost/income ratio	1.7%	1.7%
<b>MARKET SHARE</b>	<b>47.1%</b>	<b>44.5%</b>

The initiatives undertaken in 2013 included the payment of advances to local authorities, out of state funds, for a total amount of €3.2 billion, pursuant to the provisions of Decree Law 35 of 8 April 2013 and Decree Law 102 of 31 August 2013 on the release of government trade payables. In particular, applications submitted by local authorities, positively verified by CDP, amounted to over 1,500, for a total of about €5.8 billion. Taking into account the available amount of €3.6 billion and in accordance with legislation, the amount actually granted was a percentage of approximately 62% of the amount requested. These advances resulted in the disbursement in 2013 of resources totalling approximately €3 billion; the remainder was covered by further disbursements in February 2014.

At 31 December 2013, the stock of loans to customers and banks totalled €84,617 million, including adjustments for IAS/IFRS purposes, substantially in line with the end of 2012 (€85,418 million). During the year, the amount of debt repaid in the period and the amount of repayments first coming due in the year along with the disbursements of loans without a pre-repayment grace period were substantially in balance.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €88,903 million, a 3% decrease from 2012 (€92,039 million). The change was attributable to lower volumes of new lending compared to the principal repayments due at 31 December 2013.

### Public Entities - Stock of loans to customers and banks by beneficiary entity

(millions of euros)

	31/12/2013	31/12/2012	% change
Local authorities	43,452	44,786	-3.0%
Regions and autonomous provinces	26,712	25,690	4.0%
Other Public Entities and public law bodies	13,075	13,544	-3.5%
<b>Total amounts disbursed or in repayment</b>	<b>83,239</b>	<b>84,021</b>	<b>-0.9%</b>
IAS/IFRS adjustments	1,378	1,397	-1.4%
<b>Total loans to customers and banks</b>	<b>84,617</b>	<b>85,418</b>	<b>-0.9%</b>
<b>Total amounts disbursed or in repayment</b>	<b>83,239</b>	<b>84,021</b>	<b>-0.9%</b>
Commitments to disburse funds	5,664	8,018	-29.4%
<b>Total loans (including commitments)</b>	<b>88,903</b>	<b>92,039</b>	<b>-3.4%</b>

CDP's market share came to 47.1% at 31 December 2013, compared with around 44.5% at the end of 2012. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government<sup>21</sup>. Market share is measured based on actual amounts disbursed, which, for CDP, is equal to the difference between loans to customers and banks and amounts to be disbursed on loans being repaid.

Loan amounts to be disbursed, including commitments, decreased by 20% (from €15,406 million at 31 December 2012 to €12,274 million at 31 December 2013), attributable to the large volume of disbursements made during the period, which exceeded new amounts granted (excluding advances, out of State funds, on government trade payables).

<sup>21</sup> Bank of Italy, *Supplement to the Statistical Bulletin (Monetary and Financial Indicators): the public finances, borrowing requirement and debt*, Tables TCCE0225 and TCCE0250.



## Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2013	31/12/2012	% change
Amounts to disburse on loans in repayment	6,610	7,388	-10.5%
Commitments to disburse funds	5,664	8,018	-29.4%
<b>Total amounts to disburse (including commitments)</b>	<b>12,274</b>	<b>15,406</b>	<b>-20.3%</b>

New lending in 2013 included new loans and securities granted for an amount of €2,111 million and advances on general government trade payables totalling €3,233 million, for a total amount of new lending of €5,344 million, a significant increase compared to 2012. With regard to the granting of new loans, in 2013 the tendency of Public Entities to reduce their debt burdens continued, in an effort to comply with maximum borrowing ceilings imposed by law. Pursuant to Article 4 of Decree Law 35 of 8 April 2013, the regional governments that have entered into agreements for cash advances as per articles 2 and 3 of said decree and that intend to take on additional debt are subject to a special resolution of the Council of Ministers authorizing the borrowing.

## Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

Type of entity	Total 2013	Total 2012	% change
Major local authorities	361	749	-51.8%
Other territorial entities	244	556	-56.1%
<b>Total local authorities</b>	<b>605</b>	<b>1,305</b>	<b>-53.6%</b>
Regions	461	445	3.7%
Non-territorial Public Entities	144	316	-54.3%
<b>Total</b>	<b>1,210</b>	<b>2,065</b>	<b>-41.4%</b>
Loans with repayment charged to state	901	1,243	-27.5%
Advances on general government payables	3,233	-	n/s
<b>Total Public Entities</b>	<b>5,344</b>	<b>3,308</b>	<b>61.6%</b>

A breakdown of financing by type of project shows that loans were mainly granted for road and transport projects (accounting for 12% of the total, net of advances on government trade payables) and for public and social building (accounting for 10%); loans for projects with sundry purposes also accounted for a significant portion of new loans (65%).

## Public Entities - Flow of new loans by purpose

(millions of euros)

Lending	Total 2013	Total 2012	% change
Public and social building	208	378	-44.9%
School and university building	78	121	-35.9%
Sports, recreational and lodging facilities	24	53	-53.9%
Healthcare building	1	5	-80.4%
Natural disaster restoration works	-	82	n/s
Road and transport	255	1,475	-82.7%
Water projects	127	384	-66.9%
Sanitation projects	7	24	-69.2%
Energy projects	22	47	-54.2%
Loans for sundry projects *	1,372	723	89.8%
<b>Total investments</b>	<b>2,094</b>	<b>3,292</b>	<b>-36.4%</b>
Recognised off-balance-sheet liabilities and other liabilities	17	16	8.2%
Advances on general government payables	3,233	-	n/s
<b>Total</b>	<b>5,344</b>	<b>3,308</b>	<b>61.6%</b>

\* Also includes loans for major public works and diversified investment programmes not included in the other categories

A breakdown of new loans granted by product shows that the greatest recourse was made to loans without a pre-repayment grace period (65% of the total), mainly consisting of large loans to regional governments and loans with repayment charged to central government, which are granted on the basis of public tenders awarded to CDP. In addition, although they declined in absolute terms compared with 2012, significant use was still made of both fixed- and floating-rate ordinary specific-purpose loans (20% of the total), while the contribution of flexible loans (9%) and of unsecured loans and real estate loans (2%), with the latter going solely to non-territorial Public Entities, remained modest.

## Public Entities - Flow of new loans by product

(millions of euros)

Product	Total 2013	Total 2012	% change
Ordinary loans	409	1,007	-59.4%
Flexible loans	196	299	-34.4%
Unsecured loans and real estate loans	44	269	-83.8%
Loans without pre-repayment grace period	1,362	1,687	-19.3%
- of which: loans granted under tender awards		1,278	n/s
Securities	100	46	119.7%
<b>Total</b>	<b>2,111</b>	<b>3,308</b>	<b>-36.2%</b>
Advances on general government payables	3,233	-	n/s
<b>Total Public Entities</b>	<b>5,344</b>	<b>3,308</b>	<b>61.6%</b>

Disbursements totalled €7,767 million, an increase (+43%) compared to 2012 (€5,429 million), mainly due to advances on general government trade payables, which more than offset the decline in loans disbursed to local authorities (-30%) and regional governments (-78%) related to the contraction in new approvals seen in recent years. During the reporting period, disbursements to the City of Rome special commissioner totalled €1,330 million.

## Public Entities - Flow of disbursements by type of beneficiary

*(millions of euros)*

	Total 2013	Total 2012	% change
Major local authorities	738	952	-22.5%
Other territorial entities	862	1,343	-35.8%
<b>Total local authorities</b>	<b>1,600</b>	<b>2,295</b>	<b>-30.3%</b>
Regions	92	420	-78.1%
Non-territorial Public Entities	428	297	44.3%
<b>Total</b>	<b>2,120</b>	<b>3,012</b>	<b>-29.6%</b>
Loans with repayment charged to state	1,323	1,247	6.1%
Advances on general government payables	2,994	-	n/s
<b>Grand total</b>	<b>6,437</b>	<b>4,259</b>	<b>51.1%</b>
City of Rome special commissioner	1,330	1,170	13.7%
<b>Total Public Entities</b>	<b>7,767</b>	<b>5,429</b>	<b>43.1%</b>

Compared with the previous year, the contribution of the Public Entities area to CDP's performance in 2013 saw net interest income slightly down, going from €355 million in 2012 to €337 million for 2013 due to the stability of the spread between assets and liabilities and the slight decline in the stock of loans. This performance is also seen in gross income (€340 million, down 5% from 2012) as commissions accrued in 2013 were comparable with those posted in 2012. Taking overhead costs into account, operating income for the area came to €335 million, contributing around 11% to CDP's overall operating income.

The spread between interest-bearing assets and liabilities in 2013 came to 40 basis points, essentially in line, as mentioned above, with 2012.

Finally, the cost-to-income ratio was about 1.7%, also consistent with the previous year.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially unchanged compared with 2012.

To satisfy the financing needs of Public Entities, during the year CDP expanded its support and assistance services to help them leverage their property assets.

The Real Estate unit managed the operating aspects of the Memoranda of Understanding signed earlier this year with the Provincial Governments of Reggio Emilia and Turin and the Umbria Regional Government. CDP provided support and assistance to the above-mentioned authorities with specific reference to the following activities:

- surveying and regularisation of property;
- valuation of property;
- setting of strategies for the leveraging of existing property assets;
- assistance in disposal processes implemented through public tender.

In March 2013, in cooperation with the Pension Fund for Surveyors (Cassa di Previdenza ed Assistenza dei Geometri), a computer platform called “VOL - Valorizzazione on line” was launched for the organized management of surveying of the Public Entities’ properties. The tool, which is accessible through CDP’s website, is freely available to all interested parties; 96 bodies were registered with the VOL platform as at 31 January 2014.

The platform was developed in collaboration with the National Association of Italian Municipalities – ANCI and Fondazione Patrimonio Comune within the framework of cooperation with institutional entities. In this regard, in March 2013, CDP signed a Memorandum of Understanding with ANCI, formalizing their commitment to cooperate in providing support and assistance to local authorities; in 2013 the following initiatives were carried out:

- two Road Show sessions to promote VOL at the national level; 8 legs in the period March - May 2013, 7 legs in the period September - November 2013;
- from July to October, 3 webinars to spread information about procedures for the surveying, regularisation and development of property assets, particularly targeted at small local authorities.

During the year, the Real Estate unit, in collaboration with the Relationship Management area, engaged in local development work to identify investment opportunities, compatible with FIV Plus” strategy, to be submitted to CDPI SGR. After completion of its scouting efforts, from January 2013, the Real Estate unit analysed approximately 170 property complexes for an amount of about €1 billion, as estimated by the entity, of which 49 possible investment opportunities were submitted to CDPI SGR, comprising properties worth an estimated total of €400 million.

On the basis of those investment opportunities, CDPI SGR entered into 9 Memorandums of Understanding, following which the development/disposal processes envisaged by the FIV Fund’s Plus sub-fund were initiated with the signatory entities.

### ***3.1.2.2. Infrastructure***

The parent company’s programmes to develop the country’s infrastructure are mainly carried out through the Public Interest Lending and the Financing areas.

The operations of the Public Interest Lending area concern CDP's direct involvement, alongside the banking system, in financing projects of general public interest sponsored by Public Entities, for which the financial sustainability of the related projects has been verified.

The main aggregates of the balance sheet and income statement reclassified on an operational basis are summarised in the following table, together with a number of key indicators.

## Public Interest Lending - Highlights

(millions of euros; %)

	2013	2012
<b>BALANCE SHEET</b>		
Loans to customers and banks	1,023	182
Commitments to disburse funds and guarantees	3,540	3,549
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	8	0.3
Gross income	22	18
Operating income	14	16
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	0.061%	0.0004%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	1.3%	0.3%
Cost/income ratio	8.9%	6.7%

The stock of loans at 31 December 2013 came to €1,023 million, up from the end of 2012 thanks to disbursements made during the year. As of the same date, loans, including disbursement commitments and guarantees, totalled €4,569 million, up 22% from 2012.

## Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

Type of transactions	31/12/2013	31/12/2012	% change
Project finance	928	100	n/s
Loans with repayment charged to state	101	82	24.2%
<b>Total amounts disbursed or in repayment</b>	<b>1,029</b>	<b>182</b>	<b>466.7%</b>
IAS/IFRS adjustments	(6.0)	(0.02)	n/s
<b>Total loans to customers and banks</b>	<b>1,023</b>	<b>182</b>	<b>463.4%</b>
<b>Total amounts disbursed or in repayment</b>	<b>1,029</b>	<b>182</b>	<b>466.7%</b>
Commitments to disburse funds and guarantees	3,540	3,549	-0.3%
<b>Total loans (including commitments)</b>	<b>4,569</b>	<b>3,731</b>	<b>22.5%</b>

Despite the difficult market environment, in 2013 public interest lending for project financing projects recorded new loan agreements totalling €994 million, slightly below the volume recorded in 2012. This type of lending included in particular the closing of transactions for the financing of strategic projects in the Italian motorway sector. During the reporting period CDP continued to be actively engaged in feasibility assessments and structuring of financing of major strategic infrastructure projects in Italy, with a view to ensuring the start-up, or in some cases the continuation, of construction sites.

## Public Interest Lending - Flow of new loan agreements

(millions of euros)

Type of transactions	Total 2013	Total 2012	% change
Project finance	994	1,074	-7.5%
Loans with repayment charged to state	-	375	n/s
<b>Total</b>	<b>994</b>	<b>1,449</b>	<b>-31.4%</b>

Disbursements in 2013 in respect of new loans and those from previous years totalled €854 million, a marked increase over 2012, primarily attributable to two project financing projects for significant amounts in the motorway sector.

## Public Interest Lending - Flow of new disbursements

(millions of euros)

Type of transactions	Total 2013	Total 2012	% change
Project finance	828	100	727.5%
Loans with repayment charged to state	26	52	-50.3%
<b>Total</b>	<b>854</b>	<b>152</b>	<b>460.3%</b>

The area's contribution to overall CDP performance came to over €8 million in net interest income, an increase from 2012, mainly due to the above-mentioned growth in the stock of loans. The lower contribution of commission income from operations in the portfolio, compared to 2012, and the impact of collective impairment adjustments generated operating income of €14 million, down 16% from the previous year. Finally, the cost-to-income ratio for the area came to about 9%, slightly up from 2012, mainly as a result of the contraction in revenues.

The operations of the Financing area regard the financing, with funding not guaranteed by the central government or through EIB funding, on a corporate or project finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services (energy, multi-utilities, local public transportation and healthcare) and in reclamation projects.

The following is a summary of the balance sheet and income statement reclassified on an operational basis, together with a number of key indicators.

## Financing - Highlights

*(millions of euros; %)*

	2013	2012
<b>BALANCE SHEET</b>		
Loans to customers and banks	5,909	5,485
Commitments to disburse funds and guarantees	1,202	1,185
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	60	48
Gross income	68	59
Operating income	38	52
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	2.122%	0.167%
Net writedowns/Net loans to customers and banks	0.409%	0.087%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	1.1%	1.0%
Cost/income ratio	6.0%	3.4%

As at 31 December 2013, the stock of loans disbursed totalled €5,909 million, including IAS/IFRS adjustments, recording an increase over the stock at the end of 2012 (€5,485 million). The increase is mainly attributable to the flow of new loans, partially offset by principal repayments.

Including disbursement commitments and excluding IAS/IFRS adjustments, the total comes to €7,131 million, a more than 7% increase over 2012 (€6,644 million).

## Financing - Stock of loans to customers and banks

(millions of euros)

Type of transactions	31/12/2013	31/12/2012	% change
Project finance	393	328	19.9%
Corporate finance	5,106	5,047	1.2%
Securities	430	83	415.9%
<b>Total amounts disbursed or in repayment</b>	<b>5,929</b>	<b>5,458</b>	<b>8.6%</b>
IAS/IFRS adjustments	(20)	26	n/s
<b>Total loans to customers and banks</b>	<b>5,909</b>	<b>5,485</b>	<b>7.7%</b>
<b>Total amounts disbursed or in repayment</b>	<b>5,929</b>	<b>5,458</b>	<b>8.6%</b>
Commitments to disburse funds and guarantees	1,202	1,185	1.4%
<b>Total loans (including commitments)</b>	<b>7,131</b>	<b>6,644</b>	<b>7.3%</b>

During 2013, new loans totalling €1,112 million were agreed, a decrease from 2012 (€1,269 million). In contrast, the number of loans agreed was the same as in 2012 (14), with a slight reduction in the average loan size. New lending in 2013 primarily concerned financing provided to energy sector operators, local multi-utilities and enterprises operating in rail and local public transport, in addition to two new project financing initiatives in the water sector and one in the motorway sector.

## Financing - Flow of new loan agreements

(millions of euros)

Type of transactions	Total 2013	Total 2012	% change
Project finance	47	6	731.5%
Corporate finance	1,066	1,263	-15.6%
<b>Total</b>	<b>1,112</b>	<b>1,269</b>	<b>-12.3%</b>

Disbursements in 2013 in respect of new loans and those from previous years totalled €1,004 million, primarily in the form of corporate finance initiatives.

## Financing - Flow of new disbursements

(millions of euros)

Type of transactions	Total 2013	Total 2012	% change
Project finance	108	61	79.0%
Corporate finance	895	1,176	-23.9%
<b>Total</b>	<b>1,004</b>	<b>1,237</b>	<b>-18.8%</b>



In terms of contribution to CDP's performance for 2013, net interest income rose from €48 million in 2012 to €60 million in 2013. The increase is attributable to the combination of growth in volumes and the widening of the spread between lending and funding rates. In contrast, the lower contribution from commission income and the effect of adjustments for impaired loans generated a decrease in operating income, which came to €38 million.

The area's cost-to-income ratio came to 6%, up from 2012 due primarily to the above-mentioned changes in income performance.

The credit quality of the Financing area's portfolio shows a slight increase in problem loans with consequent adjustments, mainly due to the situation of a single group of counterparties operating in the energy sector.

At the end of December 2013, CDP's market share in the infrastructure investment area, which reflects CDP's relatively recent entry into this sector, came to 4.8%, up from 4.1% at the end of 2012.

The core segment remains the overall stock of debt relating to infrastructure in the following industries: motorways, ports, rail transport, energy networks and plants, and infrastructure supporting the operations of local public services enterprises<sup>22</sup>. The growth in market share confirms CDP's key role in this sector in recent years, with an increase of 12.2% between December 2012 and December 2013, compared to a 5.6% contraction in the general economy.

### 3.1.2.3. Enterprises

CDP's programmes in support of the country's economy are carried out primarily through the Economic Support Area, which is responsible for managing subsidised credit instruments established by specific legislation and the economic and export support instruments developed by CDP.

More specifically, subsidised loans primarily draw on CDP resources with state interest subsidies (the Revolving Fund to support enterprises and research investment - FRI), while also taking advantage, to a residual extent, of central government funding in the form of capital grants (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) and subsidised loans (Kyoto Fund). Economic support measures include the funds available to banks for i) loans to SMEs, ii) to assist in the reconstruction and economic recovery of the regions hit by natural disasters (earthquakes in Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lombardy in 2012 and flood in Sardinia in 2013) and, since the end of 2013, iii) to support the residential real estate market.

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<sup>22</sup> Bank of Italy, *Money and Banks*, Table 2.5 (TSC20400) and Table 2.9 (TSC20810).

Another initiative regards financing the international expansion and exports of Italian businesses through the “Export Bank” system, which helps foster such initiatives with financial support from CDP, SACE guarantees and the full involvement of SIMEST and banks in arranging loans for Italian exporters, based on a special agreement that defines the roles of the players involved.

The main aggregates of the balance sheet and income statement reclassified on an operational basis are summarised in the following table, together with a number of key indicators.

## Economic Support - Highlights

(millions of euros; %)

	2013	2012
<b>BALANCE SHEET</b>		
Loans to customers and banks	11,422	9,199
Amounts to disburse	32	33
Commitments to disburse funds	3,651	3,767
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	72	63
Gross income	87	71
Operating income	75	52
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.674%	0.327%
Net writedowns/Net loans to customers and banks	0.064%	0.120%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	0.7%	0.7%
Cost/income ratio	3.9%	6.3%

As regards new initiatives in 2013, following the adoption of Basel 3 rules on banks’ regulatory capital, in February CDP reviewed the margin criteria to be applied to the funding of the New SME Fund, in order to reward better capitalized banks, while maintaining an appropriate risk/return profile. Thanks to these revised criteria, the fund may have potential positive effects on smaller Italian enterprises which continue to have difficulty in accessing credit.

In addition, in May the Board of Directors of CDP approved a measure – already implemented for SMEs operating in the Emilia Romagna, Veneto and Lombardy regions affected by the earthquake of 2012 – that extends the term of funding from the New SME Fund-Investments granted to banks to finance SMEs operating in the Abruzzo areas hit by the earthquake of 2009 to 15 years (compared with a maximum term of 10 years for all other borrowers). This measure became effective on 3 June 2013 after signing a separate Addendum to the Agreement in force between CDP and ABI, signed on 1 March 2012.

As regards the Kyoto Fund, in the first half of 2013 the Ministry of Environment initiated a review of the allocation criteria and the operational model of the instrument, pursuant to the new regulations introduced by Article 57 of Decree Law 83 of 22 June 2012. As a result, during the second half of 2013, an internalisation of the management activities of the Fund was started, which enabled new agreements to be put in place during the year, for a total of €5 million. With reference to the FRI, on 20 June 2013, CDP signed an agreement with the Ministry of Agriculture, Food and Forestry Policies, which led to the activation of the measure “Contracts for the agricultural and agri-food supply-chain and clusters”, as per the Decree of the MEF-MED-MiAFFP ministries of 22 November 2007.

As regards operations involving the “Export Bank” system, on 3 July 2013, CDP, the ABI, SACE, and SIMEST signed a new Agreement, aimed at increasing financial support for Italian exporters. The main changes introduced in the new Agreement, which came into force in October 2013, include (i) the possibility for CDP to provide funding in currencies other than the euro and (ii) streamlining of products offered by the CDP Group for international expansion projects. In June, the funding available to the “Export Bank” system was increased by €2 billion – thereby reaching €6 billion – in view of the extent of utilisation of the resources already made available and the large number of applications for funding received.

From the end of 2013, pursuant to Article 6.1 a) and b) of Decree Law 102/2013, converted into Law 124/2013, CDP has expanded its area of action to support the residential real estate market, by providing funds totalling €5 billion. Of these, €2 billion make up the “Housing Fund”, which is operated through the banking system (on 20 November 2013, a specific Agreement was signed with the Italian Banking Association that governs the guidelines and application rules of the fund). The “Housing Fund” is aimed at the provision of loans to individuals (priority is given to young couples, households with at least one disabled person, and large families) for the purchase of residential property (primarily, the main residence) and for energy efficiency renovations. The instrument became operational in early January 2014.

CDP’s support to the residential market also included a programme initiated in November 2013 – for a total of €3 billion – for the purchase of guaranteed bank bonds, involving residential mortgages, and other similar mortgage backed securities.

Subsequent to year-end 2013, and after signing a special agreement with the Italian Banking Association on 17 January 2014, CDP provided special purpose funding to support the municipalities of the Sardinia region, affected by exceptional weather events of November 2013, in the amount of €90 million; the funds were provided to the banks for further disbursement of loans to be used for tax payments, falling due in the period between 18 November 2013 and 20 December 2013 (Sardinia Moratorium Fund).

As regards the loan portfolio of the area, the stock of loans to customers and banks at the end of 2013 came to €11,422 million, up 24% from the end of 2012, thanks mainly to the distributions made from

the SME funds, which combined more than offset debt repayments and extinguishments made on the basis of the half-year reports, which mainly regarded the SME fund.

More specifically, the stock of SME loans came to €7,650 million (up 33% from 2012), while, the stock of loans for earthquake reconstruction in Abruzzo totalled €1,859 million at end of 2013, after using up the Fund available for 2012. For the Revolving Fund to support enterprises and research investment (FRI), the amount disbursed as at the end of 2013 came to €893 million (in line with the end of 2012). In addition, at the end of the period of use of the 2012 Emilia Earthquake Moratorium Fund, its stock at the end of December 2013 totalled €575 million, while, during the year the initial disbursements from the 2012 Emilia Reconstruction Fund brought the stock of this product to €96 million. After the initial disbursements from the Export Bank Fund in 2012, the stock of this product further increased to €321 million.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €15,099 million, more than 16% higher than 2012, as the volume of new lending agreed more than offset principal repayments during the year.

### Economic Support - Stock of loans to customers and banks by product

(millions of euros)

Product	31/12/2013	31/12/2012	% change
SME support funds	7,650	5,774	32.5%
Export Bank	321	35	n/s
Abruzzo earthquake reconstruction loans	1,859	1,921	-3.3%
Emilia Reconstruction Fund	96	-	n/s
Emilia Earthquake Moratorium Fund	575	545	5.5%
FRI loans	893	880	1.4%
Intermodal systems loans (Article 38.6, Law 166/2002)	56	62	-10.0%
<b>Total amounts disbursed or in repayment</b>	<b>11,449</b>	<b>9,217</b>	<b>24.2%</b>
IAS/IFRS adjustments	(27)	(18)	50.7%
<b>Total loans to customers and banks</b>	<b>11,422</b>	<b>9,199</b>	<b>24.2%</b>
<b>Total amounts disbursed or in repayment</b>	<b>11,449</b>	<b>9,217</b>	<b>24.2%</b>
Commitments to disburse funds	3,651	3,767	-3.1%
<b>Total loans (including commitments)</b>	<b>15,099</b>	<b>12,984</b>	<b>16.3%</b>

The amounts to be disbursed, including commitments, were substantially stable compared with the end of 2012 as a result of new loans agreed during the period, which were offset by the amount of new disbursements and the reduction in undisbursed portions of existing loans. As a result, the aggregate went from €3,799 million at the end of 2012 to €3,683 million at 31 December 2013. Within this aggregate, there was an increase in the weight (78% in 2013 compared to 38% in 2012) of undisbursed amounts relating to the Export Bank product.

## Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2013	31/12/2012	% change
Amounts to disburse *	32	33	-1.3%
Commitments to disburse funds	3,651	3,767	-3.1%
<b>Total amounts to disburse (including commitments)</b>	<b>3,683</b>	<b>3,799</b>	<b>-3.1%</b>

\* State funds managed by CDP

The total volume of new lending and managed resources during 2013 for loans granted through the economic support mechanisms amounted to €5,663 million, down slightly compared with 2012 (-10%). These volumes were mainly attributable to funding out of the SME Fund (€3,081 million), down only due to the peak recorded last year in conjunction with the closure of the first Fund. The loans in favour of areas affected by earthquake totalled €307 million, a decrease compared to 2012 (€1,824 million in 2012), mainly due to the depletion of the Abruzzo Reconstruction Fund and the start-up phase of the Fund for the reconstruction of areas affected by the earthquake of May 2012. In addition, €210 million in loans were channelled through the FRI, €200 million related to the purchase of guaranteed bank bonds in support of the real estate sector and €59 million for managing funds on behalf of the central government.

In 2013, the "Export Bank" system saw ten new contracts signed in the amount of €1,807 million. The significant increase from the previous year mainly related to the conclusion of some large transactions in the shipbuilding sector. The new loans, guaranteed by SACE, also relate to transactions in support of Italian exporters in the energy and construction industries.

## Economic Support - Flow of new loans by product

(millions of euros)

Product	Total 2013	Total 2012	% change
SME support funds	3,081	3,648	-15.5%
Export Bank	1,807	659	174.1%
Abruzzo earthquake reconstruction loans	-	1,079	n/s
Emilia Reconstruction Fund	97	-	n/s
Emilia Earthquake Moratorium Fund	210	745	-71.9%
FRI loans	210	135	56.3%
Covered Bank Bonds	200	-	n/s
Agreements third-party funds	59	61	-3.0%
<b>Total</b>	<b>5,663</b>	<b>6,326</b>	<b>-10.5%</b>

During 2013, disbursements came to €4,952 million, mainly in respect of loans to SMEs (over 76% of the total), the areas hit by the earthquake of 2012 (10% of the total) and the Export Bank system (ap-

proximately 6% of the total). The volume of disbursements in 2013 was up significantly from the previous year (+21%), mainly due to the sharp rise in the SME Fund (+74%).

## Economic Support - Flow of new loans by product

(millions of euros)

Product	Total 2013	Total 2012	% change
SME support funds	3,773	2,162	74.5%
Export Bank	287	35	727.8%
Abruzzo earthquake reconstruction loans	-	1,126	n/s
Emilia Reconstruction Fund	97	-	n/s
Emilia Earthquake Moratorium Fund	410	545	-24.7%
FRI loans	131	156	-16.0%
Covered Bank Bonds	200	-	n/s
Disbursements third-party funds	54	61	-10.3%
<b>Total</b>	<b>4,952</b>	<b>4,084</b>	<b>21.3%</b>

With regard to loans granted to support SMEs, the total amount of loans granted came to €12,832 million, of which (i) €8,000 million in respect of the funding made available in 2009 that was entirely drawn down in 2012; (ii) €4,619 million for the New SME Fund established in March 2012 to continue to provide support to SMEs in accessing credit; and (iii) €213 million attributable to loans to businesses to support them in handling the negative effects of delays in payments by Public Entities.

## Economic Support - SME support funds

(millions of euros)

Bank counterparties	Total resources	Loans agreed*	Loans disbursed**	% resources used
SME (I - II - III Agreements)	8,000	8,000	8,000	100%
SME Investment	8,000	4,619	4,569	57%
SME government receivables	2,000	213	154	8%
<b>Total SME support funds</b>	<b>18,000</b>	<b>12,832</b>	<b>12,723</b>	<b>71%</b>

\* Net of reduction at end of contracting period of "installment A" of the SME Fund-Investments

\*\* Gross of extinguishments made on basis of half-year accounts

In terms of the contribution of the Economic Support Area to CDP's performance in 2013, net interest income improved, going from €63 million in 2012 to €72 million in 2013. The performance was due to the increase in volumes handled, while the spread between assets and liabilities remained substantially stable (70 basis points). Operating income grew similarly, from €52 million in 2012 to €75 million in 2013, in part generated by commission income on "Export Bank" operations.

Finally, the cost-to-income ratio for the area was 4%, an improvement over the 6% for 2012, due to the rise in the area's revenues and the simultaneous contraction in overheads.

As regards the credit quality of the loan portfolio for the Economic Support area in 2013, problem loans rose slightly, with all such positions being attributable to the FRI and all are in any event secured by the central government as the guarantor of last resort.

### **3.1.3. The activities of other companies subject to management and coordination**

#### ***3.1.3.1. The activities of CDPI SGR***

At the end of 2013 the two lines of business at the core of CDPI SGR's strategy were fully operational, namely, the private social housing (PSH) sector, through the FIA and the leveraging of the real estate holdings of public bodies, through the FIV.

With regard to investing by FIA, in 2013 the Board of Directors of the company approved 9 resolutions authorising new subscriptions totalling about €272 million and resolutions to increase subscriptions in 11 funds totalling around €316 million.

With regard to the management of the FIV – Plus Sub-Fund, in October 2013 the first real estate investment was completed involving the purchase of two properties in Milan formerly owned by the Fondazione IRCCS Cà Granda Hospital, for a total of about €17.3 million. For both properties, which are primarily for residential use, significant redevelopment works have been planned, including the complete refurbishment of the buildings, while maintaining their current designated use. The subscribed capital of the FIV Plus Sub-Fund at 31 December 2013 totalled €100 million, of which €20.4 million has been called up against issuance of 204 units.

The FIV – Extra Sub-Fund, was created on 20 December 2013 following the conversion of FIV Plus into an umbrella fund, with the aim of acquiring properties owned by the central government – the management of which was formerly entrusted to the agency that manages government-owned property (Agenzia del Demanio) – and by some local authorities. From September 2013, CDPI SGR initiated discussions with Agenzia del Demanio, following receipt by the latter of MEF authorisation to immediately proceed with preliminary activities for the disposal of public property, including through the – direct and indirect – involvement of CDP, pursuant to Article 11-quinquies of Decree Law 203/2005. As a result, CDP brought its subsidiary CDPI SGR into the transaction. The Agenzia del Demanio submitted a list of several properties, which were subject to technical due diligence and valuation; as a result a list of properties was defined satisfying the criteria for being included in the transaction. Following the enactment of Decree Law 133/2013, which authorised the inclusion of properties owned by local authorities among the properties put up for sale, CDPI SGR stated its willingness to consider local au-

thorities' properties which, by size and type, could be purchased within the time period set for completion of the transaction.

On 27 December, CDPI SGR finalized a deed of transfer of 7 properties from 6 local authorities and on 30 December it completed the purchase of 33 state-owned properties previously managed by the Agenzia del Demanio, for a total purchase price for the 40 properties of €489.6 million. The strategy to leverage the portfolio includes – depending on the individual properties – projects that range from renovation of existing buildings to urban regeneration for the most significant assets (e.g. former barracks/hospitals). The 40 buildings that make up the portfolio are located in various Italian areas, and more specifically in 10 regions and 20 provinces. Approximately 64% of the portfolio (20 assets) is located in “prime locations” and especially in the cities of Rome, Florence, Bologna, Turin, Milan and Venice. Around 86% of the properties are concentrated in 8 cities.

The net subscribed assets of the FIV Extra Sub-Fund at 31 December 2013 totalled €725 million, of which €495 million have been called up against issuance of 4,950 Class A units.

### *3.1.3.2. The activities of the Fintecna Immobiliare Group*

During the year, the marketing of properties continued. Specifically, in 2013 direct sales to the market totalled nearly €82 million. This figure is mainly attributable to the finalization of the agreement with the Percassi Group that involved the sale of the former Customs area in Segrate at a price of approximately €79 million, and the simultaneous purchase of the residential area owned by the same group at a price of approximately €76 million, with partial set off of the amounts respectively due by the parties.

In 2013 significant progress was also made on some large property complexes:

- former ICMI complex: the detailed urban development plan was drawn up for the entire area and a tender was held to contract the work of the Genesis district and part of the urban development works. The environmental recovery of the area was also completed;
- former complex of the Tobacco Factory of Naples: drafting of the final urban development designs was commissioned. The design stage is due to be completed in the early months of 2014;
- former Customs property complex in Segrate: following purchase of the area in February 2013, as part of agreements with the Percassi Group, preliminary area investigation and planning activities were started in order to submit the necessary permissions to the Segrate Municipality and start the implementation stages.

In addition to the Fintecna Group operations, other initiatives were managed through partnerships, involving major urban redevelopments that are expected to generate significant investments in the area with a favourable impact on employment.

In 2013, some of these companies continued renovations of owned property complexes and the marketing of properties under construction (Cinque Cerchi S.p.A., Manifatture Milano S.p.A., Valcomp Tre



S.p.A., Quadrifoglio Modena S.p.A., Quadrifoglio Genova S.p.A.), while construction of a number of buildings was completed (building C of Palazzo Litta, building A in Modena and UMI 2 of Cinque Cerchi). The two most important projects in the city of Rome (Alfiere S.p.A. and Residenziale Immobiliare 2004 S.p.A.) were affected by financial issues related to investments, relationships with lenders and partners, which are currently being resolved in preparation for the start of the construction programmes. As regards other partnerships (Quadrifoglio Verona S.p.A., Quadrifoglio Brescia S.p.A., Quadrifoglio Piacenza S.p.A., Pentagona Piemonte S.p.A., Pentagona Romagna S.p.A., Pentagona Perugia S.p.A., M.T. Manifattura Tabacchi S.p.A. and Bonafous S.p.A.) urban development work already initiated in previous years is still underway and, in some cases, credit lines have been renewed by lending banks.

In addition to the above-mentioned partnerships (except for Valcomp Tre S.p.A., which became a wholly-owned subsidiary of Fintecna Immobiliare S.r.l., following the purchase during the year of 50% of the share capital from the Percassi Group and the related shareholders' loans at a price of €15.5 million), a new partnership, Italia Turismo S.p.A., was set up with Invitalia S.p.A. (58% Invitalia S.p.A. and 42% Fintecna Immobiliare). In 2013, investment continued in a number of property complexes, and specifically the tourist resorts in the Simeri area, under the master agreement signed with the international operator Barcelò, and aimed at the renovation of the tourist resorts. Also for the other resorts, expenditure was incurred for special maintenance and modernization during the year.

### *3.1.3.3. The activities of FSI*

In 2013, FSI continued its market analysis efforts and the monitoring of possible investment opportunities, strengthening its position in the Italian venture capital market and becoming one of the major players in terms of capital, pipeline and execution capacity.

The main strengths identified comprised: (i) a meritocratic investment process directed at financially sound companies; (ii) a general preference for investing through the subscription of capital increases; (iii) the policy of acquiring minority stakes, which facilitates relationships even with entrepreneurs less inclined to open up to the market; (iv) the long-term time horizon, with market returns linked to relevant market benchmarks; and (v) exit preferably via stock exchange listing, favouring continuity of the other long-term shareholders.

The requests received or identified to date focus on the idea that FSI can act as a "facilitator" in M&A processes or in the creation of company clusters, as in the local public services sector, in financing enterprises in the completion of acquisitions of competitors abroad or in the creation of international distribution networks. As to the business sectors involved, particular interest was shown by engineering companies (important for exports) and in the traditional "Made in Italy" sectors (branded merchandise, tourism and retail, both in Italy and abroad).

In addition to the previously mentioned acquisition of a stake in FSI by the Bank of Italy, other significant events in 2013 included:

- the creation, on 1 March 2013, of a joint venture called "IQ Made in Italy Investment Company S.p.A." ("IQ") with Qatar Holding LLC ("QH"). FSI and QH, each have a 50% interest in IQ, which has a starting capital, fully paid up, of €300 million (FSI's stake is €150 million) that can be increased by an additional €1.7 billion (€850 million by each joint venture partner), following the approval by FSI and QH of specific investments. IQ can invest in Italian companies that satisfy the requirements imposed by Articles 3 and 4 of FSI's articles of association, operating in the following industries: (i) food and food distribution; (ii) fashion and luxury goods; (iii) furniture and design; and (iv) leisure, tourism and lifestyle;
- the signing, on 4 October 2013, of an agreement for the acquisition of 84.55% of Ansaldo Energia, corresponding to the entire ownership stake held by First Reserve Fund (45%) and the 39.55% owned by Finmeccanica, for a total amount of approximately €657 million. FSI is committed to buying the remaining 15% of the company owned by Finmeccanica by 2017, through a put-call arrangement (for an amount at maturity of approximately €147 million). As part of this investment, FSI has also signed a non-binding memorandum of understanding with Finmeccanica involving the potential acquisition of a minority stake, concurrently with the investment by another industrial partner, in the rail sector of Finmeccanica (signalling and rolling stock), provided it has a stable balanced financial and earnings position. The Memorandum of Understanding expired on 4 January 2014;
- finalisation, on 14 November 2013, of FSI's investment in Hera S.p.A. ("Hera") after completion of the capital increase of the company following Hera's takeover of Acegas-APS. FSI's investment now totals €7.3 million (out of a commitment of up to €112 million) for a stake held by FSI in the company of 0.382%, post capital increase;
- the signing, on 29 November 2013, of a transfer agreement with banks from the Intesa Sanpaolo Group and with UniCredit S.p.A. to acquire a 42.255% stake in SIA S.p.A. ("SIA") for an investment of approximately €204 million, in addition to a loan of approximately €77 million to a wholly owned subsidiary that will hold the stake in SIA. FSI signed the binding agreement as part of a purchase transaction for an overall stake of 59.259% of SIA; the transaction is due to be completed in the first half of 2014 and is subject to the approval by the Bank of Italy and antitrust authorities;
- the signing, on 16 December 2013, of an investment agreement for the acquisition of a stake in the company that is at the top of the chain of control of Valvitalia Group. The resources to be invested by FSI total €151.2 million, of which €1 million for a capital increase and €150.2 million through subscription of a convertible bond. On 15 January 2014, following the satisfaction of the conditions precedent and receipt of the regulatory approvals, the investment was completed.

Other significant events in the second half of 2013 included:

- the signing, in November 2013, of a cooperation agreement with the Russian Direct Investment Fund ("RDIF") for the establishment of an investment platform worth €1 billion, which will focus on Italy and Russia. The two financial institutions are committed to investing up to €500 million each, in en-

terprises and projects that promote economic cooperation between Italy and Russia, and the growth of their respective economies;

- the negotiation between FSI and the Kuwait Investment Authority ("KIA"), which was completed on 4 February 2014, for the signing of an agreement for the creation of a new investment company in which FSI will hold approximately 80% and KIA approximately 20%, involving an investment of €500 million.

### *3.1.3.4. The activities of the Fintecna Group*

#### **SHIPBUILDING**

Despite signs of recovery, the difficult environment in which Fincantieri operates continued in 2013. With specific reference to the main market segments in which the company operates, we note that:

- the cruise ship industry continues to be affected by overcapacity, resulting in pressure on prices and increasing need for export financing. In 2013, which saw the market stabilizing and the development of niche segments (e.g., luxury), Fincantieri won 6 orders for new ships;
- the warships sector fared better and in the domestic market the Italian Navy proceeded with the fleet renewal programme that led to the allocation, through grants spread over a 20 year period, of €5.8 billion under the 2014 stability law. In the U.S. market, the Littoral Combat Ship programme continued with the assignment of two additional vessels to Fincantieri;
- the offshore sector saw the acquisition of 55.63% of VARD, as previously mentioned. Through this transaction the Fincantieri Group doubled in size, reaching annual revenues of €4 billion, over 20,000 employees, distributed among 21 shipyards located in 3 different continents, to one of the top four shipbuilders in the world.

The commercial activities of the company showed orders for the year totalling €2,763 million, a significant increase compared to 2012 (€906 million), as a result of contracts won in the cruise sector (€1,887 million) and the order (approximately €420 million) of 2 of the 4 remaining vessels in the FREMM programme by the Italian Navy.

In terms of output, partly due to the timing of orders won during the year, the company again made use of the special wage supplementation mechanism (temporary lay-offs), although less than in 2012 (an average of 1,139 employees vs. 1,463 in 2012) mainly due to production programmes for a number of cruise ships and the insourcing of previously subcontracted activities.

#### **LIQUIDATION ACTIVITIES**

Liquidation activities continued in 2013 in accordance with the guidelines set and remained within the financial limits of the specific provisions reported in the financial statements as at 31 December 2013. The objectives set require efforts to resolve complex situations acquired within the allocated limits and risk provisions.

More specifically, the overall activity carried out by Ligestra (former Efim and former Italtrade assets), in line with previous years, primarily involved environmental issues pertaining to the former Alumix sites, partially sold to the U.S. multinational Alcoa, as well as the management of significant litigation relating to transferred assets. With regard to litigation management, 47 positions were settled during the year.

As regards Ligestra Due (assets of liquidated entities), the real estate disposals – started at the end of 2011 – continued during the year involving twenty units worth a total of €3.5 million, while the remaining activities involved the management of litigation and leases.

The activities carried out by Ligestra Tre (assets of former Sir Committee) were influenced by the appointment of the panel of appraisers tasked with carrying out the assessment of the final outcome of the liquidation of the transferred assets. In October, the panel started work that concluded with the submission to the company, on 14 February 2014, of the final appraisal, which estimated the amount due to the MEF for said purchased assets at €228 million, taking into account the costs for the completion of the liquidation due in late 2016. The panel has also set an amount of €10.6 million as compensation due to MEF – in addition to the above-mentioned consideration – for the additional time taken compared to the original timing required by the applicable regulations. In connection with the obligations to the ministry, Ligestra Tre formally requested the disbursement of an interest-bearing loan of €228 million from Fintecna. Operating performance during the year saw continued efforts aimed at streamlining the internal organisational structure and the management of outstanding litigation, in order to minimise operating costs.

### *3.1.3.5. The activities of the SACE Group*

#### **NEW LENDING AND MANAGED RESOURCES**

In 2013, the contribution of the SACE Group to the new lending and managed resources of the CDP Group (excluding SACE BT) amounted to over €11 billion, an increase of 44% compared to 2012. The largest contribution to the overall performance of the year came from the “Enterprise” segment, mainly through transactions to facilitate international expansion and export activities of Italian enterprises. In the “Infrastructure”, segment the greatest contribution came from a large transaction in the motorway sector totalling over €1.3 billion.

Taking into account SACE BT, total new lending volumes came to about €38 billion, broadly in line with 2012.

Through its network of offices in Italy and abroad, and in collaboration with financial intermediaries, SACE S.p.A. insured transactions for around €9 billion, thereby continuing to contribute to maintaining employment levels and to furthering Italy’s internationalisation. As regards the contribution by SACE Fct, turnover in 2013 came to approximately €1.7 billion, a significant increase compared to 2012.

## New lending and managed resources - SACE Group

(millions of euros)

Business lines	Total 2013	Total 2012	% change
Public Entities and Territory	1,682	1,000	68%
- of which SACE Fct	1,682	1,000	68%
Infrastructure	1,601	58	n/s
- of which SACE S.p.A.	1,601	58	n/s
Enterprises	8,173	6,920	18%
- of which SACE S.p.A.	7,303	6,166	18%
- of which SACE Fct	870	754	15%
<b>Total new lending and managed resources (excluding SACE BT)</b>	<b>11,455</b>	<b>7,977</b>	<b>44%</b>
SACE BT	26,074	28,810	-9%
<b>Total new lending and managed resources (SACE Group)</b>	<b>37,529</b>	<b>36,787</b>	<b>2%</b>

Note: the contribution to Group volumes does not include the resources mobilised by SACE BT, which uses short-term instruments that are not directly comparable to the rest of the Group.

## PORTFOLIO OF LOANS AND GUARANTEES

The total exposure of SACE, calculated as the sum of credit and guarantees issued (principal and interest) amounted to €35.3 billion, up 7.1% compared with the end of 2012. The pace of growth, which had slowed down sharply last year, picked up again, mainly due to the guarantee portfolio, which accounts for 97.7% of the overall exposure. The total exposure in portfolio of SACE BT decreased by 5.9% to €36.2 billion. Total receivables of SACE Fct, comprising the aggregate amount of purchased receivables net of collections and credit notes, amounted to €1.5 billion, up 21.8% compared with 31 December 2012.

(millions of euros)

Portfolio of loans and guarantees	31/12/2013	31/12/2012	% change
<b>SACE</b>	<b>35,292</b>	<b>32,937</b>	<b>7.1%</b>
Outstanding guarantees	34,476	32,193	7.1%
- principal	29,336	27,532	6.6%
- interest	5,139	4,661	10.3%
Performing credits	816	744	9.7%
<b>SACE BT</b>	<b>36,170</b>	<b>38,455</b>	<b>-5.9%</b>
Short-term credit	10,039	13,208	-24.0%
Surety Italy	6,990	7,256	-3.7%
Other property damage	19,141	17,991	6.4%
<b>SACE Fct</b>	<b>1,504</b>	<b>1,235</b>	<b>21.8%</b>
Outstanding receivables	1,504	1,235	21.8%

### 3.1.3.6 The activities of SIMEST

The contribution of SIMEST to the new lending and managed resources of the CDP Group in 2013 amounted to over €5 billion, up 9% compared to 2012. The contribution, which focused on the “Enterprise” segment, was mainly attributable to management activities on behalf of the central government (particularly the management of subsidised funds) while the contribution of direct and indirect investments through the Venture Capital Fund, was substantially stable. The details of these activities are provided in the following paragraphs.

#### New lending and managed resources - SIMEST

(millions of euros)

Business lines	Total 2013	Total 2012	% change
Enterprises	5,170	4,759	9%
Direct investment	89	88	0%
Venture Capital Fund	13	13	1%
<b>Total equity</b>	<b>101</b>	<b>101</b>	<b>0%</b>
Law 394/81 Fund (loans approved)	146	196	-25%
Law 295/73 Fund (deferred principal amount approved)	4,923	4,463	10%
<b>Total new lending, investment and managed resources</b>	<b>5,069</b>	<b>4,658</b>	<b>9%</b>
<b>Total new lending and managed resources</b>	<b>5,170</b>	<b>4,759</b>	<b>9%</b>

#### EQUITY INVESTMENTS

In 2013, 68 projects were approved, of which:

- 52 new investment projects;
- 8 capital increases by companies in which SIMEST already had an equity interest;
- 8 revisions of previously approved projects.

The companies in which SIMEST approved investment in 2012 envisage:

- a total investment by SIMEST of about €139 million;
- total share capital of €918.7 million;
- total investment of €2,343.6 million.

The geographical breakdown of investments approved in 2013 showed a marked concentration in Asia and in Central and South America, followed by the European Union countries; the figure is the opposite compared to the SIMEST commitment, which is particularly significant in the line of business involving projects in the EU. With regard to investments approved outside the EU, certain countries with high development potential such as China, Brazil, Mexico and the USA continued to be the main targeted areas.

In 2013, SIMEST acquired 41 new equity investments for a total of €88.6 million, of which:

- 29 new investments in foreign companies pursuant to Law 100/1990 ("non-EU") for a total of around €48.2 million;
- 7 new equity investments in Italian and EU companies ("EU") for €29.2 million.

In addition, SIMEST subscribed 5 capital increases and 7 revisions of previously approved projects by companies in which SIMEST already had an equity interest at 31 December 2013, totalling €11.2 million (of which €7.2 million "non-EU" and €4 million "EU").

Acquisitions were made primarily in the mechanical and electrical engineering sectors (38.9%), followed by electronics/IT (11.11%), and rubber/plastics and textile/clothing (about 8.3% each). New investments primarily targeted the Americas (41.7%), Asia (27.8%), and the EU (22.2%).

In 2013, 28 investments ("non-EU") were divested, under the agreements in place with our partners, for a total €25.7 million, including adjustments.

#### **INVESTMENTS IN THE VENTURE CAPITAL FUND**

The Venture Capital Fund activities in the first nine months of 2013 were reduced as a result of the expiry of the agreement between SIMEST and the MIED and the simultaneous expiration of the term of office of the members of the fund's governing body, the Guidance and Oversight Committee.

Following the appointment of the Committee's members in October, business volumes recovered; the Guidance and Oversight Committee approved 30 projects that envisage:

- total commitment under the Unified Venture Capital Fund of €17 million;
- cumulative investments by the foreign companies of €155.2 million, funded by share capital of €124.7 million.

In 2013, acquisitions of equity investments through the Unified Venture Capital Fund totalled €12.6 million and involved 22 new equity investments in companies abroad.

The geographical distribution of new investments by the Fund saw Brazil (7 investments totalling €2.4 million) overcoming China (5 investments totalling €3.9 million). The other acquisitions were made in a number of different countries (Mexico, India, Croatia, Russia, South Africa and Turkey).

#### **INTERNATIONAL EXPANSION FINANCIAL SUPPORT FUNDS**

As part of the financial assistance it provides to Italian companies for expanding operations abroad, SIMEST manages two funds: the Fund established by Article 3 of Law 295/1973 and the Revolving Fund established by Article 2 of Law 394/1981.

### **Law 295/1973 Fund**

The activity of the Fund established by Law 295/1973 consists of:

- export credits, which are aimed at supporting sectors involved in the production of capital goods (plants, machinery, infrastructure, public transportation, telecommunications, etc.) that offer deferrals of payment on medium/long-term orders to foreign customers. Out of the €4,682 million total in deferred principal amount, €2,907 million (62%) relates to the supplier credit programme for medium-sized plant, machinery and parts, 30% of which for SMEs. The remaining €1,775 million (38%) allocated to the buyer credit programme was almost entirely used for transactions involving large companies under major supply contracts involving large orders;
- support for investment in foreign companies, with the incentive mechanisms envisaged under Article 4 of Law 100/90, which provide for Italian firms to receive interest rate support for loans taken out to finance part of their equity investments in foreign companies in non-EU countries in which SIMEST has acquired an interest. In 2013, the operations approved totalled €241 million, in terms of soft loans, thus exceeding the amount approved in 2012 (€115 million).

### **Law 394/81 Revolving Fund**

Financing for capital strengthening was suspended in December 2011 and resumption of operations under this instrument is conditional on the availability of financial resources for the 394/81 Fund. By Decree of 21 December 2012, published in the Official Gazette on 11 April 2013, the MIED introduced a new programme (marketing and/or promotion of the Italian brand) to finance participation by SMEs in fairs and exhibitions in non-EU markets.

In 2013, the following transactions were carried out by the revolving fund:

- loans at facilitated interest rates for foreign market penetration programmes. In 2013, loans approved numbered 171 (129 in 2012), and their value amounted to €143 million, a 33% increase over 2012 (€108 million);
- loans at facilitated interest rates for pre-feasibility and feasibility studies and technical assistance programmes. A total of 22 loans were approved in 2013, of which two technical assistance programmes, for an amount of €2.8 million (in 2012, 19 applications were approved with a value of €2.5 million).

### **3.1.4. Equity investments of the parent company**

As at 31 December 2013, equity investments and investments in investment funds of the parent company totalled €32,693 million, which includes the value of the portfolio of equity investments, equal to €31,778 million, and of investment funds and other investment vehicles, which totalled €914 million.



## Equity investments, investment funds and investment vehicles

(thousands of euros)

	31/12/2012 Carrying amount	Changes from inv./disinv.	from measurement	31/12/2013 Carrying amount
Equity investments	30,276,418	2,592,179	(1,090,146)	31,778,451
Investment funds and investment vehicles	293,205	661,435	(40,309)	914,331
<b>Total</b>	<b>30,569,623</b>	<b>3,253,614</b>	<b>(1,130,455)</b>	<b>32,692,782</b>

### 3.1.4.1. Subsidiaries and other shareholdings

As at 31 December 2013, the carrying amount for the parent company of the portfolio of equity investments was up €1,502 million (+5%) over 31 December 2012.

## Equity investments

(thousands of euros)

	31/12/2012 % holding	31/12/2012 Carrying amount	Changes from inv./disinv.	from measurement	31/12/2013 % holding	31/12/2013 Carrying amount
<b>A. Listed companies</b>						
1. Eni S.p.A.	25.76%	15,281,632	-	-	25.76%	15,281,632
2. Terna S.p.A.	29.85%	1,315,200	-	-	29.85%	1,315,200
<b>B. Unlisted companies</b>						
3. SACE S.p.A.	100.00%	6,050,000	-	(899,500)	100.00%	5,150,500
4. CDP Reti S.r.l.	100.00%	3,517,360	-	-	100.00%	3,517,360
5. Fondo Strategico Italiano S.p.A.	90.00%	900,000	2,519,512	-	77.70%	3,419,512
6. Fintecna S.p.A.	100.00%	2,500,000	(381,117)	(109,447)	100.00%	2,009,436
7. CDP GAS S.r.l.	100.00%	467,366	-	-	100.00%	467,366
8. Fintecna Immobiliare S.r.l.	-	-	392,159	(82,000)	100.00%	310,159
9. Simest S.p.A.	76.00%	232,500	-	-	76.00%	232,500
10. Quadrante S.p.A.	-	-	61,625	-	100.00%	61,625
11. Sinloc S.p.A.	11.29%	5,983	-	3	11.29%	5,986
12. F2i SGR S.p.A.	16.52%	2,137	-	706	16.52%	2,844
13. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
14. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
15. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	774	-	92	12.50%	866
16. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
<b>Total</b>		<b>30,276,418</b>	<b>2,592,179</b>	<b>(1,090,146)</b>		<b>31,778,451</b>

During 2013, the portfolio of CDP equity investments changed, mainly as a result of the following transactions:

- on 22 March 2013, CDP subscribed the capital increase of € 2,519.5 million in Fondo Strategico Italiano; this resulted from the acquisition of a stake in CDP by Bank of Italy in exchange for the transfer of a 4.47% stake in Assicurazioni Generali S.p.A. Following the capital increase, CDP's total investment in FSI amounted to €3,419.5 million, while CDP's share in FSI was diluted from 90% to 77.7% (80.0%, taking into account the share held by the subsidiary Fintecna S.p.A.);
- on 1 November 2013, the demerger of the Fintecna Group's real estate operations in favour of CDP took effect. More specifically, the demerged assets include the investments in Fintecna Immobiliare S.r.l. (and its subsidiaries) and in Quadrante S.p.A., land and buildings and other related items; the value of the net transferred assets is approximately €381 million, based on the corresponding book value at 31 December 2012. The value of the investment in Fintecna was therefore reduced by a corresponding amount. At the same time, CDP waived the shareholders' loan to Fintecna Immobiliare amounting to €102 million, which was part of the demerged assets, establishing a reserve for the same amount in equity.

The current portfolio of equity investments held by CDP S.p.A. can be classified for the purposes of the separate financial statements as follows:

- the investments in CDP GAS, CDP Reti, CDPI SGR, Fintecna, Fintecna Immobiliare, FSI, Quadrante, SACE, SIMEST and Terna are classified as investments in subsidiaries and carried at purchase cost, net of write-downs;
- the investments in Eni and Europrogetti & Finanza S.p.A. in liquidazione are classified as investments in associates and are therefore carried at purchase cost, net of write-downs;
- the investments in F2i SGR S.p.A., Fondo Italiano d'Investimento SGR S.p.A., Istituto per il Credito Sportivo and Sinloc S.p.A., on the other hand, do not constitute investments in subsidiaries or associates. These investments therefore continue to be classified as available-for-sale financial assets and are measured at fair value, with changes in value taken to a specific equity reserve.

As concerns the separation of organisation and accounting, equity interests in the CDP portfolio as at 31 December 2013, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the stakes held in CDP GAS, CDPI SGR, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account, as well as FSI, for which the initial investment was classified under Joint Services, with the subsequent contributions falling within the scope of the Separate Account.

Dividends accruing during 2013 came to about €3,085 million. This amount is mainly attributable to the investments held in SACE (€1,235 million), Eni (€1,020 million), Fintecna (€500 million), Terna (€120 million), CDP GAS (€103 million) and CDP Reti (€102 million). Dividends increased by about €1,879 million compared to 2012 (€1,206 million), mainly due to new investments in 2012 and, especially, the payment of extraordinary dividends by these companies totalling €1,401 million (€1,001 million from SACE

and €400 million from Fintecna). This dividend payment, moreover, resulted in an overall impairment of €1,009 million (€900 million for SACE and €109 million for Fintecna).

Below are brief descriptions of each of CDP's investees.

With respect to the subsidiaries consolidated on a line-by-line basis, please refer to the sections of this report that exam these entities individually.

### **Eni S.p.A. ("Eni")**

Eni is an integrated oil company with an excellent skill base and a strong international market position. Eni has a presence in some 85 countries, and has about 79,000 employees. The company's shares are listed on the Italian Stock Exchange and the New York Stock Exchange.

Its primary lines of business are organised into four divisions: i) "Exploration & Production", responsible for the exploration, development and extraction of natural gas and oil; ii) "Gas & Power", comprising international transport and supply and the sale of natural gas, as well as the generation and sale of electricity; iii) "Refining & Marketing", representing the refining and sale of oil products; and iv) "Trading", the new division responsible for the integrated management of commodity risk and asset-backed trading, operating through Eni Trading and Shipping (ETS). Eni also provides engineering and construction services in the oil and gas sector through its 42.9% stake in Saipem, a listed company. Finally, it produces and markets petrochemical products through its wholly-owned subsidiary Versalis (formerly Polimeri Europa).

### **Sistema Iniziative Locali S.p.A. ("Sinloc")**

Sinloc, whose shareholders include numerous bank foundations, is a company that was established to support local territorial development initiatives. It also provides financial and legal consulting services to local authorities, banking foundations and other government bodies, with a focus on urban regeneration and socio-economic development projects, as well as energy efficiency initiatives.

### **Istituto per il Credito Sportivo ("ICS")**

ICS is a residual public-law bank in accordance with Article 151 of the 1993 Banking Act. It was reformed under Presidential Decree 453 of 20 October 2000, also in the light of the directive of the Presidency of the Council of Ministers of 8 August 2013, published in the Official Gazette on 10 December 2013, in implementation of Article 4.14 of Law 350 of 24 December 2003. ICS is specifically engaged in the banking business, accepting deposits and other forms of savings from the public and financing any activity and investment related to sport, and cultural heritage and activities. Additionally, in light of the afore-said Directive, ICS may also perform treasury services for public and private entities that operate in the field of sport, cultural heritage and activities, as well as setting up companies or acquiring equity interests in companies operating in the above-mentioned sectors. On a residual basis, ICS may directly or indirectly carry out advisory activities, including of a technical nature, in the field of sport and culture, as well as any other activities permitted for banks.

As at 31 December 2013, ICS was under special administration, entrusted to two special commissioners, accompanied by three members of the Oversight Committee, as ordered on 28 December 2011 by the Minister of Economy, on recommendation from the Bank of Italy.

As a result of the annulment of the Articles of Association then in force, ordered by interministerial decree of 6 March 2013, issued by the Minister for Regional Affairs, Tourism and Sport and the Minister for Cultural Heritage and Activities, in consultation with the Minister of Economy and Finance, ICS initiated proceedings for the return of dividends received by the shareholders for the financial years 2005 to 2010. At the end of December 2013 CDP and ICS entered into an agreement according to which: (i) the amounts that CDP may have to return will be calculated in proportion to that established in civil lawsuits, in final judgements, against the shareholders; (ii) until all judgements are issued, it is not possible to estimate the presence or the amount of any expenses payable by CDP.

The risk of having to return the amounts received was considered possible but not probable and, accordingly, no provision has been set aside for this purpose.

#### **F2i - Fondi Italiani per le Infrastrutture SGR S.p.A. ("F2i SGR")**

F2i SGR provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. Established with the sponsorship of major Italian banks and various Italian and international financial institutions, in July 2007, F2i SGR was entered on the register of asset management companies maintained by the Bank of Italy; in the same year, F2i SGR launched the Italian infrastructure fund (Fondo Italiano per le Infrastrutture), the largest fund specialising in investment in infrastructure assets in Italy with assets exceeding €1.85 billion. In 2012, the asset management company initiated the fund raising for the launch of the Second Italian Fund for Infrastructure (Secondo Fondo Italiano per le Infrastrutture), which at the end of 2013 reached a provisional amount of €740 million. With the launch of the second fund, F2i SGR's shareholding structure was partially reorganised with the admission of new shareholders and a small increase in CDP's stake. As part of this process, at the end of 2013, Ardian (former AXA Private Equity) replaced Merrill Lynch as Sponsor, taking over the investment held by the latter in the asset management company and the shares held in the First Fund.

#### **Fondo Italiano d'Investimento SGR S.p.A. ("FII SGR")**

Fondo Italiano d'Investimento SGR was established in March 2010 and is promoted by the Ministry of Economy and Finance together with CDP, ABI, Confindustria and the major Italian banks. The purpose of the company is to provide asset management services through the promotion, creation, organisation and management of one or more closed-end mutual funds specialising in supporting the development of small and medium enterprises. In the same year, it launched the Fondo Italiano d'Investimento investment fund, which with €1.2 billion in resources promotes investment in Italian SMEs to strengthen their capitalisation and aggregation with other enterprises. The Fund is currently completing the investment stage and the asset management company is considering further initiatives to expand its operations.

#### **Europrogetti & Finanza S.p.A. in liquidazione ("EPF")**

This company, in which leading banks and financial institutions hold stakes, was established in 1995 to deliver subsidised lending services. In view of the company's lack of growth prospects, the company was

placed into voluntary liquidation at the start of 2009. The liquidation process is continuing with the goal of completing all the subsidised lending related activities still in place.

### 3.1.4.2. Investment funds and investment vehicles

At 31 December 2013, the carrying amount of the portfolio of investment funds and other investment vehicles was up by about €621 million, having more than tripled compared to 31 December 2012.

## Investment funds and investment vehicles

(thousands of euros)

	Sector	31/12/2012 % holding	31/12/2012 Carrying amount	Changes from inv./disinv.	from measurement	31/12/2013 % holding	31/12/2013 Carrying amount	Remaining commitment
<b>A. Investment vehicles</b>								
1. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure	38.93%	51,573	12,728	7,772	38.93%	72,072	74,997
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Infrastructure	14.08%	18,590	10,400	(1,091)	14.08%	27,899	64,350
3. European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund)	Energy	5.95%	210	5,454	-	12.86%	5,664	53,317
- A units		4.53%	80	839	-	2.09%	919	
4. Galaxy S.à.r.l. SICAR	Infrastructure	40.00%	2,348	-	-	40.00%	2,348	-
<b>B. Investment funds</b>								
1. FIV Extra	Public building	-	-	495,000	(18,400)	100.00%	476,600	230,000
2. F2i Fondi Italiani per le Infrastrutture	Infrastructure	8.10%	100,179	24,135	434	8.10%	124,749	16,924
- A units		0.04%	550	132	3	0.04%	685	
3. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	52,166	26,626	(11,045)	20.83%	67,747	152,172
4. Fondo Investimenti per l'Abitare	Social Housing	49.31%	34,993	59,328	(12,080)	49.31%	82,241	889,006
5. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure	17.39%	17,869	4,870	(2,510)	13.51%	20,229	76,807
6. FIV Plus	Public building	100.00%	31	20,300	(3,837)	100.00%	16,494	79,600
7. PPP Italia	Infrastructure and PPP projects	14.58%	6,828	1,623	177	14.58%	8,628	4,651
8. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social Housing	9.39%	7,789	-	267	6.11%	8,056	11,000
<b>Total</b>			<b>293,205</b>	<b>661,435</b>	<b>(40,309)</b>		<b>914,331</b>	<b>1,652,824</b>

During 2013, the portfolio changed as a result of the following transactions:

- the conversion of the Fondo Investimenti per la Valorizzazione Plus into an umbrella fund, called “Fondo Investimenti per la Valorizzazione” and the establishment of the Plus Sub-Fund and the Extra Sub-Fund, both fully subscribed by CDP. As at 31 December 2013, the FIV – Plus Sub-Fund was subscribed for €100 million (of which €20 million called up) and the FIV – Extra Sub-Fund was subscribed for €725 million (of which €495 million called up);
- payments totalling 146 million called up by the following Funds: EEEF, F2i and F2i Secondo Fondo, Inframed, Italiano d’Investimento, Investimenti per l’Abitare, Investimenti per la Valorizzazione, Marguerite and PPP Italia in relation to their investment activities.

From an accounting point of view, the funds and investment vehicles can be classified as follows:

- the investment in Galaxy S.à.r.l. has been classified as an investment in associates and is therefore carried at purchase cost, net of write-downs;
- the investments in the investment vehicles EEEF, Inframed and Marguerite do not constitute investments in subsidiaries or associates. These investments therefore continue to be classified as available-for-sale financial assets and are carried at fair value;
- the investments held in the investment funds: Fondo Immobiliare di Lombardia - Comparto Uno, Fondo Investimenti per l’Abitare, Fondo Investimenti per la Valorizzazione, Fondo Italiano di Investimento, F2i - Fondo Italiano per le Infrastrutture, F2i - Secondo Fondo Italiano per le Infrastrutture, and PPP Italia have been classified as available-for-sale financial assets and are carried at fair value.

For the purposes of the separation of organisation and accounting, the stake held in Galaxy S.à.r.l. and investments in investment funds and private equity funds, except for holdings in Fondo Investimenti per l’Abitare, Fondo Italiano d’Investimento and Fondo Investimenti per la Valorizzazione, come under the Ordinary Account and are therefore wholly financed by funding raised under that account. The investments held in the other corporate investment vehicles and the aforementioned funds come under the Separate Account.

Below is a brief description of the activities of each of the funds in which CDP S.p.A. has subscribed units.

#### **Inframed Infrastructure SAS à capital variable (“Inframed Fund”)**

The fund was launched in 2010, CDP and other European financial institutions – the CDC of France and the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG-Hermes Holding SAE of Egypt. Inframed is a variable capital investment vehicle, whose main objective is to provide equity capital to infrastructure projects in the southern and eastern Mediterranean. The activities of the fund are focused on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development sectors.

Inframed has received commitments of over €385 million, of which around €193 million (50.0% of total commitments) had been received at 31 December 2013. CDP has committed to more than €150 mil-

lion (39.9% of total fund commitments), of which over €75 million was already paid in at 31 December 2013.

#### **2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (“Marguerite Fund”)**

Together with other European public financial institutions, at the end of 2009 CDP S.p.A. launched the “2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA”, a Luxembourg-registered closed-end variable capital investment fund which has been set up to act as a catalyst for investment in infrastructure associated with climate change, energy security and European-wide networks. The fund will undertake equity or quasi-equity investments in companies that own or manage infrastructure in the transportation and energy sectors, with a special focus on the renewable energy sector. CDP has committed to a maximum investment of €100 million. The fund is currently in the investment phase. At 31 December 2013, the fund had called up around €253 million (35.65% of the fund total), of which about €36 million payable by CDP.

#### **European Energy Efficiency Fund SA, SICAV-SIF (“EEEF Fund”)**

The EEEF Fund is an investment fund sponsored by the European Investment Bank and the European Commission. Its primary goal is to develop energy efficiency projects and, in general, initiatives to combat climate change proposed by Public Entities in the EU 27 countries. The fund will primarily act as a lender to projects (about 80%) and to a residual extent as an investor in the equity of such initiatives. CDP is participating in the fund with an investment commitment of about €60 million, while the overall resources of the fund, which is still in the fund-raising stage, total about €265 million, of which €125 million subscribed by the European Commission on a first-loss basis. At 31 December 2013, around €42.4 million had been paid in, of which €6.3 million by CDP.

#### **F2i - Fondi Italiani per le Infrastrutture (“F2i”)**

The F2i Fund, launched in 2008 with a size of over €1.85 billion and with the purpose of investing in greenfield and brownfield infrastructure, completed its investment phase in 2013. At 31 December 2013 approximately €1.64 billion had been paid in by investors, and over €163 million has been distributed. The investment policy has focused mainly on brownfield projects in the gas distribution chain, airports, water, broadband telecommunications networks, renewable energy generation and motorway transport, with investments in 11 companies, 2 of which are already sold at year-end 2013.

CDP has committed to invest over €150 million (8.14% of total commitments), has paid in more than €133 million as at year-end 2013 (around 88.8% of total commitments) and has received distributions totalling in excess of €13 million.

#### **F2i – Secondo Fondo Italiano per le infrastrutture (“F2i II”)**

The Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR, was launched in 2012. At the first closing at year-end 2012, €575 million had been subscribed by sponsors. At that time, CDP subscribed units totalling €100 million. In 2013, the Fund F2i II completed three ad-



ditional partial closings, with units subscribed for a total of €165 million. At 31 December 2013, the Fund totalled €740 million. F2i II will continue the investment policy of the F2i fund, consolidating its presence in business areas pursued by the latter, in addition to its own asset allocation in waste-to-energy projects.

At 31 December 2013, the fund had completed three investments, including two co-investments with the First F2i Fund; at the same date, the fund had called up commitments amounting to around €158 million (21.4% of the commitments subscribed), of which more than €23 million was paid in by CDP.

### **PPP Italia**

Launched in 2006 and managed by Fondaco SGR, PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs). The fund's purpose is to make equity or quasi-equity investments through selected minority stakes in the following sectors: (i) civil construction (schools, hospitals, public office buildings, etc.), (ii) the environment and urban regeneration, (iii) transportation and public utilities, and (iv) power generation projects that use renewable sources. The fund totals €120 million, of which CDP has subscribed units totalling €17.5 million. The Fund completed the investment stage in December 2013 carrying out 18 investments, in relation to which, at 31 December 2013, the fund had called up around €88 million (73% of the fund total), of which about €12.8 million payable by CDP. The fund distributed about €12.4 million, of which €1.8 million receivable by CDP.

### **Fondo Immobiliare di Lombardia - Sub-fund One ("FIL")**

The Fondo Immobiliare di Lombardia (FIL) is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by Polaris Investment Italia SGR S.p.A. Its objective is to invest mainly in "social housing" in Lombardy; social housing comprises housing and all those services that contribute to solving the housing problem (for families and individuals) with a particular regard to the socially or financially disadvantaged. A significant percentage of the housing will be rented controlled and will primarily be targeted at students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties.

The fund started up operations in 2007 (with total subscriptions of €85 million and CDP's share of 23.5%). In 2012 it was converted into an "umbrella fund", and following this change, the Sub-fund One was established to hold all the assets and liabilities of FIL on the date of its conversion into an umbrella fund. The Fund's assets are allocated on eight different projects, of which five in Milan and provincial areas, for a total of approximately 100,000 square meters of sellable properties.

At 31 December 2013, the Sub-fund's assets amounted to €327.1 million, of which €156.75 million were called up (corresponding to 48% of commitments). CDP's subscription commitment remains unchanged at €20 million (of which €9 million were called up) corresponding to 6.11% of the Sub-fund.

### **Galaxy S.à.r.l. SICAR ("Galaxy")**

Galaxy, a Luxembourg-registered company, was established to make equity or quasi-equity investments in transportation infrastructure, particularly within Italy, Europe and other OECD countries, in a manner typi-



cal of a private equity fund. The Galaxy shareholders are CDP, Caisse des Dépôts et Consignations ("CDC") and Kreditanstalt für Wiederaufbau ("KfW"). At 31 December 2013, the fund's size was €250 million, of which CDP had subscribed €100 million, CDC €100 million and KfW €50 million. The company ended the investment stage in July 2009, calling up amounts totalling approximately €64 million; in the divestment stage it distributed about €99 million to its shareholders, of which nearly €32 million receivable by CDP. The fund's focus is currently on the management and sale of the remaining assets in its portfolio.

### **Fondo investimenti per l'Abitare ("FIA")**

The Fondo Investimenti per l'Abitare is a real estate fund reserved to qualified investors, promoted and managed by CDPI SGR, a company operating in the private social housing sector. Its objective is to increase the supply of social housing (governed by the Ministerial Decree of 22 April 2008) in Italy, which is subject to rent control and/or is to be sold at subsidized prices to "socially vulnerable" families (Article 11 of Decree Law 112/2008).

The fund works to support and supplement the social housing policies of the central and local governments. Having been selected by the Ministry for Infrastructure, the fund has become the single National Fund for the Integrated System of Real Estate Funds under the National Housing Plan.

The FIA operates throughout Italy, mainly serving as a "fund of funds", investing in real estate investment funds operated by other asset management companies or holding stakes in real estate firms, including majority stakes, up to a maximum of 80%, subject to the need to safeguard participation of private capital in local investments. The fund is also empowered to make direct investments with up to 10% of its capital.

The FIA was formed in July 2010 and has a 30-year life. At 31 December 2013, the fund totalled over €2 billion, of which €1 billion subscribed by CDP. At 31 December 2013, a total of €225 million had been called up, of which about €111 million paid in by CDP.

### **Fondo Investimenti per la Valorizzazione ("FIV")**

On 20 December 2013, the General Meeting of Unitholders of the Fondo Investimenti per la Valorizzazione Plus, a closed-end real estate fund reserved to qualified investors, whose purpose is to purchase properties owned by Public Entities and/or companies that they control directly or indirectly, with unexpressed potential value, approved the conversion of the Fund into an "umbrella fund".

The Fund, which changed its name to "Fondo Investimenti per la Valorizzazione", consists of two Sub-Funds, the Plus Sub-Fund and the Extra Sub-Fund.

The Plus Sub-Fund's assets are made up of the assets previously owned by FIV Plus at the time the Fund was transformed, while the Extra Sub-Fund is dedicated to the development and management of the portfolio of public property acquired from the Agency of State-owned property (Agenzia del Demanio) and from local authorities at the end of December 2013.

Following the signing of an agreement to amend CDP's residual subscription commitment in FIV Plus, scaling it down to a total amount of €100 million, at 31 December 2013 the two sub-funds, fully subscribed by CDP, totalled €100 million (of which €20 million called up), for the FIV- Plus Sub-Fund and €725 million (of which €495 million called up), for the FIV - Extra Sub-Fund.

### Fondo Italiano d'Investimento

The Fondo Italiano d'Investimento is the result of a project by the MEF, the ABI, Confindustria, CDP, Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena and Istituto Centrale Banche Popolari to create an instrument for providing financial support to Italian SMEs. The fund offers the following types of investments: a) direct investment in the company's share capital, usually in the form of a minority interest, and may involve co-investment by other specialised funds; b) support as a fund of funds, by investing in other funds that share the investment policies and objectives of the fund.

The fund has capital of €1.2 billion, of which €250 million subscribed by CDP. At 31 December 2013, a total of around €468.7 million had been called up, of which €97.6 pertaining to CDP. At year-end 2013, 80 enterprises were involved in the fund, comprising both those in which a direct investment has been made and those contained in the portfolios of the funds in which the fund has invested, with total revenues of about €4 billion and over 25,000 employees.

### 3.1.5. Treasury and funding activities of the parent company

#### 3.1.5.1. Treasury management and short-term funding

With regard to the investment of financial resources, the following table reports the aggregates for cash and cash equivalents, along with an indication of the alternative forms of investing financial resources, such as securities issued by Italian Public Entities.

### Stock of investments of financial resources

(millions of euros)

	31/12/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	147,507	139,062	6.1%
- Treasury current account	132,919	132,704	0.2%
- Reserve requirement	1,213	446	171.8%
- Other treasury investments Separate Account	2,397	2,580	-7.1%
- Repurchase agreements	8,264	-	n/s
- Deposits (assets) Ordinary Account	1,313	978	34.3%
- Deposits (assets) on Credit Support Annex transactions	1,401	2,354	-40.5%
Debt securities	23,054	24,347	-5.3%
- Separate Account	22,083	23,062	-4.2%
- Ordinary Account	971	1,285	-24.4%
<b>Total</b>	<b>170,561</b>	<b>163,409</b>	<b>4.4%</b>

## Stock of short-term funding from banks

(millions of euros)

	31/12/2013	31/12/2012	% change
Deposits and repurchase agreements Separate Account	17,380	26,979	-35.6%
Deposits and repurchase agreements Ordinary Account	1,463	1,607	-9.0%
Deposits (liabilities) on Credit Support Annex transactions	524	626	-16.3%
<b>Total</b>	<b>19,367</b>	<b>29,213</b>	<b>-33.7%</b>
Net interbank position Ordinary Account	-150	-630	-76.2%
Net deposits on Credit Support Annex transactions	877	1,728	-49.2%

At 31 December 2013, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, stood at about €132.9 billion, substantially in line with the figure for 2012 (€132.7 billion).

As regards OPTES operations, in 2013 CDP, as recognised counterparty in the liquidity management operations of the MEF, carried out funding transactions for a total daily average of about €14.5 billion (with a balance of €10 billion at 31 December 2013). To ensure financial balance, this liquidity was used to i) comply with reserve requirements; ii) carry out repurchase transactions to invest short term liquidity with Italian government securities as collateral; and iii) invest in very short-term Italian government securities.

The liquidity deposited for the reserve requirement came to €1,213 million at 31 December 2013, against a reserve requirement, which has already been met and stood at around €2,400 million for the final maintenance period of 2013. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

As regards the deposits for credit support annex (CSA) transactions, which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, as at 31 December 2013 there was a net creditor balance of €877 million, a decrease compared the balance posted at the end of 2012 (€1,728 million). This change is attributable to the change in fair value of the derivative instruments associated with these deposits. CSA deposits are also managed in a manner that ensures accounting separation between the two Accounts.

With reference to deposits and reverse repurchase agreements, in 2013, the early repayment plan of the three-year ECB refinancing operations (LTROs) was initiated. During the year, repayment in the Separate Account totalled approximately 8.9 billion, bringing the total stock to approximately €18.4 billion, of which €17.4 billion in the Separate Account and €1 billion in the Ordinary Account.

For short-term treasury management operations under the Ordinary Account, CDP uses money market instruments such as deposits and repurchase agreements in order to optimise the timing and cost of consolidation with medium and long-term funding. To invest any excess liquidity, CDP uses deposits with banks with high credit ratings and short-term Italian government securities. The net position on the money market as at December 2013 came to a negative €150 million, compared with the net negative €630 million at the end of 2012. This was attributable to repurchase agreements that partially finance the portfolio of Italian government securities assigned to the above-mentioned Account. The liabilities for repurchase agreements are balanced by investments in government securities totalling €985 million.

The securities portfolio at December 2013 showed a balance of €23.1 billion, a slight decrease compared to the end of 2012, also as a result of some securities in the portfolio reaching maturity, only partially offset by new purchases.

### *3.1.5.2. Developments in medium- and long-term funding*

Following the voluntary termination of the covered bond programme, approved by CDP in November 2011, and the subsequent repurchase programme in 2012, the last outstanding Series (No. 2) matured in January 2013, thereby closing this funding programme.

In order to further diversify its sources of funding, in 2013 CDP extended the use of the Euro Medium Term Notes programme to the Separate Account. New issues in 2013 came to a total nominal value of €2,955 million, of which €2,355 million under the Separate Account and €600 million under the Ordinary Account. The characteristics of the issues carried out in 2013 are shown in the table below.

### **Flow of medium/long-term funding**

(millions of euros)

<b>EMTN programme</b>	<b>Date of issue/funding</b>	<b>Nominal value</b>	<b>Financial Characteristics</b>
Issue (maturity date 10-Jan-2019)	18-Sep-2013	250	FR 3.500%
Issue (maturity date 15-Oct-2020)	15-Oct-2013	750	FR 3.750%
Issue (maturity date 8-Nov-2023)	8-Nov-2013	250	FR 4.125%
Issue (maturity date 15-Nov-2023)	15-Nov-2013	250	FR 4.125%
Issue (maturity date 20-Nov-2018)	20-Nov-2013	100	FR 3.010%
Issue (maturity date 11-Dec-2028)	11-Dec-2013	200	FR 4.500%
Issue (maturity date 20-Dec-2023)	20-Dec-2013	500	CMS
Issue (maturity date 23-Dec-2019)	23-Dec-2013	350	FR 3.093%
Issue (maturity date 27-Dec-2023)	27-Dec-2013	305	FR 4.164%
<b>Total</b>		<b>2,955</b>	
- of which under the Separate Account		2,355	
- of which under the Ordinary Account		600	

During the year a new agreement was signed with the EIB for the funding of a project finance transaction in the motorway sector for a total amount of €350 million (Separate Account); the credit line was fully disbursed during the year. During the reporting period CDP also requested and obtained three new disbursements on credit facilities granted by the EIB in the amount of €46 million, under the Separate Account, bringing EIB disbursements to a total of €396 million. The following table shows the characteristics of these lines of credit.

### Flow of medium/long-term funding

(millions of euros)

EIB credit facility	Date of issue/funding	Nominal value
Draw (maturity date 31-Dec-2027)	30-Apr-2013	350
Draw (maturity date 30-Jun-2028)	14-Jun-2013	11
Draw (maturity date 30-Jun-2028)	3-Jul-2013	5
Draw (maturity date 15-Sep-2028)	30-Sep-2013	30
<b>Total</b>		<b>396</b>
- Of which under the Separate Account		350
- Of which under the Ordinary Account		46

In 2013, the early repayment of one EIB loan for a total amount of approximately €43 million brought net funding from these operations to €353 million.

For the sake of full disclosure, the table below shows CDP's overall position in medium and long-term funding as at 31 December 2013, compared with the end of 2012, by product type.

## Stock of medium/long-term funding

(millions of euros)

	31/12/2013	31/12/2012	% change
Medium/long-term funding from banks	3,366	3,026	11.2%
EIB credit facility	3,366	3,026	11.2%
- of which Separate Account	350	-	n/s
- of which Ordinary Account	3,016	3,026	-0.3%
Bond funding	6,782	6,407	5.9%
Covered bond programme	-	2,562	n/s
- Securities issued	-	2,563	n/s
- IAS/IFRS adjustment	-	(0.5)	n/s
EMTN programme	6,782	3,845	76.4%
- Securities issued	6,801	3,846	76.8%
- of which Separate Account	2,355	-	n/s
- of which Ordinary Account	4,446	3,846	15.6%
- IAS/IFRS adjustment	(19)	(1)	n/s
<b>Total medium/long-term funding from banks and bond funding</b>	<b>10,148</b>	<b>9,433</b>	<b>7.6%</b>

### 3.1.5.3. Developments in postal savings

At 31 December 2013, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €242,417 million, compared with €233,631 million at the end of 2012, an increase of 4%.

More specifically, the carrying amount of postal passbook savings accounts reached €106,920 million, while savings bonds, which are measured at amortised cost, came to €135,497 million.

## Stock of postal savings

(millions of euros)

	31/12/2013	31/12/2012	% change
Passbook savings accounts	106,920	98,778	8.2%
Postal savings bonds	135,497	134,853	0.5%
<b>Total</b>	<b>242,417</b>	<b>233,631</b>	<b>3.8%</b>

The increase in postal savings was mainly due to the increase in net funding that CDP posted in passbook accounts and, to a much lesser extent, to the increase in savings bonds.

Postal savings remains a major component of household savings. In 2013, the weight of postal savings on total household financial assets in the form of bank deposits (current accounts, deposits and bonds), asset management, government securities and life insurances remained stable, and stood at 14.4% as at December 2013.

Net funding from passbooks was a positive €7,332 million, an increase compared to 2012, when net funding came to a positive €4,662 million. This additional increase is due to the success achieved by SMART, a new type of ordinary registered passbook, which was launched on 1 January 2013. The SMART passbook includes some innovative features such as a premium rate when specific conditions are met relating to the maintenance and/or the payment of recurring predefined amounts and the ability to access new information and management services through the dedicated online and mobile platform. In 2013, net funding through the SMART passbook came to €18,910 million, while migration from Ordinary Passbooks amounted to €11,529 million.

As a result, during 2013, the stock of ordinary registered passbook accounts, although continuing to be the main component of the entire stock of passbook accounts (79%), fell by 12%, while the SMART passbook account was highly successful, accounting for 18% of the total stock of passbook accounts at the end of 2013.

The following table shows a breakdown of net funding from passbooks, by product type.

### Passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2013	Net funding 2012
Registered passbook accounts	118,620	111,272	7,348	4,740
- Ordinary	93,782	105,803	-12,020	4,640
- Ordinary SMART	23,227	4,316	18,910	-
- Time deposits	-	0.03	-0.03	-0.04
- Minors	672	450	222	242
- Judicial	938	702	236	-142
Bearer passbook accounts	5	22	-17	-78
- Ordinary	5	22	-17	-78
- Time deposits	-	0.001	-0.001	-
<b>Total</b>	<b>118,625</b>	<b>111,293</b>	<b>7,332</b>	<b>4,662</b>

## Passbook savings accounts

(millions of euros)

	31/12/2012	Net funding	Reclassification and adjustments	Interest 01/01/2013-31/12/2013	Withholdings	31/12/2013
Registered passbook accounts	98,695	7,348	-	1,028	-217	106,854
- Ordinary	95,603	-12,020	-11	623	-134	84,060
- Ordinary SMART	-	18,910	11	312	-65	19,170
- Time deposits	4	-0.03	-	-0.003	0.001	4
- Minors	2,389	222	-	73	-15	2,669
- Judicial	699	236	-	20	-4	951
Bearer passbook accounts	83	-17	-	0.03	-0.01	66
- Ordinary	82	-17	-	0.03	-0.01	66
- Time deposits	0.5	-	-	-	-	0.5
<b>Total</b>	<b>98,778</b>	<b>7,332</b>	<b>-</b>	<b>1,028</b>	<b>-217</b>	<b>106,920</b>

The stock of postal savings bonds came to €135,497 million at the end of 2013, an overall increase of 0.5% from 2012 due to the negative net funding more than offset by interest accrued during the year.

The stock figures for bonds also include transaction costs resulting from the application of the IAS/IFRS, consisting of the distribution commissions for all types of bonds issued since 2007 until 31 December 2010. The item "premiums accrued on postal bonds" includes the stand alone value of the options embedded in bonds indexed to a basket of shares.



## Postal savings bonds - CDP stock

(millions of euros)

	31/12/2012	Net funding	Pertaining to	Withholdings	Transaction costs	Premiums accrued	31/12/2013
Ordinary bonds	70,280	-4,332	2,367	-90	23	-	68,248
Fixed-term bonds	364	-64	0.1	-2	-	-	298
Indexed bonds	4,644	-1,945	111	-24	-	60	2,847
BFP Premia bonds	4,556	-945	140	-5	-	124	3,871
Inflation indexed bonds	12,817	1,559	340	-16	-	-	14,700
Bonds for minors	3,890	419	160	-3	-	-	4,466
18-Month bonds	6,647	-5,143	75	-29	-	-	1,549
18-Month Plus bonds	10,571	-9,538	165	-57	-	-	1,141
3x4 bonds	7,347	6,592	473	-	-	-	14,412
7Insieme bonds	899	246	42	-	-	-	1,187
3-year Plus bonds	9,135	-291	333	-	-	-	9,177
2-year Plus bonds	2,848	284	92	-	-	-	3,225
Fedeltà bonds	856	5,881	78	-	-	-	6,815
Fedeltà 3x4 bonds	-	1,759	50	-	-	-	1,809
Buoni Renditalia bonds	-	392	4	-	-	-	396
BFP Europa bonds	-	211	1	-	-	-5	208
BFP Impresa bonds	-	34	0.1	-	-	-	35
BFP RisparmiNuovi bonds	-	1,065	6	-	-	-	1,071
BFP Eredità Sicura bonds	-	43	0.2	-	-	-	43
<b>Total</b>	<b>134,853</b>	<b>-3,771</b>	<b>4,437</b>	<b>-226</b>	<b>23</b>	<b>179</b>	<b>135,497</b>

Note: transaction costs include the amortisation of the adjustment of commissions for 2007-2010.

Gross subscriptions of savings bonds for 2013 came to €24,669 million, a decline of 16% from 2012. The types of savings bonds that posted increased subscription volumes were the following: 3x4 bond (30% of total subscriptions), 3 year Fedeltà bond (24% of total subscriptions), Italian inflation-linked bond (14% of total subscriptions) and the 3x4 Fedeltà bond (7% of total subscriptions).

As regards the expansion of the range of postal savings products offered by CDP, in addition to the 3 year Fedeltà bond and the 3x4 Fedeltà bond, the Renditalia bond, Buono Europa bond, Buono Eredità Sicura bond, RisparmiNuovi bond and Impresa bond were also launched during the year. The Renditalia bond and the Europa bond are indexed, respectively, to the 6 month treasury bills and the Euro Stoxx 50 equity index. The RisparmiNuovi bond, the Impresa bond and the Eredità Sicura bond target specific categories of customers; the first is for people investing new cash, the second can be subscribed by small and medium-sized enterprises, small businesses and self-employed professionals, while the third is aimed at beneficiaries of succession proceedings on assets held at Poste Italiane.

For reasons related to the optimisation of the range of products offered, some of the bonds offered by CDP in 2012 were no longer subscribable at the reporting date, specifically the Indexed bonds, Premia bonds, 18 month Plus bonds, 2-year Plus bonds, 3 year Plus bond and the 3x4 Fedeltà bond.

## Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Repayments	Net funding 2013	Net funding 2012	% change
Ordinary bonds	909	5,241	-4,332	-6,887	-37.1%
Fixed-term bonds	0.4	64	-64	-94	-32.6%
Indexed bonds	-	1,945	-1,945	-1,633	19.1%
BFP Premia bonds	-	945	-945	-1,917	-50.7%
Inflation indexed bonds	3,475	1,916	1,559	-1,617	n/s
Bonds for minors	649	230	419	445	-5.8%
18-Month bonds	999	6,142	-5,143	-5,249	-2.0%
18-Month Plus bonds	659	10,196	-9,538	3,052	n/s
3x4 bonds	7,361	769	6,592	5,265	25.2%
7Insieme bonds	328	81	246	879	-72.0%
3-year Plus bonds	101	392	-291	9,010	n/s
2-year Plus bonds	477	192	284	2,813	-89.9%
Fedeltà bonds	6,047	166	5,881	854	588.5%
Fedeltà 3x4 bonds	1,846	88	1,759	-	n/s
Buoni Renditalia bonds	417	26	392	-	n/s
BFP Europa bonds	219	8	211	-	n/s
BFP Impresa bonds	37	3	34	-	n/s
BFP RisparmiNuovi bonds	1,099	34	1,065	-	n/s
BFP Eredità Sicura bonds	45	3	43	-	n/s
<b>Total</b>	<b>24,669</b>	<b>28,440</b>	<b>-3,771</b>	<b>4,922</b>	<b>n/s</b>

Net CDP funding from savings bonds came to a negative €3,771 million, compared to net positive funding in 2012 (€4,992 million). This result is mainly due to the high volume of redemptions at the same time that the 18 month bonds and the 18 month Plus bonds, predominantly paperless, are maturing, being only partially offset by reinvestment in new bonds. For bonds pertaining to the MEF, on the other hand, redemptions came to €7,226 million, down approximately 14% from 2012. As a result, total net redemptions of savings bonds (both CDP and MEF) for 2013 came to €10,997 million, compared with net redemptions of €3,530 million in 2012.

## Postal savings bonds - Total net funding (CDP+MEF)

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 2013	Net funding 2012	% change
Ordinary bonds	-4,332	6,733	-11,064	-13,587	-18.6%
Fixed-term bonds	-64	493	-557	-1,846	-69.8%
Indexed bonds	-1,945	-	-1,945	-1,633	19.1%
BFP Premia bonds	-945	-	-945	-1,917	-50.7%
Inflation indexed bonds	1,559	-	1,559	-1,617	n/s
Bonds for minors	419	-	419	445	-5.8%
18-Month bonds	-5,143	-	-5,143	-5,249	-2.0%
18-Month Plus bonds	-9,538	-	-9,538	3,052	n/s
3x4 bonds	6,592	-	6,592	5,265	25.2%
7Insieme bonds	246	-	246	879	-72.0%
3-year Plus bonds	-291	-	-291	9,010	n/s
2-year Plus bonds	284	-	284	2,813	-89.9%
Fedeltà bonds	5,881	-	5,881	854	588.5%
Fedeltà 3x4 bonds	1,759	-	1,759	-	n/s
Buoni Renditalia bonds	392	-	392	-	n/s
BFP Europa bonds	211	-	211	-	n/s
BFP Impresa bonds	34	-	34	-	n/s
BFP RisparmiNuovi bonds	1,065	-	1,065	-	n/s
BFP Eredità Sicura bonds	43	-	43	-	n/s
<b>Total</b>	<b>-3,771</b>	<b>7,226</b>	<b>-10,997</b>	<b>-3,530</b>	<b>211.6%</b>

If passbook accounts are also considered, total net redemptions (CDP+MEF) come to €3,665 million, compared to a positive net funding of €1,132 million posted in 2012. Of particular note is the fact that the overall net redemptions on savings bonds (CDP+MEF) was only partially offset by the positive net funding from passbooks.

## Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 2013	Net funding 2012	% change
Postal savings bonds	-10,997	-3,530	211.6%
- of which: pertaining to CDP	-3,771	4,922	n/s
- of which: pertaining to the MEF	-7,226	-8,452	-14.5%
Passbook savings accounts	7,332	4,662	57.3%
CDP net funding	3,561	9,584	-62.8%
MEF net funding	-7,226	-8,452	-14.5%
<b>Total</b>	<b>-3,665</b>	<b>1,132</b>	<b>n/s</b>

#### ***3.1.5.4. The agreement with Poste Italiane S.p.A.***

The existing agreement between CDP and Poste Italiane for 2011-2013, signed on 3 August 2011, with subsequent supplementary agreements signed in 2011 and 2012, was automatically renewed for another three years from 2014 to 2016. Nevertheless, CDP and Poste Italiane have started negotiations to enter into a new agreement aimed at redefining the postal savings management service in the coming years, also taking into account the partial privatisation process that may affect Poste Italiane.

In December, CDP and Poste Italiane signed a Supplementary Agreement that redefines net funding targets and the related remuneration for both parties in 2013. This agreement, aimed at expanding, improving and innovating the postal savings funding service, also contains a series of commitments by Poste Italiane designed to further promote postal savings products and improve the service of issuing and placing these products.

As a consequence of the above and the results achieved, the total commissions accrued in relation to postal savings services payable to Poste Italiane for 2013 came to €1,620 million.

#### **3.1.6. The treasury activities of the Fintecna Group**

The funding of the Fintecna Group amounted to over €1.2 billion, of which €635 million representing the current portion entirely attributable to the Fincantieri Group (including the “construction loans” of the VARD Group). The remainder consists of €288 million in medium and long term bank loans and €300 million in bonds issued by Fincantieri to increase its financial resources, extending the average maturity of its financial commitments and diversifying its sources of funding by disintermediating the banks with respect to its cash requirements. Compared to 2012, the change in the group's net funding is mainly attributable to the consolidation of the VARD group's debts and the above-mentioned bond issue by Fincantieri, net of the decrease in exposure of the subsidiary Orizzonte Sistemi Navali S.p.A.

As at 31 December 2013, the balance of cash and cash equivalents of the Fintecna Group was approximately €0.9 billion. The decrease compared to the end of 2012 was approximately €0.4 billion, mainly due to the net effect of: (i) the ordinary and extraordinary dividends paid to the parent company (€0.5 billion), (ii) the impact of the VARD acquisition by Fincantieri (€0.2 billion), and (iii) the partial sale of Fintecna's securities portfolio (€0.4 billion).

The balance of the debt securities was €1.1 billion, and was made up of government securities in the amount of about €0.8 billion (BTP and CCT) and two bonds issued by banks totalling €270 million. Compared to 31 December 2012, the balance was down by more than €400 million as a result of the above-mentioned net disinvestment in government bonds and of the partial repayment of a bond (approximately €90 million).

It should be noted that 80% of the total cash and cash equivalents and debt securities pertains to the parent company, Fintecna, which holds it as an asset against “provisions” on the liability side of its Balance Sheet.

### Stock of investments of financial resources

*(millions of euros)*

	31/12/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	930	1,289	-27.9%
Debt securities	1,070	1,568	-31.8%
<b>Total</b>	<b>2,000</b>	<b>2,857</b>	<b>-30.0%</b>

### 3.1.7. The treasury activities of the SACE Group

The purpose of the financial operations of the SACE Group is to manage a range of risks through the application of asset-liability management (ALM) methods. In doing so, the Group has successfully kept within the risk limits set for each of its subsidiaries and for each type of investment.

These limits are fixed to ensure prudent and effective asset management, aimed at controlling portfolio risks and maintaining these within previously defined limits. Value-at-Risk models are used to quantify capital requirements.

As at 31 December 2013, the balance of cash and cash equivalents of SACE was about €1.8 billion consisting of: (i) approximately €150 million in current accounts held with banks, (ii) approximately €850 million in time deposits, and (iii) approximately €800 million in units of mutual funds and investment vehicles and to a lesser extent in shares. The overall balance of debt securities was approximately €3.7 billion, a reduction of about 24% in the stock compared with 2012. This change mainly resulted from the distribution of reserves to the parent company totalling €1,001 million approved on 20 December 2013.

### Stock of investments of financial resources

*(millions of euros)*

	31/12/2013	31/12/2012	% change
Cash and cash equivalents and other treasury investments	1,794	1,794	-
- of which Equity investments and shares	787	662	18.9%
Debt securities	3,746	4,950	-24.3%
<b>Total</b>	<b>5,540</b>	<b>6,744</b>	<b>-17.9%</b>

## 3.2. THE TERNA GROUP

### NATIONAL TRANSMISSION GRID

The number of plants belonging to the Terna Group at 31 December 2013 and 31 December 2012 is shown in the following table:

Number of plants	Terna Group		Change
	31/12/2013	31/12/2012	
No. of stations	475	468	+7
No. of transformers	651	650	+1
MVA	138,719	136,809	+1,910
No. of bays	5,105	5,047	+58
Lines km	57,539	57,439	+100
No. of 3-phase power lines	4,108	4,077	+31
km	63,594	63,447	+147

### DEVELOPMENT OF THE NATIONAL TRANSMISSION GRID

On 29 January 2013, in compliance with the Ministerial Decree of 20 April 2005 (regarding the concession, as amended by decree of the Ministry for Economic Development of 15 December 2010) and Legislative Decree 93/2011, the 2013 Development Plan was sent to the competent authorities for approval.

The Plan, as approved by the Terna board of directors on 19 December 2012, underwent the consultation procedures with the Users' Consultative Committee<sup>23</sup> (16 December 2012, 21 February 2013), which issued a favourable opinion on both the new initiatives and the 2013 Plan in general.

The 2013 Plan consists of a main document and three annexes for further study; more specifically:

- the 2013 Development Plan is the central document that describes the general Italian and European framework, the objectives and criteria underlying the planning process of the transmission grid, the forecast and the new development needs that emerged during 2012, the priorities for action and the expected results from implementing the Development Plan;
- Annex 1 - Details of the regulatory framework: contains details of recent legislation and regulations for the sector;
- Annex 2 - Key findings of the electricity system and markets: describes the main events and trends that have characterized the national electricity system in recent years;
- Annex 3 - Technical and financial evaluations: provides details regarding the financial feasibility analyses for the main development programmes.

<sup>23</sup> The Users' Consultative Committee, established with the Prime Minister's Order of 11 May 2004, expresses a non-binding opinion on the Development Plan as required by the Italian Antitrust Authority Decision 14542 of 4 August 2005.

The 2013 Development Plan calls for investment of about €7.9 billion<sup>24</sup> over the ten-year period 2013-2022, of which €3 billion in the first five years and €4.3 billion in the second five-year period, which will be used to increase the efficiency of the electricity system and achieve savings of over €1.5 billion per year. Implementation of the Development Plan will also add about 5,000 km of new power lines to the NTG and over 160 new stations with new transformation capacity of about 44,000 MVA.

The 2014 edition of the European Ten-Year Network Development Plan (TYNDP 2014) is currently being prepared in accordance with the provisions of the EU Regulation for the Third Energy Package. The Plan calls for Terna's direct involvement in the Regional Forum: Continental Central South and Continental South East, of which Terna is a member.

### WORK PERFORMED DURING THE PERIOD

With reference to investment in regulated activities for the year, those of the parent Terna mainly related to:

- progress of works on the "Sorgente-Rizziconi": both the three-phase underwater cables and the optical fibre were laid down and the related protection work was completed, as well as the excavation of the pit on the Scilla side. Excavation of the tunnel in Favazzina is being performed and work on the "Villafranca-Sorgente" 380 kV power line is under way. As regards the power stations in Calabria and Sicily, work is nearing completion that include, respectively, for Scilla the second phase activities on the 150 kV section and for Sorgente, civil works and installation of the 380 kV armoured structure from the Villafranca station;
- "Dolo-Camin" works: in December 2012, the State Council confirmed cancellation of the authorisation decree for the NTG project called "Dolo-Camin" (rationalization at 380kV between Venice and Padua). As a result, in 2013 activities were completed for the safety and preservation of the works already carried out, while the analysis of a new project was started to be resubmitted for authorisation. To date it is not known when the new authorisation may be obtained, nor is it possible to predict the impact in terms of time and cost on the implementation of the project;
- "Trino-Lacchiarella" power line: construction activities were completed and tests of the bays at the power stations of Trino and Lacchiarella were also completed for commissioning of the power line which took place in early 2014. The demolition and environmental restoration plan was also initiated;
- construction of "Italy and Montenegro" underwater connection: preliminary work has begun at the Cepagatti (Pescara) power station, involving purchase of the land required for the construction of the Kotor power station; in addition, a survey and the detailed design of an underwater cable are ongoing and the supplier Nexans has started production of the first part of the cable;
- construction of the "Foggia-Gissi-Villanova" power line: the "Villanova-Gissi" power line is currently in the design stage; activities are under way to obtain the required rights of way and preparation of materials for opening of the construction site in the first half of 2014;
- reorganisation of the Northern Calabria Network and construction of the "Foggia-Benevento II".

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24 Including investment planned for the installation of distributed storage systems.

## 4. Financial position and performance

### 4.1. PARENT COMPANY

The financial position and performance of the parent company at 31 December 2013 is presented below. In order to facilitate understanding of the results for the period, the analysis of the balance sheet and income statement uses the statements reclassified based on operational criteria.

#### 4.1.1. Reclassified balance sheet

##### 4.1.1.1. Assets

The assets of the parent company from the reclassified balance sheet at 31 December 2013 can be grouped into the following aggregates:

#### Reclassified balance sheet

(millions of euros)

	31/12/2013	31/12/2012	% change
<b>ASSETS</b>			
Cash and cash equivalents and other treasury investments	147,507	139,062	6.1%
Loans to customers and banks	103,211	100,508	2.7%
Debt securities	23,054	24,347	-5.3%
Equity investments and shares	32,693	30,570	6.9%
Assets held for trading and hedging derivatives	798	1,012	-21.2%
Property, plant and equipment and intangible assets	224	214	4.8%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,558	8,972	-38.0%
Other assets	1,640	748	119.4%
<b>Total assets</b>	<b>314,685</b>	<b>305,431</b>	<b>3.0%</b>

At the end of the period, total assets came to €315 billion, a 3% increase from the end of the previous year, when the total was €305 billion.

The stock of cash and cash equivalents (with the available balance on the treasury account equal to €133 billion) was above €147 billion, an increase of 6% over the end of 2012. Net of OPTES operations amount-



ing to €10 billion, the balance would have been essentially stable (over €137 billion, -1% compared with the end of 2012) despite the start of the early repayment LTRO programme and the deterioration of the performance of postal funding.

The stock of loans to customers and banks came to more than €103 billion, an increase of +3% compared with the end of 2012. The increase was primarily attributable to the expansion of financing through instruments to support the economy and, to a lesser extent, the contribution of the business lines involving lending to public and private enterprises for infrastructure development, in contrast to the reduction in loans to companies and government entities.

Debt securities totalled over €23 billion, a decrease compared to 2012, mainly due to the redemption of government securities during the financial year.

At the end of 2013, the carrying amount of equity investments and shares was equal to about €33 billion, up (+7%) from the €31 billion reported at the end of 2012). This result is mainly ascribable to the subscription of a capital increase of about €2.5 billion carried out by FSI, impairments of the investments held in SACE and Fintecna and, to a smaller degree, drawings on the investment funds and investment vehicles which CDP has subscribed.

Assets held for trading and hedging derivatives decreased compared with the end of 2012 (-21%). This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes: at 31 December 2013, the change in this balance mainly reflected the early extinguishment of the options acquired to hedge the corresponding option component of the equity-linked postal savings bonds (indexed bonds and BFPPremia bonds).

The total balance of property, plant and equipment and intangible assets came to €224 million, of which €218 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to inclusion in the accounts of land and buildings for a total of around €3 million, following the demerger of Fintecna Immobiliare, and to a larger volume of investments made in 2013 compared with the depreciation and amortisation charge recognised on existing assets. Specifically, capital expenditure for the year decreased slightly (to about €15 million in 2013 compared with over €17 million in 2012), due to lower investments in IT and in new office fittings, partially offset by the higher amount of funds allocated to the renovation of properties owned by CDP.

Accrued income, prepaid expenses and other non-interest-bearing assets decreased significantly compared with the end of 2012, from €8,972 million to €5,558 million. The change was mainly attributable to the decrease in past-due loans to be settled, principally as a result of: (i) a reduction in interest accrued on cash and cash equivalents; and (ii) a decrease in the fair value of loans hedged for financial

risks using derivative instruments, which, as discussed below, is matched by a decrease in the negative fair value of the related hedging derivatives.

Finally, other assets amounting to €1,640 million more than doubled compared with the €748 million at the end of 2012. This aggregate includes current and deferred tax assets, payments on account for withholding on interest on postal passbooks and other sundry assets. This trend was mainly due to the increase in advance payments for IRES tax and IRAP tax, in the amount of 130%, estimated for 2013, calculated on the already high amount of tax for 2012.

#### 4.1.1.2. Liabilities and equity

The reclassified liabilities and equity of CDP at 31 December 2013 can be grouped into the following aggregates:

#### Reclassified balance sheet

(millions of euros)

	31/12/2013	31/12/2012	% change
<b>LIABILITIES AND EQUITY</b>			
Funding	291,939	282,335	3.4%
- of which: postal funding	242,417	233,631	3.8%
- of which: funding from banks	22,734	32,242	-29.5%
- of which: funding from customers	20,007	10,055	99.0%
- of which: funding from bonds	6,782	6,407	5.9%
Liabilities held for trading and hedging derivatives	1,946	3,109	-37.4%
Accrued expenses, deferred income and other non-interest-bearing liabilities	497	695	-28.5%
Other liabilities	1,480	1,528	-3.1%
Provisions for contingencies, taxes and staff severance pay	685	928	-26.2%
Equity	18,138	16,835	7.7%
<b>Total liabilities and equity</b>	<b>314,685</b>	<b>305,431</b>	<b>3.0%</b>

Total funding at 31 December 2013 came to around €292 billion (+3.4% from the end of 2012). Within this aggregate, postal funding continued to grow (up 4% from the end of 2012), with the stock – which comprises passbook savings accounts and postal savings bonds – amounting to over €242 billion.

Also contributing to the balance of funding, albeit to a lesser extent, were the following components:

- funding from banks, which fell from over €32 billion at the end of 2012 to about €23 billion at the end of 2013, mainly due to the start of the early recovery plan for the ECB LTRO loan (the total re-

payment made during the year was around €9 billion), only partially offset by draws on EIB credit lines;

- funding from customers, which almost doubled compared with the end of 2012 to about €20 billion; this performance was mainly attributable (i) stock generated by OPTES operations totalling €10 billion (the balance was nil at the end of 2012); (iii) the increase in FSI funds deposited with the parent company following the already mentioned capital increase; and (iii) the reduction in the portion of specific-purpose loans in repayment as at 31 December 2013 and not yet disbursed;
- funding from bonds, which declined by 6% from the end of 2012 to about €7 billion, due to the higher volume of EMTN issues, which more than offset the closure of the covered bond programme.

Liabilities held for trading and hedging derivatives posted a decrease compared with the end of 2012 (-37%) down to €1,946 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as hedge positions for accounting purposes. The change reflects the reduction in the embedded option component associated with the early repayment of equity-linked bonds.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to €497 million, decreased by 29% compared with the figure at the end of 2012 due to the combined effect of lower accrued expenses and the decrease in fair value of the hedged bond funding.

Developments in the other aggregates can be summarised as follows: (i) the decrease in other liabilities, the stock of which totalled €1,480 million at December 2013, was mainly due the rise in the liability in respect of Poste Italiane for the remuneration of fund-raising services in the postal savings system.

Finally, equity at the end of 2013 came to €18 billion. The increase over the end of 2012 (+8%) was due to the combined impact of net income for the period (€2,349 million), only partially offset by dividends paid to shareholders in the period in respect of 2012 net income.

#### 4.1.1.3. Balance sheet ratios

##### Main indicators (reclassified data)

	2013	2012
Loans to customers and banks/Total assets	32.8%	32.9%
Loans to customers and banks/Postal funding	42.6%	43.0%
Equity investments and shares/Equity	1.80x	1.82x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.292%	0.118%
Net bad debts and substandard loans/Net loans to customers and banks	0.196%	0.049%
Net writedowns/Net loans to customers and banks	0.039%	0.020%

In 2013, the growth in funding from postal savings was in line with the growth in the stock of loans to customers and banks, and, as a result, the ratio between the stocks remained essentially stable.

The ratio of equity investments and shares to the company's total equity decreased as a result of an increase in the denominator due to the net income (net of dividends paid to shareholders) proportionately larger than the increase generated in the numerator by the new investments made by CDP.

The credit quality of CDP's loan portfolio remains very high and its risk profile moderate, albeit with a slight deterioration, as shown by the very low cost of credit.

## 4.1.2. Reclassified income statement

### 4.1.2.1. Financial performance

The following analysis of CDP's performance is based on an income statement that has been reclassified on the basis of operational criteria, and specifically:

#### Reclassified income statement

(millions of euros)

	31/12/2013	31/12/2012*	Change (+/-)	% change
Net interest income	2,539	3,522	(982)	-27.9%
Dividends and gains (losses) on equity investments	2,080	1,719	361	21.0%
Net commission income	(1,583)	(1,612)	29	-1.8%
Other net revenues	77	171	(94)	-54.9%
<b>Gross income</b>	<b>3,114</b>	<b>3,800</b>	<b>(686)</b>	<b>-18.1%</b>
Net writedowns	(45)	(23)	(22)	97.9%
Overheads	(127)	(111)	(16)	14.6%
- of which: administrative expenses	(119)	(103)	(16)	15.8%
<b>Operating income</b>	<b>2,953</b>	<b>3,677</b>	<b>(724)</b>	<b>-19.7%</b>
<b>Net income (loss)</b>	<b>2,349</b>	<b>2,853</b>	<b>(504)</b>	<b>-17.7%</b>

\*As of the 2013 financial statements, the income statement item "210. Gains (Losses) on equity investments" is recognised in the reclassified income statement under Dividends and gains (losses) on equity investments. The amounts as at 31 December 2012 have been revised accordingly.

The results for 2013 show the full achievement of the targets set in the 2011-2013 Business Plan, despite the significant change seen in the market after the approval of the Plan.

Net interest income amounted to €2,539 million, down around 28% compared with 2012 due to the expected normalisation of the spread between lending and funding, after the particularly strong performance in 2012 as a result of the movements in market interest rates.

The trend in net interest income was partially offset at gross income level, where the increase in the contribution from equity investments in terms of dividends more than offset the gain generated in 2012 by the Eni partial divestment.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets.

## Breakdown of overheads

(thousands of euros)

	31/12/2013	31/12/2012	Change (+/-)	% change
Staff costs	62,979	54,882	8,097	14.8%
Other administrative expenses	53,670	45,386	8,284	18.3%
Professional and financial services	8,324	8,862	(538)	-6.1%
IT costs	23,937	18,676	5,261	28.2%
General services	8,326	7,785	541	7.0%
Publicity and marketing expenses	3,035	2,515	520	20.7%
- of which for mandatory publicity	1,219	1,150	69	6.0%
Information resources and databases	1,421	1,252	169	13.5%
Utilities, duties and other expenses	8,346	5,852	2,494	42.6%
Corporate bodies	281	445	(164)	-36.9%
<b>Total net administrative expenses</b>	<b>116,649</b>	<b>100,267</b>	<b>16,382</b>	<b>16.3%</b>
Expenses rebilled to third parties	2,660	2,720	(60)	-2.2%
<b>Total administrative expenses</b>	<b>119,309</b>	<b>102,987</b>	<b>16,322</b>	<b>15.8%</b>
Net adjustments of property, plant and equipment and intangible assets	7,494	7,690	(196)	-2.6%
<b>Grand total</b>	<b>126,802</b>	<b>110,677</b>	<b>16,125</b>	<b>14.6%</b>

Staff costs in 2013 came to €63 million, an increase of 15% compared with 2012. The increase mainly reflects the expansion in the workforce to strengthen CDP's skill set as envisaged in the 2011-2013 Business Plan, ordinary wage developments and expenses for employee services (including the provisions for future employee costs, aimed at facilitating the early retirement of staff to satisfy the age and social security contribution requirements for pension entitlement).

Other administrative expenses also increased, reflecting the full implementation of the initiatives contained in the Business Plan. The change was the primarily the result of: (i) higher IT expenses due to the

acceleration in spending on the technological innovation projects envisaged in the 2011-2013 Business Plan; (ii) increased expenses connected with renovation of the Company's buildings and (iii) higher expenses associated with the promotion of activities carried out by CDP.

Lastly, considering the increase in income tax due to the 8.5% IRES surtax for 2013 for financial and insurance intermediaries (increase in the overall IRES tax from 27.5% to 36%), net income for the period amounted to €2,349 million, a decrease of around 18% compared with the result achieved in 2012.

Net of non-recurring factors relating (i) to Extraordinary dividends for the financial year 2013 received by Fintecna and SACE and the impairments on equity investments and (ii) to the gain generated for the financial year 2012 by the partial divestment of Eni shares, there was a net income for 2013 of about €2 billion, a slower decline than for the net interest income and in line with the 2011-13 Plan targets.

### Reclassified income statement - *pro forma* excluding non-recurring items

(millions of euros)

	31/12/2013	31/12/2012	Change (+/-)	% change
<b>Net interest income</b>	<b>2,539</b>	<b>3,522</b>	<b>(982)</b>	<b>-27.9%</b>
Dividends and gains (losses) on equity investments	1,688	1,240	448	36.1%
Net commission income	(1,583)	(1,612)	29	-1.8%
Other net revenues	77	171	(94)	-54.9%
<b>Gross income</b>	<b>2,721</b>	<b>3,321</b>	<b>(599)</b>	<b>-18.0%</b>
Net writedowns	(45)	(23)	(22)	97.9%
Overheads	(127)	(111)	(16)	14.6%
<b>Operating income</b>	<b>2,561</b>	<b>3,198</b>	<b>(637)</b>	<b>-19.9%</b>
<b>Net income (loss)</b>	<b>2,019</b>	<b>2,399</b>	<b>(379)</b>	<b>-15.8%</b>

#### 4.1.2.2. Performance indicators

Analysing the indicators, we find a reduction in the spread between lending and funding rates, which went from about 150 basis points in 2012 to about 110 basis points in 2013.

Despite the decline in financial income and the increase in overheads due to the plan for the expansion of the workforce and the IT infrastructure as envisaged in the Business Plan, the cost/income ratio remained very low (4%) and well within the targets set.

Finally, the return on equity (ROE) was down compared with 2012, from 19.7% to 14.0%, reflecting the increase in net income for the year.

### Main indicators (reclassified data)

	2013	2012*
Net interest income/Gross income	81.6%	92.7%
Net commissions/Gross income	-50.8%	-42.4%
Other revenues/Gross income	69.3%	49.7%
Commission expense/Postal funding	0.7%	0.7%
Spread interest-bearing assets liabilities	1.1%	1.5%
Cost/income ratio	4.1%	2.9%
Cost/income ratio (including commission expense on postal funding)	37.3%	32.4%
Net income/Opening equity (ROE)	14.0%	19.7%
Net income/Average equity (ROAE)	13.4%	18.2%

\* As of the 2013 financial statements, the income statement item "210. Gains (Losses) on equity investments" is recognised in the reclassified income statement under Dividends and gains (losses) on equity investments. The amounts as at 31 December 2012 have been revised accordingly.

#### 4.1.3. Reconciliation

The following table reconciles the financial statements prepared in accordance with Bank of Italy circular no. 262/2005, as amended, and the aggregates as reclassified on an operational basis.

The reclassifications mainly concerned:

- the allocation, to specific and distinct items, of interest-bearing amounts and non-interest-bearing amounts;
- the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates, both in relation to products and to business lines.

## Balance sheet - Assets

(millions of euros)

	2013 financial year	ASSETS - RECLASSIFIED SCHEDULES							
		Cash and Cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest- bearing assets	Other assets
<b>ASSETS</b>									
10. Cash and cash equivalents	0.004	0.004							
20. Financial assets held for trading	473					473			
40. Financial assets available for sale	4,939			3,994	924			21	
50. Financial assets held to maturity	18,327			18,120				207	
60. Loans to banks	14,851	3,954	10,671					226	
70. Loans to customers	242,136	143,553	92,540	940				5,104	
80. Hedging derivatives	325					325			
100. Equity investments	31,769				31,769				
110. Property, plant and equipment	218						218		
120. Intangible assets	6						6		
130. Tax assets	1,234								1,234
150. Other assets	407								407
<b>Total assets</b>	<b>314,685</b>	<b>147,507</b>	<b>103,211</b>	<b>23,054</b>	<b>32,693</b>	<b>798</b>	<b>224</b>	<b>5,558</b>	<b>1,640</b>



## Balance sheet - Liabilities and equity

(millions of euros)

	2013 financial year	LIABILITIES AND EQUITY - RECLASSIFIED SCHEDULES					
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies, and staff severance pay	Equity
<b>LIABILITIES AND EQUITY</b>							
10. Due to banks	24,009	23,680		329			
20. Due to customers	261,520	261,478		43			
30. Securities issued	6,907	6,782		126			
40. Financial liabilities held for trading	445		445				
60. Hedging derivatives	1,449		1,449				
70. Adjustment of financial liabilities hedged generically	52		52				
80. Tax liabilities	669					669	
100. Other liabilities	1,480				1,480		
110. Staff severance pay	1					1	
120. Provisions	15					15	
130. Valuation reserves	975						975
160. Reserves	11,371						11,371
180. Share capital	3,500						3,500
190. Treasury shares	-57						-57
200. Income (Loss) for the period	2,349						2,349
<b>Total liabilities and equity</b>	<b>314,685</b>	<b>291,939</b>	<b>1,946</b>	<b>497</b>	<b>1,480</b>	<b>685</b>	<b>18,138</b>

## Income statement

(millions of euros)

		INCOME STATEMENT - RECLASSIFIED SCHEDULES											
	2013 financial year	Net interest income	Dividends and gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Net writedowns	Overheads	Other operating income (costs)	Operating income	Net provisions	Taxes	Net income (loss)
INCOME STATEMENT													
10. Interest income and similar revenues	8,734	8,734				8,734				8,734			8,734
20. Interest expense and similar charges	-6,195	-6,195				-6,195				-6,195			-6,195
40. Commission income	40			40		40				40			40
50. Commission expense	-1,623			-1,623		-1,623				-1,623			-1,623
70. Dividends and similar revenues	3,089		3,089			3,089				3,089			3,089
80. Net gain (loss) on trading activities	76				76	76				76			76
90. Net gain (loss) on hedging activities	-15				-15	-15				-15			-15
100. Gains (Losses) on disposal or repurchase	16				16	16				16			16
130. Writedown for impairment	-45						-45			-45			-45
150. Administrative expenses	-120							-120		-120			-120
160. Net provisions	-0.4										-0.4		-0.4
170. Net adjustments of property, plant and equipment	-5							-5					-5
180. Net adjustments of intangible assets	-2							-2					-2
190. Other operating income (costs)	5							0.4	4	5			5
210. Gains (Losses) on equity investments	-1,009		-1,009			-1,009				-1,009			-1,009
260. Income tax for the period on continuing operations	-597											-597	-597
Total income statement	2,349	2,539	2,080	-1,583	77	3,114	-45	-127	4	2,953	-0.4	-597	2,349

## 4.2. THE IMPACT OF CONSOLIDATION

The financial position and performance of the CDP Group at 31 December 2013 is presented below, from an operational perspective, as specified below. For more detailed information on financial position and performance, please see the separate reports and financial statements of the other CDP Group companies, which contain all the relevant accounting information and an analysis of the performance of these companies.

Specifically, in the operational presentation provided, the Terna Group, the Fintecna Group, Ansaldo Energia, the Fintecna Immobiliare Group and Quadrante are consolidated using the equity method rather than on a line-by-line basis. The aim of this is to aid understanding of the Group's earning performance, by eliminating the impact of the non-financial companies – whose scope of operations differ significantly from that of the parent company – from the amounts relating to the core business. The remaining non-financial companies of the Group (CDP Reti and CDP GAS) – given that they are vehicles that are solely engaged in the management of equity investments – have been consolidated on a line-by-line basis, with the equity investment held by these companies in SNAM and TAG, respectively, measured using the equity method.

For the first time, the Group's earnings results include the contribution of the SACE Group, the Fintecna Group, the Fintecna Immobiliare Group, Quadrante, SIMEST and the FIV umbrella fund (also including the balance-sheet amounts for the latter).

The following section discusses the main changes in the financial aggregates of the CDP Group, with the exception of the aspects already presented with regard to the parent company.

For the sake of full disclosure, a schedule reconciling management accounts with the accounting statements is also provided.

### 4.2.1. Reclassified consolidated balance sheet

The following table presents the situation of the CDP Group, with specific reporting of the contributions from the spheres of operations "Business and Finance Areas of the parent company" and "Group Companies, other equity investments and other". The first sphere includes the following Areas: Public Entities, Finance, Financing, Public Interest Lending and Economic Support of the parent company. the second sphere includes, in addition to the Equity Investments area of the parent company, the remaining Areas of the parent company (which perform activities of governance, policy, control and support) and all the other Group companies. The difference between the consolidated balances and those relating to the two spheres of operations reflects intercompany eliminations and consolidation adjustments.

## Reclassified consolidated balance sheet

(millions of euros)

Assets	31/12/2013				31/12/2012	% change
	CDP Group	Parent Company Business and Finance Areas	Group entities- other equity investments and other	Elimination/ adjustment	CDP Group	
Cash and cash equivalents and other treasury investments	148,960	147,507	4,515	(3,062)	140,858	5.8%
Loans to customers and banks	105,963	102,970	3,227	(233)	102,927	2.9%
Debt securities	26,672	23,054	3,758	(140)	29,075	-8.3%
Equity investments and shares	26,269	-	39,058	(12,789)	24,770	6.1%
Reinsurers' share of technical provisions	82	-	82	-	106	-22.7%
Assets held for trading and hedging derivatives	807	798	9	-	1,031	-21.7%
Property, plant and equipment and intangible assets	364	-	329	35	355	2.4%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,613	5,558	74	(19)	9,013	-37.7%
Other assets	2,788	-	2,809	(21)	1,249	123.2%
<b>Total reclassified assets</b>	<b>317,518</b>	<b>279,887</b>	<b>53,861</b>	<b>(16,230)</b>	<b>309,384</b>	<b>2.6%</b>
<i>Total statutory assets</i>	<i>340,467</i>				<i>328,912</i>	<i>3.5%</i>

At 31 December 2013, the total assets of the CDP Group came to about €318 billion, up about 3% compared with the end of 2012.

The stock of cash and cash equivalents rose to nearly €149 billion (up more than €8 billion on the end of 2012). These include almost €147 billion relating to the Business and Finance Areas of the parent company, which have been analysed above. In addition, this aggregate includes deposits and other liquid assets attributable to FSI and the SACE Group, totalling about €4.3 billion (of which €2.8 billion has been eliminated), as well as the cash held by CDP Reti and CDP GAS, amounting to about €0.3 billion (eliminated in full upon consolidation). More specifically: (i) the increase in the FSI deposit with the parent company, following the payment in cash of about €2.5 billion by CDP as a capital increase, net of the investments in Ansaldo Energia and in IQ; and (ii) the reduction, of around €725 million, in the deposit held by the subsidiary CDP Reti with the parent company, following the payment of the third instalment of the SNAM investment.

The stock of loans to customers and banks at 31 December 2013 was up compared with the end of 2012 (+3%) and came to a total of €106 billion. The figure essentially relates to the Business and Finance Areas of the parent company, with the remainder (€3.2 billion) comprising the contribution of the SACE Group (about €2.3 billion), which is mainly related to the operations of SACE Fct (around €1.3

billion) and to receivables from foreign countries by subrogation originally transferred by the MEF. The aggregate also includes the equity investments held by SIMEST for a total of €440 million. The allocation of these equity investments under loans to customers takes account of the characteristics of the SIMEST transactions, which include the obligation of the partner to repurchase the stake upon expiration of the accords. Lastly, the aggregate includes the revolving shareholder loan granted by CDP GAS to TAG for the purpose of providing the company with financial support and analogous financing granted to CDP GAS by the parent company (the latter of which has been eliminated in consolidation), both amounting to about €230 million.

At 31 December 2013, debt securities amounted to nearly €27 billion, down 8% compared with the end of 2012. These include €23 billion relating to the Business and Finance Areas of the parent company (to which the reader is referred). The remaining balance, of €3.8 billion, includes €3.7 billion attributable to the SACE Group (of which €140 million eliminated on consolidation). This aggregate has decreased by over €1 billion compared with 2012, due to the divestment of the securities portfolio resulting from the distribution of available reserves in favour of the parent company.

Equity investments and shares increased by 6% from their level at December 2012, reaching €26 billion. The change in this aggregate is mainly attributable to: (i) the increase in capital held by the parent company in FSI, eliminated at consolidated level; (ii) the transfer to FSI of the Bank of Italy's equity investment in Generali as part of the above-mentioned capital increase and the subsequent valuation of the equity investment at market prices (at a value of €1.2 billion); (iii) the investments in IQ, of €150 million, and Ansaldo Energia, of €694 million; (iv) the valuation at equity of the equity investments held by CDP Reti and CDP GAS, respectively, in SNAM and TAG; and (v) the valuation at equity of the Terna Group, the Fintecna Group, the Fintecna Immobiliare Group and Quadrante. The change relating to these last companies is attributable, for the amount pertaining to CDP, to the income generated the period net of dividends paid (in the absence of dividends paid by Fintecna Immobiliare and Quadrante).

Reinsurers' share of technical provisions, which include reinsurers' commitments under reinsurance agreements with the SACE Group, were down compared with 31 December 2012 at about €82 million.

Assets held for trading and hedging derivatives amounted to €0.8 billion, decreasing by 22% over the figure at the end of 2012. The aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes. In addition to the contribution of the Business and Finance Areas of the parent company, amounting to €798 million, the balance is attributable to the SACE Group, in the light of the mark-to-market derivatives positions in place as at 31 December 2013.

Property, plant and equipment and intangible assets totalled almost €0.4 billion (of which €0.1 billion attributable to SACE and the remainder to parent company), up 2% over the end of 2012.

Accrued income, prepaid expenses and other non-interest-bearing assets decreased by about 38% compared with the end of 2012, from €9,013 million to €5,613 million. Readers are invited to consult the discussion of the Business and Finance Areas of the parent company for more information.

Lastly, funding from customers more than doubled compared with the end of 2012 to about €2.8 billion. In addition to items already described for the parent company, the balance includes: (i) for the SACE Group, tax assets and trade receivables totalling €0.6 billion; (ii) for the FIV – Extra Sub-Fund, the 40 properties, previously owned by the government and 6 local authorities, acquired on 30 December 2013 for a price of about €490 million. Net the effects of that transaction, the increase in the balance not attributable to the parent company, amounting to around €185 million, it is mainly due to the increase in the tax assets of SACE.

## Reclassified consolidated balance sheet

(millions of euros)

Liabilities and Equity	31/12/2013				31/12/2012	% change
	CDP Group	Parent Company Business and Finance Areas	Group entities, other equity investments and other	Elimination/adjustment	CDP Group	
Funding	289,193	260,303	32,299	(3,410)	281,620	2.7%
- of which: postal funding	242,417	211,656	30,761	-	233,631	3.8%
- of which: funding from banks	22,975	22,734	240	-	32,383	-29.1%
- of which: funding from customers	17,132	20,007	423	(3,298)	9,318	83.9%
- of which: funding from bonds	6,670	5,907	875	(112)	6,289	6.1%
Liabilities held for trading and hedging derivatives	2,017	1,946	71	-	3,121	-35.4%
Accrued expenses, deferred income and other non-interest-bearing liabilities	478	497	-	(19)	696	-31.4%
Other liabilities	1,584	-	1,616	(32)	1,645	-3.7%
Insurance provisions	2,519	-	2,519	-	2,570	-2.0%
Provisions for contingencies, taxes and staff severance pay	1,337	-	1,131	206	1,471	-9.1%
Equity	20,390	16,868	16,497	(12,975)	18,262	11.7%
- of which pertaining to the shareholders of the parent company	19,295				18,186	6.1%
<b>Total liabilities and reclassified equity</b>	<b>317,518</b>	<b>279,614</b>	<b>54,134</b>	<b>(16,230)</b>	<b>309,384</b>	<b>2.6%</b>
<b>Total liabilities and statutory equity</b>	<b>340,467</b>				<b>328,912</b>	<b>3.5%</b>

Total funding at 31 December 2013 came to over €289 billion, up 3% over the end of 2012.

Within this aggregate, postal funding, attributable to the parent company, continued to grow. For a more complete analysis see the discussion above. The amount relating to this form of funding is notionally allocated to the sphere of operations "Group Companies, other equity investments and other", on the basis of the average stock of loans held during the financial year. The purpose of this is to properly show both the funding and lending relating to the equity investment portfolio.

The aggregate also includes funding from banks, which fell from about €32 billion in 2012 to about €23 billion at 31 December 2013. The change is mainly attributable to the sphere of operations "Business and Finance Areas of the parent company", to which the reader is referred for more details, and, to a lesser extent, to SIMEST, for the use of bank credit lines, mainly granted by shareholder banks of the company, to cover the payments for equity investments made during the period.

Funding from customers almost doubled compared with the end of 2012 to about €17 billion. In relation to what has already been reported regarding the parent company, we note that the centralised deposits of FSI, SACE and CDP Reti (for a total of €3.1 billion) and the loan granted by CDP to CDP GAS (amounting to €233 million) are eliminated at consolidated level. The change in the balance reflects the payment by CDP Reti to Eni of the final instalment of the acquisition consideration for SNAM (amounting to €879 million).

Funding from bonds increased by about €0.4 billion (+6%) compared with the end of 2012 and was mainly attributable to the Business and Finance Areas of the parent company sphere of operations.

The item "Liabilities held for trading and hedging derivatives" reports the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. Compared with 2012, the change in the stock at consolidated level is essentially attributable to the Business and Finance Areas of the parent company sphere of operations, to which the reader is referred, and the FSI for the recognition at fair value earn-out and put-call options linked to the investment in Ansaldo Energia.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to about €478 million, were down compared with the figure at the end of 2012 (-€219 million). The parent company contributed the total amount of this figure.

Other liabilities decreased by 4% compared with the end of 2012 to about €1.6 billion, of which €0.1 billion relating to the SACE Group. The change in the figure, amounting to about -€61 million, is mainly attributable to the parent company.

The balance of about €2.5 billion for insurance provisions includes the provisions set aside, on the basis of reasonable forecasts, against the commitments undertaken as part of the Group's insurance business. At 31 December 2013, the balance was entirely attributable to the SACE Group.

Provisions, taxes and staff severance pay amounted to €1.3 billion, decreasing by about 9% over the figure at the end of 2012. This change is mainly attributable to the parent company, to which the reader is referred, net of the increase, totalling €80 million, in the tax liabilities relating to the SACE Group.

Equity at 31 December 2013 amounted to about €20.4 billion, up on the €18.3 billion posted at the end of 2012. This was attributable to the net income generated by the various Group companies, offset by dividends paid to shareholders out of income for 2012. Around €19.3 billion of total equity pertains to the shareholders of the parent company (an increase of +6% on 2012) and about €1.1 billion to non-controlling interests, essentially attributable to the Bank of Italy becoming a shareholder of FSI following the capital increase mentioned above.

## Equity

(millions of euros)

	31/12/2013	31/12/2012
Equity attributable to the shareholders of the parent company	19,295	18,186
Non-controlling interests	1,095	76
<b>Total Equity</b>	<b>20,390</b>	<b>18,262</b>

### 4.2.2. Reclassified consolidated income statement

The following table shows the assets and liabilities of the CDP Group, with specific reporting of the contributions from the spheres of operations "Business and Finance Areas of the parent company" and "Group Companies, other equity investments and other". For the sake of clarity, consolidation eliminations and adjustments have also been allocated either to the parent company or to the respective sphere of operations.

In the operational presentation provided below, based on the consolidation method adopted for certain non-financial companies, the "Dividends and gains (losses) on equity investments" are included in the figures as relating to the dividends and gains/losses of each company. The impact of the valuation at equity of the Fintecna Group, the Terna Group, the Fintecna Immobiliare Group, Quadrante, Eni, SNAM and TAG, is shown, net of tax, under the operating income for the Group.



## Reclassified income statement

(millions of euros)

		31/12/2013		31/12/2012	% change
	CDP Group	Parent Company Business and Finance Areas	Group entities, other equity investments and other	CDP Group	
<b>Net interest income</b>	<b>2,868</b>	<b>3,320</b>	<b>(452)</b>	<b>3,531</b>	<b>-18.8%</b>
Dividends and gains (losses) on equity investments	1,993	-	1,993	1,411	41.3%
Net commission income	(1,538)	(1,381)	(157)	(1,602)	-4.0%
Other net revenues	249	76	173	193	29.0%
<b>Gross income</b>	<b>3,572</b>	<b>2,016</b>	<b>1,556</b>	<b>3,533</b>	<b>1.1%</b>
Profit (Loss) on insurance operations	249	-	249	-	n/s
<b>Profit (Loss) on banking and insurance operations</b>	<b>3,821</b>	<b>2,016</b>	<b>1,805</b>	<b>3,533</b>	<b>8.1%</b>
Net writedowns	(51)	(45)	(6)	(23)	123.7%
Overheads	(274)	(20)	(255)	(125)	119.0%
- of which: administrative expenses	(262)	(20)	(242)	(118)	122.8%
Other operating income (costs)	(11)	2	(13)	3	n/s
<b>Operating income</b>	<b>3,496</b>	<b>1,953</b>	<b>1,543</b>	<b>3,396</b>	<b>3.0%</b>
Impact of consolidation	(116)			366	n/s
<b>Net income</b>	<b>2,522</b>			<b>2,929</b>	<b>-13.9%</b>
Net income (loss) for the year pertaining to non-controlling interests	20			2	n/s
<b>Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,501</b>			<b>2,927</b>	<b>-14.5%</b>

The net income earned by CDP Group was down compared with 2012, mainly due to the performance of the net interest income of the parent company, partly offset by higher dividends and gains from equity investments, net of the impact of consolidation. In addition, as already mentioned, the Group's earnings reflect the effects of the first-time consolidation of the SACE Group, the Fintecna Group, the Fintecna Immobiliare Group, Quadrante, SIMEST, the Plus and Extra segments of the FIV fund, not present in 2012. We also note that, with regard to CDP Reti, the 2013 results are not fully comparable with those of 2012, given that the company was established during the course of the previous financial year.

Group net income for 2013 amounted to €2,522 million (€2,501 million of which pertaining to the shareholders of the parent company), a decrease of 14% over 2012.

More specifically, net interest income came to €2,868 million, down 19% (-€663 million) compared with 2012. This performance is mainly attributable to the decrease in the spread between lending and funding registered by the parent company, partially offset by the contribution of the SACE Group (+€253 million) and SIMEST (+€23 million). The amount relating to the cost of the parent company's funding has been notionally allocated to the sphere of operations "Group Companies, other equity investments and other", on the basis of the average stock of loans held during the financial year.

"Dividends and gains (losses) on equity investments" amounted to €1,993 million at consolidated level. The figure includes: (i) dividends paid to the parent company by Eni, by the Fintecna Group and the Terna Group (respectively amounting to €1,020 million, 500 million and 120 million); (ii) dividends paid to CDP GAS and CDP Reti by TAG and SNAM (respectively amounting to €69 million and €253 million); (iii) dividends and gains attributable to FSI (in relation to dividends from Generali of about €14 million and from Kedrion of about €3 million, in addition to the valuation at equity of the investments in IQ, Metroweb and Kedrion) for a total of €23 million; and (iv) in a residual amount, the dividends paid to CDP by investment funds and investment vehicles. The dividends paid by companies consolidated at equity are subsequently eliminated within the "Impact of consolidation" figure, which also includes the amount of the net income generated by those companies attributable to the Group.

Net commission expense amounted to €1,538 million (down 4% compared with 2012), essentially borne by the parent company (mainly in relation to the Business and Finance Areas of the parent company sphere of operations. As already reported above with regard to net interest income, the amount relating to fees on the parent company's funding has been notionally allocated to the sphere of operations "Group Companies, other equity investments and other", on the basis of the average stock of loans held during the financial year. The figure also includes: (i) SIMEST for about €24 million, relating to the fees received for the management of venture capital funds, the 394 fund and the 295 fund, (ii) CDPI SGR, which received commissions during the period totalling €10 million in relation to its core business of management of the FIA and the FIV (both of which are eliminated at consolidated level), and (iii) SACE, which in 2013 posted net fee income of about €9 million.

These results were accompanied by the positive contribution from other net revenues, of €249 million at consolidated level and up €56 million compared with 2012. The figure mainly includes the gain from trading and hedging activities of the SACE Group (of about €167 million) and the contribution of the Business and Finance Areas of the parent company sphere of operations (of about €76 million), to which the reader is referred.

Profit (Loss) on insurance operations, amounting to €249 million, reports net premium income and other income and charges from insurance operations. The item is being included in consolidated net income for the first time and is entirely attributable to the SACE Group.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets. This aggregate was up by around €150 million com-

pared with 2012, mainly due to the change in the scope of consolidation, and stood at €274 million. The figure includes €127 million relating to the parent company (within the Group Companies, other equity investments and other), while the remainder is mainly attributable to the SACE Group (€109 million) and SIMEST (€20 million).

Other operating income came to -€11 million. The figure mainly includes the Extra sub-fund of FIV, with the valuation loss recognised on the property portfolio, for a total of €17 million.

As noted above, the contribution of the companies valued at equity is shown in the item "Impact of consolidation" (under income from the Group's core business), in the amount of -€116 million. The aggregate includes: +€121 million for Eni, +€33 million for Terna Group, -€11 million for CDP Reti, -€13 million for CDP GAS, -€248 million for Fintecna Group, and to a lesser extent the Fintecna Immobiliare Group and Quadrante.

Taking into account the other residual items and taxes, net income amounted to €2,522 million, down on the €2,929 million earned in 2012 (-14%).

#### **4.2.3. Reconciliations between operational and financial statement figures and between parent company and consolidated equity and net income**

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliations are shown below.

With regard to the income statement in particular, the main differences between the operational and accounting aggregates are due to the difference in the way the contribution of the Terna Group, the Fintecna Group, the Fintecna Immobiliare Group and Quadrante is shown (these companies, for accounting purposes, are fully consolidated on a line-by-line basis while in the operational financial statements they are consolidated using the equity method) and the way the contribution of Eni, SNAM and TAG is shown (already consolidated using the equity method).

The operational net interest income, amounting to €2,868 million, differs slightly from the accounting balance (of €2,841 million) due to the elimination of the figures relating to the companies consolidated at equity (Terna Group, Fintecna Group, Fintecna Immobiliare Group and Quadrante that due to their nature would have a minimal contribution to the creation of the figure), which, as a result of the approach adopted, contribute to the formation of the item "impact of consolidation".

With regard to the gross income, the difference between the accounting figure and the operational figures (which amount, respectively, to €1,631 million and €3,572 million) is mainly due to the difference

in the presentation of the dividends paid by the companies consolidated at equity, which are eliminated in the accounting financial statements. More specifically, the operational figure includes the dividends paid by Eni (€1,020 million), Fintecna (€500 million), SNAM (€254 million), Terna (€120 million) and TAG (€69 million). In the operational financial statements, these dividends are eliminated within the “Impact of consolidation” figure, which also includes the amount of the net income generated by those companies attributable to the Group.

The operational net income, amounting to €2,522 million, differs from the accounting figure (of €2,899 million) because, for the companies consolidated operationally at equity, it does not include the amount of net income due to non-controlling interests.

With regard to the Group Equity, the difference between the accounting figure and the operational figure is entirely attributable to the difference in the consolidation criteria for the non-financial companies already described above. This resulted in the reduction of the amount attributable to non-controlling interests, while leaving the amount attributable to the parent company unchanged.

## Consolidated balance sheet

(millions of euros)

	2013 financial years	ASSETS - RECLASSIFIED SCHEDULES										
		Cash and Cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Reinsurers' share of technical provisions	Assets held for trading and hedging derivatives	Property plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest- bearing assets	Other assets	Operational total	Change in operational consolidation method
<b>ASSETS</b>												
10. Cash and cash equivalents	0.7	0.7									0.7	0.7
20. Financial assets held for trading	2,574	787		1,259			490		12		2,547	27
40. Financial assets available for sale	6,533		1	3,994	1,538				21		5,555	978
50. Financial assets held to maturity	19,915			19,683					232		19,915	
60. Loans to banks	18,673	4,620	10,673						227		15,520	3,153
70. Loans to customers	245,792	143,553	95,289	1,736					5,121		245,699	94
80. Hedging derivatives	962						317				317	645
100. Equity investments	20,474				24,731						24,731	(4,256)
110. Reinsurers' share of technical provisions	82					82					82	
120. Property, plant and equipment	13,525							350			350	13,175
130. Intangible assets	2,790							14			14	2,776
140. Tax assets	2,195									1,716	1,716	479
160. Other assets	6,952								0.1	1,073	1,073	5,879
<b>Total assets</b>	<b>340,467</b>	<b>148,960</b>	<b>105,963</b>	<b>26,672</b>	<b>26,269</b>	<b>82</b>	<b>807</b>	<b>364</b>	<b>5,613</b>	<b>2,788</b>	<b>317,518</b>	<b>22,949</b>

(millions of euros)

	2013 financial year	LIABILITIES AND EQUITY - RECLASSIFIED SCHEDULES								
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest- bearing liabilities	Other liabilities	Insurance provisions	Provisions for contingencies, taxes and staff severance pay	Equity	Operational total	Change in operational consolidation method
<b>LIABILITIES AND EQUITY</b>										
10. Due to banks	27,875	23,920		329					24,249	3,626
20. Due to customers	258,783	258,603		23					258,626	156
30. Securities issued	13,568	6,670		126					6,795	6,772
40. Financial liabilities held for trading	516		515						515	1
60. Hedging derivatives	1,570		1,449						1,449	121
70. Adjustment of financial liabilities hedged generically	52		52						52	
80. Tax liabilities	2,552						1,134		1,134	1,418
100. Other liabilities	7,132			-	1,584				1,584	5,547
110. Staff severance pay	173						11		11	162
120. Provisions	2,284						192		192	2,091
130. Technical provisions	2,462					2,519			2,519	(58)
140. Valuation reserves	(18)							(18)	(18)	
170. Reserves	13,363							13,363	13,363	
180. Share premium reserve	6							6	6	
190. Share capital	3,500							3,500	3,500	
200. Treasury shares (-)	(57)							(57)	(57)	
210. Non-controlling interests (+/-)	4,205							1,095	1,095	3,111
220. Net income (loss) for the period	2,501							2,501	2,501	
<b>Total liabilities and equity</b>	<b>340,467</b>	<b>289,193</b>	<b>2,017</b>	<b>478</b>	<b>1,584</b>	<b>2,519</b>	<b>1,337</b>	<b>20,390</b>	<b>317,518</b>	<b>22,949</b>

Note: the impacts of synthetic consolidation are notionally classified in "Equity investments and shares" and "Equity".

# Consolidated income statement

(millions of euros)

CONSOLIDATED INCOME STATEMENT - RECLASSIFIED SCHEDULE																	
	2013 financial year	Net interest income	Dividends and gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Profit (Loss) on insurance operations	Profit (Loss) on banking and insurance operations	Net write-down	Overheads - of which: administrative expenses	Other operating income (costs)	Operating income	Other item and taxes	Impact of consolidation	Net income	Net income pertaining to non- controlling interests	Income pertaining to the shareholders of the parent company
INCOME STATEMENT																	
10. Interest income and similar revenues	9,169 (6,328)	9,009 (6,141)				9,009 (6,141)		9,009 (6,141)				9,009 (6,141)		160 (188)	9,169 (6,328)		9,169 (6,328)
20. Interest expense and similar charges																	
40. Commission income	103 (1,651)			87 (1,625)		87 (1,625)		87 (1,625)						16 (26)	103 (1,651)		103 (1,651)
50. Commission expense																	
70. Dividends and similar revenues	20	1,983				1,983		1,983				1,983		(1,963)	20		20
80. Net gain (loss) on trading activities	264 (14)				246 (15)	246 (15)		246 (15)						18 1	264 (14)		264 (14)
90. Net gain (loss) on hedging activities																	
100. Gains (Losses) on disposal or repurchase	68 (56)				18	18		18						50 (5)	68 (56)		68 (56)
130. Write-down for impairment									(51)			(51)					
150. Net premiums	465						465	465				465			465		465
160. Net other income (expense) from insurance operations	(216)						(216)	(216)				(216)			(216)		(216)
180. Administrative expenses	(4,255)									(262)		(262)		(3,992)	(4,255)		(4,255)
190. Net provisions	32												(5)	36	32		32
200. Net adjustments of property, plant and equipment	(505)																
210. Net adjustments of intangible assets	(93)												(7)	(498)	(505)		(505)
220. Other operating income (costs)	5,692										(11)	(11)		5,703	5,692		5,692
240. Gains (Losses) on equity investments	1,437	10				10		10				10		1,427	1,437		1,437
270. Gains (Losses) on the disposal of investments	(3)													-	(3)		(3)
290. Income tax for the period on continuing operations	(1,228)																
310. Income (Loss) after tax on disposal groups held for sale													(842)	(387)	(1,228)		(1,228)
330. Net income (loss) for the year pertaining to non-controlling interests																	
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Lastly, the following table reconciles the equity and net income of the parent company and the corresponding consolidated figures, expressed in both detailed form and aggregate form for major companies.

## Reconciliation of equity and net income of the parent company and consolidated equity and net income

(thousands of euros)

2013 financial year	Net income	Capital and reserves	Total
<b>PARENT COMPANY FINANCIAL STATEMENTS</b>	<b>2,348,764</b>	<b>15,789,194</b>	<b>18,137,958</b>
Balance from financial statements of fully consolidated companies	1,496,465	20,052,330	21,548,795
Consolidation adjustments:			
- carrying amount of fully consolidated equity investments		(19,008,031)	(19,008,031)
- Goodwill		583,611	583,611
- reclassifications	(7,037)	7,037	
- differences with Purchase Price Allocation		1,819,401	1,819,401
- management of differences with Purchase Price Allocation	45,313	(326,976)	(281,663)
- dividends from fully consolidated companies	(2,064,613)	2,064,613	
- transfer adjustments of separate financial statements	1,008,947	14,930	1,023,877
- valuation of equity investments accounted for with equity method	81,723	412,021	493,744
- elimination of intercompany transactions	5,081	7,235	12,316
- deferred tax assets and liabilities	(15,641)	(813,599)	(829,240)
- non-controlling interests	(397,706)	(3,807,772)	(4,205,478)
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>2,501,296</b>	<b>16,793,994</b>	<b>19,295,290</b>

(thousands of euros)

	Net income	Equity	Total
<b>Parent company</b>	<b>2,348,764</b>	<b>15,789,194</b>	<b>18,137,958</b>
Eni consolidation	114,516	496,705	611,221
Terna consolidation	17,922	164,521	182,443
FSI consolidation	41,303	213,310	254,613
Other	(21,209)	130,264	109,055
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>2,501,296</b>	<b>16,793,994</b>	<b>19,295,290</b>



## 5. Risk monitoring

### 5.1. MONITORING THE RISKS OF THE PARENT COMPANY

Risk monitoring activities are the responsibility of the head of Risk Management and Anti-Money Laundering (RMA), who reports directly to the Chief Executive Officer. Six units report to the head of the RMA:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational Risks;
4. Investment Risks;
5. Monitoring and Credit Control;
6. Anti-Money Laundering.

CDP's risk policies are established by the Board of Directors acting on a recommendation of the Chief Executive Officer. The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning CDP's overall risk policy and management and operational assessment of especially large risks. The Risk Committee is also responsible for providing opinions on transactions for which a second opinion is required and, in any case, on transactions with significant impact (in support and respect of the prerogatives of the Board of Directors).

Risk management and anti-money laundering duties are among the functions for which CDP performs management and coordination activities within the Group.

The overall risk environment in 2013 was dominated, as in the two prior years, by developments in the sovereign debt crisis in the euro area and spreading of the effects of the credit squeeze that accompanied the crisis in the real economy. In the first part of the year, Italian Republic debt was downgraded from A- to BBB+ by the rating agency Fitch and this was subsequently extended to CDP as well. A number of downgrades of Italian banks by the three main rating agencies were also recorded during the first half of the year. In the second half of 2013, a return to more normal conditions for sovereign and bank spreads began to emerge, which was more pronounced in the fourth quarter. The impact of these exogenous factors affected all of the risk categories to which CDP is exposed.

#### 5.1.1. Credit risk

Credit risk arises primarily in relation to lending activities – both under the Separate Account and the Ordinary Account – and on a secondary level in derivatives operations for hedging purposes and se-

curities financing (see the next section on counterparty risk). The Separate Account, which has traditionally been exposed to the state and to local authorities, has seen a steady rise in exposures to the main banking groups operating in Italy (in respect of SME support programmes, for the reconstruction of Abruzzo and to support the residential real estate market). Exposures under the Separate Account to private-sector borrowers for public interest projects promoted by Public Entities are still relatively limited, although CDP completed a number of major transactions in the infrastructures sector in 2013. The Ordinary Account grants corporate and project financing for initiatives involving the delivery of public services.

The principles followed by CDP in its lending activities are set out in the Lending Rules approved by the Board of Directors, which also govern the lending process and the roles of the units involved. The “Monitoring and Credit Control” service was set up within the RMA during 2013 and is in charge of second-level credit control and credit monitoring activities. Operations during the first phase mainly involved the preliminary examination of new loans to individual counterparties/groups with exposure over the limits indicated in the above paragraph, in order to support the second opinion provided by the Risk Committee. Control over monitoring of the loans portfolio was also developed further.

CDP has a series of ratings models developed by specialised external providers. Specifically, CDP uses ratings models for the following credit classes:

- Public Entities (quantitative “shadow rating”<sup>25</sup>);
- banks (quantitative “shadow rating” model);
- SMEs (quantitative model based on past insolvency data);
- large companies (quantitative “shadow rating” model); and
- project finance (qualitative/quantitative scorecard adjusted on a “shadow rating” basis).

The criteria for use of these models and assignment of internal ratings and recovery rates are regulated by the Rating and Recovery Rate Policy, initially introduced in 2012 and revised in 2013, defining the main principles in dealing with bank counterparties, given the growing importance of exposure to these.

The new parametric valuation model for municipalities and provincial authorities was rolled out in 2013 and classifies these entities into uniform risk categories (scoring), in order to identify cases that require further assessment of the borrower’s creditworthiness. The RMA also began analysing the explanatory variables (long list) identified by the Credit Area, aiming to set up a scoring model for banks during the course of 2014.

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<sup>25</sup> A shadow rating model is adjusted in order to replicate as faithfully as possible the ratings assigned by a rating agency, to extend the coverage to counterparties for which public ratings are not available.

In 2013, CDP constantly monitored credit risk. More specifically, the 2012 calibration of the proprietary portfolio model was maintained, in order to supplement metrics based on long-term average default probabilities (“through-the-cycle”) with metrics that reflect a correction for adverse economic conditions. Developments on the sovereign spread markets during 2013 continued to drive the trend in funding spread which, together with the margins that CDP must apply to cover expected and unexpected losses on loans, constitutes one of the main drivers of the overall lending rates. Under the Separate Account, activities to support the economy continued, using the banking system to channel postal savings funds to stimulate and sustain medium/long-term lending to SMEs. CDP’s exposure to Italian banks therefore increased and, at the end of 2013, CDP’s ten largest exposures include the three major Italian banking groups. In terms of credit risk mitigation, the new lending through banks was almost entirely<sup>26</sup> backed by the assignment of banks’ receivables in respect of SMEs as security to CDP.

CDP measures credit risk using an internal model that simulates losses from default over the long term and under various scenarios. In particular, CDP uses quantitative measures such as the Tail Conditional Expectation (TCE), defined as the expected value of losses that occur during the most adverse scenarios, with a probability that is lower than a predetermined threshold<sup>27</sup>. In allocating capital to cover credit risk, the difference between the TCE and expected loss, which represents the average loss calculated on all scenarios and not only the more adverse ones, is considered. Net TCE risk at the end of 2013 amounted to €3.5 billion, corresponding to 4.7% of the total Exposure to Default.

The ratio of the average of the 20 largest credit exposures and CDP’s capital resources provides a brief measure of the concentration on individual customers or groups of related customers. At the end of 2013, this measure amounted to 8.8%.

In 2013, CDP’s risk policies were further detailed in order to improve the management process for concentration risk, adopting a system of limits and guidelines on composition of the credit portfolio based on the capital resources of CDP. In particular, the mandatory requirement of an opinion by the Risk Committee, namely the second opinion, was introduced for transactions involving exposures falling under the criteria defined by the Chief Executive Officers, within the credit limits approved by the Board of Directors. These limits are adjusted downwards based on the internal rating and on the expected recovery rate in case of default, thereby leading to an “escalation” of the approval process for positions with higher risk. There are also cases of simultaneous credit and equity instrument exposures, assuming the adoption of risk in respect of subsidiaries and associates does not exceed specific thresholds pegged to the equity of CDP and of the investee, beyond which express approval by the Board of Directors is required.

26 Loans under the “New SME Fund - Government receivables” are an exception, with a maximum term of 12 months. This product is no longer active after 2013, and the resources originally designated to assist in the payment of government debts in respect of enterprises have been designated to financing SME investments. Following this reallocation, this product envisages assignment of the underlying receivables as security to CDP.

27 In particular, the TCE over a ten-year time frame is considered, at a calibrated confidence level corresponding to an “AA-” rating. The TCE is a measure of risk that is in many ways similar to the VaR (Value at Risk), but its mathematical properties often make it preferable in the area of credit risk. Nevertheless, CDP also monitors VaR measurements on the credit portfolio, calculated using the same internal model.

In accordance with company policies and in coordination with the Credit Department, the RMA has begun to further strengthen monitoring of the connections among groups. This activity is part of a broader plan to consolidate the processes and IT procedures supporting the assignment of credit ratings, disbursement, monitoring and recovery.

### **5.1.2. Counterparty risk**

In line with past practice, in order to mitigate counterparty risk in derivatives transactions, new transactions are only permitted with counterparties with whom a master netting agreement is in place (compliant with the ISDA 2002 standard) supported by Credit Support Annexes, which provide for the exchange of collateral. During the year, the frequency of calculation and settlement for some existing Credit Support Annexes was increased further, thereby enhancing their effectiveness in containing the exposure. At the end of 2013, CDP had 25 framework netting arrangements that involved the exchange of collateral between CDP and the corresponding bank counterparties.

In view of the volume of Securities Financing activities, the sections of the Risk Policy that govern the credit exposures that CDP may assume in this area were revised during 2013. In terms of mitigating the risk associated with such activities, the majority of repurchase agreements were carried out with Cassa di Compensazione e Garanzia as the central counterparty, benefiting from sound counterparty risk protection mechanisms.

At the end of 2013, there were 4 framework netting arrangements in effect, involving the exchange of collateral between CDP and the corresponding bank counterparties (GMRA – Global Master Repurchase Agreement, according to ISMA 2000 standards).

### **5.1.3. Interest rate and inflation risk**

The interest rate risk profile that characterises CDP is not immediately comparable to that usually observed in the banking sector, mainly due to the early redemption option of postal savings bonds. The issue of postal savings bonds indexed to consumer prices also exposes CDP to inflation risk, which is measured and managed in the same way as interest rate risk. This complex risk profile is governed through models and methods that CDP has developed over time, also using the company's extensive information base containing historical data on the trends in redemptions and subscriptions, and which envisage a detailed approach to measurement.

This approach is broken down into three dimensions:

- the various expressions of interest rate risk, economic value (and its components) and interest margin risk;
- use of different levels of analysis resolution, considering a daily time frame for measurement subject to backtesting and able to promptly provide operating guidelines, and an annual time frame to quan-

tify the economic capital; the two levels of resolution of the analysis are linked and reflect a single methodological approach in terms of risk factors and valuation principles;

- the combination of a static analysis (based on current balance sheet assets) with a dynamic one that considers prospective lending and funding volumes.

During the first part of the year, CDP continued its initiative to limit its net positive exposure to an increase in interest rates<sup>28</sup>. Exposure dropped from +€18 million at the end of 2012 to +€14.2 million at the end of the first half of 2013. In the subsequent half-year, the rise in IRS rates eliminated the need for further ALM initiatives, with exposure declining further to +10.2 million at the end of 2013.

Exposure to inflation went from -€3 million at the end of 2012 to -€2.7 million at the end of June 2013, recording a further increase during the last part of the year to -€3.4 million due to higher volumes of purchases of inflation-indexed postal savings bonds.

The impact of interest rates and inflation is also monitored by measuring the impact on CDP's economic value of parallel movements of 100 basis points in the forward curves of these two risk factors. These effects<sup>29</sup> are represented in the following table as at the end of 2013 and show a trend similar to the specific sensitivity metrics:

(billions of euros)

Change	Effect of interest rate change	Effect of inflation rate change
+100 basis points	+0.6	(0.35)
-100 basis points	(1.6)	+0.31

In addition to the sensitivity measures and to the effects of parallel movements in the forward curves based on interest rates and inflation, CDP monitors a series of exposure and risk measures, including the VaR of balance sheet items with rate-sensitive value. During the first half of 2013, the trend in interest rate and inflation rate VaR<sup>30</sup>, entirely associated with the banking book exposure, decreased from €638 million at the end of June 2013 to €295 million at the end of 2013, due to the significant decline in volatility during the six months. CDP also performs stress tests highlighting the effects of various movements in interest rates and volatility on the economic value of banking book items.

28 Defined as exposure to an increase of 1 basis point in zero-coupon rates across all maturities.

29 These exposure metrics are subject to limits approved by the Board of Directors.

30 Defined as the Value at Risk over a confidence interval of 99% over a 10-day horizon, calculated using a historical simulation approach that takes account of current volatility. The Value at Risk over a confidence level of 99% represents an estimate of the level of loss that is exceeded in only 1% of cases.

#### 5.1.4. Liquidity risk

The liquidity buffer on the treasury current account is well above the established limits as at the end of the year. The maturity transformation limits adopted by CDP for the Ordinary Account (no retail funding) were respected with a significant margin of prudence.

Reimbursement of the funding obtained through the LTRO was adjusted by taking into account the trend in postal funding and is in line with what was planned.

At the end of the first half of 2013, CDP established a new Contingency Funding Plan (CFP), revising the approval/implementation process described in the previous document. The CFP describes the processes and intervention strategies adopted by CDP to manage any liquidity crises, whether they are systemic in nature – due to sudden deterioration in the monetary and financial markets – or caused by idiosyncratic difficulties of the institution. Monitoring of early-warning indicators during the second half of 2013 did not highlight any critical issues.

During the second part of 2013, CDP initiated funding through EMTN issues for the Separate Account as well.

#### 5.1.5. Operational risk

In 2013, the “LDC” (Loss Data Collection) application for the collection of internal data on operational loss was designed, constructed and implemented. The application was designed also with a view to participating in DIPO, the Italian Operational Loss Database managed by ABIServizi S.p.A. and in which Poste Italiane and a majority of the country’s banking groups participate.

The pilot project to assess exposure to operational risks was also completed. This project involved the analysis of one of the primary processes of CDP’s core business, which has recently undergone significant process and system innovations. The results of the assessment will be used in operations to prevent and mitigate operational risks, ensuring constant monitoring of the institution’s risk profile.

The methodological framework used to assess exposure to operational risks considers the main categories of company risks and, as part of integrated management, their interrelations. In this respect, the operational risk factors model has been integrated with the money laundering risk factors, in order to standardise the risk identification criteria pursuant to Legislative Decree 231 of 21 November 2007 with those pertaining to operational risks.

The method used to assess operational risks was also used as a reference for the BIA (Business Impact Analysis) phase, in implementation of CDP’s Business Continuity Plan.

In line with the mission of fostering the development and dissemination of an operational risks culture within the Company, training initiatives were held for personnel acting as operational risks contact within their specific units.

#### **5.1.6. Money laundering and terrorist financing risk**

Effective 1 January 2014, CDP applies the Bank of Italy's "Provisions on implementing measures in terms of adequate customer verification, pursuant to Article 7.2 of Legislative Decree 231 of 21 November 2007". In this respect, initiatives for adaptation to the aforementioned Provisions were carried out during 2013, specifically regarding the following: (i) implementation of digital solutions to support the process of assigning a risk profile to customers, based on assessment criteria set forth in the primary and secondary legislation, as well as any other element deemed relevant by CDP for its own operations; (ii) revision of the internal regulations, with particular regard to drawing up a counterparty approval policy and an information procedure involving stricter diligence with regard to transactions with higher risk, as well as their active monitoring in order to avoid suspicious activities; (iii) activation of information flows on risk profiles assigned to the common counterparties of subsidiaries by CDP and falling within the scope of application of Legislative Decree 231/2007, as well as on reports of suspicious transactions.

In light of the developments envisaged upon application of the Bank of Italy provisions on adequate customer verification, training was provided to all relevant staff members on the new regulatory requirements and on the consequent amendments to internal procedures. Furthermore, specific training was provided during the year to staff members of the Anti-Money Laundering Service, in order to keep them constantly abreast of any changes in regulations and in money laundering risks.

In accordance with the supervisory regulations and with national and international best practices, CDP has implemented a measure to assess exposure to the risk of involvement, even unknowingly, in illegal activities connected to money laundering or terrorist financing. In this respect, also with a view to ensuring integrated risk management, the identification of money laundering risk factors is carried out in synergy with the operational risk management function, as part of the assessment of CDP's overall exposure to operational risks.

#### **5.1.7. Risks connected with equity investments**

CDP possesses a sizable portfolio of equity investments (listed and unlisted) and units of funds. The Risk Management Rules establish the criteria for measuring and managing the risks associated with equity investments and investment funds, also providing for specific stress tests, with a specific focus on the larger investments in listed companies.

### 5.1.8. Other material risks

CDP does not engage in trading, but its operations may be exposed to market risks, in addition to equity risk related to its equity investment portfolio and interest rate and inflation risk relating to the banking book.

Specifically, CDP is exposed to equity risk from the issue of postal savings bonds indexed to the Euro Stoxx 50. This risk is hedged through the purchase of options that match those embedded in the bonds. The equity risk component due to mismatching of the notionals of options sold and purchased, caused by redemption profiles that are different from those estimated, is monitored on at least a quarterly basis. Net exposure is measured and monitored through application of combined stress scenarios that envisaged an 8% reduction in the Euro Stoxx 50 index and a proportional decline of 25% in volatility of the index; the impact of this scenario at the end of 2013 is -€21.3 million. The results of the monitoring and of the stress tests are also used, among other things, in the decision to implement early terminations of existing hedges.

CDP may also be subject to exchange rate risk through the issue and/or purchase of bonds denominated in foreign currencies and to any granting of loans in foreign currencies. In general, CDP undertakes such activities only after ensuring appropriate exchange rate hedges. In the case of bonds issued or purchased in foreign currencies, the risk is hedged using Cross Currency Swaps, which transform CDP's cash flows into those equivalent to an issue in Euros.

A major element of arrangements to address risks associated with regulatory compliance is the Eligibility Committee, a collegial body established in 2010 that issues opinions on transactions, new initiatives and new products. For the latter, the Eligibility Committee issues opinions concerning their viability from the standpoint of statutory compliance, financial and operational feasibility, administrative and accounting aspects and in terms of risk.

For additional information on the risks and relative hedging policies, see the Notes to the financial statements.

## 5.2. MONITORING RISK IN THE COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

The Management and Coordination Regulations state that:

- risk monitoring activities of subsidiaries are the responsibility of the Head of Risk Management (RMA) of the parent company, who reports directly to the Chief Executive Officer;
- the subsidiaries share with CDP their rules for the adoption of risk prior to their approval; the bodies of the subsidiaries approve the risk strategies and policies of the relative companies, ensuring their



consistency with the parent company's rules for adoption of risk and inform the latter of their enactment; the parent company's RMA monitors proper implementation by subsidiaries of the new rules for adoption of risk;

- the Risk Management units of the subsidiaries prepare and send to the parent company's RMA periodic reports at a frequency suitable for the specific type of risk, ensuring respect of the functional requirements established by the parent company.

From an organisational standpoint, SACE's risk management structure is responsible for the activities of its subsidiaries subject to management and coordination: SACE BT and SACE Fct. For CDPI SGR, the activity is outsourced to CDP's RMA, with the support of an internal resource of CDPI SGR, while the risk management activities for FSI are assigned to the Risk Management Department of the investee, which acts under the supervision of the parent company. In the case of Fintecna, Quadrante and CDP GAS, there is currently no dedicated structure, while for SIMEST it was decided that the activity would be outsourced to the parent company and this is currently underway. Lastly, the new risk monitoring procedures with regard to the Fintecna Immobiliare Group are in the process of being shared with CDP, as well as the action plan for subsequent implementation.

### **Credit and underwriting risks**

Companies subject to management and coordination are subject to credit risk. In this respect, the activities performed by SACE take on a primary role. In the first place, the company is exposed to a technical risk, intended as underwriting risk and credit risk. The former, relating to the portfolio of policies, refers to the risk of loss arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The predominantly quantitative portion is purely credit-based, with the insured events essentially consisting of the default of an entity. However, underwriting risk also includes other types of risk, such as political risk.

In the second place, SACE is exposed to the risk of default and migration of a counterparty's creditworthiness on balance sheet items such as receivables and bonds, as well as counterparty risk on derivatives. Underwriting risk and other credit-based risks are governed by pricing and reserve policies, defined using market practices, underwriting criteria, monitoring techniques and active portfolio management, as well as – where possible – through the active search for risk mitigation solutions (such as, for example, reinsurance and hedging). Specifically, the analysis and measurement of underwriting portfolio risk is performed through quantitative models that measure the exposure to risk and the relative potential losses, and also calculate the provision for unearned premiums based on the portfolio's expected loss. Value at Risk measurements are used to assess unexpected loss for calculation of the capital requirements for the underwriting portfolio, which is the minimum level of capital that the company must hold in order to cover the risks in its portfolio, for a specific risk tolerance. Risk measurements also include scenario analyses and stress testing, useful in estimating the potential losses in the event of exceptional market crises.

The company is also exposed to concentration risk from exposures to single entities, groups of related entities and entities within the same business sector or belonging to the same geographical area, and has defined internal policies aimed at governing the extent of risk.

SIMEST is exposed to financial/credit risk related to equity investment. As part of its first-level controls to manage this risk, the Company thoroughly evaluates - via the relative Department - the investment proposals brought to its attention, looking at the company proposing the investment and at the investment itself. In this regard, the process starts with an examination of the financial position, financial statements and the Business Plan of the partner company (extended to the group to which it belongs, if necessary) and the primary competitive features that characterise its business, analysing in addition the potential for and the consistency (by scale and on the operational/sector level) of the investment within the overall strategic plan of the Italian company. The analysis also considers any existing relationships with the company and with the group as a whole (so as to avoid excessive portfolio concentration). The results of the assessment are summarised in the investment proposal submitted to the internal Investment Committee; if the proposal is found to be sound and of interest – also taking into account the correlated financial/credit risk and the methods for managing and reducing such risk – the proposal is submitted to the Board of Directors of SIMEST for final approval.

At the acquisition stage, all related information, any conditions set by SIMEST's Board of Directors and any guarantees are verified. The financial/credit risk of the Italian partner and of the investee company are monitored over time, using periodic financial reporting and management information. The Italian partner and the corporate guarantors are monitored using special databases.

Risk in equity investments is first reduced by acquiring direct commitments by the Italian partners to repurchase SIMEST's stakes in the equity investments abroad, partly secured by corporate sureties and by bank and insurance guarantees. These forms of reduction in investment risk lead to counterparty risks connected to non-compliance.

CDP GAS, through its investee company TAG, is exposed to credit risk from potential losses associated to non-compliance with obligations by counterparties. This risk is partially mitigated by the presence of sureties to back contracts stipulated and granted by banks that satisfy the minimum rating requirements.

Credit risk for CDPI SGR is marginal and essentially limited to Italian Republic risk resulting from investment of liquidity (government securities in the portfolio have short/medium-term residual maturities of less than four years). Risk Management verifies that each investment of liquidity in financial instruments is in compliance with the qualitative and quantitative limits established by the Board of Directors. CDPI SGR is also exposed to credit risk with regard to managed funds (FIA and FIV) in respect of the commissions and, indirectly, of the subscribers, in view of the draw-down nature of the funds. In this regard, it should be noted that more than half of the resources of the FIA and all of the resources of FIV have currently been subscribed by the majority shareholder of the SGR. In addition, with respect to the FIA, its investors include the Ministry of Infrastructure and Transportation. As the fund is reserved exclusively to qualified investors, the remaining subscribers are banks, insurance com-

panies and pension funds, of proven standing. Credit risk in respect of subscribers is in any case mitigated by specific provisions in the rules for each fund that safeguard the company and the funds in the event of default (for example, through the use of penalties levied on the subscribers for failure to make payments).

Fintecna is exposed to counterparty risk connected to liquidity deposited with banks and to securities lending transactions. An additional source of credit risk is the securities portfolio, although predominantly invested in Italian Republic issues and exposed to oscillations in the sovereign spread. In this respect, from the second quarter of 2014, Fintecna will adopt the Treasury Management Guidelines prepared by CDP which, among other things, regulate the minimum investment criteria for liquidity, also in terms of counterparty risk.

With regard to the Fintecna Immobiliare Group, direct credit risk predominantly refers to trade receivables owed to the holding from the partnerships, for which recoverability is periodically assessed. These risks are reflected in the periodic assessments of existing receivables and in the determination of any write-downs.

### **Interest rate risk**

For the SACE Group, interest rate risk in the banking book is specific to the operations of SACE Fct and refers to activities other than those in the trading portfolio. This risk is monitored as part of the ICAAP process of SACE Fct, in accordance with the provisions of the Supervisory Instructions. Interest rate risk in the activities of other SACE Group companies is managed as part of market risks.

Interest rate risk for Fintecna is essentially connected to a number of loans taken out by the Fincantieri Group. In line with the policy to mitigate the possible impact of changes in key interest rates on economic and financial performance, a number of hedging derivative contracts have been stipulated. Lastly, exposure to interest rate risk also stems from the government securities in the portfolio. This risk is associated to the variability in fair value of these instruments to changes in interest rates.

With regard to the property companies, a propensity to certainty in the cost of debt is considered. The strategies adopted during this market phase take into account the incentives offered by the low level of variable rates. The Fintecna Immobiliare Group's exposure to interest rate risk is essentially connected to the holding's medium/long-term financial liabilities and to those of certain investee companies for floating-rate mortgages and loans obtained for the purchase of properties or for their development. In order to reduce the possible impact of changes in interest rates on economic and financial performance, the opportunity of stipulating non-speculative derivatives contracts, with regard to market prices is assessed periodically: no such hedging measures were in place as at the reporting date, as they were not considered feasible.

No such hedges are in place for Quadrante either, also due to the limited amount of floating-rate bank liabilities.

FSI has limited exposure to interest rate risk due to the absence of debt and the types of deposits in which its liquidity is invested. The effects associated to the core business are currently negligible.

Operational hedges through interest rate swaps were deemed appropriate for SIMEST, in relation to the rates on several short-term credit lines considered likely to be renewed given the nature of the company. The company is also exposed to the risk of increases in rates to the extent to which borrowing rates are variable and may therefore rise above the level incorporated into the gain on equity investments.

For CDPI SGR, based on cash flow forecasts, government securities classified as held-to-maturity (HTM) and instruments such as postal savings bonds, also indexed to inflation, were purchased. The portfolio therefore has limited exposure to interest rates and inflation.

### **Liquidity risk**

With regard to SACE, it is important to note that in general there are no significant liquidity risks with respect to the insurance portfolio since, in addition to the technical forms of underwriting that allow the settlement of any claim to be made over time, the investment policy is connected with the liquidity requirements of such investments. All the instruments held in the trading portfolio hedging technical reserves derive from securities traded on regulated markets, and the lower average life of the investments ensures a rapid turnover. However, liquidity risk is significant for SACE Fct and essentially consists of funding liquidity risk: more specifically, it refers to the difficulty in efficiently meeting cash outflows, both current and future, and/or satisfying operational business commitments, due to the termination of existing loans and/or the company's inability to secure funds on the market without losses in the capital account or excessively high funding costs. SACE Fct is in the process of defining a specific policy for the management of liquidity risk, in compliance with the prudential regulatory reference framework.

According to assessments by management, the financial resources of the Fintecna Group produce sufficient liquidity to manage liquidity risk. To ensure flexibility in treasury operations, the group also has a number of credit lines that, at the balance-sheet date, were essentially unused, given the group's current capacity for self-financing.

Liquidity risk in the Fintecna Immobiliare Group is particularly significant, given its activities and the market situation, as well as its liabilities structure. This risk is particularly high for jointly-controlled companies, considering the difficulties that have emerged in the corporate structure of many of the partnership's shareholders over the last few years. With regard to this aspect, the intervention measures aimed at resolving critical situations that occur in the vehicle companies have been shared with CDP. Contacts are also in progress with banks for refinancing expired bank debt, as well as to secure further credit lines necessary to complete the initiatives under way; the company expects these contacts to be finalised in upcoming months.

With regard to FSI, the available capital is higher than the investments made and the excess liquidity is deposited with CDP.

SIMEST makes equity investments also using debt as a source of financing. This aspect increases the liquidity risk managed by the company: i) by appropriately setting out the structure by liability maturities; ii) with a timely analysis of the company's cash flows, particularly in relation to the investments in equities, also taking into account the possibility of regulating inflows from equity investments, by exercising exit options, as well as outflows, regulating the amount of further investment in the individual equities; (iii) optimising the standing in the funding policy.

Liquidity risk for CDPI SGR is monitored through careful planning of the company's cash flows (financial forecast). Inflows regard management commissions, which are fixed until December 2014 for the FIA and growing for the FIV, following the launch of the Extra Fund at the end of 2013. CDPI SGR's liquidity is invested in a basket of demand instruments and government securities with residual maturities of less than four years. There are no financial liabilities in the balance sheet.

### **Operational risks**

In terms of operational risks, SACE and SACE BT regularly carry out qualitative evaluations of potential risk factors (Risk Self Assessment), tracking and logging effective operating losses through the Loss Data Collection process. These data represent the inputs for measuring and managing operating risks in line with the principles drawn from the reference standards. With the objective of strengthening monitoring and mitigation of the subject risk, SACE Fct is also conducting the first assessment with regard to both Loss Data Collection as well as Risk Self Assessment.

The Fintecna Group (mainly the holding and other group subsidiaries that carry out liquidation activities through special purpose entities) is also exposed to the risks arising from on-going litigation, which is mostly related to the many companies already in liquidation that have come under its control over the years. Taking into consideration the complexity and considerable uncertainty of these situations, the directors, acting to the best available information and a prudent assessment of the circumstances, periodically update the evaluations of the adequacy of the provisions for risks and charges recognised in the financial statements, deemed suitable to meet the probable needs of the group companies. The liquid assets of the Group are considered adequate for its purposes. The Fintecna Group is also exposed to risks connected to changes in the regulatory framework in the countries in which it operates, as well as risks regarding protection of the environment and health and safety in the workplace. In this respect, the Group encourages compliance with all the laws to which it is subject, and it has adopted and updated preventive control tools to mitigate compliance risk.

FSI is indirectly exposed to legal risks arising from disputes involving companies in the portfolio, as well as their 231/01 profiles. Another significant source of operational risk is the management of privileged information by FSI, which attempts to mitigate this risk by implementing a series of organisational measures such as the insider register.

CDPI SGR has adopted the parent company's approach.

In the case of CDP GAS, management of regulated activities in the gas transport sector gives rise to a series of risks of malfunctions and sudden interruptions, such as accidents, failures and malfunctions of equipment or control systems. In order to handle operating emergencies, investee company TAG has adopted a contingency plan that is activated by the Austrian operator under the O&M contract, in accordance with the provisions of the Regulator.

SIMEST is exposed to operational risk also in relation to the subsidised public funds managed. Compliance, reputational and 231/01 risks are grouped under operational risks. The operational risk management system will be reviewed upon outsourcing of the risk management activity, in light of the parent company's experience.

A similar consideration holds for the Fintecna Immobiliare Group.

### **Market risk**

In SACE, market risk is generated by market operations involving financial instruments, currencies and goods. This risk is kept within preset limits by adopting asset allocation guidelines and quantitative risk measurement models (Market VaR).

The market risks to which Fintecna is exposed are mainly attributable to the holding's securities portfolio and, with regard to its subsidiaries and associates, to performance of the shipbuilding activity. The Fintecna Group is also exposed to exchange rate risk associated with the stipulation of foreign currency shipbuilding contracts by Fincantieri and, to a small extent, to the sourcing of supplies priced in currencies other than the euro. The group policy is designed to minimise the impact of exchange rate fluctuations on performance. The management of exchange rate risk, for which the group makes use of forward foreign currency purchase and/or sale contracts or option structures, is conducted with regard to the expected time horizon for foreign currency flows. Risk management aims at total coverage of receipts, but focuses on larger amounts only in payments regarding the VARD Group, consolidated from 2013.

The Fintecna Immobiliare Group is exposed to risks linked to fluctuations in the market value of properties in the portfolio. Recent external developments, which have been sharply impacted by the crisis of the real estate sector in recent years, have affected projects in the course of implementation, especially partnerships with private-sector operators to leverage real estate holdings. The Group strategy is to minimise these risks, operationally through management methods aimed at identifying the best measurement method for the assets and administratively by updating these measurements to reflect their current value.

Market risk for FSI is linked to its portfolio of equity investments. In monitoring market risk, FSI analyses the periodic financial reports received from investee companies and produces quarterly

summaries on their profit and financial performance. For listed companies in the portfolio, the Value at Risk is used as a measure of market risk, using a similar method to that adopted by CDP. In the case of unlisted companies, ex post compliance with the limits envisaged by the risk policy was assessed, particularly in regard to the financial debt limits, updating the analysis conducted during the initial investment phase. Moreover, FSI's Risk Management department, in coordination with the Risk Management and Anti-Money Laundering Area of CDP, designed, tested and applied a new investment risk analysis method during the year, integrating quantitative and qualitative aspects. The objective is to use this approach during the investment analysis phase as well as during monitoring.

For SIMEST, the price risk and exchange rate risk associated with equity investments are mitigated through contracts that guarantee SIMEST a return on investment for the price paid in euros to acquire the equity investment (transforming it into counterparty risk, as highlighted above).

Market risk for CDP GAS is connected to TAG and mainly regards possible changes in demand in the European target markets and potential modifications in the infrastructure network feeding the current end markets, also in relation to the possible construction of alternative infrastructures. In this respect, CDP GAS regularly monitors development of key events that could have negative impacts on TAG's operations.

Market risk for CDP Reti is attributable to a single asset – SNAM – and is monitored by the parent company through performance of the stock.

### **Other material risks**

For SACE, the following additional risks are identified and, where necessary, measured and mitigated through suitable management processes:

- reputational risk, intended as the risk of deterioration of the company's image and an increase in conflict with the insured, due also to poor quality services, placement of inadequate insurance policies or the behaviour of the sales network; this risk is mitigated by existing safeguards with regard to internal control and risk management, as well as the adoption of specific internal procedures designed to regulate the group companies' operations;
- the risk of "contagion", that is the risk that, as a result of transactions entered into with other group companies, difficult situations encountered by one group company could spread, negatively affecting that company's solvency;
- the risk of conflict of interest;
- compliance risk, intended as the risk of incurring legal or administrative sanctions and suffering losses or reputational harm as a result of the failure to comply with laws, regulations or measures set out by supervisory authorities or corporate governance rules, such as by-laws, codes of conduct or corporate governance codes; added to this is the risk arising from unfavourable changes in the regulatory framework or legal interpretation.

Similarly, the Fintecna Group and Fintecna Immobiliare Groups are exposed to the same risk categories. For SIMEST, refer to the information provided under operational risks.

FSI generally mitigates reputational risk connected to the investments by focusing on the ESG (Environmental, Social and Governance) issues and including them in the risks analyses.

Lastly, CDP GAS is exposed to regulatory risk, as the directives and regulatory provisions enacted by the European Union and by the Austrian Regulator may have a significant impact on operations and on the economic results of investee company TAG. CDP GAS has acquired specific skills, both internally and externally (through advisory contracts) in order to adequately monitor and govern this regulatory risk. The regulatory framework with regard to the process for TAG's certification pursuant to the Third Energy Package has not yet been defined.

### 5.3. MONITORING RISK IN THE TERNA GROUP

As a normal part of operations, the Terna Group is exposed to a variety of risks: regulatory/legislative, operational, financial/market and risks regarding non-traditional activities. Terna's risk management policies seek to identify and analyse the risks the Terna Group companies are exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of Terna Group.

As a part of the financial risk management policies approved by the board of directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them. The Terna Group's exposure of the aforementioned risks is essentially represented by the exposure of the parent company.

#### **Regulatory risk**

Approximately 97% of the group's consolidated revenues originate from annual sales and from the incentive mechanisms recognised for operations governed by the Italian Authority for Electricity. Through Resolutions 199/11, 204/11 and 197/11, for the regulatory period 2012-2015, the Authority for Electricity and Gas (AEEG) established the remuneration for transmission and dispatching services and for regulation of the quality of the transmission service for the same period (2012-2015), as well as the updating methods for subsequent years.

This regulatory framework contains variables that could impact the results of the group.

With particular regard to Resolution 199/11, Article 2 ordered (by 30 November 2013) updating of the remuneration rate on invested capital for the period 1 January 2014 – 31 December 2015, based on the average value of Italian 10-year Treasury bonds (BTPs) recorded during the period November 2012 – October 2013.



In implementation of this provision, Resolution 607/13 updated the remuneration rate in question to 6.3% (compared to the previous 7.4%), with application starting from the 2014 tariffs.

#### *Volume effect*

The revenues of Terna S.p.A. and Terna Rete Italia S.r.l. from management, operation and development of the National Transmission Grid (NTG), as well as management of dispatching activities, are governed by tariffs set by the Authority for Electricity and Gas. The unit tariffs for transmission and dispatching are applied to the total volume of energy respectively transmitted and dispatched on the NTG. These volumes depend on factors outside of the group's control.

The mechanism for mitigation of volumes introduced by Resolution 188/08, which envisages that the impact on the company's revenues of any variations in electricity volumes taken from the transmission grid and dispatched be limited to an allowance of +/-0.5%, was confirmed in 2013 as well.

#### *Premiums and penalties*

Resolution 197/11 on the regulation of service quality envisages a premium/penalty mechanism that solely considers energy not supplied. The maximum potential impact of this incentive mechanism for the Terna Group is within the range of -€12/+€30 million per year.

### **National legislative risk**

#### *Tax laws*

Tax laws may impact the group's economic and financial results.

#### *Environmental laws*

The group's activities are conditioned by the introduction of environmental legislation at the national, European and international level (e.g., electromagnetic fields, landscape, etc.), as well as the legislation of foreign countries with regard to international operations. The group may have to sustain additional costs for the implementation of environmental legislation that requires preventive measures or provisions defined based on regulations envisaged by the legislation in effect.

#### *Energy laws*

The group's activities may be conditioned by modifications of the legislation governing the electricity market, strategic infrastructures (in relation to which adoption of the "Golden Power" Decree in implementation of Legislative Decree 21/2012 is pending), the authorisation process for works on the NTG, and the scope of activities that Terna may carry out or which impact dealings among group companies and other stakeholders (producers, distributors, etc.).

#### *Labour and contract laws*

In relation to electromagnetic fields, Directive 2013/35/EU on the exposure of workers to the risks of electromagnetic fields was recently adopted and must be enacted in the national legislation by 1 July

2016. Generally speaking, stricter regulations in terms of tenders and protection and safety in the workplace could have adverse effects on the group's performance.

#### **Operational risks: risks connected to malfunctions of the NTG**

The activities of the Terna Group are subject to the risk of sudden interruption in service due to events beyond its control, such as accidents, failures or malfunctions of equipment or control systems, lower yields by systems, natural calamities, terrorist attacks and other extraordinary events. Apart from the economic risk linked to restoring the NTG components owned by the group, there may also be third-party requests for compensation as a result of said events, if specific responsibility by the group is demonstrated. It is important to note that specific insurance coverage policies are in place to mitigate the risk of operating activities.

#### **Dispute risk: legal disputes**

The Terna Group is involved as both plaintiff and defendant in a certain number of lawsuits related to contracts, human resources, the environment, regulatory issues and public health, arising from normal administration.

Furthermore, the group may be involved in new judicial and/or out-of-court disputes involving various categories of stakeholders or interested parties (such as suppliers, Public Entities, etc.).

For further information, see paragraph "E. Commitments and risks" of the Notes to the Financial Statements of Terna S.p.A. and the Terna Group.

#### **Financial/market risk**

As a normal part of operations, the group is exposed to a variety of financial risks: market risk (interest rate risk and inflation risk), liquidity risk, and credit risk.

As part of the financial risk management policies approved by the Board of Directors, the Terna Group has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them.

Terna's risk management policies seek to identify and analyse the risks to which the company is exposed, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the Terna Group companies.

For further information on this issue, see paragraph "E. Commitments and risks" of the Notes to the Financial Statements of Terna S.p.A. and the Terna Group.

#### **Risks connected to financial requirements**

Even in the current market scenario, the group expects to maintain an adequate capacity to generate financial resources through operations. The investment plan envisaged for the future should result in an increase in existing net debt. With regard to conditions in the financial markets, the requirements for financing and refinancing of existing debt could lead to an increase in financial expenses over the medium term.

## 5.4. LEGAL DISPUTES

### 5.4.1. Legal disputes of the parent company

As regards pending litigation, it should be noted that the total number of disputes remained insignificant in absolute terms. The potential liabilities that might be generated by disputes with customers and employees are also insignificant.

With regard to Separate Account customers, there were 73 suits pending at 31 December 2013, with an estimated total potential liability of €2.2 million. Of these, six regard disputes with suppliers. There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or lack of compliance with related laws and regulations.

With regard to the conversion of preference shares into ordinary shares, following exercising of the right of withdrawal, Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a dispute involving a particularly significant liability (approximately €432 million). However, the external counsel for the defence has indicated that the potential risk of losing this dispute, which is possible, is not considered to be high.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP for that line of business.

As regards disputes not related to customer operations (labour disputes), 37 lawsuits were pending at 31 December 2013, for which the estimated total potential liability is estimated at approximately €1.7 million.

### 5.4.2. Disputes involving companies subject to management and coordination

The year ending 31 December 2013 saw, for the Fintecna Group, the continuation of lawsuits already examined and filed in prior years, with a view to optimising defence counsel's strategies and ensuring the best representation for the company.

In particular, the management of disputes involving Fintecna S.p.A. to various extents was inevitably impacted by the significant quantitative increase, albeit in line with company forecasts, of claims for damages for illnesses that emerged following a long period of latency and allegedly due to the presence of asbestos and harmful workplace conditions at the industrial plants of the former IRI Group, now owned by Fintecna S.p.A.

Therefore, in order to handle the many lawsuits, with a view to rationalisation of disputes and maximum containment of the negative economic impacts, the company continued to seek conciliatory solutions, assuming the presence of the appropriate economic and legal criteria, with costs adequately covered by the allocated provisions for risks.

Nevertheless, the legal ruling that resulted in liquidating significant amounts of money for damages due to work-related illness made it necessary to use higher economic resources than in prior years. The funds allocated for this issue are considered adequate, also in light of the new legal direction taken by the courts.

Conversely, with regard to civil/administrative/tax disputes, the slight decrease in lawsuits was countered by the objective difficulty in settling existing lawsuits within a reasonable time frame, as they are based on events in the distant past and whose complexity has made it impossible to achieve an out-of-court settlement for the positions under dispute.

The above is summarised through the following breakdown of balances:

## Disputes

	31/12/2012	Settled in 2013	New in 2013	31/12/2013
Civil/Administrative/Tax	264	55	29	238
Labour	403	248	400	555
<b>Total</b>	<b>667</b>	<b>303</b>	<b>429</b>	<b>793</b>

With regard to the Fintecna Immobiliare Group, the year ending 31 December 2013 recorded a decrease in disputes, most of which regarded management of the property portfolio (vacating of properties occupied without title, purchases and sales, credit recovery for unpaid amounts, environment, etc.). There were 137 disputes at 31 December 2013, of which 97 regarding Fintecna Immobiliare and 40 regarding the investee companies.

The activities carried out mainly involve monitoring and managing disputes, with the assistance and support of external lawyers, in order to direct the trial strategy in consideration of the company's requirements and arguments and with the objective of best concluding these disputes. Almost all of the disputes concluded were in favour of the Fintecna Immobiliare Group.

In this respect, taking into consideration the duration of legal proceedings, which may even exceed ten years, the group also moved forward on finding settlement possibilities where legal and financial factors made this appropriate.

There were 69 transactions under dispute at 31 December 2013, which are those for which SIMEST has initiated legal action to recover the relative credit (capital plus income from investments in equity).

More specifically, the total liability for initiatives under Law 100/1990 amounts to approximately €14 million, of which about 87% is secured by bank guarantee or subject to write-down in the financial statements as at 31 December 2013.

## 6. Governance and activities in support of the parent company

### 6.1. COMMUNICATIONS

In 2013, communications activities focused on consolidation of the image of CDP and the CDP Group with its various stakeholders, both internal and external.

In terms of media relations, a constant and authoritative presence of the parent company, of Fondo Strategico Italiano and of CDP Investimenti Sgr in the national, international and local press was ensured.

With regard to corporate image and events, the new CDP Group logo was created and various versions of it were developed. Furthermore, CDP confirmed its presence with its own stand at traditional annual events and institutional initiatives, such as FORUM PA and the National Meeting of ANCI. Initiatives relating to new business areas, such as real estate, were also put in place: a road show was organised for Italy – consisting of around ten stages - dedicated to “on-line promotion”, which was accompanied by a direct marketing initiative addressed to customers (local authorities). CDP also participated in major events dedicated to real estate, such as Urbanpromo and Eire.

As an issuer of postal bonds and passbooks, CDP took part in the 89th World Savings Day to sensitise and educate young students on the value of savings. The participants of this initiative, which was organised in partnership with Poste Italiane, were pupils in their third, fourth and fifth year from approx. 150 primary schools around the country.

In terms of mandatory financial publicity, the objective of absolute transparency of financial conditions vis-a-vis customers and savers was renewed, through an ongoing constant presence in the leading national press.

As regards in particular the CDP Group, two internal communications initiatives were carried out: a cultural change management project was started for employees of companies involved and – through web communication activities – plans have been made for the new Group intranet that will be implemented over the next few months. Again in terms of web communication, a graphic restyling, enhancement of contents and reorganisation of information on the websites of the subsidiaries CDPI, SGR and FSI were implemented.

## **6.2. HUMAN RESOURCE MANAGEMENT**

### **6.2.1. The workforce**

At 31 December 2013, CDP had 563 employees, of whom: 47 executives, 222 middle managers, 279 office staff, 10 persons in other types of contractual relationship (ongoing collaboration arrangements and interns) and 5 employees seconded from other agencies.

During the year the workforce continued to grow both quantitatively and qualitatively: 55 resources joined the company and 16 left (primarily due to retirement or resignation). The average age of employees is 45 years, the presence of women has risen to 43% of the total workforce and the percentage of employees with higher education qualifications (bachelor's or master's degrees, PhDs, postgraduate specialisation courses) exceeded 60%.

Recruitment was focused not only on the search for qualified staff with specific technical skills, but also on high-potential young graduates.

Recruitment notices were published on the CDP website and applications were submitted online by around 9,000 interested candidates.

Collection of applications was also facilitated by contacts and partnerships with a number of leading Italian universities, post-graduate schools and master's programmes.

### **6.2.2. Personnel training and management**

During the year, personnel assessment, management and training activities continued.

In 2013, approximately 21,000 hours of training were delivered. Planning and design of training was carried out in close cooperation with all business functions and aligned with corporate priorities.

The main investment was in specialist technical training, especially in the regulatory, administrative and financial fields. For the first time, training initiatives also involved colleagues from other Group companies, with the aim of disseminating the knowledge of the professional family in question and promoting integration. Among others, there were training initiatives on project and corporate finance, risk management, international accounting standards and procurement regulations.

To enable business functions to operate in an increasingly international context, investment in language training continued, involving those employees who use English the most in their professional activities.

About a third of the company was involved in IT courses focused, in particular, on the Office suite. Project management skills – which are essential for planning and designing activities in a rational and efficient manner – were also developed.

The induction training programme for new recruits was enhanced, with modules dedicated to getting to know the other Group companies. In addition to the traditional programme, new graduates participated in a workshop on organisational behaviour, working in particular on integration and problem solving.

The consolidation of relations with CDP's European partners involved the development of a programme of international exchanges with Caisse des Dépôts (CDC), Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB) whose aim was to ensure the reciprocal transfer of knowledge and evaluation of new cooperation opportunities.

In addition, with a view to developing internal resources, internal mobility processes were put in place for professional re-qualification and transferring staff to new activities.

### **6.2.3. Industrial relations**

In a strictly corporate context, the year's activity focused on developing good relations with trade union representatives in order to avoid any disputes.

With regard to relations with other Group companies, given that the collective bargaining agreement is the same (with the exception of SACE, which applies the agreement for the insurance sector) and that the company's trade union representatives belong to the same Trade Union Federations, during 2013 a discussion was started and consolidated on the collective benefits and remuneration applied to personnel of Group companies, with the medium-term objective of achieving standardisation.

In July, the disclosure procedure pursuant to Article 47 of Law 428 of 29 December 1990 on the partial demerger of Fintecna in favour of the single shareholder CDP was put into effect.

### **6.2.4. Assessment of remuneration of directors with specific responsibilities**

This report illustrates and justifies the policy adopted for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer, in compliance with the legal requirements in force<sup>31</sup>.

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31 Point "D" of the Circular of the Ministry of the Economy and Finance of 24 June 2013.

In its meeting of 28 October 2013, the Board of Directors – given the respective functions attributed to the Chairman of the Board of Directors and to the Chief Executive Officer by the Articles of Association and by the Board of Directors in its meeting of 26 June 2013, considering the market benchmarks for similar corporate positions and taking into account the Circular of the Ministry of the Economy and Finance of 24 June 2013 and Article 84-ter of Law 98 of 9 August 2013 – approved the proposal of the Remuneration Committee of 24 October 2013 to pay the following remuneration components to the Chairman of the Board of Directors and to the Chief Executive Officer.

## Chairman of the Board of Directors

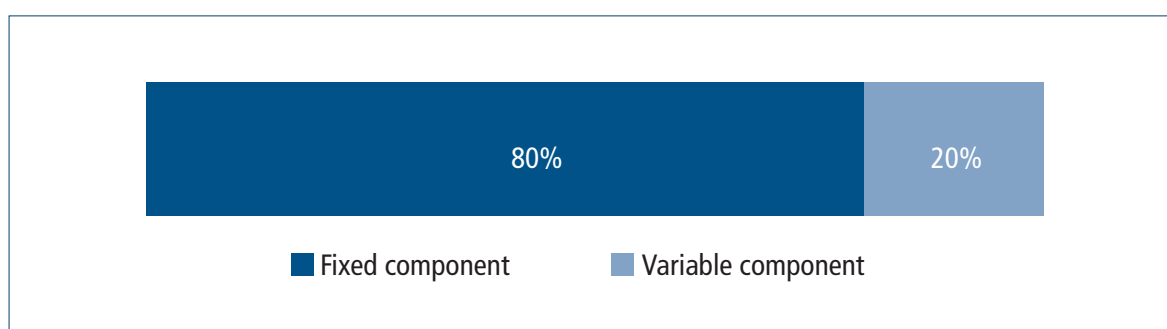
(in euros)

	Annual compensation for 2013-2015 term
Fixed remuneration: Compensation for position - Article 2389, para. 1	70,000
Fixed remuneration: Compensation for specific responsibilities - Article 2389, para. 3	166,305
Annual variable component	39,130
Three-year incentive component	19,565

**Annual variable component:** according to the powers conferred, the annual variable component, determined with reference to the target incentive level (100%), is paid to the extent of 50% at the discretion of the Board of Directors, upon proposal of the Remuneration Committee, based on achieving the qualitative objectives of particular importance for the company and for the Group, and for the remaining 50% on achieving the operating income indicated in the budget for the year in question.

**Three-year incentive component:** a further three-year component – the L.T.I. (Long Term Incentive) – is paid only if, in each of the three years, the qualitative and quantitative objectives set for the year in question have been achieved.

**Pay mix:** the salary structure of the Chairman for 2013/2015 maintains the same ratio between fixed remuneration and short- and long-term variable remuneration as 2010/2012:





## Chief Executive Officer

(in euros)

	Annual compensation for 2013-2015 term
Fixed remuneration: Compensation for position - Article 2389, para. 1	35,000
Fixed remuneration: Compensation for specific responsibilities - Article 2389, para. 3	572,025
Annual variable component	190,675
Three-year incentive component (annual share)	25,425

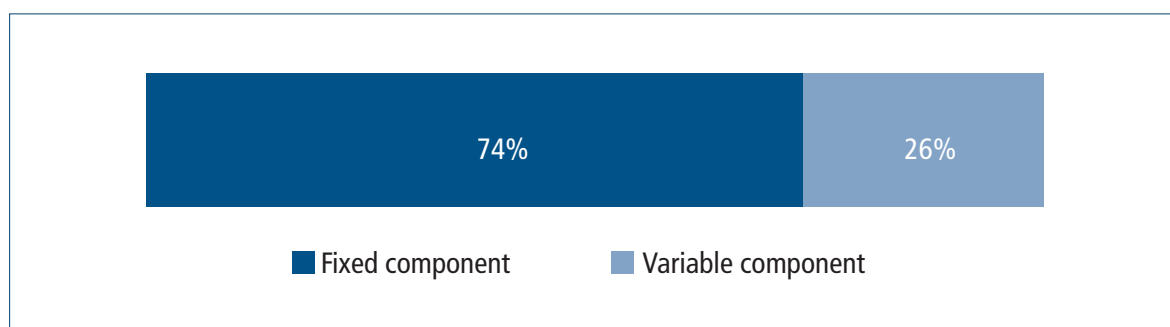
**Annual variable component:** according to the powers conferred, the annual variable component, determined with reference to the target incentive level (100%), is paid to the extent of 50% at the discretion of the Board of Directors, upon proposal of the Remuneration Committee, based on achieving the qualitative objectives of particular importance for the company and for the Group, and for the remaining 50% on achieving the operating income indicated in the budget for the year in question.

**Three-year incentive component:** a further three-year component – the L.T.I. (Long Term Incentive) – is paid only if, in each of the three years, the qualitative and quantitative objectives set for the year in question have been achieved.

**Severance indemnity:** for the Chief Executive Officer, in keeping with the best practices of reference markets and in continuity with the previous term, a severance indemnity is envisaged, also in the case of advance termination at the company's initiative, equal to the algebraic sum of the fixed and variable remuneration, to the fullest extent provided for (including the pro rata amount of the L.T.I.), due for one year of office.

**Benefits:** in continuity with the previous term, the Chief Executive Officer receives forms of benefits and insurance coverage equal to those provided for executives, including for the risk of death and disability.

**Pay mix:** the salary structure of the Chief Executive Officer for 2013/2015 maintains the same ratio between fixed remuneration and short- and long-term variable remuneration as 2010/2012:



In line with the directive of the Ministry of the Economy and Finance of 24 June 2013 ("MEF Circular") which, on the subject of the remuneration policy of directors with specific responsibilities recommends adopting remuneration policies (i) adhering to international best practices, (ii) which take into account company performance and the general economic conditions of the country, (iii) inspired by criteria of transparency and moderation, also envisaging a correlation between the total remuneration of directors with specific responsibilities and the company median value:

1. in order to ensure moderation and alignment, CDP has put in place tools for monitoring remuneration compared to the reference market.

During the definition of remuneration for the 2013-2015 term, CDP made recourse to a leading consulting firm<sup>32</sup> specialised in remuneration analyses and comparisons for a market benchmark of similar corporate positions. From the comparison it emerged that the total remuneration of the Chairman and Chief Executive Officer of CDP were significantly below the median (-47% for the Chairman and -35% for the Chief Executive Officer) of a sample of companies comparable with CDP in terms of size and complexity, for roles of the same level of managerial responsibility and complexity<sup>33</sup>;

2. the variable remuneration components are balanced, linked to business performance and creation of value: as previously noted, the results achieved by CDP in recent years have been positive, with full achievement of the objectives established in the 2011-2013 Business Plan;

the criteria of moderation and transparency mentioned in the directive also find application in the correlation between the remuneration of directors with specific responsibilities and the median value of company remuneration. With regard to remuneration of the Chairman, its ratio with the median value of company remuneration is equal to 1/4 for fixed remuneration and 1/5 for total remuneration. With regard to the remuneration of the Chief Executive Officer, the ratio is equal to 1/11 for fixed remuneration and 1/14 for total remuneration.

Subsequent to the MEF Circular, Law 98 of 9 August 2013 was brought in, which changed the rules regarding the remuneration of the Chairman of the Board of Directors and the Chief Executive Officer of companies directly or indirectly controlled by the public administration and which issue financial instruments, other than shares, listed on regulated markets, as well as in companies they control<sup>34</sup>.

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<sup>32</sup> Mercer is a global leader in Human Resources consulting, part of the Marsh & McLennan Group of Companies.

<sup>33</sup> Sample consisting of the main banking and financial institutes in Italy and Europe selected by the consulting firm, Mercer, which in 2013 carried out a remuneration analysis and comparison on behalf of CDP.

<sup>34</sup> Article 84-ter of Law 98 of 9 August 2013 provided that "in companies directly or indirectly controlled by the public administration referred to in Article 1, paragraph 2, of Legislative Decree 165 of 30 March 2001, which only issue financial instruments, other than shares, listed on regulated markets, as well as in companies they control, the remuneration referred to in Article 2389, third paragraph of the Civil Code, for the Chief Executive Officer and the Chairman of the Board of Directors, cannot be set at and paid in an amount exceeding 75% of the overall remuneration of any kind, including that for any employment with the company itself, during the term prior to renewal". Moreover, pursuant to the transitory provision provided for by the Decree, the limit on remuneration applies "only to the first renewal of the Board of Directors following the date of entry into force of this provision or, if already renewed, to the remuneration still to be determined or to be finally determined".

With Board of Directors resolution of 28 October 2013, the provisions of the aforementioned Decree were applied to the remuneration of the Chairman of the Board of Directors and the Chief Executive Officer of CDP for the 2013-2015 term, being directors with specific responsibilities of a company subject to the control of the Ministry of the Economy and Finance and issuer of debt instruments listed on the Bourse de Luxembourg (regulated market pursuant to Article 4, paragraph 1, point 14 of Directive 2004/39/EC).

The regulation establishes that the remuneration of directors vested with specific responsibilities pursuant to Article 2389, paragraph 3, of the Civil Code (i.e. the remuneration established by the Board of Directors, in consultation with the Board of Statutory Auditors, taking into account the specific responsibilities conferred in accordance with the articles of association) cannot be set at and paid in an amount exceeding 75% of the overall remuneration of any kind, including that for any employment with the company itself, during the term prior to renewal.

### 6.3. IT SYSTEMS AND INTERNAL PROJECTS

During 2013, project activities in support of the strategic guidelines of the 2011-2013 Business Plan of CDP were completed and work based on the objectives of the 2013-2015 Business Plan was started. In particular, activities were focused on strengthening the objective of innovation of the operational platform to improve service quality and internal procedures supporting product innovation.

In detail, in continuity with the objective of creating a new on-line channel for interaction with customers, a portal dedicated to concluding the loan contract integrated in the Electronic Loan Processing Application for the Public Entities business area was created, which made it possible to manage all procedures electronically, from application to conclusion, starting from the last quarter of the year.

In the context of initiatives aimed at the digitalisation of procedures, mailing room functionalities were extended to extraordinary interventions in support of the economy (debt ceiling of the public administration), implementation of the single corporate protocol solution (incoming correspondence of a number of pilot operational units) continued and the task of digitalising approximately 65,000 folders relating to loans to Public Entities started.

During 2013, moreover, preparation and migration of loans to the new back office platform continued, and internalisation of the solution for management of Kyoto fund loans was started.

In order to further strengthen governance support tools, development of the new ALM system continued, the developments for populating risk management systems (Integrated Database) were completed, and the credit scoring platform was extended to assessing the creditworthiness of banking counterparties.

In the regulatory compliance area, important interventions aimed at automation of production and extension of supervisory reports requested by the Bank of Italy were completed, as too were application developments for the start up of EMIR reporting.

On the payment systems front, the application solution to support the start of SEPA operations and resulting elimination of the RNI channel was completed.

Further interventions involved implementation of a solution to support the automatic management of the supplier list, a new e-recruiting system and migration of the infrastructure of corporate counterparty master data.

IT activities also focused on the implementation of solutions in support of new funding and loan products.

In order to transpose the provisions of the Bank of Italy and international and domestic best practices on business continuity, in 2013 the overall plan was drawn up for the implementation (using the Abilab methodology) of the CDP BCM – Business Continuity Management system.

Also with a view to operational continuity, the action plan of interventions for aligning and strengthening the technological infrastructure continued and the first interventions to assess and raise the level of logical security were put in place.

All the interventions described above were carried out with the support of the Resources and Organisation Area in order to ensure an effective change management process and monitor the impact of the new operating procedures on business processes, with particular reference to the project for implementation of the new loan management operating model (FO/MO/BO) completed in the last quarter of the year.

## **6.4. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP PURSUANT TO ARTICLE 123-BIS.2 B) OF THE CONSOLIDATED FINANCE LAW (TUF)**

### **6.4.1. The internal control system**

CDP has developed an internal control system consisting of a set of rules, procedures, and organisational structures designed to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by company management.

More specifically, first level controls (line controls) are conducted by operational and administrative units. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.

Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement methodologies and verify that the limits set for operational departments are respected, as well as verifying that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, ensuring that internal practices and rules comply with applicable regulations.

Finally, third level controls are performed by the Internal Auditing unit, a permanent, autonomous function that does not report to the heads of the units subject to control. These controls are conducted to verify the functionality of the overall internal control system and the regularity of CDP's operational activities and processes, with the objective of preventing or identifying risks and irregularities. Specifically, the Internal Auditing unit assesses the ability of the overall internal control system to ensure that corporate processes are efficient and effective, safeguard company and investor assets, guarantee the reliability and integrity of accounting and management information, and compliance with internal and external regulations and management guidelines.

Every year the Internal Auditing unit prepares an action plan that it presents to the Board of Directors. It sets out the audits scheduled to analyse risks based on the importance of each process within the overall framework of the activities involved in achieving the business objectives.

The unit reports on its results to the Board of Directors and the Board of Auditors on a quarterly basis. However, critical issues identified during examinations are immediately reported to the relevant company units so that they can implement corrective actions.

With regard to management and coordination, the Internal Auditing function of the parent company has prepared and issued the "Group Internal Auditing Methodological Framework. First Operational Guidelines", addressed to internal audit functions in subsidiaries. This document identifies common methodological and operational requirements, compliance with which by the above-mentioned functions will ensure their gradual integration into the Group and activation of the corresponding structured information flows towards the parent company.

Internal Auditing also performs control activities over a number of the companies subject to management and coordination (FSI, CDPI SGR and, as of 2014, SIMEST) under specific service agreements with the parent company for internal audit activities.

Finally, the Internal Auditing unit advises other CDP units on improving internal audit activities and supports the manager responsible for preparing the company financial reports and the Supervisory Body (established pursuant to Legislative Decree 231/2001) in carrying out their work.

### 6.4.2. Financial and operational risk management systems

Strengthening and updating of methodologies and systems continued in 2013 and focused on the new Asset & Liability Management (ALM) system based on the Algorithmics platform<sup>35</sup>. The proprietary ALM system in use since 2005 will remain in operation at least until completion of transition to the new system.

To measure credit risk, CDP uses a proprietary model for calculation of portfolio credit risks, taking into account Separate Account exposures to Public Entities. The model is a “default mode” model, i.e. it considers credit risk on the basis of the losses associated with the possible default of borrowers rather than the possible deterioration in credit quality indicated by an increase in spreads or rating changes. Because it adopts a default mode approach, the model is multi-period, simulating the distribution of losses from default over the entire life of outstanding transactions. This makes it possible to capture the effect of moving between credit quality classes other than that of default. The credit model makes it possible to calculate a variety of risk metrics (VaR, TCE<sup>36</sup>) for the entire portfolio and for individual borrowers or lines of business. The model is used for assessing the adjusted performance of risk in the Ordinary Account and for loans in the Separate Account to private individuals pursuant to Decree Law 185 of 29 November 2008.

CDP also uses credit rating and scoring models (see para. 5.1.1), either developed internally or commercially available, structured by borrower categories (local authorities, project finance, corporate finance, banks).

Counterparty risks related to transactions in derivatives and Securities Financing activities are monitored via proprietary tools that show the current (taking into account the net mark-to-market and collateral guarantees) and potential credit exposure.

For the various risk elements associated with derivatives, positions in securities and securities financing activities, the RMA uses the Murex front office application. In addition to specific monitoring of positions, the system provides a variety of sensitivity and scenario analyses, which have numerous applications with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting.

As regards monitoring the liquidity risk of the Separate Account, the RMA regularly analyses the volume of liquid assets compared with the volume of demand liabilities and liabilities exposed to the risk of early repayment, verifying compliance with the limits established under the Risk Policy. To support this analy-

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<sup>35</sup> The first portion of which came into production in the first half of 2013.

<sup>36</sup> Value at Risk over a given confidence interval (e.g. 99%) represents an estimate of the level of loss that is exceeded only with a probability equal to the complement (to 100%) of the confidence interval (e.g. 1%). The Tail Conditional Expectation (TCE) at a given confidence interval represents the expected value only of “extreme” losses that exceed the VaR.

sis, a proprietary tool which incorporates and processes the inputs of the various front, middle and back office systems has been developed.

To monitor liquidity risk pertaining to the Ordinary Account, CDP uses a proprietary tool for verifying the limits, generating liquidity gap analyses and performing stress tests, as described in the section on “Liquidity Risk”.

Migration is currently in progress of monitoring reporting for both the Separate Account and the Ordinary Account to the new ALM system which will, when fully operational, become the main integrated management tool for both interest rate and inflation risk as well as liquidity risk.

As far as operational risks are concerned, CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operating losses already taken place in the company and recorded in the income statement, as well as operational risk events that do not generate a loss (near miss events).

In order to comply with the recording requirements pursuant to Article 36 of Legislative Decree 231/2007, CDP has set up a unified computerised database for the central storage of all information acquired in performing customer due diligence requirements in accordance with the principles set out in the decree. CDP uses an outsourcer to create, maintain and manage the unified database, to which CDP’s Anti-Money Laundering function has direct and immediate access.

#### **6.4.3. Compliance system pursuant to Legislative Decree 231/2001**

In January 2006 CDP adopted an “organisation, management and control model pursuant to Legislative Decree 231/2001” (hereinafter also referred to as the “Model”). The Model identifies the company areas and operations that are most exposed to the risk of criminal activity as defined in the decree, along with the principles, rules and regulations for the control system introduced to supervise “significant” operating activities.

Given the importance of regulatory, organisational and business developments during the year, the compliance model was revised in 2010 and the updated version was approved by the Board of Directors on 20 April 2011.

Further changes of a specific and/or formal nature, required to ensure that the system is compliant with changes in the law, in internal and external rules and in operations, were approved by the Chief Executive Officer on 5 June 2012.

The Supervisory Body is tasked with overseeing the operation of and compliance with the model and with updating its content and assisting the competent company bodies in the task of implementing the model correctly and effectively.

CDP's Supervisory Body has three members: an expert in criminal and legal affairs, an expert in economics and business issues, and the head of Internal Auditing, who are appointed by the Chairman of the Board of Directors. The Supervisory Body was first established in 2004 and reappointed in 2007 and in December 2010 at the end of its three-year terms.

The Supervisory Body has drafted its own internal rules and defined the approach to be followed in supervising the model. As noted above, it has been supported by the Internal Auditing unit in ongoing, independent monitoring of the appropriate operation of company processes, as well as oversight of the internal control system as a whole. The Supervisory Body met on 12 occasions during 2013.

In order to start coordination and development of information synergies with the Supervisory Bodies of subsidiaries and to ensure full implementation of the provisions concerning administrative liability pursuant to Legislative Decree 231/01 within the Group, the Supervisory Body held a plenary meeting of the Supervisory Bodies set up in companies subject to management and coordination and has ensured discussion among such bodies, facilitated by the presence of one of its members in each of them.

The principles of the Organisational, Management and Control Model of Cassa depositi e prestiti S.p.A. can be consulted in the "About us/Organisation and Governance" section of the company's website: <http://www.cassaddpp.it>.

#### **6.4.4. Key characteristics of the risk and internal control management systems with regard to the financial reporting process**

The CDP Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders; The internal control system, which oversees the company's reporting processes, is set up – including at Group level – in such a way as to ensure that information is reliable, accurate and timely, in compliance with the applicable accounting standards.

The company's control system is structured to comply with the model adopted in the CoSO Report<sup>37</sup> and is subdivided into five components (control environment, risk assessment, control activity, information and communications, and monitoring) which, depending to their characteristics, operate at the organisational unit and/or operating/administrative process level. In line with the model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.

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37 Committee of Sponsoring Organisations of the Treadway Commission.



As regards the structuring of the internal control system in the Information & Communication Technology area, the COBIT (Control Objectives for Information and related Technology) framework has been chosen as the reference.

A risk-based approach has been chosen for the internal control system applied to financial reporting, in which the focus is on the key administrative and accounting procedures of said financial reporting. In the CDP Group, in addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

This analysis is undertaken by verifying the presence of appropriate elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

At the process level, the approach consists of an assessment phase to identify specific risks which, if the risk event were to occur, might prevent the rapid and accurate identification, measurement, processing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.

The process level analysis is structured as follows:

- an initial phase identifies risks and defines control objectives in order to mitigate those risks;
- a second phase regards identification and evaluation of controls by: (i) identifying the type of control; (ii) evaluating the potential effectiveness of the control activity in risk mitigation terms; (iii) assessment/presence of control record; (iv) formulation of an overall judgement by correlating the control's potential effectiveness and the traceability of the control; (v) identification of key controls;
- the third phase consists of identifying areas of improvement regarding the control: (i) traceability of the control; (ii) design of the control.

Monitoring the effective operation of the control system is another key component of the CoSO Report framework. This activity is undertaken on a regular basis, addressing the periods covered by the reporting.

The CDP S.p.A. monitoring phase is structured as follows:

- sampling of items for testing;
- test execution;
- weighting of any anomalies detected, and an associated assessment.

In order to ensure that the system described above functions properly, CDP has established a system for the multiple units/functions to work together, in particular with regard to the parent company. The Resources and Organisation area is responsible for process design and formalisation; the financial reporting manager's function is involved during the risk assessment phase; and the Internal Auditing area is responsible for the monitoring and assessment phase.

Within the CDP Group, the Boards of Directors and Statutory Auditors are periodically informed of assessments of the internal control system and on the results of tests carried out, in addition to any shortfalls emerging and the initiatives taken for their resolution.

To enable the financial reporting manager and the administrative bodies delegated by the parent company to issue the certification pursuant to Article 154-bis of the Consolidated Finance Act, a flow of information to the financial reporting manager of the parent company was established, comprising: (i) the final report on the internal control system applied to the financial reporting process from the financial reporting managers to their respective boards of directors; (ii) the intra-Group "chain" certification system, which uses the standard certification established by Consob and adopted by the parent company, CDP.

#### **6.4.5. Independent auditors**

CDP's financial statements are audited by PricewaterhouseCoopers S.p.A. ("PwC"). During the course of the financial year, the independent auditors are responsible for verifying that the company keeps its accounts properly and that it appropriately records events that occur during the year in the company's accounts. Furthermore, the independent auditors check that the individual and consolidated financial statements are consistent with the records in the accounts and audits conducted, and that these documents comply with applicable regulations. The independent auditors issue an opinion on the individual and consolidated financial statements, and on the half-year interim report. The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

The current independent auditors were appointed in execution of a resolution of the May 2011 Shareholders' Meeting, which engaged that firm to audit the financial statements and accounts for the 2011-2019 period.

#### **6.4.6. Manager responsible for the preparation of the company's financial reports**

The manager responsible for preparation of the financial reports in CDP (the financial reporting manager) is the head of the Administration, Finance and Control unit.

For more information on the experience requirements and methods for appointing and substituting the financial reporting manager, the provisions of Article 24-bis of CDP's articles of association are reported below.

*Article 24-bis CDP articles of association*

1. *Subject to the prior opinion of the Board of Auditors, the Board of Directors appoints the manager responsible for the preparation of the company's financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years to perform the duties assigned to such manager under Article 154-bis of Legislative Decree 58 of 24 February 1998.*
2. *The manager responsible for the preparation of the company's financial reports shall meet the integrity requirements provided for the Directors.*
3. *The manager responsible for the preparation of the company's financial reports shall be chosen in accordance with criteria of professional experience and competence from among the managers who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms.*
4. *The manager responsible for the preparation of the company's financial reports can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Auditors.*
5. *The appointment of the manager responsible for the preparation of the company's financial reports shall lapse if such manager should not continue to meet the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.*

In order to ensure that the financial reporting manager has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the company, and to ensure that such manager is able to perform the duties of the position, including in relations with other company bodies, in July 2007 the Board of Directors approved the "Internal Rules for the Financial Reporting Manager Function". In October 2011, following the start of management and coordination activities for the subsidiaries of CDP, it was decided to update the rules of the function, using the same approval process.

In addition to holding a senior management position reporting directly to top management, the financial reporting manager may:

- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the company's administrative and control bodies;
- audit any company process that impacts the reporting process;
- undertake, in the case of companies entering the scope of consolidation and subject to management and control activities, specific initiatives necessary or helpful to the performance of activities associated with the performance of the manager's duties at the parent company;

- make use of other company units to design and amend processes (Resources and Organisation) and check the adequacy and effective application of procedures (Internal Auditing);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved budget.

#### **6.4.7. Insider register**

In 2009, in its role as an issuer of debt securities listed in Luxembourg and pursuant to the combined provisions of Articles 13 and 16 of the Luxembourg law of 9 May 2006 concerning market abuse, CDP has set up a "Register of persons with access to Cassa depositi e prestiti S.p.A. privileged information".

Management of the register is governed by rules establishing the regulations and procedures for storing and updating the register.

Among other things, the rules establish criteria for identifying which parties, owing to their position or the duties that they perform on a regular or occasional basis, have access to privileged information directly or indirectly concerning CDP. They also set out criteria regarding the prerequisites and timing of entry in the register, as well as obligations incumbent upon registered parties, and penalties applicable to breaches of such obligations under the rules and applicable law.

The Legal, Corporate Affairs and Compliance area is responsible for maintaining and updating the register.

#### **6.4.8. Code of Ethics**

The Code of Ethics of CDP and of companies subject to management and coordination establishes a set of values accepted and shared throughout the entire organisation that informs how CDP conducts its business.

The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. Therefore, in-house and external relations shall be conducted on the principles of honesty, moral integrity, transparency, reliability and a sense of responsibility.

The principles and provisions of the Code are disseminated primarily through publication on the corporate intranet. A copy of the Code is also given to all new employees. Individual contracts also contain a clause stating that compliance with the Code is an essential part of the contractual obligations, and is governed by a disciplinary code.

In 2013 there were no breaches of the Code of Ethics by CDP employees or associates.

## 7. Relations of the parent company with the MEF

### 7.1. RELATIONS WITH THE CENTRAL STATE TREASURY

CDP has an interest-bearing current account, no. 29814 denominated “Cassa DP SPA – Gestione Separata”, with the Central State Treasury on which it deposits most of its liquidity.

Pursuant to Article 6.2 of the decree of the Minister for the Economy and Finance (MEF) of 5 December 2003, interest on the funds is paid half-yearly at a floating rate equal to the simple arithmetic mean between the gross yield on six-month Treasury bills and the monthly Rendistato index.

### 7.2. AGREEMENTS WITH THE MEF

In accordance with the above MEF decree, CDP continued to manage the administrative and accounting aspects of the relationships transferred to the MEF at the end of 2003. These activities are governed by two agreements with the MEF that set out the guidelines for the exercise of the functions performed by CDP and the fees due for such services. These agreements were renewed, retaining the existing terms and conditions, on 23 December 2009 and will remain in force until 31 December 2014.

The first agreement governs the methods by which CDP manages existing relations as of the transformation date, resulting from the postal savings bonds transferred to the MEF (Article 3.4, c) under the ministerial decree cited above). Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane, CDP provides the following services to the MEF:

- financial reporting;
- periodic provision of information, both actual and forecasts, on bond redemptions and stocks;
- monitoring and management of the treasury accounts established for the purpose.

The second agreement concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4, a), b), e), g), h) and i) in the above ministerial decree. Here, too, guidelines were provided to help with the management activities by surveying such activities. In line with Article 4.2 of the aforementioned decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, to represent the MEF in legal and other matters, to fulfil obligations, and to exercise powers and rights in the management of relations connected with the activities transferred. CDP also provides the MEF with the following services:

- a detailed report on the activities performed;

- periodic provision of information on developments in the transferred loans and relationships, both actual and forecast;
- monitoring and management of the treasury accounts established for this purpose.

The MEF pays CDP €3 million annually for the performance of these services.

On 12 April 2013 an addendum to the above agreement was signed in order to ensure the immediate implementation of the provisions of Decree Law 35 of 8 April 2013 and Decree Law 102 of 31 August 2013, regarding the release of payments for government trade payables. This agreement awards CDP a total remuneration of €500 thousand divided over two years. As a result of the regulatory provisions introduced in Article 13, paragraphs 1, 2 and 3 of Decree Law 102 of 31 August 2013, on 11 September 2013 a supplementary deed to the addendum already entered into between CDP and MEF needed to be signed to establish the criteria and methods of access to the payment of the cash advances for 2014.

### 7.3. MANAGEMENT ON BEHALF OF THE MEF

The main assets managed are the loans granted by CDP and transferred to the MEF, the residual debt of which came to €11,260 million at 31 December 2013, compared with €12,945 million at the end of 2012. In addition, there are the cash advances granted for the payment of general government trade payables (Decree Law 35 of 8 April 2013), for which the debt as at 31 December 2013 amounted to €2,994 million. The liabilities include the management of postal savings bonds assigned to the MEF, which at year-end totalled €73,849 million, compared with €75,750 million at 31 December 2012.

In accordance with the above-mentioned ministerial decree, CDP continues to handle a number of activities established under specific legislative provisions, financed primarily with state funds. The funds appropriated for these activities are deposited in non-interest-bearing treasury accounts held in the name of the MEF, and CDP is authorised to use them for the purposes envisaged in the laws establishing the programmes.

Major programmes include the following: residential building, which had funds amounting to €3,094 million at 31 December 2013; the natural gas infrastructure programme for the South, which had resources totalling €227 million; and resources for territorial agreements and area contracts, which came to €775 million.

## 8. Outlook

### 8.1. THE PARENT COMPANY AND THE COMPANIES SUBJECT TO ITS MANAGEMENT AND COORDINATION

As regards the outlook, in 2014 CDP will continue to implement and set up the projects envisaged in the new 2013-15 Business Plan.

In particular, in the Public Entities and Local Development segment we will continue our efforts to support the release of government payments and we will be setting up projects for the development of the properties of Fintecna Immobiliare and the Extra sub-fund of FIV. In the Infrastructure area we will continue to provide support for the implementation of major infrastructure projects. Lastly, in the Enterprises segment our work in support of exports and of the international expansion of SACE and SIMEST will be ensured. We will also be setting up new debt instruments in support of the real estate sector and small and medium enterprises.

Following the approval of the Business Plan, the Government and Parliament adopted regulatory measures that allow CDP to initiate additional actions in favour of enterprises that will enable the provision of new lending of up to €7 billion over the plan period bringing the total volume of funds for the period up to €87 billion and further diversifying the sources of funding.

In accordance with the strategic guidelines of the Plan, we have initiated a process of rationalisation and leveraging of the Group's equity investments. In particular, preparatory work has started for the assessment of feasibility and the identification of alternative options for the opening of CDP Reti, SACE S.p.A. (SACE) and Fincantieri S.p.A. (Fincantieri) capital to third-party investors, including a possible IPO for some of them, as part of the growth and development of these companies.

On the asset side, we expect the stock of loans to customers and banks to expand more rapidly than lending for the banking system as a whole, primarily due to the contribution of the parent company in relation to the expected lending for enterprises and infrastructure and to a lesser extent to the contribution of the SACE Group mainly through the operations of SACE Fct.

We expect a further decline in net interest income in 2014 as a result of the fall in market interest rates and the limited room left for measures to cut the cost of funding. The figure is, however, in line with the Plan objectives.

The primary risks and uncertainties affecting results for 2014 consist of the uncertainty of future supply and demand conditions for credit among Public Entities, enterprises and households, as well as the possible fall

in interest rates down to record lows, causing a fall in loan yields, if there is a further reduction in the yield on government bonds. With reference to planned disposal transactions, the potential resultant income will depend on market conditions and the timing of each such transaction. Any decline in the market prices or reference values of the equity investments held by CDP could necessitate value adjustments, while there may also be a certain level of volatility in the dividends distributed over the year by investees. In the unexpected event of a rise in interest rates, there is also a risk of an acceleration in early redemptions of postal bonds and their replacement with newly-issued bonds, which could cause a deterioration in the cost of funding.

## 8.2. THE OUTLOOK FOR THE TERNA GROUP

The 2014 financial year will see the company involved in implementing the actions provided for under the 2012-2018 Business Plan, approved by the Board of Directors on 25 March 2014.

In line with the strategy of the previous Business Plan and regarding its traditional activities, the group will be focused on implementing the investments for the development and renewal of the NTG and the investments for the electricity storage systems. During the year, the new Trino-Lacchiarella 380 kV double three-phase connection will enter operation, improving the usage of the generation and import capacity from North-West Italy to the Milan area, as well as the new 380 kV Foggia-Benevento II power line that will enable an increase in the transfer capacity serving the generation plants located in Puglia, Molise and Campania. With regard to electricity storage systems, work will be completed on the sites envisaged within the NTG Development Plan for around 35 MW of storage capacity, as well as phase 1 of the work envisaged for the Security Plan for an additional 16 MW.

With regard to non-traditional activities, the group will continue to focus on value creation through activities for third parties in the engineering, development and maintenance services mainly for the electricity sector and housing for the telecommunications business. The group is also scouting and developing new opportunities in Italy and abroad through its subsidiary Terna Plus. In particular, in 2014 the group expects to negotiate agreements for the development of the Italy-France interconnection and the completion of the acquisition of the company Tamini Trasformatori S.r.l.

In line with previous years, the company will continue the rationalisation of processes and enhancing the efficiency of operating expenses, as well as the focus on service quality indicators.

Lastly, the group will continue to focus on its capital and financial strength. In 2014 the group will fund its investments and dividends through cash generation and available cash, as it has no need to refinance its debt before 2015.

\* \* \* \*

For information on subsequent events, please see the notes to the financial statements, Part A.1., section 3.



## 9. Proposed allocation of net income for the year

We hereby submit for shareholder approval the financial statements for 2013, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

The net income for the year 2013, of €2,348,764,274 will be allocated in full in accordance with the resolution passed by the Shareholders' Meeting. We note that no provision needs to be made to the legal reserve because it has already reached the amount of €700,000,000 corresponding to the limit of one-fifth of the share capital required by Article 2430 of the Civil Code.

Rome, 16 April 2014

The Chairman  
Franco Bassanini





# Cassa depositi e prestiti

2013 Annual Report

Allocation of net income  
for the year



## 1. SHAREHOLDERS' RESOLUTION ON ALLOCATION OF NET INCOME (TAKEN FROM THE MINUTES OF THE ORDINARY MEETING OF SHAREHOLDERS OF 28 MAY 2014)

[...]

The shareholders, having heard the remarks of the Chairman and in acceptance of the allocation of net income proposed by the Ministry for the Economy and Finance, by show of hands, unanimously

resolve

to approve the following allocation of net income for the year in the amount of €2,348,764,274:

- €852,636,612.80 distributed as a dividend to shareholders by the thirtieth day following today's date, equal to a dividend of €2.92 per share, excluding the treasury shares;
- €1,496,127,661.20 carried forward as retained earnings.

## 2. SUMMARY TABLE OF ALLOCATION OF NET INCOME FOR THE YEAR

Below is the summary table of the allocation of net income for the year:

### Summary of allocation of net income

(euros)

Net income	2,348,764,274
Distributable income*	2,348,764,274
Dividend	852,636,613
Retained earnings	1,496,127,661
<b>Dividend per share</b>	<b>2.92</b>

\* The legal reserve has reached the limit set by Article 2430 of the Civil Code





# Cassa depositi e prestiti

**2013 Annual Report**

Separate Financial Statements



Cassa depositi e prestiti





## Form and content of the separate financial statements at 31 December 2013

The separate financial statements at 31 December 2013 have been prepared in conformity with the applicable regulations and are composed of:

- Balance sheet;
- Income statement;
- Statement of comprehensive income;
- Statement of changes in equity;
- Cash flow statement;
- Notes to the separate financial statements.

The notes to the separate financial statements are composed of:

### INTRODUCTION

PART A - Accounting policies

PART B - Information on the balance sheet

PART C - Information on the income statement

PART D - Comprehensive income

PART E - Information on risks and related hedging policies

PART F - Capital

PART H - Transactions with related parties

PART L - Operating segments

The section “Annexes”, which is an integral part of the separate financial statements, includes a list of equity investments held by CDP and the separate schedules showing the contribution of the Separate Account and the Ordinary Account to company results.





# Cassa depositi e prestiti

**2013 Annual Report**

Separate Financial Statements

Balance sheet  
Income statement  
Statement of comprehensive income  
Statement of changes in equity  
Cash flow statement



Cassa depositi e prestiti

## Balance sheet

(euros)

Assets	31/12/2013	31/12/2012
10. Cash and cash equivalents	3,530	4,061
20. Financial assets held for trading	472,679,479	640,480,778
40. Financial assets available for sale	4,939,291,611	4,975,191,408
50. Financial assets held to maturity	18,327,082,721	16,730,803,183
60. Loans to banks	14,851,354,609	13,178,302,664
- of which securing covered bonds	-	575,161,865
70. Loans to customers	242,136,225,003	238,305,758,261
- of which securing covered bonds	-	2,102,395,438
80. Hedging derivatives	325,064,442	371,592,827
100. Equity investments	31,769,037,804	30,267,806,038
110. Property, plant and equipment	217,930,399	206,844,583
120. Intangible assets	6,252,398	7,142,943
130. Tax assets	1,233,688,891	508,263,385
a) current	1,065,965,451	359,110,010
b) deferred	167,723,440	149,153,375
150. Other assets	406,692,190	239,289,471
<b>Total assets</b>	<b>314,685,303,077</b>	<b>305,431,479,602</b>

(euros)

Liabilities and equity	31/12/2013	31/12/2012
10. Due to banks	24,008,645,722	34,055,028,612
20. Due to customers	261,520,355,925	242,303,149,301
30. Securities issued	6,907,470,302	6,672,411,389
- of which covered bonds	-	2,639,474,757
40. Financial liabilities held for trading	444,815,354	477,087,678
60. Hedging derivatives	1,449,143,501	2,575,862,638
70. Adjustment of financial liabilities hedged generically (+/-)	52,258,202	56,412,601
80. Tax liabilities	669,026,281	915,731,204
a) current	565,597,478	818,196,453
b) deferred	103,428,803	97,534,751
100. Other liabilities	1,479,946,192	1,527,970,453
110. Staff severance pay	756,139	750,996
120. Provisions	14,928,023	11,789,925
b) other provisions	14,928,023	11,789,925
130. Valuation reserves	975,182,823	965,418,317
160. Reserves	11,371,230,455	9,517,249,132
180. Share capital	3,500,000,000	3,500,000,000
190. Treasury shares (-)	(57,220,116)	-
200. Net income for the year (+/-)	2,348,764,274	2,852,617,356
<b>Total liabilities and equity</b>	<b>314,685,303,077</b>	<b>305,431,479,602</b>

## Income statement

(euros)

	31/12/2013	31/12/2012
10. Interest income and similar revenues	8,734,350,209	10,590,682,908
20. Interest expense and similar charges	(6,194,954,542)	(7,068,867,902)
<b>30. Net interest income</b>	<b>2,539,395,667</b>	<b>3,521,815,006</b>
40. Commission income	40,300,483	38,348,222
50. Commission expense	(1,623,148,314)	(1,650,123,072)
<b>60. Net commission income</b>	<b>(1,582,847,831)</b>	<b>(1,611,774,850)</b>
70. Dividends and similar revenues	3,088,977,849	1,206,749,144
80. Net gain (loss) on trading activities	76,056,378	156,407,006
90. Net gain (loss) on hedging activities	(14,833,356)	(10,120,204)
100. Gains (Losses) on disposal or repurchase of:	15,736,734	389,563,961
a) loans	9,219,840	19,469,378
b) financial assets available for sale	6,477,522	366,189,473
c) financial assets held to maturity	39,372	145,310
d) financial liabilities	-	3,759,800
<b>120. Gross income</b>	<b>4,122,485,441</b>	<b>3,652,640,063</b>
130. Net impairment adjustments of:	(45,290,748)	(22,884,956)
a) loans	(42,802,267)	(22,097,331)
d) other financial transactions	(2,488,481)	(787,625)
<b>140. Financial income (expense), net</b>	<b>4,077,194,693</b>	<b>3,629,755,107</b>
150. Administrative expenses:	(119,717,268)	(103,285,487)
a) staff costs	(62,335,374)	(54,205,757)
b) other administrative expenses	(57,381,894)	(49,079,730)
160. Net provisions	(395,528)	(2,058,191)
170. Net adjustments of property, plant and equipment	(5,147,912)	(5,225,787)
180. Net adjustments of intangible assets	(2,345,796)	(2,464,066)
190. Other operating income (costs)	4,758,168	3,504,759
<b>200. Operating costs</b>	<b>(122,848,336)</b>	<b>(109,528,772)</b>
210. Gains (Losses) on equity investments	(1,008,947,000)	147,334,875
240. Gains (Losses) on the disposal of investments	91	(107,901)
<b>250. Income (Loss) before tax from continuing operations</b>	<b>2,945,399,448</b>	<b>3,667,453,309</b>
260. Income tax for the period on continuing operations	(596,635,174)	(814,835,953)
<b>270. Income (Loss) after tax on continuing operations</b>	<b>2,348,764,274</b>	<b>2,852,617,356</b>
<b>290. Income (Loss) for the year</b>	<b>2,348,764,274</b>	<b>2,852,617,356</b>

## Statement of comprehensive income

(euros)

	31/12/2013	31/12/2012
<b>10. Income (Loss) for the period</b>	<b>2,348,764,274</b>	<b>2,852,617,356</b>
<b>Other comprehensive income net of taxes transferred to income statement</b>		
90. Cash flow hedges	(1,380,880)	24,212,441
100. Financial assets available for sale	11,145,386	(139,907,692)
<b>130. Total other comprehensive income net of taxes</b>	<b>9,764,506</b>	<b>(115,695,251)</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>2,358,528,780</b>	<b>2,736,922,105</b>

## Statement of changes in equity: current period

(euros)

	Changes for the period														
	Equity transactions							Allocation of net income for previous year							
	Changes in reserves														
Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2013									
Equity at 31/12/2013															
Share capital:															
a) ordinary shares	2,450,000,000		2,450,000,000			1,050,000,000									3,500,000,000
b) preference shares	1,050,000,000		1,050,000,000			(1,050,000,000)									
Share premium reserve															
Reserves:															
a) income	9,517,249,132		9,517,249,132	1,853,981,323											11,371,230,455
b) other															
Valuation reserves:															
a) available for sale	777,034,074		777,034,074											11,145,386	788,179,460
b) cash flow hedges	20,812,241		20,812,241											(1,380,880)	19,431,361
c) other reserves															
- revaluation of property	167,572,002		167,572,002												167,572,002
Equity instruments															
Treasury shares									(57,220,116)						(57,220,116)
Income (loss) for the period	2,852,617,356		2,852,617,356	(1,853,981,323)	(998,636,033)									2,348,764,274	2,348,764,274
Equity	16,835,284,805		16,835,284,805	-	(998,636,033)	-	(57,220,116)	(57,220,116)						2,358,528,780	18,137,957,436



Statement of changes in equity: previous period

(euros)

	Balance at 31/12/2011	Changes in opening balance	Balance at 01/01/2012	Allocation of net income for previous year		Changes for the period							Equity at 31/12/2012
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	
Share capital:	2,450,000,000		2,450,000,000										2,450,000,000
a) ordinary shares	2,450,000,000		2,450,000,000										2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000										1,050,000,000
Share premium reserve													
Reserves:	8,276,343,556		8,276,343,556	1,240,905,576									9,517,249,132
a) income	8,276,343,556		8,276,343,556	1,240,905,576									9,517,249,132
b) other													
Valuation reserves:													
a) available for sale	916,941,766		916,941,766									(139,907,692)	777,034,074
b) cash flow hedges	(3,400,200)		(3,400,200)									24,212,441	20,812,241
c) other reserves													
- revaluation of property	167,572,002		167,572,002										167,572,002
Equity instruments													
Treasury shares													
Income (loss) for the period	1,611,905,576		1,611,905,576	(1,240,905,576)	(371,000,000)							2,852,617,356	2,852,617,356
Equity	14,469,362,700		14,469,362,700	-	(371,000,000)							2,736,972,105	16,835,284,805

## Cash flow statement (indirect method)

(euros)

A. OPERATING ACTIVITIES	31/12/2013	31/12/2012
<b>1. Operations</b>	<b>6,556,718,122</b>	<b>(1,268,664,051)</b>
- net income for the year (+/-)	2,348,764,274	2,852,617,356
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(61,608,965)	(137,571,535)
- gains (losses) on hedging activities (-/+)	9,085,774	(200,183,695)
- net impairment adjustments (+/-)	45,290,748	22,884,956
- net value adjustments to property, plant and equipment and intangible assets (+/-)	7,493,709	7,689,853
- net provisions and other costs/revenues (+/-)	9,965,112	7,428,900
- unpaid charges, taxes and tax credits (+/-)	596,635,174	814,835,953
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	1,008,947,000	-
- other adjustments (+/-)	2,592,145,296	(4,636,365,839)
<b>2. Cash generated by/used in financial assets</b>	<b>(8,252,843,730)</b>	<b>(1,358,378,980)</b>
- financial assets held for trading	229,410,265	78,171,539
- financial assets at fair value	-	-
- financial assets available for sale	78,249,706	(2,030,319,043)
- loans to banks: on demand	-	-
- loans to banks: other	(1,347,809,928)	6,948,868,710
- loans to customers	(6,360,054,751)	(6,374,480,471)
- other assets	(852,639,022)	19,380,285
<b>3. Cash generated by/used in financial liabilities</b>	<b>5,145,738,562</b>	<b>34,558,471,140</b>
- due to banks: on demand	-	-
- due to banks: other	(10,076,287,893)	14,456,286,818
- due to customers	16,500,048,145	20,235,839,912
- securities issued	284,771,714	(1,720,450,110)
- financial liabilities held for trading	(32,272,324)	5,272,444
- financial liabilities at fair value	-	-
- other liabilities	(1,530,521,079)	1,581,522,076
<b>Cash generated by/used in operating activities</b>	<b>3,449,612,954</b>	<b>31,931,428,109</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>11,106,483,000</b>	<b>24,715,175,635</b>
- sale of equity investments	-	2,034,309,999
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	11,106,483,000	22,680,756,000
- sale of property, plant and equipment	-	109,636
<b>2. Cash used in</b>	<b>(15,095,313,300)</b>	<b>(42,581,105,251)</b>
- purchase of equity investments	(2,519,511,610)	(12,660,567,850)
- purchase of financial assets held to maturity	(12,561,075,775)	(29,903,053,001)
- purchase of property, plant and equipment	(13,270,664)	(12,452,043)
- purchase of intangible assets	(1,455,251)	(5,032,357)
<b>Cash generated by/used in investing activities</b>	<b>(3,988,830,300)</b>	<b>(17,865,929,616)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares	(57,220,116)	-
- dividend distribution and other allocations	(998,636,033)	(371,000,000)
<b>Cash generated by/used in financing activities</b>	<b>(1,055,856,149)</b>	<b>(371,000,000)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>(1,595,073,495)</b>	<b>13,694,498,493</b>

## Reconciliation

Items*		
Cash and cash equivalents at beginning of year	137,729,681,156	124,035,182,663
Total cash generated/used during the year	(1,595,073,495)	13,694,498,493
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	136,134,607,662	137,729,681,156

\* The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central Treasury, which is reported under item 70 "Loans to customers" and the positive balance of the bank current accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" under liabilities.



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Notes to the separate financial statements



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# Introduction

## STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

As in previous years, the CDP financial statements have been prepared in accordance with the regulations of the Bank of Italy, which are set out in its circular concerning banking and financial service supervision of 22 December 2005, updated to 21 January 2014, which set out the formats and rules for compiling bank financial statements, incorporating the introduction of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Union.

Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

- the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC);

as well as the Implementation Guidance and Basis for Conclusions adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.

The financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes to the financial statements and related annexes, as well as the directors' report on operations.

The financial statements present a clear, true and fair overview of the company's financial performance and standing.

The account balances correspond with the company's accounting records and fully reflect the transactions conducted during the year.

## BASIS OF PRESENTATION

The balance sheet, the income statement and the other financial statements are expressed in euros, whereas the tables in the notes to the financial statements are expressed in thousands of euros.

Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated without a sign, while costs are shown in parentheses.

The figures in the other financial statements and the tables of the notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet, the balance on the current account held with the Central State Treasury reported under item 70 "Loans to customers" and the positive balance on bank accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

## COMPARISON AND DISCLOSURE

As detailed below, the notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation the company's financial performance and standing.

The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.

For the purposes of comparison, the tables in the notes to the financial statements present the figures for both the 2013 and 2012 financial years.

Tables with no amounts for either 2013 or 2012 have been omitted.

## CDP SEGREGATED ASSET POOLS

Following the redemption of all issues under the Covered Bond Programme at the end of January 2013, and in accordance with the decisions of the Board of Directors in February 2013, on 11 April 2013 the termination agreement was signed with all institutional counterparties for the termination of all legal relationships associated with the segregated asset pool and, consequently, the segregated asset pool was closed in the accounts. As a result, the encumbrance on the liquidity held on the segregated account, since November 2011, was removed and the funds can be reinvested in "eligible" securities (with a rating of AAA).

Consequently, at 31 December 2013, the "of which" items in the financial statements show zero balances.

## AUDITING OF THE FINANCIAL STATEMENTS

The statutory audit of the CDP financial statements pursuant to Legislative Decree 39/2010 was performed by PricewaterhouseCoopers S.p.A. in execution of the shareholder resolution of 25 May 2011, which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

## ANNEXES

In order to enhance disclosure, a detailed list of the equity investments held by CDP is annexed to this report.

Statements showing the contribution of the Separate Account and the Ordinary Account are also annexed to this report.

# PART A - ACCOUNTING POLICIES

## A.1 - General information

### SECTION 1 - DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission and with the Bank of Italy circular no. 262 of 22 December 2005 updated to 21 January 2014, which establishes the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

### SECTION 2 - GENERAL PREPARATION PRINCIPLES

The financial statements have been prepared in accordance with the IFRSs issued by the IASB (including the SIC and IFRIC interpretations) endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- the Framework for the Preparation and Presentation of Financial Statements (issued by the International Accounting Standards Board in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs;
- interpretation documents concerning the application of the IFRSs in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

Where the information required by the IFRSs and the regulations of the Bank of Italy is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the notes to the financial statements also include supplemental information for such purpose.

The financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor revenues with costs, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.

## Use of estimates

The application of international accounting standards in preparing the financial statements requires the company to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review. Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.

The main areas in which management is required to make subjective assessments are:

- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning accounting treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The description of the accounting treatment used for the main financial statement items provides details on the main assumptions and assessments used in preparing the financial statements.

## SECTION 3 - EVENTS SUBSEQUENT TO THE REPORTING DATE

During the period between the reporting date for the separate financial statements and their approval by the Board of Directors on 16 April 2014, no events occurred that would require an adjustment to the figures approved or the provision of additional information.

## SECTION 4 - OTHER ISSUES

### First-time adoption of standards

During the financial year new accounting standards and interpretations took effect. Their provisions were taken into account in the preparation of these financial statements, where applicable.

#### **Amendments to IFRS 1 - First time adoption of International Financial Reporting Standards (Revised)**

The amendments to IFRS 1 eliminate the reference it contains to 1 January 2004 as the date of transition to the IFRSs and provide guidance on presentation of the financial statements in accordance with the IFRSs after a period of hyperinflation.

More specifically, the amendments specify that if an entity should decide, upon transition to the IFRSs, to measure its assets and liabilities at fair value and to adopt that fair value as deemed cost in their first IFRS financial statements, in cases of severe hyperinflation the first IFRS financial statements shall disclose how, and why, it had, and then ceased to have, a functional currency with both of the following characteristics:

- a reliable general price index is not available to all entities with transactions and balances in the currency;
- exchangeability between the currency and a relatively stable foreign currency does not exist.

#### **Amendment to IAS 12 - Income taxes**

The amendment of IAS 12 requires entities to measure deferred tax liabilities arising from an asset in relation to the way the carrying amount of the asset will be recovered (through continuing use or through a sale). Following the amendment, SIC 21 – “Income taxes” – Recovery of revalued non-depreciable assets was withdrawn.

#### **IFRS 13 - Fair value measurement**

IFRS 13 - Fair value measurement provides a precise definition of fair value and sets out, in a single standard, guidelines for measuring fair value and the disclosures concerning the valuation techniques adopted. The new standard represents a single IFRS framework to be used for the measurement of fair value and offers full guidance on how to measure the fair value of financial and non-financial assets and liabilities. It does not introduce significant changes in the use of fair value, but rather establishes how it should be measured when its use is required or permitted.

#### **IAS 19 - Employee benefits (Revised)**

The revised version of IAS 19 - Employee benefits introduces significant changes and clarifications concerning the accounting treatment of employee benefits. More specifically, it eliminates the option of deferring recognition of part of actuarial gains and losses (the “corridor method”). “Remeasurements” of the net liability for defined benefits, consisting of the actuarial gains and losses; the

return on plan assets; and changes in the effect of the asset ceiling, are recognized under other comprehensive income.

The amendments, in force for reporting periods beginning on or after 1 January 2013, were endorsed by the European Union with Regulation (EC) 475 of 5 June 2012.

#### **Amendments to IAS 1 - Presentation of financial statements**

The amendments of IAS 1 - Presentation of financial statements introduce changes in the aggregation of items in the statement of other comprehensive income. More specifically, the amendments call for the separate presentation of items of other comprehensive income (OCI) that can be reclassified to profit or loss in the future and those that because of their nature will never be recycled.

The amendments, in force from the reporting periods beginning on or after 1 July 2012, were endorsed by the European Union with Regulation (EC) 475 of 5 June 2012.

#### **Amendment to IFRS 7 - Offsetting financial assets and financial liabilities**

The amendments of IFRS 7 establish additional quantitative disclosures to enable users to compare and reconcile disclosures made in application of the IFRS more effectively. The amendment provides for the changes to IFRS 7 (paragraphs IN 89, 13A-13F, and B40-B53) to take effect for reporting periods beginning on or after 1 January 2013.

### **Accounting standards and interpretations that will enter into force in subsequent financial years**

At the date of approval of these financial statements, the IASB and the European Union have issued the following standards, amendments and interpretations that are applicable as of 1 January 2014:

- IAS 27 - "Separate Financial Statements" as amended by Regulation (EU) 1254/2012. The amendments consist in having extrapolated the provisions concerning the consolidated financial statements, which have been included in a new specific standard (IFRS 10 - "Consolidated Financial Statements"). Thus, IAS 27 revised defines and regulates the principles for the preparation of the separate financial statements only, remaining essentially unchanged in this respect from the previous version;
- IAS 28 - "Investments in Associates and joint ventures" as amended by Regulation (EU) 1524/2012. The accounting standard was supplemented with the requirement for joint ventures to be accounted for using the equity method;
- IAS 10 - "Consolidated Financial Statements" adopted by Regulation (EU) 1254/2012. The new standard establishes the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions previously contained in IAS 27 - Consolidated and Separate Financial Statements and SIC-12 - Special purpose entities. The new standard contains a new definition of control as the sole basis for the consolidation of all types of entities, eliminates some

inconsistencies or interpretation issues between IAS 27 and SIC 12, and finally lays down the rules for the clear and unambiguous identification of “de facto control”;

- IFRS 11 - “Joint control arrangements” adopted by Regulation (EU) 1254/2012. The new standard establishes the accounting rules for entities that are party to a joint arrangement and replaces IAS 31 - Interests in Joint Ventures and SIC - 13 Jointly controlled entities - Non-monetary contributions by venturers. IFRS 11 also provides criteria for identifying joint arrangements based on the rights and obligations arising from the arrangements rather than on their legal form and, unlike the previous rules under IAS 31, it rules out the proportionate consolidated method as method to account for investments in jointly controlled entities;
- IFRS 12 - “Disclosure of interests in other entities” adopted by Regulation (EU) 1254/2012. IFRS 12 combines, enhances and replaces disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard includes all the information that an entity has to disclose to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows;
- IAS 32 - “Financial instruments: Presentation - Offsetting of financial assets and liabilities” as amended by Regulation (EU) 1256/2012. Following the amendment to IFRS 7, IAS 32 revised provides additional guidance to reduce inconsistencies in the practical application of that standard.

### **Accounting standards, amendments and interpretations not yet endorsed as at the date of these financial statements**

At the date of approval of these financial statements, the IASB and the European Union have issued but not yet endorsed the following standards, amendments and interpretations; others are currently in the consultation stage, including specifically:

- Exposure Draft “IFRS 9 - Financial Instruments”, as part of the project to revise IAS 39;
- some Exposure Drafts, also issued within the project to revise the current IAS 39, on Amortised Cost and Impairment, Fair Value Option for Financial Liabilities, Expected Credit Losses and Hedge Accounting;
- Exposure Draft “Annual improvements to IFRS” relating to the 2010-2012, 2011-2013 and 2012-2014 cycle, as part of the annual improvement projects and general review of international accounting standards;
- Exposure Draft “Measurement of non-financial liabilities” as part of the review of the current IAS 37, concerning the recognition and measurement of provisions, contingent liabilities and contingent assets;
- Exposure Draft “Revenue from Contracts with Customers” as part of the review of the current IAS 11 and IAS 18, concerning revenue recognition;
- Exposure Draft “Insurance Contracts” as part of the review of the current IFRS 4 concerning accounting for insurance contracts;



- Exposure Draft “Leases” as part of the review of the current IAS 17, concerning accounting for leases;
- Exposure Draft “Operating Segments” as part of the review of the current IFRS 8, concerning accounting for operating segments;
- Interpretation on “Accounting treatment of put options written by the parent on non-controlling interests”;
- Exposure Draft “IAS 28 – Equity method: share of other net asset changes”;
- Exposure Draft “IAS 16 – Property, Plant and Equipment” and “IAS 38 – Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation”;
- Exposure Draft “IFRS 10 – Consolidated Financial Statements” and “IAS 28 – Investments in associates and joint ventures: sale or contribution of assets between an investor and its associate or joint venture”;
- Exposure Draft “IFRS 11 – Joint Arrangements: Acquisition of an interest in a joint operation”;
- Exposure Draft “IAS 19 – Defined Benefit Plans – Employee contributions”;
- Interpretation “IFRIC 21 – Levies” that businesses have to pay to the government for gaining access to a given market”;
- Exposure Draft “IAS 27 – Equity Method in Separate Financial Statements”;
- Discussion Paper “Conceptual Framework for Financial Reporting” as part of the project to revise the current Framework;
- Exposure Draft “IFRS 14 – Regulatory Deferral Accounts”, that restrict to first time adopters of IFRS the ability to continue recognising regulatory deferral account balances in accordance with their previous GAAP.

## Other information

The Board of Directors meeting of 16 April 2014 approved CDP's draft financial statements 2013, which will be published according to the timings and procedures set out in current regulations applicable to CDP.

Due to requirements relating to the preparation of the consolidated financial statements, in accordance with Article 2364 of the Civil Code and the articles of association, approval by the Shareholders' Meeting will take place within 180 days after the end of the financial year.

## The consolidated taxation mechanism

For the period 2012-2014, the parent company has opted, in its capacity as the consolidating entity, to adopt the “consolidated taxation mechanism” introduced with Legislative Decree 344 of 12 December 2003 together with the subsidiaries Fondo Strategico Italiano S.p.A. and CDP GAS S.r.l.

For the period 2013-2015 Cassa depositi e prestiti S.p.A. has widened the scope of consolidation to include the four subsidiaries: CDP Reti S.r.l., Fincantieri – Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas

S.p.A. and Isotta Fraschini Motori S.p.A. (the last two are controlled indirectly through Fincantieri – Cantieri Navali Italiani S.p.A.).

Accordingly, with effect from 1 January 2013, the following companies are included in the “consolidated taxation mechanism” of the CDP Group: Cassa depositi e prestiti S.p.A., Fondo Strategico Italiano S.p.A., CDP GAS S.r.l., CDP Reti S.r.l., Fincantieri – Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A.

## A.2 - The main financial statement accounts

The following pages provide a description of the accounting policies adopted in preparing the financial statements.

### 1 - FINANCIAL ASSETS HELD FOR TRADING

“Financial assets held for trading” (item 20) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.

Financial assets held for trading meet the following prerequisites:

- a) they are purchased with the intention of being sold in the short term;
- b) they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- c) they are derivatives (with the exception of derivatives that are designated and effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques can-

not be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.

Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

## 2 - FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans. The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve (other comprehensive income – OCI), net of tax effects, until the investment is sold or written down.

In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent comparable transactions. If the fair value of financial instruments not listed on active markets cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. A

decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The value of the instrument after the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as "Gains (Losses) on the disposal or repurchase of financial assets available for sale" (item 100.b).

Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

### 3 - FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.

The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.

Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment

or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

## 4 - LOANS

The term “loans” refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as “loans and receivables”, for which the company has a right to receive future cash flows.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan’s fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.

The loans made to Public Entities and public-law bodies under CDP’s Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to Public Entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion. CDP’s special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment plan begins as from the 1 July or 1 January following the execution of the loan contract. CDP’s accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a “short-term” receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance

with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted by CDP to borrowers other than Public Entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.

The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is “written back”, given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.

Recovery of all or a part of previously written down loans is recognised as a reduction to “Net impairment adjustments of loans” (item 130.a).

Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 90-days past due, also undergo individual impairment testing.

Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.

The method used for collective testing is based on the internal parameters used for pricing loans and calculating (for internal purposes only) CDP’s capital adequacy with respect to the exposures it has assumed.

The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.

These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).

"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. The item also reports the liquidity represented by the balance on the current account held with the Central State Treasury.

It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

## 6 - HEDGING TRANSACTIONS

In accordance with IAS 39, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

1. the relationship between the hedging instrument and the position hedged, including the risk management objectives;
2. the hedging strategy, which must be in line with established risk management policies;
3. the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.

A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and, in the case of cash flow hedges, any reserve is reversed to profit or loss. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.



Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

## 7 - EQUITY INVESTMENTS

The term “equity investments” refers to investments in subsidiaries (IAS 27), in joint ventures (IAS 31), and associates (IAS 28) other than financial assets held for trading (item 20) and financial assets designated as at fair value through profit or loss (item 30) in accordance with IAS 28, paragraph 1, and IAS 31, paragraph 1.

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing directors or, in any event, when CDP exercises the power to determine financial and operating policies. Joint ventures are companies in which control is shared with other parties by contract. Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Other equity investments are recognised as “Financial assets available for sale” (item 40) and are treated as described above.

In accordance with IAS 27, paragraph 37, equity investments are initially recognised and subsequently carried at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.

Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant or prolonged.

Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged. The reduction in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.

Equity investments are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

## 8 - PROPERTY, PLANT AND EQUIPMENT

“Property, plant and equipment” includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement

costs. In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.

The carrying amount represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.

Newly acquired assets are depreciated as from the period in which they enter service.

Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Therefore, with the transition to the IFRSs, CDP separated the value of land from the value of buildings based on appraisals that were previously used in 2005 for the purpose of revaluing company properties that had been recognised in the 2004 financial statements, pursuant to the provisions of the 2006 Finance Act. Land is considered to have an indefinite life and, as such, is not depreciated.

Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.

Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.

Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

## 9 - INTANGIBLE ASSETS

"Intangible assets" include goodwill, governed by IFRS 3, and other intangibles, governed by IAS 38.

Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each year, is subject to impairment testing in order to verify the appropriateness of the estimates.

An intangible asset is only recognised under the following conditions:

- (a) CDP can control the future economic benefits generated by the asset;
- (b) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company;
- (c) the cost of the asset can be measured reliably.

Intangible assets are therefore derecognised when sold or when future economic benefits are no longer expected.

CDP's intangible assets essentially consist of software.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.

Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are imputed to the asset and the cost is amortised over 5 years.

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.

“Assets under development and advances” are composed of advances or expenses incurred in respect of assets that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, amortisation is suspended.

## 11 - CURRENT AND DEFERRED TAXATION

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 5.57% for IRAP), also taking account, solely for deferred tax, of the IRES surplus tax (8.5%) imposed for the tax period underway at 31 December 2013 for the banking, finance and insurance sectors.

Deferred tax items regard the recognition of the effects of temporary differences between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year).

More specifically, “taxable temporary differences” between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while “deductible temporary differences” are those that will give rise to deductible amounts in the future.

Deferred tax items are recognised in the tax provision where they represent liabilities, i.e. where they are related to items that will become taxable in future tax periods. Where they represent assets, i.e. they are related to items that will be deductible in future tax periods, they are recognised under “Deferred tax assets” in the balance sheet.

If the deferred tax items regard operations that directly affected equity, they are recognised in equity.

## 12 - PROVISIONS

“Provisions” (item 120) are recognised solely under following conditions:

- (a) there is a present (legal or constructive) obligation resulting from a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (c) a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation. CDP has no "provisions for retirement and similar obligations", while "other provisions" includes the provisions for liabilities and contingencies established in observance of international accounting standards, with the exception of writedowns due to the impairment of guarantees issued and credit derivatives treated as such in accordance with IAS 39, which, where applicable, are recognised under "other liabilities". The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

### 13 - DEBT AND SECURITIES ISSUED

"Amounts due to banks" (item 10) and "Amounts due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than "Financial liabilities held for trading" (item 40), "Financial liabilities at fair value through profit or loss" (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These are initially measured at fair value including the costs incurred to issue the securities, which normally coincides with the issue price. Subsequent measurement is at amortised cost using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

Postal savings bonds issued by CDP are reported under "Due to banks" (item 10) and "Due to customers" (item 20), including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed at any time prior to the bond's contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting

model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

## 14 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the contract date for derivative contracts and at the trade date for debt securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

## 16 - FOREIGN CURRENCY TRANSACTIONS

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

- in the case of monetary instruments, at the spot exchange rate prevailing at the preparation date of the financial statements, recognising exchange rate differences under “Net gain (loss) on trading activities” in the income statement;
- in the case of non-monetary instruments, at cost using the exchange rate for the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

## 17 - OTHER INFORMATION

### Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, in conformity with the provisions of law (Article 2120 of the Italian Civil Code) and applicable employment contracts. In accordance with IAS 19, TFR is considered a defined-benefit plan and, therefore, is recognised as the present value of the accumulating obligation (both the present value of the expected future payments related to benefits accrued during the current year and the present value of future payments resulting from amounts accrued in previous years).

It should be noted that the provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.

Therefore, the effects of the application of IAS 19 are not significant.

### Interest income and expense

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivative.

## Commissions

Commissions are recognised in the income statement on an accruals basis. This excludes commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, which are recognised under interest.

## Dividends

Dividends are recognised as income in the period in which they are approved for distribution.

## Determining fair value

Fair value is the amount for which an asset (or liability) could be exchanged in an arm's length transaction between parties with a reasonable level of knowledge about market conditions and the material circumstances of the object of the exchange.

In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer. For financial instruments, fair value is determined in three possible ways:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);
- in the case of financial instruments not quoted on active markets, recourse is made, where possible, to valuation techniques that use observable market parameters other than quoted prices for the instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use as inputs parameters that are not observable on the market and thus are inevitably subjective to some degree (Level 3).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, brokers, intermediaries, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market parameters at different levels of complexity. For example, valuation techniques may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

In selecting the valuation techniques to be used in Level 2 measurements, CDP takes account of the following criteria:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into CDP's corporate systems.

Valuation techniques are validated by CDP's Risk Management and Anti-Money Laundering area. The development and validation of the techniques, and their application, are set out in specific process documentation.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.

For derivatives and bonds, CDP has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. Nevertheless, given the generalised use of framework netting arrangements that provide for the exchange of collateral, as at 31 December 2013 such adjustments are confined to cases of limited importance.

In some cases, in determining fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, such as statistical or "expert based" estimates by the party performing the valuation (Level 3).

More specifically, in the financial statements of CDP, the following measurements are classified as Level 3:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.



## A.4 - Disclosures on fair value measurement

### QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

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 at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded. In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value inputs”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.

The fair value of unlisted financial instruments is classified under level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads or yield curves. If they are used in the pricing of an instrument, they must be available for the entire remaining life of the instrument. The fair value of a financial instrument measured using techniques that use level 2 inputs is classified in the same level for the fair value hierarchy.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or “expert-based” techniques by those carrying out the measurement), the fair value measurement is classified under level 3, or the inputs not observable in the market and not directly available.

This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

Valuation techniques used for Level 2 and Level 3 measurements are validated by CDP's Risk Management and Anti-Money Laundering area. The development and validation of the techniques, and their application, are set out in specific process documentation.

#### **A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED**

Valuation techniques for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

CDP takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into CDP's corporate systems.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, in CDP's financial statements the fair value measurements are assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

For derivatives and bonds, CDP has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, of the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 31 December 2013 no adjustments of this kind have been made. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in CDP's financial statements:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

*Portfolios measured at fair value on a recurring basis: details of the significant unobservable inputs per Level 3 asset and liability*

Category of financial instruments		Fair value assets (thousands of euros)	Fair value liabilities (thousands of euros)	Measurement techniques	Non-observable parameters	Range %	
Financial derivatives	Equity		(385,050)	Option pricing models	Redemption profiles (ratio of excepted principal at maturity to remaining payable)	31%	100%
	Inflation	3,393	(25,717)	Projection and discounting of cash flows	Term structure of expected inflation	0.72%	2.07%
Equity securities		11,761	-	Equity multiple	Equity multiple	100%	100%
Units in collective investment undertakings		911,983	-	Adjusted NAV	Nav Adjustment	15%	15%

## A.4.2 VALUATION PROCESSES AND SENSITIVITY

### Description of the valuation process for the fair value measurement of instruments classified at level 3 of the hierarchy of fair value inputs

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents updated on half-yearly basis by the Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement unit, within the Risk Management and Anti-Money Laundering area. The valuations are performed through internal systems used by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

### **Description of non-observable inputs used the valuation process for the fair value measurement of instruments classified at Level 3 on a recurring basis and the sensitivity of the fair value to changes in those inputs and sensitivity analyses**

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of reasonable possible alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

#### **Redemption profiles**

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be submitted to the post office for redemption within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds indexed to the Dow Jones Euro Stoxx 50. If the investor redeems the bond in advance they lose the entitlement to receive any component of indexed remuneration and as a result the option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

<b>Sensitivity analysis to the redemption profile (figures in € millions)</b>		
	<b>+10% (higher redemptions)</b>	<b>-10% (lower redemptions)</b>
Change in fair value resulting from the use of possible reasonable alternatives	+23.3	-8.4

### Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market, refers to rates for indexes that have a liquid market. Given that the input is nevertheless observable in the market, even though it does not refer to the indexes to which the derivatives are linked, no sensitivity analysis is presented.

### Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2013, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

### Adjustment to NAV

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified as Level 3, the NAV may need to be adjusted downwards to take account of characteristics that, in the event of a transaction, are liable to generate a price lower than the NAV. At 31 December 2013 adjustments of this kind were made to the NAVs of the UCITS held in the portfolio at the standard rate of 15%, set on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

## A.4.3 HIERARCHY OF FAIR VALUE INPUTS

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13 paragraph 95).

For all classes of assets and liabilities, under the policy adopted by CDP the transfer from one level to another takes place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: For example, if the measurement of an instrument is classified as "Level 3" due to the unobservability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

## QUANTITATIVE DISCLOSURES

### A.4.5 HIERARCHY OF FAIR VALUE INPUTS

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euros)

Assets/Liabilities at fair value	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	470,394	2,285	-	636,753	3,728
2. Financial assets at fair value	-	-	-	-	-	-
3. Financial assets available for sale	4,012,479	3,069	923,744	4,668,773	4,601	301,817
4. Hedging derivatives	-	323,957	1,107	-	368,910	2,683
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>4,012,479</b>	<b>797,420</b>	<b>927,136</b>	<b>4,668,773</b>	<b>1,010,264</b>	<b>308,228</b>
1. Financial liabilities held for trading	-	59,765	385,050	-	63,559	413,529
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,423,427	25,717	-	2,562,811	13,052
<b>Total</b>	<b>-</b>	<b>1,483,192</b>	<b>410,767</b>	<b>-</b>	<b>2,626,370</b>	<b>426,581</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

#### A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(Thousands of euros)

FINANCIAL ASSETS							
	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets	
<b>1. Opening balance</b>	<b>3,728</b>	<b>-</b>	<b>301,817</b>	<b>2,683</b>	<b>-</b>	<b>-</b>	
<b>2. Increases</b>			<b>677,494</b>				
2.1 Purchases			668,040				
2.2 Profits taken to:			9,454				
2.2.1 Income statement							
- of which: capital gains							
2.2.2 Equity	x	x	9,454				
2.3 Transfers from other levels							
2.4 Other increases							
<b>3. Decreases</b>	<b>1,443</b>		<b>55,567</b>	<b>1,576</b>			
3.1 Sales							
3.2 Repayments			6,605				
3.3 Losses taken to:	1,443		48,962	1,576			
3.3.1 Income statement	1,443			1,576			
- of which: capital losses							
3.3.2 Equity	x	x	48,962				
3.4 Transfers to other levels							
3.5 Other decreases							
<b>4. Closing balance</b>	<b>2,285</b>	<b>-</b>	<b>923,744</b>	<b>1,107</b>	<b>-</b>	<b>-</b>	

#### A.4.5.3 Change for the year in financial liabilities at fair value on a recurring basis (Level 3)

(thousands of euros)

		FINANCIAL LIABILITIES		
		Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
<b>1.</b>	<b>Opening balance</b>	<b>413,529</b>		<b>13,052</b>
<b>2.</b>	<b>Increases</b>	<b>156,088</b>		<b>12,665</b>
2.1	Issues	4,723		
2.2	Losses taken to:	151,365		12,665
2.2.1	Income statement	151,365		8,488
	- of which: capital losses			
2.2.2	Equity	x	x	4,177
2.3	Transfers from other levels			
2.4	Other increases			
<b>3.</b>	<b>Decreases</b>	<b>184,567</b>		
3.1	Repayments	184,143		
3.2	Repurchases			
3.3	Profits taken to:	424		
3.3.1	Income statement	424		
	- of which: capital gains			
3.3.2	Equity	x	x	
3.4	Transfers to other levels			
3.5	Other decreases			
<b>4.</b>	<b>Closing balance</b>	<b>385,050</b>		<b>25,717</b>



**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a recurring basis: breakdown by level of fair value inputs**

(thousands of euros)

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		L1	L2	L3		L1	L2	L3
1. Financial assets held to maturity	18,327,083	19,896,941			16,730,803	17,946,627		
2. Loans to banks	14,851,355			15,087,709	13,178,303			13,296,157
3. Loans to customers	242,136,225			240,755,718	238,305,758		3,692,271	231,303,657
4. Investment property, plant and equipment	2,948			4,854				
5. Non current assets and disposal groups held for sale								
<b>Total</b>	<b>275,317,611</b>	<b>19,896,941</b>		<b>255,848,281</b>	<b>268,214,864</b>	<b>17,946,627</b>	<b>3,692,271</b>	<b>244,599,814</b>
1. Due to banks	24,008,646			24,008,646	34,055,029			34,055,029
2. Due to customers	261,520,356			261,520,356	242,303,149			242,303,149
3. Securities issued	6,907,470		6,405,425	384,249	6,672,411		5,998,748	409,904
4. Liabilities associated with assets held for sale								
<b>Total</b>	<b>292,436,472</b>	<b>-</b>	<b>6,405,425</b>	<b>285,913,251</b>	<b>283,030,589</b>	<b>-</b>	<b>5,998,748</b>	<b>276,768,082</b>

**Key**

CA = carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

## A.5 - Disclosures on “day one profit/loss”

The carrying amount of financial instruments on recognition is equal to their fair value at the same date. In the case of financial instruments other than those at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a “day one profit/loss” (DOP).

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect). If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related IAS/IFRS provisions.

## PART B - INFORMATION ON THE BALANCE SHEET

### Assets

#### SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

##### 1.1 Cash and cash equivalents: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
a) Cash	4	4
b) Free deposits with central banks		
<b>Total</b>	<b>4</b>	<b>4</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
<b>A On-balance-sheet assets</b>						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
<b>Total A</b>						
<b>B Derivatives</b>						
1. Financial derivatives		470,394	2,285		636,753	3,728
1.1 Trading						
1.2 Associated with fair value option						
1.3 Other		470,394	2,285		636,753	3,728
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
<b>Total B</b>		<b>470,394</b>	<b>2,285</b>		<b>636,753</b>	<b>3,728</b>
<b>Total (A+B)</b>		<b>470,394</b>	<b>2,285</b>		<b>636,753</b>	<b>3,728</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The financial derivatives shown in the table mainly regard options purchased to hedge the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

## 2.2 Financial assets held for trading: composition by debtor/issuer

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>A. ON-BALANCE-SHEET ASSETS</b>		
<b>1. Debt securities</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>2. Equity securities</b>		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
<b>3. Units in collective investment undertakings</b>		
<b>4. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total A</b>		
<b>B. DERIVATIVES</b>		
a) Banks	472,679	640,481
b) Customers		
<b>Total B</b>	<b>472,679</b>	<b>640,481</b>
<b>Total (A+B)</b>	<b>472,679</b>	<b>640,481</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2013			31/12/2012		
	L1	L2	L3	L1	L2	L3
1. Debt securities	4,012,479	3,069		4,668,773	4,601	
1.1 Structured securities						
1.2 Other debt securities	4,012,479	3,069		4,668,773	4,601	
2. Equity securities			11,761			10,960
2.1 At fair value			9,695			8,894
2.2 At cost			2,066			2,066
3. Units in collective investment undertakings			911,983			290,857
4. Loans						
<b>Total</b>	<b>4,012,479</b>	<b>3,069</b>	<b>923,744</b>	<b>4,668,773</b>	<b>4,601</b>	<b>301,817</b>

### 4.2 Financial assets available for sale: composition by debtor/issuer

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Debt securities</b>	<b>4,015,548</b>	<b>4,673,374</b>
a) Governments and central banks	3,807,665	4,668,774
b) Other government agencies	3,069	4,600
c) Banks	204,814	
d) Other		
<b>2. Equity securities</b>	<b>11,761</b>	<b>10,960</b>
a) Banks	2,066	2,066
b) Other issuers	9,695	8,894
- insurance undertakings		
- financial companies	3,709	8,894
- non financial companies	5,986	
- other		
<b>3. Units in collective investment undertakings</b>	<b>911,983</b>	<b>290,857</b>
<b>4. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total</b>	<b>4,939,292</b>	<b>4,975,191</b>

#### 4.4 Financial assets available for sale: change for the year

*(thousands of euros)*

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>4,673,374</b>	<b>10,960</b>	<b>290,857</b>	<b>-</b>	<b>4,975,191</b>
<b>B. Increases</b>	<b>16,574,745</b>	<b>801</b>	<b>676,693</b>	<b>-</b>	<b>17,252,239</b>
B1. Purchases	16,497,504		668,040		17,165,544
B2. Fair value gains	77,241	801	8,653		86,695
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other increases					
<b>C. Decreases</b>	<b>17,232,571</b>	<b>-</b>	<b>55,567</b>	<b>-</b>	<b>17,288,138</b>
C1. Sales	203,015		6,605		209,620
C2. Repayments	16,973,898				16,973,898
C3. Fair value losses	21,393		48,962		70,355
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other decreases	34,265				34,265
<b>D. Closing balance</b>	<b>4,015,548</b>	<b>11,761</b>	<b>911,983</b>	<b>-</b>	<b>4,939,292</b>

## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	18,327,083	19,896,941			16,730,803	17,946,627		
- structured								
- other	18,327,083	19,896,941			16,730,803	17,946,627		
2. Loans								
<b>Total</b>	<b>18,327,083</b>	<b>19,896,941</b>			<b>16,730,803</b>	<b>17,946,627</b>		

#### Key

FV = fair value

CA = carrying amount

The item includes fixed-rate government securities with a carrying amount of about €14,576 million, and inflation-linked government securities with a carrying amount of about €3,751 million, the latter held to hedge the exposure to Italian inflation arising from the issue of postal savings bonds indexed to inflation.

### 5.2 Financial assets held to maturity: composition by debtor/issuer

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Debt securities</b>	<b>18,327,083</b>	<b>16,730,803</b>
a) Governments and central banks	18,327,083	16,730,803
b) Other government agencies		
c) Banks		
d) Other		
<b>2. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total</b>	<b>18,327,083</b>	<b>16,730,803</b>
<b>Total fair value</b>	<b>19,896,941</b>	<b>17,946,627</b>

The increase over the previous year is attributable to the investment of a portion of liquidity in government securities.



## 5.4 Financial assets held to maturity: change for the year

(thousands of euros)

	Debt securities	Loans	Total
<b>A. Opening balance</b>	<b>16,730,803</b>		<b>16,730,803</b>
<b>B. Increases</b>	<b>12,703,646</b>		<b>12,703,646</b>
B1. Purchases	12,561,076		12,561,076
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other increases	142,570		142,570
<b>C. Decreases</b>	<b>11,107,366</b>		<b>11,107,366</b>
C1. Sales	1,000,883		1,000,883
C2. Repayments	10,106,483		10,106,483
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other decreases			
<b>D. Closing balance</b>	<b>18,327,083</b>		<b>18,327,083</b>

## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

(migliaia di euro)

	31/12/2013				31/12/2012			
	CA	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,213,100</b>	-	-	<b>1,213,100</b>	<b>447,906</b>	-	-	<b>447,906</b>
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement	1,213,100	x	x	x	447,906	x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>13,638,255</b>	-	-	<b>13,874,609</b>	<b>12,730,397</b>	-	-	<b>12,848,251</b>
1. Loans	13,638,255			13,874,609	12,230,391			12,348,245
1.1 Current accounts and free deposits	1,347,224	x	x	x	1,059,024	x	x	x
1.2 Fixed-term deposits	1,396,968	x	x	x	2,354,373	x	x	x
1.3 Other financing	10,894,063	x	x	x	8,816,994	x	x	x
- Repurchase agreements		x	x	x		x	x	x
- Finance leasing		x	x	x		x	x	x
- Other	10,894,063	x	x	x	8,816,994	x	x	x
2. Debt securities					500,006			500,006
2.1 Structured		x	x	x		x	x	x
2.2 Other debt securities		x	x	x	500,006	x	x	x
<b>Total</b>	<b>14,851,355</b>	-	-	<b>15,087,709</b>	<b>13,178,303</b>	-	-	<b>13,296,157</b>

#### Key

FV = fair value

CA = carrying amount

Loans to banks are composed of:

- loans amounting to about €10,894 million;
- deposits in respect of Credit Support Annexes (cash collateral) at banks to hedge the counterparty credit risk on derivatives of €1,397 million;
- current account balances totalling €1,347 million;
- the balance on the management account for the reserve requirement of about €1,213 million.

## 6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Loans with specific fair value hedges:</b>	<b>272,339</b>	<b>131,429</b>
a) interest rate risk	272,339	131,429
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>272,339</b>	<b>131,429</b>

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: composition by type

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2013						31/12/2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
<b>Loans</b>	<b>239,594,963</b>	-	<b>241,335</b>	-	-	<b>238,501,183</b>	<b>234,093,428</b>	-	<b>76,141</b>	-	<b>3,659,066</b>	<b>227,317,916</b>
1. Current accounts	2,552			x	x	x	186			x	x	x
1.1 Liquidity held with Central State Treasury	134,789,281			x	x	x	136,718,590			x	x	x
2. Repurchase agreements	8,263,855			x	x	x				x	x	x
3. Loans	93,438,765		240,955	x	x	x	93,826,109		76,006	x	x	x
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				x	x	x				x	x	x
5. Finance leasing				x	x	x				x	x	x
6. Factoring				x	x	x				x	x	x
7. Other	3,100,510		380	x	x	x	3,548,543		135	x	x	x
<b>Debt securities</b>	<b>2,299,927</b>	-	-	-	-	<b>2,254,535</b>	<b>4,136,189</b>	-	-	-	<b>33,205</b>	<b>3,985,741</b>
8. Structured				x	x	x				x	x	x
9. Other debt securities	2,299,927			x	x	x	4,136,189			x	x	x
<b>Total</b>	<b>241,894,890</b>	-	<b>241,335</b>	-	-	<b>240,755,718</b>	<b>238,229,617</b>	-	<b>76,141</b>	-	<b>3,692,271</b>	<b>231,303,657</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Liquidity held with the Central State Treasury in current account no. 29814 in the name of "Cassa DP SPA Gestione Separata" comprises liquidity generated by Separate Account transactions performed by CDP. As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy

and Finance pays semi-annual interest at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index. Interest accrued on current account no. 29814 and credited after the reporting date amounted to about €1,914 million.

## 7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

	31/12/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
<b>1. Debt securities:</b>	<b>2,299,927</b>			<b>4,136,189</b>		
a) Governments	819,498			899,767		
b) Other government agencies	533,205			551,988		
c) Other issuers	947,224			2,684,434		
- non financial companies	569,423			210,798		
- financial companies	377,801			2,473,636		
- insurance undertakings						
- other						
<b>2. Loans to:</b>	<b>239,594,963</b>	<b>241,335</b>		<b>234,093,428</b>	<b>76,141</b>	
a) Governments	172,771,237			174,059,309		
b) Other government agencies	47,951,875	8,270		49,796,812	5,380	
c) Other	18,871,851	233,065		10,237,307	70,761	
- non financial companies	9,774,135	233,065		10,153,630	70,661	
- financial companies	9,051,626			51,600		
- insurance undertakings						
- other	46,090			32,077	100	
<b>Total</b>	<b>241,894,890</b>	<b>241,335</b>		<b>238,229,617</b>	<b>76,141</b>	

### 7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Loans with specific fair value hedges:</b>	<b>8,579,536</b>	<b>11,890,085</b>
a) interest rate risk	8,579,536	11,890,085
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>8,579,536</b>	<b>11,890,085</b>

## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

### 8.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	Fair value 31/12/2013			NV 31/12/2013	Fair value 31/12/2012			NV 31/12/2012
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>		<b>323,957</b>	<b>1,107</b>	<b>3,935,745</b>		<b>368,910</b>	<b>2,683</b>	<b>6,678,853</b>
1) Fair value		147,927	1,107	3,248,147		317,837	2,683	6,150,730
2) Cash flow		176,030		687,598		51,073		528,123
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>323,957</b>	<b>1,107</b>	<b>3,935,745</b>		<b>368,910</b>	<b>2,683</b>	<b>6,678,853</b>

#### Key

NV= notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

### 8.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

	Fair value					Generic	Cash flow		Investment in foreign operations
	Specific						Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	2,235			x		x	152,989	x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other						x		x	
<b>Total assets</b>	<b>2,235</b>						<b>152,989</b>		
1. Financial liabilities	124,417			x	22,382	x	23,041	x	x
2. Portfolio	x	x	x	x	x		x		x
<b>Total liabilities</b>	<b>124,417</b>				<b>22,382</b>		<b>23,041</b>		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

## SECTION 10 - EQUITY INVESTMENTS - ITEM 100

### 10.1 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: information on investments

	Registered office	% holding	% of votes
<b>A. Wholly-owned subsidiaries</b>			
1. Terna S.p.A.	Rome	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Rome	70.00%	70.00%
3. Simest S.p.A.	Rome	76.00%	76.00%
4. Fondo Strategico Italiano S.p.A.	Milan	77.70%	77.70%
5. SACE S.p.A.	Rome	100.00%	100.00%
6. Fintecna S.p.A.	Rome	100.00%	100.00%
7. CDP GAS S.r.l.	Rome	100.00%	100.00%
8. CDP Reti S.r.l.	Rome	100.00%	100.00%
9. Fintecna Immobiliare S.r.l.	Rome	100.00%	100.00%
10. Quadrante S.p.A.	Rome	100.00%	100.00%
<b>B. Joint ventures</b>			
<b>C. Companies under significant influence</b>			
1. Eni S.p.A.	Rome	25.76%	25.76%
2. Galaxy S.à.r.l. SICAR	Luxembourg	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	31.80%



## 10.2 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: accounting data

(thousands of euros)

	Total assets	Total revenues	Net income (loss)	Equity	Carrying amount	Fair value (*)		
						L1	L2	L3
<b>A. Wholly-owned subsidiaries</b>	<b>38,322,681</b>	<b>3,993,401</b>	<b>1,303,321</b>	<b>20,648,525</b>	<b>16,485,058</b>			
1. Terna S.p.A. (1)	14,954,674	1,828,778	445,005	2,599,171	1,315,200	x	x	x
2. CDP Investimenti SGR S.p.A.	15,179	10,898	3,179	10,397	1,400	x	x	x
3. Simest S.p.A. (1)	446,879	52,025	13,003	246,434	232,500	x	x	x
4. Fondo Strategico Italiano S.p.A.	4,830,337	67,181	65,829	4,790,068	3,419,512	x	x	x
5. SACE S.p.A. (1)	8,846,391	1,460,836	255,106	5,808,312	5,150,500	x	x	x
6. Fintecna S.p.A. (1)	3,858,483	194,403	181,365	2,503,014	2,009,436	x	x	x
7. CDP GAS S.r.l.	773,287	75,888	70,495	538,643	467,366	x	x	x
8. CDP Reti S.r.l.	3,801,928	258,426	284,323	3,801,703	3,517,360	x	x	x
9. Fintecna Immobiliare S.r.l. (1)	740,666	44,785	(14,453)	305,778	310,159			
10. Quadrante S.p.A. (1)	54,857	181	(531)	45,005	61,625			
<b>B. Joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>C. Companies under significant influence</b>	<b>83,641,189</b>	<b>63,692,852</b>	<b>9,082,081</b>	<b>40,572,886</b>	<b>15,283,980</b>			
1. Eni S.p.A. (1)	83,583,342	63,669,159	9,078,359	40,577,323	15,281,632	16,373,779		
2. Galaxy S.à.r.l. SICAR (2)	51,160	23,190	3,681	7,820	2,348			
3. Europrogetti & Finanza S.p.A. in liquidazione (1)	6,687	503	41	(12,257)	-			
<b>Total</b>	<b>121,963,870</b>	<b>67,686,253</b>	<b>10,385,402</b>	<b>61,221,411</b>	<b>31,769,038</b>			

### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

(1) Figures from financial statements at 31/12/2012

(2) Figures from financial statements at 30/06/2013

(\*) at 31/12/2013

### 10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Opening balance</b>	<b>30,267,806</b>	<b>19,641,548</b>
<b>B. Increases</b>	<b>2,519,512</b>	<b>12,660,568</b>
B.1 Purchases	2,519,512	12,660,568
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
<b>C. Decreases</b>	<b>1,018,280</b>	<b>2,034,310</b>
C.1 Sales		2,034,310
C.2 Writedowns	1,008,947	
C.3 Other decreases	9,333	
<b>D. Closing balance</b>	<b>31,769,038</b>	<b>30,267,806</b>
<b>E. Total revaluations</b>		
<b>F. Total writedowns</b>	<b>1,025,915</b>	<b>16,968</b>

The sub-item B.1 “Purchases” relates entirely to the capital contributions made to the Fondo Strategico Italiano S.p.A.

The sub-item C.2 “Writedowns” refers to the impairment of the equity investments in SACE S.p.A. (€899.5 million) and Fintecna S.p.A. (about €109.4 million) recognised following the payment of extraordinary dividends during 2013.

The remaining decreases shown in the sub-item C.3 “Other decreases” (about €9.3 million), relate to the demerger of the real estate activities of the Fintecna Group with direct allocation to CDP. The demerged assets comprise the equity investments (Fintecna Immobiliare S.r.l. and Quadrante S.p.A.), land, buildings and other connected items for a total value of about €381 million, against which a reduction has been made in the value of the equity investment in Fintecna S.p.A. for the same amount.

### 10.4 Obligations relating to subsidiaries

On 22 March 2013 CDP subscribed to a capital increase of €2,519.5 million in FSI, at the same time of the Bank of Italy's acquisition of a stake in FSI, bringing the total amount of resources invested by CDP in FSI to €3,419.5 million. As a result of the contractual agreement with Bank of Italy, there is a material commitment from CDP to supplement the capital of FSI up to €4 billion (remaining commitment of about €0.6 billion), also through the exercise of option and pre-emption rights in respect of options not exercised by other shareholders.

## 10.6 Commitments in respect of companies subject to significant influence

CDP is a shareholder of Galaxy S.à.r.l. SICAR, a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector. Under the shareholders' agreement, as from the end of the investment period, which terminated on 9 July 2008, additional payments can be requested from the shareholders only for: (i) payment of the company's running costs (such as, for example, operating expenses and management commissions) and (ii) the completion of investments already approved. Currently no additional contributions by shareholders are envisaged given that the proceeds expected to be realized from divestments, together with existing cash, are adequate and consistent with the financial needs related to the operations of the company.

## SECTION 11 - PROPERTY, PLANT AND EQUIPMENT - ITEM 110

### 11.1 Operating property, plant and equipment: composition of assets measured at cost

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Owned</b>	<b>214,982</b>	<b>206,845</b>
a) land	117,406	117,406
b) buildings	61,794	63,079
c) movables	2,115	2,043
d) electrical plant	1,302	1,288
e) other	32,365	23,029
<b>2. Acquired under finance leases</b>		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
<b>Total</b>	<b>214,982</b>	<b>206,845</b>

### 11.2 Investment property: composition of assets measured at cost

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>2,948</b>			<b>4,854</b>				
a) land								
b) buildings	2,948			4,854				
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>2,948</b>			<b>4,854</b>				

## 11.5 Operating property, plant and equipment: change for the year

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>117,406</b>	<b>83,573</b>	<b>12,223</b>	<b>12,231</b>	<b>43,330</b>	<b>268,763</b>
A.1 Total net writedowns		(20,494)	(10,180)	(10,943)	(20,301)	(61,918)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>63,079</b>	<b>2,043</b>	<b>1,288</b>	<b>23,029</b>	<b>206,845</b>
<b>B. Increases</b>		<b>1,282</b>	<b>746</b>	<b>518</b>	<b>11,606</b>	<b>14,152</b>
B.1 Purchases			584	249	11,606	12,439
B.2 Capitalised improvement costs		1,282				1,282
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other increases			162	269		431
<b>C. Decreases</b>		<b>2,567</b>	<b>674</b>	<b>504</b>	<b>2,270</b>	<b>6,015</b>
C.1 Sales						
C.2 Depreciation		2,536	674	504	1,419	5,133
C.3 Writedowns for impairment recognised in						
a) equity						
b) income statement						
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) investment property						
b) assets held for sale						
C.7 Other decreases		31			851	882
<b>D. Closing net balance</b>	<b>117,406</b>	<b>61,794</b>	<b>2,115</b>	<b>1,302</b>	<b>32,365</b>	<b>214,982</b>
D.1 Total net writedowns		(23,062)	(10,632)	(9,277)	(21,569)	(64,540)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>84,856</b>	<b>12,747</b>	<b>10,579</b>	<b>53,934</b>	<b>279,522</b>
E. Measurement at cost						

## 11.6 Investment property: change for the year

(thousands of euros)

	Land	Buildings	Total
<b>A. Opening balance</b>	-	-	-
<b>B. Increases</b>	-	<b>2,963</b>	<b>2,963</b>
B.1 Purchases			
B.2 Capitalised improvement costs			
B.3 Fair value gains			
B.4 Writebacks			
B.5 Positive exchange rate differences			
B.6 Transfers from operating property			
B.7 Other increases		2,963	2,963
<b>C. Decreases</b>	-	<b>15</b>	<b>15</b>
C.1 Sales			
C.2 Depreciation		15	15
C.3 Fair value losses			
C.4 Writedowns for impairment			
C.5 Negative exchange rate differences			
C.6 Transfers to other asset portfolios:			
a) operating property			
b) assets held for sale			
C.7 Other decreases			
<b>D. Closing balance</b>	-	<b>2,948</b>	<b>2,948</b>
<b>E. Measurement at fair value</b>			

## SECTION 12 - INTANGIBLE ASSETS - ITEM 120

### 12.1 Intangible assets: composition by category

Intangible assets break down as follows:

(thousands of euros)

	31/12/2013		31/12/2012	
	Definite life	Indefinite life	Definite life	Indefinite life
<b>A.1 Goodwill</b>	<b>x</b>		<b>x</b>	
<b>A.2 Other intangible assets</b>	<b>6,252</b>		<b>7,143</b>	
A.2.1 Assets carried at cost	6,252		7,143	
a) internallygenerated intangible assets				
b) other assets	6,252		7,143	
A.2.2 Assets carried at fair value				
a) internallygenerated intangible assets				
b) other assets				
<b>Total</b>	<b>6,252</b>		<b>7,143</b>	

## 12.2 Intangible assets: change for the year

(thousands of euros)

	Goodwill	Other intangible assets: internally generated	Other intangible assets: other	Total
		DEF	INDEF	
<b>A. Opening gross balance</b>			<b>22,196</b>	<b>22,196</b>
A.1 Total net writedowns			(15,053)	(15,053)
<b>A.2 Opening net balance</b>			<b>7,143</b>	<b>7,143</b>
<b>B. Increases</b>			<b>1,455</b>	<b>1,455</b>
B.1 Purchases			1,455	1,455
B.2 Increases in internally-generated intangible assets	x			
B.3 Writebacks	x			
B.4 Fair value gains				
- equity	x			
- income statement	x			
B.5 Positive exchange rate differences				
B.6 Other increases				
<b>C. Decreases</b>			<b>2,346</b>	<b>2,346</b>
C.1 Sales				
C.2 Writedowns			2,346	2,346
- Amortisation			2,346	2,346
- Impairment	x			
+ equity				
+ income statement	x			
C.3 Fair value losses				
- equity				
- income statement	x			
C.4 Transfer to non-current assets held for sale	x			
C.5 Negative exchange rate differences				
C.6 Other decreases				
<b>D. Closing net balance</b>			<b>6,252</b>	<b>6,252</b>
D.1 Total net writedowns			(17,399)	(17,399)
<b>E. Closing gross balance</b>			<b>23,651</b>	<b>23,651</b>
F. Measurement at cost				

### Key

DEF: definite life

INDEF: indefinite life



## 12.3 Other information

With regard to the disclosures required under international accounting standards, it should be noted that:

- a) intangible assets were not revalued;
- b) no intangible assets acquired by way of government grants are held (IAS 38, paragraph 122, letter c);
- c) no intangible assets are pledged as security for liabilities (IAS 38, paragraph 122, letter d);
- d) there are no especially significant contractual commitments for the purchase of intangible assets (IAS 38, paragraph 122, letter e);
- e) no intangible assets are the object of leasing transactions.

## SECTION 13 - TAX ASSETS AND LIABILITIES - ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

### 13.1 Deferred tax assets: composition

Deferred tax assets arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will become deductible in periods following the period in which they are recognised. They mainly regard accruals to the provision for risks and the provision for future employee expenses, depreciation/amortisation charges with deferred deductibility, fair value measurement of available-for-sale financial assets and derivatives hedging cash flows in respect of liabilities (cash flow hedges), and impairment adjustments of loans.

### 13.2 Deferred tax liabilities: composition

Conversely, deferred tax liabilities arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will fall due in periods following the period in which they are recognised. They regard the fair value measurement of available-for-sale investments and securities and derivatives hedging cash flows in respect of financial liabilities (cash flow hedges).

### 13.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Opening balance</b>	<b>112,426</b>	<b>106,269</b>
<b>2. Increases</b>	<b>20,648</b>	<b>8,714</b>
2.1 Deferred tax assets recognised during the year	20,648	8,714
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	20,648	8,714
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>3,460</b>	<b>2,557</b>
3.1 Deferred tax assets derecognised during the year	3,460	2,557
a) reversals	3,460	2,557
b) writedowns for supervening nonrecoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation into tax credits under Law 214/2011		
b) other		
<b>4. Closing balance</b>	<b>129,614</b>	<b>112,426</b>

### 13.4 Changes in deferred tax liabilities (recognised in income statement)

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Opening balance</b>	<b>-</b>	<b>316</b>
<b>2. Increases</b>	<b>-</b>	<b>-</b>
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to change in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>-</b>	<b>316</b>
3.1 Deferred tax liabilities derecognised during the year		316
a) reversals		316
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>-</b>	<b>-</b>

### 13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Opening balance</b>	<b>36,727</b>	<b>111,494</b>
<b>2. Increases</b>	<b>33,937</b>	<b>28,906</b>
2.1 Deferred tax assets recognised during the year	33,937	28,906
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	33,937	28,906
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>32,555</b>	<b>103,673</b>
3.1 Deferred tax assets derecognised during the year	32,555	103,673
a) reversals	32,555	103,673
b) writedowns for supervening non-recoverability		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>38,109</b>	<b>36,727</b>

### 13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Opening balance</b>	<b>97,535</b>	<b>87,033</b>
<b>2. Increases</b>	<b>12,184</b>	<b>38,205</b>
2.1 Deferred tax liabilities recognised during the year	12,184	38,205
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	12,184	38,205
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>6,290</b>	<b>27,703</b>
3.1 Deferred tax liabilities derecognised during the year	6,290	27,703
a) reversals	6,290	27,703
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>103,429</b>	<b>97,535</b>

## 13.7 Other information

### 13.7.1 Deferred tax assets: composition

(thousands of euros)

	31/12/2013	31/12/2012
<b>Deferred tax assets recognised in income statement</b>	<b>129,614</b>	<b>112,426</b>
- debts	496	1,148
- provisions for risks and charges	4,001	3,224
- writedowns on loans	12,115	
- property, plant and equipment / intangible assets	3,715	3,714
- other temporary differences	109,287	104,340
<b>Deferred tax assets recognised in equity</b>	<b>38,109</b>	<b>36,727</b>
- assets available for sale	34,188	34,187
- cash flow hedge	3,921	2,540
<b>Total</b>	<b>167,723</b>	<b>149,153</b>

### 13.7.2 Deferred tax liabilities: composition

(thousands of euros)

	31/12/2013	31/12/2012
<b>Deferred tax liabilities recognised in income statement</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities recognised in equity</b>	<b>103,429</b>	<b>97,535</b>
- assets available for sale	89,907	84,712
- other	13,522	12,823
<b>Total</b>	<b>103,429</b>	<b>97,535</b>

## SECTION 15 - OTHER ASSETS - ITEM 150

### 15.1 Other assets: composition

(thousands of euros)

	31/12/2013	31/12/2012
Payments on account for withholding tax on postal passbooks	395,274	217,100
Other tax receivables	116	56
Receivables due from investees	2,079	1,044
Trade receivables and advances to Public Entities	3,957	14,166
Advances to suppliers	155	49
Advances to personnel	90	22
Other items	2,643	5,580
Accrued income and prepaid expenses	2,378	1,272
<b>Total</b>	<b>406,692</b>	<b>239,289</b>

The item reports assets not otherwise classified under the previous items.

The main items under this heading are:

- "Payments on account for withholding tax on interest on passbook savings accounts": the balance at end-2013 regards payments on account of the withholding tax levied on interest accrued on passbook accounts;
- "Trade receivables and advances to Public Entities": this reports receivables in respect of accrued fees or expenses paid in advance under agreements with ministries;
- "Receivables due from investees": the balance at end-2013 regards receivables in respect of investees for dividends, services rendered and expense reimbursements and receivables resulting from the adoption of the "consolidated taxation mechanism".

# Liabilities

## SECTION 1 - DUE TO BANKS - ITEM 10

### 1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Due to central banks</b>	<b>18,633,851</b>	<b>27,518,037</b>
<b>2. Due to banks</b>	<b>5,374,795</b>	<b>6,536,992</b>
2.1 Current accounts and demand deposits		
2.2 Fixed-term deposits	1,489,775	2,134,256
2.3 Loans	3,885,020	4,402,736
2.3.1 Repurchase agreements	443,226	1,268,069
2.3.2 Other	3,441,794	3,134,667
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables		
<b>Total</b>	<b>24,008,646</b>	<b>34,055,029</b>
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	24,008,646	34,055,029
<b>Total fair value</b>	<b>24,008,646</b>	<b>34,055,029</b>

The item “Due to central banks” mainly refers to lines of credit extended by the ECB.

Fixed-term deposits refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives and the balance on passbook accounts and postal bonds held by banks.

Other payables regard repurchase agreements, loans from the EIB and amounts to be transferred to counterparties in a non-recourse assignment of receivables.

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2013	31/12/2012
1. Current accounts and demand deposits	773,957	1,580,717
2. Fixed-term deposits	253,894,186	232,217,230
3. Loans		
3.1 Repurchase agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	6,852,213	8,505,202
<b>Total</b>	<b>261,520,356</b>	<b>242,303,149</b>
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	261,520,356	242,303,149
<b>Total fair value</b>	<b>261,520,356</b>	<b>242,303,149</b>

“Fixed-term deposits” mainly refers to the balance at the end of the year of passbook accounts and postal bonds.

Other payables mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by CDP to Public Entities and public-law bodies.

The fair value reported above, for the part relating to postal savings bonds, is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium in line with that on medium/long-term government securities.

Taking account of the demand redemption option for bondholders and the considerable uncertainty about redemption forecasts in the presence of volatile spreads, which can lead to estimates of fair value that are lower than the value immediately obtainable by bondholders through early redemption, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

### 2.3 Breakdown of item 20 “Due to customers”: structured liabilities

Structured liabilities at 31 December 2013 amounted to €6,736 million and include indexed postal savings bonds and the BFP “Premia” and “Europa” bonds, for which the embedded derivative has been separated from the host contract.

## 2.4 Due to customers: liabilities hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Liabilities covered specifically by fair value hedges:</b>	-	-
a) interest rate risk		
b) exchange rate risk		
c) multiple risks		
<b>2. Liabilities covered specifically by cash flow hedges:</b>	<b>434,356</b>	<b>424,248</b>
a) interest rate risk	434,356	424,248
b) exchange rate risk		
c) other		
<b>Total</b>	<b>434,356</b>	<b>424,248</b>

Amounts due to customers covered by cash flow hedges refer to part of the inflation-linked postal savings bonds.



## SECTION 3 - SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: composition by type

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,907,470		6,405,425	384,249	6,672,411		5,998,748	409,904
1.1 structured	45,238		42,197		48,306		42,482	
1.2 other	6,862,232		6,363,228	384,249	6,624,105		5,956,266	409,904
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>6,907,470</b>		<b>6,405,425</b>	<b>384,249</b>	<b>6,672,411</b>		<b>5,998,748</b>	<b>409,904</b>

This item at 31 December 2013 related entirely to bonds issued under the Euro Medium Term Notes programme. During the year remaining bonds of the Covered Bond Programme were redeemed.

### 3.3 Securities issued: hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Securities covered by specific fair value hedges:</b>	<b>6,464,128</b>	<b>6,478,492</b>
a) interest rate risk	6,100,378	6,077,840
b) exchange rate risk		
c) multiple risks	363,750	400,652
<b>2. Securities covered by specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>6,464,128</b>	<b>6,478,492</b>

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

### 4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2013					31/12/2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance-sheet liabilities</b>										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					x					x
3.1.2 Other					x					x
3.2 Other securities										
3.2.1 Structured					x					x
3.2.2 Other					x					x
<b>Total A</b>										
<b>B. Derivatives</b>										
1. Financial derivatives			59,765	385,050				63,559	413,529	
1.1 Trading	x				x	x				x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		59,765	385,050	x	x		63,559	413,529	x
2. Credit derivatives										
2.1 Trading	x				x	x				x
2.2 Associated with fair value option	x				x	x				x
2.3 Other	x				x	x				x
<b>Total B</b>	<b>x</b>		<b>59,765</b>	<b>385,050</b>	<b>x</b>	<b>x</b>		<b>63,559</b>	<b>413,529</b>	<b>x</b>
<b>Total (A+B)</b>	<b>x</b>		<b>59,765</b>	<b>385,050</b>	<b>x</b>	<b>x</b>		<b>63,559</b>	<b>413,529</b>	<b>x</b>

#### Key

FV = fair value

FV\* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item includes the embedded option component of bonds indexed to baskets of shares that was separated from the host contract.

## SECTION 6 - HEDGING DERIVATIVES - ITEM 60

### 6.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	Fair value 31/12/2013			NV 31/12/2013	Fair value 31/12/2012			NV 31/12/2012
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>		<b>1,423,427</b>	<b>25,717</b>	<b>10,520,065</b>		<b>2,562,811</b>	<b>13,052</b>	<b>9,902,943</b>
1) Fair value		1,423,427		10,134,065		2,562,811		9,516,943
2) Cash flow			25,717	386,000			13,052	386,000
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>1,423,427</b>	<b>25,717</b>	<b>10,520,065</b>		<b>2,562,811</b>	<b>13,052</b>	<b>9,902,943</b>

Key

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

### 6.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

	Fair value					Cash flow		Investment in foreign operation	
	Specific					Generic	Specific		Generic
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risk				
1. Financial assets available for sale						X		X	
2. Loans	1,393,670			X		X		X	
3. Financial assets held to maturity	X			X		X		X	
4. Portfolio	X	X	X	X	X		X	X	
5. Other						X		X	
Total assets	1,393,670								
1. Financial liabilities	29,757			X		X	25,717	X	
2. Portfolio	X	X	X	X	X		X	X	
Total liabilities	29,757						25,717		
1. Forecast transactions	X	X	X	X	X	X		X	
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

## SECTION 7 - ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

### 7.1 Value adjustments of hedged financial liabilities

(thousands of euros)

	31/12/2013	31/12/2012
1. Positive adjustments of financial liabilities	52,258	56,413
2. Negative adjustment of financial liabilities		
<b>Total</b>	<b>52,258</b>	<b>56,413</b>

### 7.2 Liabilities covered by macro-hedges against interest rate risk: composition

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

## SECTION 8 - TAX LIABILITIES - ITEM 80

For more information on this item please see Section 13 of assets.

## SECTION 10 - OTHER LIABILITIES - ITEM 100

### 10.1 Other liabilities: composition

(thousands of euros)

	31/12/2013	31/12/2012
Items being processed	9,576	10,681
Amounts due to employees	2,447	1,999
Charges for postal funding service	893,418	939,615
Tax payables	444,148	517,641
Trade payables	20,058	19,809
Due to social security institutions	3,001	2,496
Other	107,298	35,729
<b>Total</b>	<b>1,479,946</b>	<b>1,527,970</b>

The item reports liabilities not otherwise classified under the previous items and mainly consists of:

- the payable to Poste Italiane of about €893 million, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about €444 million, mainly regarding the tax on interest paid on postal savings products;
- other items, which are mainly composed of amounts due to subsidiaries in respect of their participation in the “consolidated taxation mechanism”, trade payables, sundry amounts due to employees, and adjustments to guarantees issued and commitments to disburse funds.

## SECTION 11 - STAFF SEVERANCE PAY - ITEM 110

### 11.1 Staff severance pay: change for the year

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Opening balance</b>	<b>751</b>	<b>733</b>
<b>B. Increases</b>	<b>1,209</b>	<b>1,097</b>
B.1 Provision for the year	1,209	1,097
B.2 Other increases		
<b>C. Decreases</b>	<b>1,204</b>	<b>1,079</b>
C.1 Severance payments		
C.2 Other decreases	1,204	1,079
<b>D. Closing balance</b>	<b>756</b>	<b>751</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	31/12/2013	31/12/2012
1. Company pension plans		
2. Other provisions	14,928	11,790
2.1 legal disputes	3,893	3,957
2.2 staff costs	9,582	6,438
2.3 other	1,453	1,395
<b>Total</b>	<b>14,928</b>	<b>11,790</b>

### 12.2 Provisions: change for the year

(thousands of euros)

	Pension	Other provisions	Total
<b>A. Opening balance</b>		<b>11,790</b>	<b>11,790</b>
<b>B. Increases</b>		<b>10,182</b>	<b>10,182</b>
B.1 Provision for the year		618	618
B.2 Changes due to passage of time			
B.3 Changes due to changes in discount rate			
B.4 Other increases		9,564	9,564
<b>C. Decreases</b>		<b>7,044</b>	<b>7,044</b>
C.1 Use during the year		6,822	6,822
C.2 Changes due to changes in discount rate			
C.3 Other decreases		222	222
<b>D. Closing balance</b>		<b>14,928</b>	<b>14,928</b>

### 12.4 Provisions - Other provisions

Other provisions regard provisions accrued for legal disputes, employee leaving incentives, charges in respect of variable remuneration and bonuses to directors and employees, in addition to likely tax liabilities.

## SECTION 14 - CAPITAL - ITEMS 130, 150, 160, 170, 180, 190 AND 200

### 14.1 "Share capital" and "Treasury shares": composition

The share capital of €3,500,000,000 at 31 December 2013 is fully paid up and is composed of 296,450,000 ordinary shares, without par value.

Under CDP's articles of association the preference shares, which at 31 December 2012 amounted to 105,000,000, were automatically converted into 51,450,000 ordinary shares with effect from 1 April 2013, on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares), without prejudice to the right of preference shareholders to withdraw.

The right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. No preference share holder opted for conversion at par through payment of an adjustment, as provided for in the articles of association.

The shares of the withdrawing foundations, pursuant to Article 2437-quater of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties. The Ordinary Shareholders' Meeting of 20 March 2013 approved the authorisation to purchase the treasury shares as part of the liquidation procedure referred to in Article 2437-quater of the Civil Code.

The shares of the withdrawing foundations will be purchased with the use of available reserves at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013.

As a result, at 31 December 2013 the company held treasury shares with a value of €57,220,116.

## 14.2 Share capital - Number of shares: change for the year

	Ordinary	Other
<b>A. Shares at start of the year</b>	<b>245,000,000</b>	<b>105,000,000</b>
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
<b>B. Increases</b>	<b>51,450,000</b>	
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes	51,450,000	
<b>C. Decreases</b>	<b>4,451,160</b>	<b>105,000,000</b>
C.1 Cancellation		
C.2 Purchase of own shares	4,451,160	
C.3 Disposal of companies		
C.4 Other changes		105,000,000
<b>D. Shares in circulation: closing balance</b>	<b>291,998,840</b>	<b>-</b>
D.1 Treasury shares (+)	4,451,160	
<b>D.2 Shares at end of the year</b>	<b>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		



#### 14.4 Income reserves: additional information

(thousands of euros)

	31/12/2013	31/12/2012
<b>Income reserves</b>	<b>11,371,230</b>	<b>9,517,249</b>
Legal reserve	700,000	605,567
Other	10,671,230	8,911,682

We provide the following information required by Article 2427, point 7-bis, of the Italian Civil Code.

(thousands of euros)

	Balance at 31/12/2013	Possible uses*	Amount available
Share capital	3,500,000		
Reserves	11,314,010		
- Legal reserve	700,000	B	700,000
- Other income reserves (net of treasury shares)	10,614,010	A, B, C	10,614,010
Valuation reserves	975,183		
- AFS reserve	788,180		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	19,431		
<b>Total</b>	<b>15,789,193</b>		<b>11,481,582</b>

\* A = capital increase; B = loss coverage; C = distribution to shareholders

## OTHER INFORMATION

### 1. Guarantees issued and commitments

(thousands of euros)

	31/12/2013	31/12/2012
1) Financial guarantees issued	617,185	506,751
a) Banks		
b) Customers	617,185	506,751
2) Commercial guarantees issued		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	13,553,321	15,291,176
a) Banks	450,795	1,967,874
i) certain use	450,795	1,967,874
ii) uncertain use		
b) Customers	13,102,526	13,323,302
i) certain use	13,102,526	13,290,784
ii) uncertain use		32,518
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	1,683,234	1,817,628
<b>Total</b>	<b>15,853,740</b>	<b>17,615,555</b>

### 2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	31/12/2013	31/12/2012
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	2,917,500	3,747,330
4. Financial assets held to maturity	10,338,500	11,253,303
5. Loans to banks	135,250	575,162
6. Loans to customers	37,406,400	40,101,223
7. Property, plant and equipment		

The assets pledged as collateral for own debts are mainly represented by receivables and securities pledged as collateral in refinancing operations with the ECB. The remainder are securities in repurchase agreements used for funding and receivables pledged as security for loans from the EIB.

#### 4. Management and intermediation on behalf of third parties

(thousands of euros)

31/12/2013

##### 1. Order execution on behalf of customers

a) purchases

1. settled

2. not yet settled

b) sales

1. settled

2. not yet settled

##### 2. Asset management

a) individual

b) collective

##### 3. Custody and administration of securities

a) third-party securities held as part of depository bank services

(excluding asset management)

1. securities issued by the reporting bank

2. other securities

b) other third-party securities on deposit (excluding asset management): other 11,035,831

1. securities issued by the reporting bank

2. other securities 11,035,831

c) third-party securities deposited with third parties 11,035,831

d) securities owned by bank deposited with third parties 24,037,374

##### 4. Other transactions

Management on behalf of third parties on the basis of specific agreements:

- Postal savings bonds managed on behalf of the MEF (note 1) 73,849,468

- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (note 2) 11,259,697

- Payment of public administration debts - Legislative Decree 35 of 8 April 2013 (note 3) 3,411,001

- Funds for Social and Public Residential Building (note 4) 3,093,587

- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2(207) (note 4) 775,273

- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law 1041/1971 (note 4) 705,448

- Kyoto Fund (note 3) 632,089

- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1997 and Law 73/1998 (note 4) 227,026

- Ministry of Universities and Research - Student Housing - Law 388/2000 (note 4) 50,711

- Minimal Environmental Impact Fund (note 4) 32,116

- Residential Building Loans - Law 179/1982 Article 5 (note 2) 150

- Other funds (note 4) 241,466

##### Note

(1) the figure shown represents the amount at the reporting date

(2) the figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF

(3) the figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date

(4) the figure shown represents the remaining funds available on the dedicated current accounts at the reporting date

## 5. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial assets (a)	Amount of financial assets subject to on-balance sheet netting (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not subject to on-balance sheet netting		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	795,246		795,246	283,650	495,059	16,537	73,266
2. Repurchase agreements	8,263,855		8,263,855	8,182,977		80,878	
3. Stock lending							
4. Other							
<b>Total 31/12/2013</b>	<b>9,059,101</b>	<b>-</b>	<b>9,059,101</b>	<b>8,466,627</b>	<b>495,059</b>	<b>97,415</b>	<b>x</b>
<b>Total 31/12/2012</b>	<b>1,007,679</b>	<b>-</b>	<b>1,007,679</b>	<b>408,809</b>	<b>525,604</b>	<b>x</b>	<b>73,266</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet:

(thousands of euros)

Balance sheet items	Net amount of financial assets reported in balance sheet (c=a-b)
1. Derivatives	795,246
20. Financial assets held for trading	470,181
80. Hedging derivatives	325,065
2. Repurchase agreements	8,263,855
70. Loans to customers	8,263,855
3. Stock lending	-
4. Other	-

For details of the valuation criteria used for the financial assets shown in the table above, see section A of the accounting policies.

## 6. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial liabilities (a)	Amount of financial liabilities subject to on-balance sheet netting (b)	Net amount of financial liabilities reported in balance sheet (c=a-b)	Related amounts not subject to on-balance sheet netting		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	1,508,909		1,508,909	283,650	1,225,259		175
2. Repurchase agreements	443,226		443,226	443,226			102
3. Stock lending							
4. Other							
<b>Total 31/12/2013</b>	<b>1,952,135</b>	<b>-</b>	<b>1,952,135</b>	<b>726,876</b>	<b>1,225,259</b>	<b>-</b>	<b>x</b>
<b>Total 31/12/2012</b>	<b>3,907,490</b>	<b>-</b>	<b>3,907,490</b>	<b>1,676,776</b>	<b>2,230,437</b>	<b>x</b>	<b>277</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet

(thousands of euros)

Balance sheet items	Net amount of financial liabilities reported in balance sheet (c=a-b)
1. Derivatives	1,508,909
40. Financial liabilities held for trading	59,766
60. Hedging derivatives	1,449,143
2. Repurchase agreements	443,226
10. Loans to banks	443,226
3. Stock lending	-
4. Other	-

For details of the valuation criteria used for the financial liabilities shown in the table above, see section A of the accounting policies.

## PART C - INFORMATION ON THE INCOME STATEMENT

### SECTION 1 - INTEREST ITEMS - 10 AND 20

#### 1.1 Interest income and similar revenues: composition

(thousands of euros)

	Debt securities	Loans	Other	31/12/2013	31/12/2012
1. Financial assets held for trading					
2. Financial assets available for sale	135,086			<b>135,086</b>	<b>148,706</b>
3. Financial assets held to maturity	870,249			<b>870,249</b>	<b>804,001</b>
4. Loans to banks		318,830		<b>318,830</b>	<b>323,918</b>
5. Loans to customers	78,712	7,331,473		<b>7,410,185</b>	<b>9,314,058</b>
6. Financial assets at fair value					
7. Hedging derivatives	x	x			
8. Other assets	x	x			
<b>Total</b>	<b>1,084,047</b>	<b>7,650,303</b>	<b>-</b>	<b>8,734,350</b>	<b>10,590,683</b>

The item reports the remuneration of the activities of CDP with regard to:

- loans to banks and customers:
  - interest income on loans by CDP amounted to about €4,283 million;
  - interest income on current account no. 29814, equal to about €3,341 million;
  - interest income on current accounts, equal to about €26 million;
- debt securities: interest income on debt securities amounted to about €1,084 million.

The item includes interest income accrued on impaired assets of about €6,341 thousand.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payable	Securities	Other	31/12/2013	31/12/2012
1. Due to central banks	142,961	x		142,961	209,417
2. Due to banks	69,474	x		69,474	99,260
3. Due to customers	5,553,699	x		5,553,699	6,287,948
4. Securities issued	x	162,193		162,193	221,334
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	14	14	555
8. Hedging derivatives	x	x	266,614	266,614	250,354
<b>Total</b>	<b>5,766,134</b>	<b>162,193</b>	<b>266,628</b>	<b>6,194,955</b>	<b>7,068,868</b>

Interest expense on amounts due to Central Banks regards financing from the ECB.

Interest expense on amounts due to customers mainly regards interest on postal savings products (about €5,447 million).

Interest on debt securities regarded bond issues in the amount of about €162 million.

The negative differences on hedges amounted to about €267 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2013	31/12/2012
A. Positive differences on hedging transactions	75,530	96,289
B. Negatives differences on hedging transactions	342,144	346,643
<b>C. Balance (A-B)</b>	<b>(266,614)</b>	<b>(250,354)</b>

## SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission income: composition

Commissions earned by CDP during the year mainly relate to the lending activities, in the amount of about €32.9 million.

Also contributing to this item were the commission income of €3.25 million relating to the agreement signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the Ministerial Decree of 5 December 2003, and commission income totalling about €1.1 million relating to the management of the Kyoto Fund and the Revolving Fund supporting enterprises and investment in research (FRI), as well as other services provided.

Commission income of around €3 million was accrued on guarantees given.

(thousands of euros)

	31/12/2013	31/12/2012
a) guarantees issued	2,996	3,343
b) credit derivatives		
c) management, intermediation and advisory services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1. individual		
3.2. collective		
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection and transmission		
8. advisory services		
8.1. concerning investments		
8.2. concerning financial structure		
9. distribution of third-party services		
9.1. asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitisations		
f) services for factoring transactions		
g) tax collection services		
h) management of multilateral trading systems		
i) holding and management of current accounts		
j) other services	37,304	35,005
<b>Total</b>	<b>40,300</b>	<b>38,348</b>



## 2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to €1,620 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

The agreement signed between CDP and Poste Italiane S.p.A. for the 2011-2013 period sets the fee for placement activities and no longer provides for a commission directly attributable to the issue of new postal savings bonds, but rather a comprehensive fee for the activities involved in providing the service, that starting from the financial statements for the year ended 31 December 2011, is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services. The Agreement in force for the three-year period 2011-2013 was automatically renewed for the three-year period 2014-2016. CDP and Poste Italiane S.p.A. have however also set up a negotiating table to redefine the management service for postal savings for the coming years, through the signature of a new Agreement.

(thousands of euros)

	31/12/2013	31/12/2012
a) guarantees received	733	
b) credit derivatives		
c) management and intermediation services:	1,620,000	1,649,115
1. trading in financial instruments		
2. foreign exchange		
3. asset management:		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	1,620,000	1,649,115
6. off-premises distribution of securities, products and services		
d) collection and payment services	1,333	906
e) other services	1,082	102
<b>Total</b>	<b>1,623,148</b>	<b>1,650,123</b>

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

### 3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2013		31/12/2012	
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		3,929		401
C. Financial assets at fair value				
D. Equity investments	3,085,049	x	1,206,348	x
<b>Total</b>	<b>3,085,049</b>	<b>3,929</b>	<b>1,206,348</b>	<b>401</b>

The balance consists of dividends and similar income authorised for distribution in the year from equity investments in SACE (about €1,235 million), Eni (about €1,020 million), Fintecna (€500 million), Terna (€120 million), CDP GAS (€103 million), CDPI Reti (about €101.5 million), SIMEST (about €4.8 million) and CDPI SGR (about €140 thousand).

Income from units in investment undertakings amounts to €3.9 million.

## SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES - ITEM 80

### 4.1 Net gain (loss) on trading activities: composition

*(thousands of euros)*

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
<b>1. Financial assets held for trading</b>					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
<b>3. Other financial assets and liabilities: exchange rate differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	
<b>4. Derivatives</b>	<b>236,817</b>	<b>29,574</b>	<b>175,208</b>	<b>15,127</b>	<b>76,056</b>
4.1 Financial derivatives	236,817	29,574	175,208	15,127	76,056
- on debt securities and interest rates	14,663	9,433	15,843	7,204	1,049
- on equity securities and equity indices	222,154	20,141	159,365	7,923	75,007
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
<b>Total</b>	<b>236,817</b>	<b>29,574</b>	<b>175,208</b>	<b>15,127</b>	<b>76,056</b>

The result of trading activities, amounting to income of €76 million, is almost entirely attributable to the operational hedges of the option component embedded in the Premia and Indexed savings bonds established with the purchase of options mirroring the exposure.

The result in 2013 is the consequence of the continued situation of overhedging, already noted in 2012. To limit the risk of volatility in profit or loss, in 2013 we continued to unwind explicit option positions used for operational hedging whose notional exceeded that of the hedged embedded options.

The trend in early redemptions of equity linked bonds continued to limit the expected effects in terms of reduction of volatility in the income statement.

## SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES - ITEM 90

### 5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Income on:</b>		
A.1 Fair value hedges	585,851	98,370
A.2 Hedged financial assets (fair value)	-	811,344
A.3 Hedged financial liabilities (fair value)	90,230	47,387
A.4 Cash flow hedges	-	-
A.5 Assets and liabilities in foreign currencies	59,260	20,736
<b>Total income on hedging activities (A)</b>	<b>735,341</b>	<b>977,837</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	89,200	873,205
B.2 Hedged financial assets (fair value)	601,714	-
B.3 Hedged financial liabilities (fair value)	-	94,016
B.4 Cash flow hedges	-	-
B.5 Assets and liabilities in foreign currencies	59,260	20,736
<b>Total expense on hedging activities (B)</b>	<b>750,174</b>	<b>987,957</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(14,833)</b>	<b>(10,120)</b>

## SECTION 6 - GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

### 6.1 Gains (Losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2013			31/12/2012		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks	102		102			
2. Loans to customers	9,661	(543)	9,118	23,727	(4,258)	19,469
3. Financial assets available for sale	6,478		6,478	366,190		366,190
3.1 Debt securities	6,478		6,478	982		982
3.2 Equity securities				365,208		365,208
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	39		39	145		145
<b>Total assets</b>	<b>16,280</b>	<b>(543)</b>	<b>15,737</b>	<b>390,062</b>	<b>(4,258)</b>	<b>385,804</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued				3,760		3,760
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,760</b>	<b>-</b>	<b>3,760</b>

The balance of this item at 31 December 2013 mainly relates to the penalties received from customers for the early repayment of mortgages and income earned from the trading of debt securities allocated under financial assets available for sale.

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €45.3 million, refers to the net balance between writedowns and writebacks on loans and other financial transactions, both specific and general. Writebacks from interest concern writebacks connected with the passage of time, arising from the accrual of interest during the year based on the original effective interest rate used in calculating the writedown.

### 8.1 Net impairment adjustments of loans: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2013	31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks	-	-	(9,328)	-	-	-	-	(9,328)	(16,013)
- Loans			(9,328)					(9,328)	(16,013)
- Debt securities									
B. Loans to customers	(2)	(30,968)	(3,029)	316	188	-	21	(33,474)	(6,084)
Purchased impaired receivables									
- Loans			X				X		
- Debt securities			X				X		
Other receivables									
- Loans	(2)	(30,968)	(3,029)	316	188			(33,495)	(6,078)
- Debt securities							21	21	(6)
C. Total	(2)	(30,968)	(12,357)	316	188	-	21	(42,802)	(22,097)

**Key**

A = interest

B = other writebacks

## 8.4 Net impairment adjustments of other financial transactions: composition

*(thousands of euros)*

	Writedowns			Writebacks				31/12/2013	31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(191)					(191)	(162)
B. Credit derivatives									
C. Commitments to disburse funds			(3,324)		1,018		9	(2,297)	(626)
D. Other transactions									
E. Total	-	-	(3,515)	-	1,018	-	9	(2,488)	(788)

Key

A = interest

B = other writebacks

## SECTION 9 - ADMINISTRATIVE EXPENSES - ITEM 150

### 9.1 Staff costs: composition

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Employees</b>	<b>61,092</b>	<b>52,705</b>
a) wages and salaries	45,211	38,612
b) social security contributions	176	165
c) severance pay		
d) pensions	10,606	9,669
e) allocation to staff severance pay provision	1,208	1,098
f) allocation to provision for pensions and similar liabilities		
- defined contribution		
- defined benefit		
g) payments to external pension funds	1,180	1,124
- defined contribution	1,180	1,124
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	2,711	2,037
<b>2. Other personnel in service</b>	<b>21</b>	<b>16</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>1,352</b>	<b>1,512</b>
<b>4. Retired personnel</b>		
<b>5. Recovery of expenses for employees seconded to other companies</b>	<b>(376)</b>	<b>(364)</b>
<b>6. Reimbursement of expenses for third-party employees seconded to the company</b>	<b>246</b>	<b>337</b>
<b>Total</b>	<b>62,335</b>	<b>54,206</b>

### 9.2 Average number of employees by category

<b>Employees:</b>	<b>532</b>
a) Senior management	48
b) Middle management	216
- of which: grade 3 and 4	131
c) Other employees	268
<b>Other personnel</b>	<b>12</b>



## 9.4 Other employee benefits

(thousands of euros)

	31/12/2013	31/12/2012
Lunch vouchers	820	772
Staff insurance	1,155	1,040
Interest subsidies on loans	58	53
Early retirement incentives	513	5
Other benefits	165	167
<b>Total</b>	<b>2,711</b>	<b>2,037</b>

## 9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2013	31/12/2012
Professional and financial services	8,841	8,657
IT costs	24,114	19,206
General services	8,685	8,661
Advertising and marketing	3,044	2,918
- of which mandatory publicity	1,227	1,150
Information resources and databases	1,424	1,264
Utilities, duties and other expenses	9,886	6,908
Corporate bodies	281	445
Other personnel costs	1,107	1,021
<b>Total</b>	<b>57,382</b>	<b>49,080</b>

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2013 paid for services provided by PricewaterhouseCoopers S.p.A., the external auditors.

(thousands of euros)

	Service Provider	Fees for the year
Auditing and financial statements	PricewaterhouseCoopers S.p.A.	441
Certification	PricewaterhouseCoopers S.p.A.	36
<b>Total</b>		<b>477</b>

The fees paid in 2013 to the audit firm PricewaterhouseCoopers S.p.A regard auditing of the annual separate and consolidated financial statements, auditing of the consolidated half-year financial statements, and certification of the statements for the separated accounts.

## SECTION 10 - NET PROVISIONS - ITEM 160

### 10.1 Net provisions: composition

(thousands of euros)

	31/12/2013			31/12/2012
	Accruals	Reversal of excess	Total	Total
Review of existing provision for litigation	(560)	222	(338)	(2,000)
Provision for tax liabilities	(58)		(58)	(58)
<b>Total</b>	<b>(618)</b>	<b>222</b>	<b>(396)</b>	<b>(2,058)</b>

## SECTION 11 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 170

### 11.1. Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Deprecitation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	5,148			5,148
- Operating assets	5,133			5,133
- Investment property	15			15
A.2 Acquired under finance leases				
- Operating assets				
- Investment property				
<b>Total</b>	<b>5,148</b>	<b>-</b>	<b>-</b>	<b>5,148</b>

## SECTION 12 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 180

### 12.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedown for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	2,346			2,346
- internally generated				
- other	2,346			2,346
A.2 Acquired under finance leases				
<b>Total</b>	<b>2,346</b>	<b>-</b>	<b>-</b>	<b>2,346</b>

## SECTION 13 - OTHER OPERATING INCOME (COSTS) - ITEM 190

### 13.1 Other operating costs: composition

(thousands of euros)

	31/12/2013	31/12/2012
Operating costs in respect of supply chain	8	
Charges from adjustment of asset items	1	
<b>Total</b>	<b>9</b>	<b>-</b>

### 13.2 Other operating income: composition

(thousands of euros)

	31/12/2013	31/12/2012
Income for corporate offices paid to employees	377	282
Sundry reimbursements	1,712	1,504
Rent	3	
Other income from services	2,675	1,719
<b>Total</b>	<b>4,767</b>	<b>3,505</b>

## SECTION 14 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 210

### 14.1 Gains (Losses) on equity investments: composition

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Gains</b>	<b>-</b>	<b>147,335</b>
1. Revaluations		
2. Gains on disposals		147,335
3. Writebacks		
4. Other		
<b>B. Losses</b>	<b>(1,008,947)</b>	<b>-</b>
1. Writedowns	(1,008,947)	
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>(1,008,947)</b>	<b>147,335</b>

The balance for 2013 mainly regards the impairment of the equity investments held in SACE (€899.5 million) and in Fintecna (about €109.4 million) recognised following the payment of extraordinary dividends by those companies.

## SECTION 17 - GAINS (LOSSES) ON THE DISPOSAL OF INVESTMENTS - ITEM 240

### 17.1 Gains (Losses) on the disposal of investments: composition

(thousands of euros)

	31/12/2013	31/12/2012
A. Property		
- Gains from disposal		
- Losses from disposal		
B. Other assets		
- Gains from disposal		3
- Losses from disposal		(111)
<b>Net gain (loss)</b>	<b>-</b>	<b>(108)</b>

## SECTION 18 - INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS - ITEM 260

### 18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2013	31/12/2012
1. Current taxes (-)	(619,418)	(823,258)
2. Change in current taxes from previous years (+/-)	5,595	1,949
3. Reduction of current taxes for the year (+)		
3.bis Reduction of current taxes for tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	17,188	6,157
5. Change in deferred tax liabilities (+/-)		316
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(596,635)	(814,836)

Current taxation for 2013 regards IRES (corporate income tax), the IRES surtax for the tax period underway at 31 December 2013 for the banking, finance and insurance sectors, and IRAP (regional business tax) for the year, calculated on the basis of the current tax rates of 27.5%, 8.5% and 5.57% respectively.

The change in current taxes with respect to previous years reflects the adjustment of the provision for taxes, estimated in preparing the financial statements, to the actual tax liability due on the basis of the tax return subsequently submitted to the Revenue Agency. Specifically, this was attributable to the greater ACE benefit calculated by the Company in the additional tax return for the year 2011, submitted following the positive response to the application submitted by the Company.

For 2013, the Change in deferred tax assets shows an increase, essentially attributable to the allocations to the risk provision and the provision for future employee costs and to the writedowns of loans that have recently been made deductible over five years as a result of the tax regulations introduced by Law 147 of 27 December 2013.

## 18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

	31/12/2013	Tax rate
<b>Income (Loss) before taxes</b>	<b>2,945,399</b>	
<b>IRES Theoretical tax liability (27.5% rate) - ordinary</b>	<b>(809,985)</b>	<b>-27.5%</b>
<b>IRES Theoretical tax liability (8.5% rate) - additional</b>	<b>(250,359)</b>	<b>-8.5%</b>
<b>IRES Theoretical tax liability (36% rate) - total</b>	<b>(1,060,344)</b>	<b>-36%</b>
Permanent increases		
- non-deductible interest expense	(89,207)	-3.0%
- writedowns on equity investments	(363,221)	-12.3%
- other non-deductible costs	(1,666)	-0.1%
Temporary increases		
- impairment adjustments of loans	(10,668)	-0.4%
- other temporarily non-deductible costs	(11,155)	-0.4%
- temporarily non-taxable income		
Permanent decreases		
- tax exempt dividends	1,055,086	35.8%
- other changes	10,512	0.4%
Temporary decreases	4,279	0.1%
<b>IRES Actual tax liability</b>	<b>(466,384)</b>	<b>-15.8%</b>
<b>Taxable income for IRAP purposes</b>	<b>2,515,091</b>	
<b>IRAP Theoretical tax liability (5.57% rate)</b>	<b>(140,091)</b>	<b>-5.57%</b>
non-deductible interest 4%	(13,802)	-0.5%
deductible costs from prior years	110	n/s
deductible costs in respect of staff	1,070	n/s
other non-deductible costs	(321)	n/s
<b>IRAP Actual tax liability</b>	<b>(153,034)</b>	<b>-6.1%</b>

## PART D - COMPREHENSIVE INCOME

### Detailed breakdown of comprehensive income

(thousands of euros)

	Gross amount	Income taxes	Net amount
<b>10. Net income (loss) for the period</b>	<b>2,945,399</b>	<b>(596,635)</b>	<b>2,348,764</b>
<b>Other comprehensive income not transferred to income statement</b>			
20. Property, plant and equipment			
30. Intangible assets			
40. Defined-benefit plans			
50. Non-current assets held for sale			
60. Valuation reserves of equity investments accounted for with equity method (pro rata)			
<b>Other comprehensive income transferred to income statement</b>			
70. Hedging of investment in foreign operation:			
a) fair value changes			
b) reversal to income statement			
c) other changes			
80. Exchange rate differences:			
a) changes in values			
b) reversal to income statement			
c) other changes			
90. Cash flow hedges:	(2,063)	682	(1,381)
a) fair value changes	(2,063)	682	(1,381)
b) reversal to income statement			
c) other changes			
100. Financial assets available for sale:	16,339	(5,194)	11,145
a) fair value changes	19,653	(6,290)	13,363
b) reversal to income statement	(3,314)	1,096	(2,218)
- impairment adjustments			
- gain/loss on realisation	(3,314)	1,096	(2,218)
c) other changes			
110. Non-current assets held for sale			
a) fair value changes			
b) reversal to income statement			
c) other changes			
120. Valuation reserves of equity investments accounted for with equity method (pro rata)			
a) fair value changes			
b) reversal to income statement			
- impairment adjustments			
- gain/loss on realisation			
c) other changes			
<b>130. Total other comprehensive income</b>	<b>14,276</b>	<b>(4,512)</b>	<b>9,764</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>2,959,675</b>	<b>(601,147)</b>	<b>2,358,528</b>

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within the CDP organisational structure, the head of Risk Management and Anti-Money Laundering (RMA) and the units that report directly to that officer are charged with governing and monitoring all of the forms of risk to which CDP is exposed in its operations, rendering transparent the CDP's overall risk profile and the capital requirements associated with each category of risk.

These risk categories are defined in the Risk Policy approved by the Board of Directors in 2010 and comprise market risks (which includes equity risk, interest rate risk, inflation risk and exchange rate risk), liquidity risk, credit risk (which includes concentration risk and counterparty risk), operational risks and reputational risk. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to set CDP's risk appetite, the thresholds of tolerance, the risk limits, the risk governance policies and the overall framework of organizational processes.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules and they envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering area is structured into six units:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational risks;
4. Risks associated with equity investments;
5. Loan monitoring and control;
6. Anti-Money Laundering.

The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning CDP's overall risk policy and management and operational assessment of especially large risks. The Risk Committee is also responsible for issuing opinions on transactions for which a second opinion is required or that otherwise involve a significant impact on operations (in support of and in accordance with the BoD's powers).

The RMA verifies compliance with the limits set by the Board of Directors and the operational limits established by the Chief Executive Officer, recommending correction actions to the Risk Committee that

might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

The Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement unit is also responsible for providing the company with certified calculation models.



# Section 1 - Credit risk

## QUALITATIVE DISCLOSURES

### 1. General aspects

Credit risk arises primarily in relation to lending activity – both under the Separate Account and the Ordinary Account – and on a secondary level in hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to central government and regional and local authorities.

In the last three years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs, for reconstruction in Abruzzo and in support of the real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by Public Entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially immunised for credit risk (as they are secured by the central government as the guarantor of last resort), and those assumed under “Export Bank” operations.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, drawing on funding not guaranteed by the state, in competition with banks.

### 2. Credit risk management policies

#### 2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.

The Lending and Loan Management area that reviews loans and carries out “middle office” activities, is responsible, among other things, for the assignment of internal ratings and estimating loss given default, parameters that are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy, a document approved by the CEO that sets out the methodologies used by CDP in assigning internal ratings to counterparties and in generating internal estimates of recovery rates for individual lending transactions.

As part of pre-lending assessments, the RMA focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. RMA also conducts a second level analysis on new loans

whenever the overall exposure to the corresponding groups of customers is above certain thresholds set in the Risk Policy; the purpose of these analyses is to ensure that all risk factors have been properly taken into account and that the proposal is consistent with CDP's internal limits and risk appetite.

Existing loans are subject to monitoring by the Lending and Loan Management department, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

The RMA also monitors overall developments in the risk level of the loan portfolio, partly with a view to identifying any necessary corrective actions to optimise the risk/return profile.

The RMA's responsibilities also include:

- second level control on performance monitoring of the counterparties in the loan portfolio, focusing in particular on the rating and recovery rates assigned and periodically updated by the Lending Department, designed to early detect any critical situations (early warning);
- support to the Risk Committee in the assessment of transactions identified according to the limits framework (second opinion);
- the development and/or validation of risk-adjusted credit pricing models;
- the development and/or validation of models and methodologies for the assignment of ratings and recovery rates;
- the preparation and updating of the Rating and Recovery Rate Policy in accordance with the requirements set out in CDP's Risk Policy.

## 2.2 Management, measurement and control systems

As part of its credit risk management and control policies for the Separate Account, CDP adopts a system for lending to regional and local governments, under which each loan is allocated to a uniform risk category, defining the level of risk associated with individual authorities appropriately with the aid of specific quantitative parameters for each type and size of authority.

The lending system makes it possible to identify cases in which a more extensive assessment of the borrower's creditworthiness is necessary, using qualitative and quantitative criteria.

For the Ordinary Account and lending for projects promoted by Public Entities pursuant to Decree Law 185 of 29 November 2008, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

RMA monitors compliance with the limits framework and the guidelines for the composition of the loan portfolio, introduced in the Risk Policy in 2013. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalized deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

The RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The RMA also monitors the compliance with minimum rating requirement for counterparties and limits based on the maximum notional amounts of transactions and credit equivalents, by counterparty or groups of connected counterparties, established in the CDP's Risk Policy. Similarly, the RMA provides for the monitoring of exposures to counterparties in treasury activities, verifying compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the allocation of internal ratings aim to ensure compliance with reproducibility and homogeneity requirements, including through traceability of the allocation process.

In the internal rating assignment process, CDP makes use of rating models developed by specialized external providers, which are applied as benchmark instruments and are broken down by CDP's major customer types on the basis of size, legal form and industry.

The rating scale adopted by CDP, in line with those of the rating agencies, is divided into 21 classes, of which 10 refer to "investment grade" positions and 11 to "speculative grade" positions; In addition there is one class for counterparties in default. Given the types of borrowers and the limited number of historical defaults on CDP's portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data bases acquired from a specialized provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

## 2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

CDP's credit exposures under the Separate Account are largely accounted for by specific-purpose loans secured by delegation of payment.

Financing under the Ordinary Account and that involving non-Public Entities under the Separate Account can be secured by security interests in property or unsecured guarantees. Some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (New SME Fund), and in support of the housing market, are secured through the sale to CDP of the underlying loans. As regards loans for which no assignment as collateral was provided (2009 SME Fund and Abruzzo Reconstruction Fund) the availability period ended in 2012 and the corresponding exposures to the banking system are being amortized.

In addition to normal guarantee requirements, mainly in operations under the Ordinary Account and those for non-Public Entities under the Separate Account, other options include requiring borrowers to comply with financial covenants and other contractual clauses that make it possible to monitor credit risk more closely over the life of an operation.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organizations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

In project finance operations, the support provided by the project's sponsors plays a significant role during the construction phase, both in terms of commitment to provide additional resources, if necessary, and in maintaining their presence as shareholders until completion of the works and start-up of operations.

As regards bank counterparties in transactions in hedging derivatives, in view of the ISDA contracts signed, netting arrangements are also used. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also used to strengthen credit risk mitigation.

The arrangement is based on the standard format recommended by ISDA.

CDP intends to use Global Master Repurchase Agreements (GMRA – ISMA 2000 version) for securities financing transactions. In addition, CDP recently joined the central counterparty, Cassa di Compensazione e Garanzia, through which it carries out repurchase transactions backed by robust counterparty risk protection mechanisms.

## **2.4 Impaired financial assets**

Impaired financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers.

The measurement of impaired positions is based on an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. In estimating the recovery plan and the consequent write-down, account is taken of any collateral or unsecured guarantees received. These include amounts granted but not yet disbursed on specific-purpose loans, which are disbursed on a state-of-completion basis. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order to ensure that such events are reflected promptly, the information on the financial and economic situation of borrowers is monitored periodically and developments in any out-of-court arrangements being negotiated and the various stages of court proceedings involving customers are tracked constantly.

Impaired assets are classified in order to identify – based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations and any debt restructuring authorised by CDP – non-performing positions to be reported under bad debts, substandard positions, restructured exposures and past-due/overlimit positions.

In the pre-litigation stage, impaired positions are monitored and managed by the Lending department in coordination with the other organisational structures involved. Actions for the recovery of these exposures aims to maximize the financial return, making use of out-of-court arrangements, including settlements, where appropriate, in order to improve recovery times and minimise costs incurred.

The restoration of impaired exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and to the binding opinion, where envisaged, of the credit monitoring unit.

## QUANTITATIVE DISCLOSURES

### A. Credit quality

#### A.1 Impaired and performing credit exposures: stocks, write-downs, changes and distribution by sector and geographical area

##### A.1.1 Distribution of credit exposures by portfolio and credit quality (carrying amount)

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Impaired past-due exposures	Non-impaired past-due exposures	Other assets	Total
1. Financial assets held for trading						472,679	472,679
2. Financial assets available for sale						4,015,548	4,015,548
3. Financial assets held to maturity						18,327,083	18,327,083
4. Loans to banks						14,851,355	14,851,355
5. Loans to customers	12,025	194,053		35,257	80,926	241,813,964	242,136,225
6. Financial assets at fair value							-
7. Financial assets being divested							-
8. Hedging derivatives						325,064	325,064
<b>Total at 31/12/2013</b>	<b>12,025</b>	<b>194,053</b>	<b>-</b>	<b>35,257</b>	<b>80,926</b>	<b>279,805,693</b>	<b>280,127,954</b>
<b>Total at 31/12/2012</b>	<b>7,955</b>	<b>42,715</b>	<b>-</b>	<b>25,471</b>	<b>119,514</b>	<b>273,704,657</b>	<b>273,900,312</b>

### A.1.2 Distribution of credit exposures by portfolio and credit quality (gross and net values)

(thousands of euros)

	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				x	x	472,679	472,679
2. Financial assets available for sale				4,015,548		4,015,548	4,015,548
3. Financial assets held to maturity				18,327,083		18,327,083	18,327,083
4. Loans to banks				14,876,695	(25,340)	14,851,355	14,851,355
5. Loans to customers	352,882	(111,547)	241,335	241,901,607	(6,717)	241,894,890	242,136,225
6. Financial assets at fair value				x	x		-
7. Financial assets being divested							-
8. Hedging derivatives				x	x	325,064	325,064
<b>Total at 31/12/2013</b>	<b>352,882</b>	<b>(111,547)</b>	<b>241,335</b>	<b>279,120,933</b>	<b>(32,057)</b>	<b>279,886,619</b>	<b>280,127,954</b>
<b>Total at 31/12/2012</b>	<b>154,503</b>	<b>(78,362)</b>	<b>76,141</b>	<b>272,831,819</b>	<b>(19,722)</b>	<b>273,824,171</b>	<b>273,900,312</b>

### A.1.3 On-balance-sheet and off-balance-sheet credit exposures to banks: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
<b>A. On-balance-sheet exposures</b>				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Impaired past-due exposures			x	
e) Other assets	15,081,509	x	(25,340)	15,056,169
<b>Total A</b>	<b>15,081,509</b>	<b>-</b>	<b>(25,340)</b>	<b>15,056,169</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired			x	
b) Other	467,467	x	(135)	467,332
<b>Total B</b>	<b>467,467</b>	<b>-</b>	<b>(135)</b>	<b>467,332</b>
<b>Total A+B</b>	<b>15,548,976</b>	<b>-</b>	<b>(25,475)</b>	<b>15,523,501</b>

### A.1.6 On-balance-sheet and off-balance-sheet credit exposures to customers: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
<b>A. On-balance-sheet exposures</b>				
a) Bad debts	61,629	(49,604)	x	12,025
b) Substandard loans	255,996	(61,943)	x	194,053
c) Restructured positions			x	
d) Impaired past-due exposures	35,257		x	35,257
e) Other assets	264,039,424	x	(6,717)	264,032,707
<b>Total A</b>	<b>264,392,306</b>	<b>(111,547)</b>	<b>(6,717)</b>	<b>264,274,042</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired	31,420	(437)	x	30,983
b) Other	13,724,463	x	(5,326)	13,719,137
<b>Total B</b>	<b>13,755,883</b>	<b>(437)</b>	<b>(5,326)</b>	<b>13,750,120</b>
<b>Total A+B</b>	<b>278,148,189</b>	<b>(111,984)</b>	<b>(12,043)</b>	<b>278,024,162</b>

### A.1.7 On-balance-sheet exposures to customers: changes in gross impaired positions

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions
<b>A. Opening gross exposure</b>	<b>47,264</b>	<b>81,768</b>	<b>-</b>	<b>25,471</b>
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>14,812</b>	<b>191,899</b>	<b>-</b>	<b>74,534</b>
B.1 transfers from performing positions	161	134,139		73,777
B.2 transfers from other categories of impaired positions	12,646	52,871		
B.3 other increases	2,005	4,889		757
<b>C. Decreases</b>	<b>447</b>	<b>17,671</b>	<b>-</b>	<b>64,748</b>
C.1 to performing loans		3,098		8,355
C.2 writeoffs				
C.3 collections	436	2,873		2,546
C.4 assignments				
C.4-bis losses on disposal				
C.5 transfers to other categories of impaired positions		11,670		53,847
C.6 other decreases	11	30		
<b>D. Closing gross exposure</b>	<b>61,629</b>	<b>255,996</b>	<b>-</b>	<b>35,257</b>
- of which: exposures assigned but not derecognised				



### A.1.8 On-balance-sheet credit exposures to customers: changes in total adjustments

*(thousands of euros)*

	Bad debts	Substandard loans	Restructured positions	Past due positions
<b>A. Total opening adjustments</b>	<b>39,309</b>	<b>39,053</b>	-	-
<i>of which: exposures assigned but not derecognised</i>				
<b>B. Increases</b>	<b>10,663</b>	<b>29,454</b>	-	-
B.1 writedowns	3,202	27,766		
B.1.bis losses on disposal				
B.2 transfers from other categories of impaired positions	6,417			
B.3 other increases	1,044	1,688		
<b>C. Decreases</b>	<b>368</b>	<b>6,564</b>	-	-
C.1 writebacks from valuations	316	80		
C.2 writebacks from collection	41	67		
C.2.bis gains on disposal				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions		6,417		
C.5 other decreases	11			
<b>D. Total closing adjustments</b>	<b>49,604</b>	<b>61,943</b>	-	-
<i>of which: exposures assigned but not derecognised</i>				

## A.2 Classification of exposures on the basis of external and internal ratings

### A.2.1 distribution of on-balance-sheet and off-balance-sheet exposures by external rating grades

(thousands of euros)

	External rating grades						Not rated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
<b>A. On-balance-sheet exposures</b>	<b>4,922</b>	<b>2,317,517</b>	<b>221,799,470</b>	<b>6,926,296</b>	<b>1,758,823</b>	<b>26,049</b>	<b>47,409,117</b>	<b>280,242,194</b>
<b>B. Derivatives</b>	<b>1,678</b>	<b>10,870</b>	<b>3,989</b>	-	-	-	-	<b>16,537</b>
B.1 Financial derivatives	1,678	10,870	3,989	-	-	-	-	16,537
B.2 Credit derivatives	-	-	-	-	-	-	-	-
<b>C. Guarantees issued</b>	-	-	<b>234,871</b>	-	-	-	<b>382,314</b>	<b>617,185</b>
<b>D. Commitments to disburse funds</b>	-	<b>169,248</b>	<b>9,546,862</b>	<b>16,199</b>	<b>80,299</b>	-	<b>3,771,122</b>	<b>13,583,730</b>
<b>E. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,600</b>	<b>2,497,635</b>	<b>231,585,192</b>	<b>6,942,495</b>	<b>1,839,122</b>	<b>26,049</b>	<b>51,562,553</b>	<b>294,459,646</b>

The following table maps the rating grades and the agency ratings used.

Rating grades	Moody's	ECAI Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

### A.3 Distribution of secured exposures by type of guarantee

#### A.3.1 Secured credit exposures to banks

(thousands of euros)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)	
						Credit derivatives				Guarantees					
		Land and buildings - mortgages	Land and buildings - Finance lease	Securities	Other assets	CIN	Altri derivati				Governments and central banks	Other governments agencies	Banks		Other
							Governments and central banks	Other government agencies	Banks	Other					
1. Secured on-balance-sheet credit exposures:															
1.1 fully secured - of which: impaired	5,141,527				4,200,940						876,347			64,240	5,141,527
1.2 partially secured - of which: impaired	205,245				201,336						431				201,767
2. Secured off-balance-sheet credit exposures:															
1.1 fully secured - of which: impaired	281,640										19,218			262,422	281,640
1.2 partially secured - of which: impaired															

### A.3.2 Secured credit exposures to customers

(thousands of euros)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)
						Credit derivatives				Guarantees				
		Land and buildings - Mortgages	Land and buildings - Finance lease	Securities	Other assets	CLN	Other derivatives			Governments and central banks	Other governments agencies	Banks	Other	
							Governments and central banks	Other governments agencies	Banks					
1. Secured on-balance-sheet credit exposures:														
1.1 fully secured	8,668,642	139,350		1,794,850	3,864,636					517,556	699,290	31,935	1,622,523	8,670,140
- of which: impaired	25,562	24,868								694				25,562
1.2 partially secured	89,640,698	26,456		9,079	11,770,149					305,276	588	20,932	765,772	12,898,252
- of which: impaired	124,419				1,639					114,976				116,615
2. Secured off-balance-sheet credit exposures:														
1.1 fully secured	3,834,853	1,135		22,100	39,785					727,816	39,070		3,004,947	3,834,853
- of which: impaired	21,905									21,905				21,905
1.2 partially secured	13,286											2,748		2,748
- of which: impaired														

## B. Distribution and concentration of credit exposures

### B.1 On-balance-sheet and off-balance-sheet credit exposures to customers by sector (carrying amount)

(thousands of euros)

	Governments			Other government agencies			Financial companies					Insurance undertaking	Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
A. On-balance-sheet exposures																		
A.1 Bad debts			x	2,803	(444)	x	(3,474)	x		x			9,222	(45,567)	x		(119)	x
A.2 Substandard loans			x	22	(33,462)	x		x		x			194,031	(28,481)	x			x
A.3 Restructured positions			x			x		x		x					x			x
A.4 Past due positions			x	5,445		x		x		x			29,812		x			x
A.5 Other	195,725,483	x		48,488,149		x	9,429,427		x		x		10,343,558		x	(6,717)	46,090	x
Total A	195,725,483	-	-	48,496,419	(33,906)	-	9,429,427	(3,474)	-	-	-	-	10,576,623	(74,048)	(6,717)	46,090	(119)	-
B. Off-balance-sheet exposures																		
B.1 Bad debts			x			x	(437)	x		x					x			x
B.2 Substandard loans			x			x		x		x			20,725		x			x
B.3 Other impaired assets			x	372		x		x		x			9,886		x			x
B.4 Other	3,469,569	x		2,708,305		x	13,116		x		x		7,523,025		x	(5,326)	5,122	x
Total B	3,469,569	-	-	2,708,677		-	13,116	(437)	-	-	-	-	7,553,636		-	(5,326)	5,122	-
Total (A+B) at 31/12/2013	199,195,052	-	-	51,205,096	(33,906)	-	9,442,543	(3,911)	-	-	-	-	18,130,259	(74,048)	(12,043)	51,212	(119)	-
Total (A+B) at 31/12/2012	201,329,497	-	-	53,712,262	(35,317)	-	2,614,294	(3,911)	(6)	-	-	-	15,849,614	(40,589)	(5,514)	34,321		-

## B.2 On-balance-sheet and off-balance-sheet credit exposures to customers by geographical area (carrying amount)

(thousands of euros)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts	12,025	(49,604)								
A.2 Substandard loans	194,053	(61,943)								
A.3 Restructured positions										
A.4 Past due positions	35,257									
A.5 Other	263,877,316	(6,717)	6,562		65,131		65,509		18,189	
<b>Total A</b>	<b>264,118,651</b>	<b>(118,264)</b>	<b>6,562</b>	<b>-</b>	<b>65,131</b>	<b>-</b>	<b>65,509</b>	<b>-</b>	<b>18,189</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts		(437)								
B.2 Substandard loans	20,725									
B.3 Other impaired assets	10,258									
B.4 Other	11,128,475	(5,326)			2,304,400		168,769		117,493	
<b>Total B</b>	<b>11,159,458</b>	<b>(5,763)</b>	<b>-</b>	<b>-</b>	<b>2,304,400</b>	<b>-</b>	<b>168,769</b>	<b>-</b>	<b>117,493</b>	<b>-</b>
<b>Total (A+B) at 31/12/2013</b>	<b>275,278,109</b>	<b>(124,027)</b>	<b>6,562</b>	<b>-</b>	<b>2,369,531</b>	<b>-</b>	<b>234,278</b>	<b>-</b>	<b>135,682</b>	<b>-</b>
<b>Total (A+B) at 31/12/2012</b>	<b>270,621,924</b>	<b>(85,337)</b>	<b>2,110,064</b>	<b>-</b>	<b>808,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### B.3 On-balance-sheet and off-balance-sheet credit exposures to banks by geographical area (carrying amount)

(thousands of euros)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	13,638,804	(25,340)	1,417,365							
<b>Total A</b>	<b>13,638,804</b>	<b>(25,340)</b>	<b>1,417,365</b>	-	-	-	-	-	-	-
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	193,062	(135)	274,270							
<b>Total B</b>	<b>193,062</b>	<b>(135)</b>	<b>274,270</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2013</b>	<b>13,831,866</b>	<b>(25,475)</b>	<b>1,691,635</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2012</b>	<b>12,012,471</b>	<b>(16,158)</b>	<b>2,857,450</b>	-	-	-	<b>276,255</b>	-	-	-

## C. Securitisations and asset disposals

### C.1 Securitisations

#### QUALITATIVE DISCLOSURES

At the end of 2002, CDP, then a Public Entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1. special corporations or consortiums operated by local authorities, consortiums of local authorities, and public or private limited companies operating public services (portfolio extinguished);
2. departments of the state, the regions, the autonomous provinces or local authorities (portfolio extinguished);
3. A2A S.p.A. (portfolio extinguished);
4. Acea Distribuzione S.p.A. (portfolio extinguished);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

As regards the loan portfolio made up of loans to public service operators, given that the securities issued by CPG in relation to the aforementioned portfolio were totally extinguished, the related receivables, for an amount of approximately €118 million, were transferred to CDP, effective 1 May 2013, in compliance with the obligations provided by the assignment contract.

As a result, at 31 December 2013, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

The loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

## QUANTITATIVE DISCLOSURES

### C.1.4 Exposures in respect of securitisations by portfolio and type

(thousands of euros)

	Financial assets held for trading	Financial assets (at fair value)	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2013	31/12/2012
<b>1. On-balance-sheet exposures</b>						-	<b>7,083</b>
- senior							7,083
- mezzanine							
- junior							
<b>2. Off-balance-sheet exposures</b>							
- senior							
- mezzanine							
- junior							

### C.1.7 Servicer activities - collections on securitised assets and redemption of securities issued by vehicle

(thousands of euros)

	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	performing assets	Impaired assets	Performing assets
CPG - Società di cartolarizzazione a r.l.		248,592		46,590						



## C.2 Asset disposals

### A. Financial assets assigned but not derecognised

#### QUALITATIVE DISCLOSURES

Financial assets assigned but not derecognised regard government securities classified as “Financial assets available for sale” and “Financial assets held to maturity” involved in repurchase agreements used for funding with banks.

#### QUANTITATIVE DISCLOSURES

##### C.2.1 Financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)

	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2013	31/12/2012
<b>A. On-balance-sheet assets</b>							195,918			248,026									443,944	1,267,827
1. Debt securities							195,918			248,026									443,944	1,267,827
2. Equity securities										x	x	x	x	x	x	x	x	x		
3. Units in collective investment undertakings										x	x	x	x	x	x	x	x	x		
4. Loans																				
<b>B. Derivatives</b>				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
<b>Total 31/12/2013</b>							195,918			248,026									443,944	x
- of which: impaired																				x
<b>Total 31/12/2012</b>							303,445			964,382									x	1,267,827
- of which: impaired																			x	

#### Key

A = Assigned financial assets fully recognised (carrying amount)  
 B = Assigned financial assets partially recognised (carrying amount)  
 C = Assigned financial assets partially recognised (total value)

## C.2.2 Financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

(thousands of euros)

	Financial assets held for trading	financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
<b>2. Due to banks</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>
a) In respect of assets fully recognised			195,508	247,718			443,226
b) In respect of assets partially recognised							
<b>Total 31/12/2013</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>
<b>Total 31/12/2012</b>			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>

### C.2.3 Disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros)

	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2013	31/12/2012
<b>A. On-balance-sheet assets</b>					195,918		248,437						444,355	1,290,124
1. Debt securities					195,918		248,437						444,355	1,290,124
2. Equity securities							x	x	x	x	x	x		
3. Units in collective investment undertakings							x	x	x	x	x	x		
4. Loans														
<b>B. Derivatives</b>			x	x	x	x	x	x	x	x	x	x		
<b>Total assets</b>					195,918		248,437						444,355	1,290,124
<b>C. Associated liabilities</b>													x	x
1. Due to customers													x	x
2. Due to banks					195,508		247,718						x	x
<b>Total liabilities</b>					195,508		247,718						443,226	1,268,069
<b>Net value 31/12/2013</b>					410		719						1,129	x
<b>Net value 31/12/2012</b>					7,596		14,459						x	22,055

**Key**

A = Assigned financial assets fully recognised

B = Assigned financial assets partially recognised

### B. Financial assets assigned and derecognised with recognition of continuing involvement

#### QUALITATIVE DISCLOSURES

CDP does not have any transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

### C.3 Covered bond transactions

To fund its lending activities under the Separate Account, in 2004 CDP launched a programme for the issue of up to €20 billion in covered bonds secured by assets consisting of CDP loans to or guaranteed by Italian regional and local governments. The operation was conducted on the basis of Article 5.18 of Decree Law 269/2003, pursuant to which CDP “may pledge its assets and legal relationships to satisfy the rights of the holders of securities it issues”.

Since the start of the programme, four public issues have been carried out with a total overall value of €8 billion (at 31 December 2012 €3 billion were still outstanding) as well as a privately-placed yen-denominated issue equal to about €64 million (redeemed in full in 2012).

Since 2007, issues under the programme were suspended as there appeared to be no market opportunities that would counsel additional issues of covered bonds.

In October 2011, in accordance with the procedures provided for in the contracts governing the covered bond programme, the downgrade of CDP’s rating triggered the obligation to exchange the collateral for liquidity to be held in a Segregation Collection Account at a contractually eligible bank (AAA rating), with the option of investing this liquidity in “eligible” securities (AAA rating).

In the same month, the Board of Directors approved the termination of the covered bond programme and in November 2011 the desegregation of the portfolio of loans in the segregated pool designated to secure the covered bond programme was completed.

With the redemption at maturity on 31 January 2013 of Issue (Series no. 2) of 20 October 2005, nominal amount of €3 billion, whose residual balance following acceptances of the repurchase offer was equal to €2.6 billion, all covered bond issues were fully extinguished.

## Section 2 - Market risks

### 2.1 Interest rate and price risk - Supervisory trading book

#### QUALITATIVE DISCLOSURES

##### A. General aspects

In 2013, CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

### 2.2 Interest rate and price risk - Banking book

#### QUALITATIVE DISCLOSURES

##### A. General aspects, management and measurement of interest rate risk and price risk

As part of its activities, CDP is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.

These risks can affect the profits and economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities predating its transformation into a joint-stock company and to the structure of assets and liabilities: a considerable portion of CDP's balance sheet consists of funding through ordinary fixed-rate bonds with an early redemption option, while the stock of loans is mainly fixed rate. Other types of postal bonds also include an early redemption option whose value is significantly affected by interest rates and inflation.

CDP's basic approach to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensi-

tivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry) in a single value;
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts ( $\pm 100$  basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

CDP also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to minimise the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance unit.

The measurement and the monitoring of interest rate risk are performed by the RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

Price (or equity) risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments. For these purposes, investments in units of investment funds, including real

estate funds, are treated like shares by CDP. As regards real estate risk, CDP has been outsourced risk management services by CDPI SGR, the company that manages the Fondo Investimenti per l'Abitare and Fondo Investimenti per la Valorizzazione.

In line with the net economic value approach, equity risk is quantified in terms of VaR - with a one-year time horizon. VaR provides a proxy of the risk that liquid, listed securities – including those not recognised at fair value – will not recover any impairment losses over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of indexed postal bonds and Premia bonds, whose yield is linked to developments in the Dow Jones EURO STOXX 50 index. The RMA monitors the net exposure to such risk.

## B. Fair value hedges

The strategies underlying fair value hedging are aimed at reducing interest rate and inflation risk metrics and differ in part for the two Accounts.

The Ordinary Account is normally hedged against interest rate risk at the origination stage.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in Euro and other currencies, carried out using IRSs and Cross Currency Swaps (CCS) indexed to 6-month Euribor plus a spread.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans.

The hedges are classified as micro fair value hedges. In 2013, a fair value hedge of a fixed rate issue in Yen was terminated; the corresponding CCS is currently set up as an operational hedge of the foreign exchange and interest rate risks associated with the note.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As result of the sensitivity profile for these options, CDP's overall exposure to interest rate risk under the Separate Account undergoes significant fluctuations in relation to the level of interest rates. When the exposure reaches levels deemed excessive, it is necessary to activate the mechanisms available, such as entering into new derivative contracts, early termination of existing derivatives, and the purchase of fixed-rate government securities.

In respect of financial liabilities, fair value hedges are currently in place for the bonds issued under the EMTN Programme that was launched in 2013 under the Separate Account, through IRSs indexed to 6-month Euribor plus a spread.

As regard financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features.

The programme was implemented using plain vanilla amortising IRSs in which CDP pays a fixed rate and receives 6-month Euribor plus a spread.

Subsequently, CDP continued to hedge part of its new fixed-rate loans, using one-to-one hedges. Part of the hedges on fixed-rate assets were terminated early in 2010, following the renegotiation of fixed-rate loans. A number of other hedges on fixed-rate assets were also early terminated in subsequent years to contain the total exposure to the yield curve.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index ("Index Linked at maturity" and "Premia" no longer in issue and the new "Europe" series) is systematically hedged through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from periodic monitoring and optimising the strategy for bonds that have options that are similar in terms of type, maturity and strike price.

These transactions are not subject to hedge accounting: the embedded options sold and the options purchased are both recognised at fair value and qualify as operational hedges.

The notional of the options purchased for each issue is calculated using estimates on the basis of the proprietary model of customer redemption behaviour.

During 2013, in order to minimize exposure arising from hedge discrepancies resulting from redemptions differing from estimates, CDP put in place a programme to unwind the options it had purchased to hedge the embedded options of the "Indexed linked at maturity" and "Premia" bonds. In line with this strategy, it only hedged the new issues for the optional amounts not present in the portfolio on the basis of combined strike/maturity.

## C. Cash flow hedges

During 2010 CDP launched a hedging programme for postal bonds indexed to the consumer price index for blue-collar and office worker households (FOI), a leading source of exposure to inflation that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, estimating the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the transactions in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships.



As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euros.

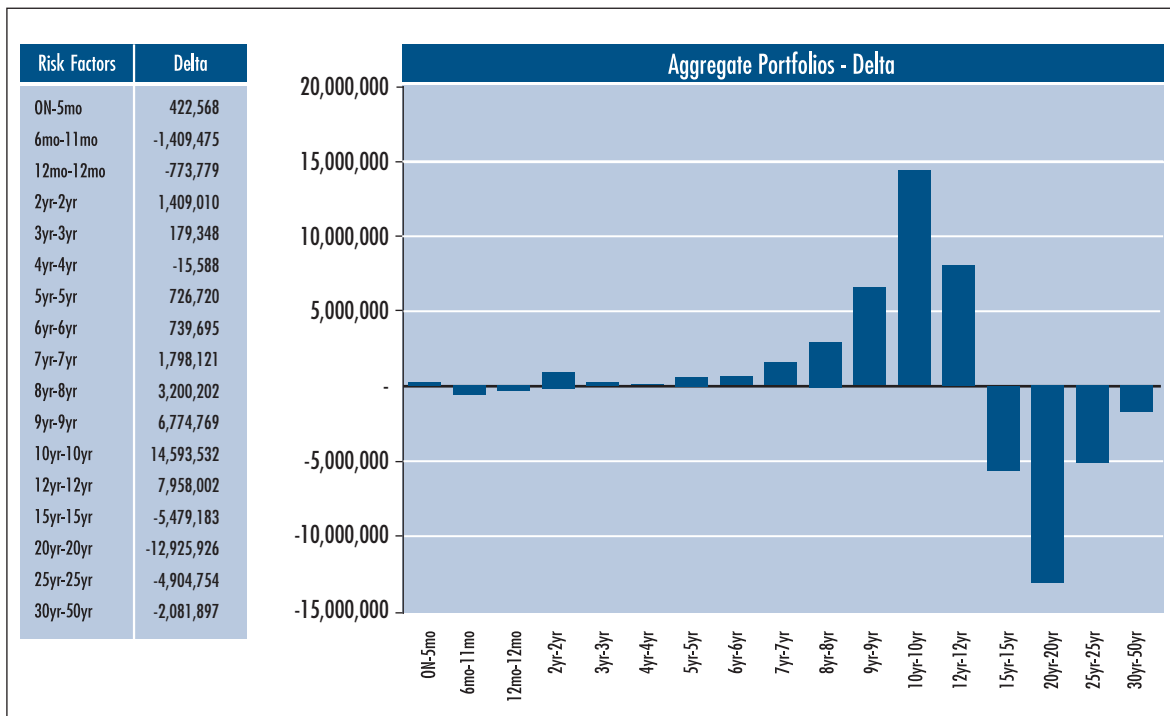
## QUANTITATIVE DISCLOSURES

### 1. Banking book: distribution of financial assets and liabilities by residual maturity (re-pricing date)

The following figure shows an analysis of interest rate risk sensitivity developed on the basis of internal models.

#### Sensitivity to EURO zero-coupon rates by maturity

Market data at 31 December 2013



## 2.3 Exchange rate risk

### QUALITATIVE DISCLOSURES

#### A. General aspects, management and measurement of exchange rate risk

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the net income or economic value of CDP.

Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies and possibly the granting of loans denominated in currencies other than the euro under the “Export Bank” system.

#### B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (currently two issues under the EMTN programme) was hedged with cross currency swaps, which transform CDP’s cash flows into those equivalent to an issue in euros. The exchange rate risk associated with the purchase of bonds denominated in foreign currencies (currently two securities in yen issued by the Republic of Italy) is hedged with cross currency swaps that transform CDP’s cash flows into the equivalent of fixed-rate securities in euros.

## QUANTITATIVE DISCLOSURES

### 1. Distribution by currency of assets, liabilities and derivatives

*(thousands of euros)*

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
<b>A. Financial assets</b>			<b>414,898</b>			
A.1 Debt securities			414,898			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
<b>B. Other assets</b>						
<b>C. Financial liabilities</b>	<b>273,100</b>		<b>90,212</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	273,100		90,212			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives</b>						
- Options						
+ long positions	273,100		90,212			
+ short positions			414,898			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>	<b>273,100</b>		<b>505,110</b>			
<b>Total liabilities</b>	<b>273,100</b>		<b>505,110</b>			
<b>Difference (+/-)</b>	<b>-</b>		<b>-</b>			

## 2.4 Derivatives

### A. Financial derivatives

#### A.2 Banking book: end-period and average notional values

##### A.2.1 Hedging

(thousands of euros)

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	13,428,212		15,653,890	
a) Options				
b) Swaps	13,428,212		15,653,890	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	1,027,598		927,906	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	1,027,598		927,906	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>14,455,810</b>		<b>16,581,796</b>	
<b>Average values</b>	<b>15,518,803</b>		<b>18,211,300</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,785,727		1,785,727	
a) Options				
b) Swaps	1,705,727		1,705,727	
c) Forwards				
d) Futures				
e) Other	80,000		80,000	
2. Equity securities and equity indices	42,270,657		69,203,695	
a) Options	42,270,657		69,203,695	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	89,829			
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	89,829			
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>44,146,213</b>		<b>70,989,422</b>	
<b>Average values</b>	<b>57,567,818</b>		<b>81,942,898</b>	

### A.3 Financial derivatives: gross positive fair value - breakdown by product

(thousands of euros)

	Positive fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	325,064		371,593	
a) Options				
b) Interest rate swaps	126,651		273,212	
c) Cross currency swaps	198,413		98,381	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	472,679		640,481	
a) Options	424,074		575,767	
b) Interest rate swaps	46,107		60,320	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	2,498		4,394	
<b>Total</b>	<b>797,743</b>		<b>1,012,074</b>	

#### A.4 Financial derivatives: gross negative fair value - breakdown by product

(thousands of euros)

	Negative fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	1,449,144		2,575,863	
a) Options				
b) Interest rate swaps	1,449,144		2,575,863	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	444,815		477,088	
a) Options	387,545		417,451	
b) Interest rate swaps	42,677		55,243	
c) Cross currency swaps	12,095			
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	2,498		4,394	
<b>Total</b>	<b>1,893,959</b>		<b>3,052,951</b>	

## A.7 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts not covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
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### 1. Debt securities and interest rates

- notional value							40,000
- positive fair value							2,498
- negative fair value							
- future exposure							

### 2. Equity securities and equity indices

- notional value							18,912,057
- positive fair value							
- negative fair value							385,050
- future exposure							

### 3. Foreign currencies and gold

- notional value	
- positive fair value	
- negative fair value	
- future exposure	

### 4. Other

- notional value	
- positive fair value	
- negative fair value	
- future exposure	



## A.8 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Debt securities and interest rates</b>							
- notional value			15,143,526	30,413			
- positive fair value			172,758				
- negative fair value			1,490,741	3,578			
<b>2. Equity securities and equity indices</b>							
- notional value			23,358,600				
- positive fair value			424,074				
- negative fair value			2,495				
<b>3. Foreign currencies and gold</b>							
- notional value			1,117,426				
- positive fair value			198,413				
- negative fair value			12,095				
<b>4. Other</b>							
- notional value							
- positive fair value							
- negative fair value							

## A.9 Residual life of over-the-counter financial derivatives: notional values

(thousands of euros)

	To 1 year	From 1 to 5 years	More than 5 years	Total
<b>A. Supervisory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
<b>B. Banking book</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</b>
B.1 Financial derivatives on debt securities and interest rates	1,909,309	3,727,271	9,577,359	15,213,939
B.2 Financial derivatives on equity securities and equity indices	16,556,636	25,682,253	31,768	42,270,657
B.3 Financial derivatives on exchange rates and gold	362,833		754,594	1,117,427
B.4 Financial derivatives on other assets				
<b>Total at 31/12/2013</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</b>
<b>Total at 31/12/2012</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	<b>87,571,218</b>

## C. Financial and credit derivatives

### C.1 Over-the-counter financial and credit derivatives: net fair value and future exposure by counterparty

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Bilateral financial derivatives agreements</b>							
- positive fair value			511,596				
- negative fair value			1,221,682	3,578			
- future exposure			387,508	1,092			
- net counterparty risk			339,845	261			
<b>2. Bilateral credit derivatives agreements</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
<b>3. Cross product agreements</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

## Section - 3 Liquidity risk

### QUALITATIVE DISCLOSURES

#### A. General aspects, management and measurement of liquidity risk

CDP's exposure to liquidity risk in the form of asset liquidity risk is limited as it does not engage in trading.

For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RMA, together with a number of aggregates that represent CDP's capacity to cope with potential crisis situations. In addition to the measures already in place at the end of the first half of 2013, CDP adopted a new Contingency Funding Plan (CFP), reviewing the approval/implementation process laid down in the previous document. The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by the RMA.

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts. In the second half of 2013, CDP implemented funding through the EMTN also for the Separate Account.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

## QUANTITATIVE DISCLOSURES

### 1. Distribution of financial assets and liabilities by residual maturity - currency: eur

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>140,543,796</b>	<b>4,250</b>	<b>7,682</b>	<b>714,391</b>	<b>318,904</b>	<b>4,096,756</b>	<b>7,086,878</b>	<b>33,269,924</b>	<b>82,696,568</b>	<b>1,212,518</b>
A.1 Government securities		4,250	2,250	638,305	297,847	251,329	2,090,256	8,088,500	11,877,500	
A.2 Other debt securities	180,596		5,432	2,672		17,874	79,682	172,523	1,226,641	
A.3 Units in collective investment undertakings	911,983									
A.4 Loans	139,451,217			73,414	21,057	3,827,553	4,916,940	25,008,901	69,592,427	1,212,518
- banks	1,765,326			40,000		1,155,068	1,191,652	5,809,410	3,896,719	1,212,518
- customers	137,685,891	8,263,855		33,414	21,057	2,672,485	3,725,288	19,199,491	65,695,708	
<b>On-balance-sheet liabilities</b>	<b>234,229,765</b>	<b>8,790,000</b>	<b>1,502,733</b>	<b>1,531,547</b>	<b>104,335</b>	<b>6,709,537</b>	<b>578,470</b>	<b>22,672,772</b>	<b>10,309,391</b>	<b>-</b>
B.1 Deposits	234,180,527	8,790,000	1,500,000	810,013	58,843	6,608,852	125,823	2,338,272	2,975,824	
- banks	957,687			800	20,000		2,207	128,370	392,849	
- customers	233,222,840	8,790,000	1,500,000	809,213	38,843	6,608,852	123,616	2,209,902	2,582,975	
B.2 Debt securities	296		2,733	526,032	25,223	35,457	133,973	1,874,500	4,048,000	
B.3 Other liabilities	48,942			195,502	20,269	65,228	318,674	18,460,000	3,285,567	
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions						250,000		102,001	538,624	
C.2 Financial derivatives without exchange of principal										
- long positions	466,515			7,014	40,888	352,524	425,403			
- short positions	45,172		88		7,070	145,092	137,059			
C.3 Deposits and loans to receive										
- long positions			4,000,000							
- short positions		4,000,000								
C.4 Irrevocable commitments to disburse funds										
- long positions										13,558,306
- short positions	13,558,306									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## 1. Distribution of financial assets and liabilities by residual maturity - currency: other

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	months 1 year to 5 years	months 5 years	Indefinite life
<b>On-balance-sheet assets</b>			<b>42,167</b>		<b>38,732</b>	<b>80,575</b>	<b>162,086</b>		<b>414,594</b>	
A.1 Government securities			42,167		38,732	80,575	162,086		414,594	
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			<b>418</b>		<b>582</b>	<b>577</b>	<b>274,577</b>	<b>89,829</b>		
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities			418		582	577	274,577	89,829		
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions						273,004		89,829		
- short positions									414,594	
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## 2. Disclosure of committed assets shown on the balance sheet

(thousands of euros)

	CA	Committed FV	CA	Not committed FV	Total 31/12/2013
1. Cash and cash equivalents		x	4	x	4
2. Debt securities	14,376,577	15,147,872	10,265,981	11,019,151	24,642,558
3. Equity securities			11,761	11,761	11,761
4. Loans	38,668,031	x	214,806,522	x	253,474,553
5. Other financial assets		x	35,098,555	x	35,098,555
6. Non-financial assets		x	1,457,872	x	1,457,872
<b>Total 31/12/2013</b>	<b>53,044,608</b>	<b>15,147,872</b>	<b>261,640,695</b>	<b>11,030,912</b>	<b>314,685,303</b>

### Key

CA = carrying amount

FV = fair value

The assets given as collateral to the ECB for refinancing transactions included debt securities with a nominal value of about €13,746 million and loans for an outstanding principal amount of about €33,629 million.

## 3. Disclosure of owned committed assets not shown on the balance sheet

(thousands of euros)

	Committed	Not committed	Total 31/12/2013
1. Financial assets	10,315,517		10,315,517
- Securities	10,315,517		10,315,517
- Other			
2. Non-financial assets			
<b>Total 31/12/2013</b>	<b>10,315,517</b>	<b>-</b>	<b>10,315,517</b>



## Section 4 - Operational risks

### QUALITATIVE DISCLOSURES

#### A. General aspects, management and measurement of operational risks

##### *System for managing operational risks*

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in circular no. 263 of 27 December 2006 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

Legal risk is the risk of losses resulting from violations of laws or regulations or self-governance rules (e.g. by-laws, codes of conduct, corporate governance rules), from liability in contract or tort or other disputes.

Taking best banking practices as a reference, in particular the supervisory regulations applicable to banks, CDP has initiated the formalisation and implementation of a methodological and organisational framework in terms of structures, processes, strategies and policies for managing operational risk related to the products/processes of CDP and CDP Investimenti SGR S.p.A. The goal is to be able to set up an effective system for managing and monitoring operational risks, laying the foundation for mitigation measures and for a more accurate quantification of the associated economic capital, now estimated using the Basic Indicator Approach.

The operational risk management system is a structured set of processes, functions and resources, which begins with the identification of the risk and continues with measurement, monitoring, reporting and control/mitigation actions.

The methodology involves the supplementation of information on operational losses classified according to specified loss event types (i.e. a model of loss events), loss effect types (i.e. a model of types of losses) and risk factors (i.e. a model for the classification of risk factors).

This information comprises:

- internal data on operational losses (loss data collection);
- data on contingent losses (assessment of level of exposure to operational risks);
- factors representing the business environment and internal control systems;
- system loss data (external data).

### ***Loss data collection***

The framework for loss data collection adopted by CDP uses the approach suggested by the Basel II Committee and adopted by the Italian Banking Association (ABI) with respect to the Italian Operational Loss Database (DIPO).

The primary loss data collection actions performed by CDP were:

- finding information sources and identifying a contact person for the operational risks regarding that source (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- determining the roles and responsibilities of the actors involved and the procedures for collecting and validating survey data;
- collecting significant data and related supporting documentation;
- surveying the data collected in the operational loss database.

Specific criteria were established for date of occurrence and amount thresholds for inclusion of loss events.

CDP has developed a proprietary IT application (LDC) for the collection of internal data relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (near-miss events).

### ***Assessment of level of exposure to operational risks***

CDP has also developed a qualitative methodology for assessing the company's exposure to operational risks. The objective is to use subjective assessments provided by internal resources (process owners and experts) to create a set of information that can be used to identify and assess those risks and obtain operational guidance for any appropriate mitigation actions.

The aim is to build a qualitative model to assess operational risks, based on past loss experience and prospective risk analysis.

The methodology adopted by CDP makes it possible to estimate:

- the absolute exposure to each risk identified in processes (inherent risk), i.e. the risk that would exist if the company had no internal controls;
- the residual exposure to each risk identified in processes (residual risk), i.e. the risk remaining following the implementation of controls;
- the effectiveness of controls in place.

The preparatory work for the assessment of the level of exposure to operational risks consists in mapping adverse events (risk mapping) that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The risk mapping of processes, carried out by process owners and experts, is consequence of the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and assessing the advisability of taking targeted monitoring, control, prevention and mitigation actions.

The risk mapping process is based on two dimensions:

- corporate processes (broken down by individual activity), that serve as guides in identifying adverse events that could generate material financial losses;
- the loss event type.

The intersection of the two dimensions forms the basis for constructing, in collaboration with the units involved, a “risk-process” matrix, which identifies the potential risks to be assessed.

The risk mapping process is made up of the following three sub-processes:

- identification of the potential types of operational risk events on the basis of the event types proposed by the Basel Committee;
- classification of the risk factors, the loss event types and the loss effect types in accordance with the models in the methodological framework;
- maintenance of the risk maps, with continuous updating in order to capture any changes in the company’s operational context.

As regards the adverse events to be mapped, in order to encourage the development of integrated risk management within CDP, the risk map focuses special attention on compliance risk, on the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to Article 11 of Law 300 of 29 September 2000, published in Official Gazette 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and who act in its interest), on the risk governed by Legislative Decree 231 of 21 November 2007 (Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as well as Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC), on the risk governed by Law 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette 301 of 28 December 2005), on the risk of disruption or malfunction of IT systems and on outsourcing risk.

Following the identification of operational risks that could potentially produce unexpected losses for the company, the assessment of the company’s exposure to such risks is carried out through interviews with process owners and experts in order to gain an understanding of their activities and the configuration of the internal environment.

At CDP, the main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk unit:

- recommends the methodologies and procedures for identifying risks;
- controls and ensures correct application of the methodologies and procedures;
- provides methodological and technical support for identifying risks;
- ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;

2. the process owners and experts:
  - identify and assess the main risks in the processes for which they are responsible;
  - regulatory monitor the evolution of those risks and the emergence of new risks;
3. the Compliance unit:
  - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
  - proposes actions to mitigate risks identified;
4. Anti-Money Laundering Unit:
  - identifies money laundering risk factors in line with the methodological framework for the assessment of exposure to operational risks;
  - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
  - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
5. Financial Reporting Manager:
  - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law 262 of 28 December 2005);
  - supports the owners in identifying control measures;
6. the Internal Auditing area:
  - as part of its third-level controls, assesses the methodological framework of the risk mapping process, carrying out controls of the correct application of that framework;
  - recommends the mapping of all risks that – while not identified by owners and experts – have been identified in corporate processes during audit activities;
  - assesses the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001.

The assessment of the exposure to operational risks enables the supplementation of historical loss data collection with subjective estimates whenever loss data – for specific processes – are not reliable and/or sufficiently abundant to be able to support the decision-making of top management concerning specific activities within the company's core business.

At the end of the assessment process, interventions are prioritised on the basis of the problem areas that have emerged and the “qualitative” rating assigned to each risk identified:

- “low” residual risk: the risks that come under this category generally require monitoring to verify that their level is within the acceptability limit;
- “medium” residual risk: the risks that come under this category generally require action to improve the internal control system in the medium to long term and continuous monitoring to verify that their level is within the acceptability limit;
- “high” residual risk: the risks that fall in this category generally require action to improve the internal control system in the short to medium term and frequent monitoring in order to verify that their assessed level is within the acceptability threshold;
- “very high” residual risk: the risks that come under this category require immediate mitigation action.

Once estimated, the residual risk for each activity is monitored by the Operational Risk unit with the co-operation of the organisational units involved. More specifically, in order to monitor the exposure to the most significant operational risks, the Operational Risk unit only considers activities for which residual risk has been rated “very high”, “high” or “medium” and, if necessary and in cooperation with the organizational units involved, develops mitigation recommendations to restructure or supplement existing procedures and controls.

A report is prepared for each procedure consisting of:

- a summary document presenting selected summary data;
- a detailed document, which reports all of the results of the analysis (the risks identified and the associated assessment of inherent risk, controls and residual risk) for each phase/activity in the process;
- a controls chart, which summarises all controls, both those incorporated in procedures and those that form part of operational practices;
- document including proposed mitigation actions for “very high”, “high” and “medium” residual risks.

## PART F - CAPITAL

### Section 1 - Capital

#### QUALITATIVE DISCLOSURES

Pending the issuance of specific measures in this area by the Bank of Italy, CDP is subject to “informational” supervision only.

Accordingly, in 2013, in agreement with the Bank of Italy, CDP did not calculate supervisory capital or the related supervisory capital requirements.

## PART H - TRANSACTIONS WITH RELATED PARTIES

### 1. Information on the compensation of key management personnel

#### Remuneration of Board of Directors and Board of Auditors

(thousands of euros)

	31/12/2013
a) Board of Directors	1,235
b) Board of Auditors	117
<b>Total</b>	<b>1,352</b>

#### Remuneration of other key management personnel

(thousands of euros)

	31/12/2013
a) short-term benefits	6,115
b) post-employment benefits	361
c) other long-term benefits	
d) severance benefits	
e) share-based payments	
<b>Total</b>	<b>6,476</b>

## Remuneration paid to Board of Directors and Board of Auditors

(thousands of euros)

Name	Position	Period in office	End of term*	Compensation and bonuses
<b>Directors</b>				
Franco Bassanini	Chairman (5)	01/01/13-31/12/13	2015	331
Giovanni Gorno Tempini	Chief Executive Officer (5)	01/01/13-31/12/13	2015	999
Maria Cannata	Director	17/04/13-31/12/13	2015	**
Olga Cuccurullo	Director	17/04/13-31/12/13	2015	**
Marco Giovannini	Director	17/04/13-31/12/13	2015	25
Mario Nuzzo	Director	01/01/13-31/12/13	2015	35
Francesco Parlato	Director	17/04/13-31/12/13	2015	**
Antimo Prosperi	Director	17/04/13-31/12/13	2015	**
Alessandro Rivera	Director	17/04/13-31/12/13	2015	**
Cristian Chizzoli	Director	01/01/13-17/04/13	2012	10
Piero Gastaldo	Director	01/01/13-17/04/13	2012	***
Ettore Gotti Tedeschi	Director	01/01/13-17/04/13	2012	10
Nunzio Guglielmino	Director	01/01/13-17/04/13	2012	10
<b>Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)</b>				
Roberto Ferranti	Director (1)	01/08/13-31/12/13	2015	**
Giovanni De Simone	Director (1)	01/01/13-01/08/13	2013	20
Vincenzo La Via	Director (2)	17/04/13-31/12/13	2015	**
Piero Fassino	Director	21/11/13-31/12/13	2015	4
Massimo Garavaglia	Director	21/11/13-31/12/13	2015	4
Antonio Saitta	Director	21/11/13-31/12/13	2015	4
Maria Cannata	Director (3)	01/01/13-17/04/13	2012	**
Giuseppe Pericu	Director	01/01/13-17/04/13	2012	10
Romano Colozzi	Director	01/01/13-17/04/13	2012	10
Guido Podestà	Director	01/01/13-17/04/13	2012	10
<b>Board of Auditors</b>				
Angelo Provasoli	Chairman	01/01/13-31/12/13	2015	27
Gerhard Brandstätter	Auditor	01/01/13-31/12/13	2015	20
Piergiuseppe Dolcini	Auditor	01/01/13-26/04/13	2013	6
Andrea Landi	Auditor (4)	27/04/13-31/12/13	2015	14
Ines Russo	Auditor	17/04/13-31/12/13	2015	**
Giuseppe Vincenzo Suppa	Auditor	01/01/13-31/12/13	2015	**
Biagio Mazzotta	Auditor	01/01/13-17/04/13	2012	**

\* Date of Shareholders' Meeting called to approve financial statements for the year

\*\* The remuneration is paid to the Ministry for the Economy and Finance

\*\*\* The remuneration is paid to the Compagnia di San Paolo

(1) Delegate of State Accountant General

(2) Director General of the Treasury

(3) Delegate of Director General of the Treasury

(4) Alternate auditor brought in 27 April 2013 and appointed as auditor in the shareholders' meeting of

(5) The compensation includes remuneration for the 1st quarter, the bonus and the three-year component linked to the previous term of office.



## 2. Information on transactions with related parties

Certain transactions between CDP and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions. In any event, the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

At the end of 2013 CDP had the following transactions with the parent, subsidiaries and associates.

### Transactions with the Ministry for the Economy and Finance

The main transactions conducted with the Ministry for the Economy and Finance regarded the liquidity held on the treasury account and lending transactions.

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 held at the State Treasury and earns interest, as envisaged by Article 6.1 of the MEF decree of 5 December 2003, at a floating 6-month rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

As regards receivables in respect of loans, it should be noted that more than 30% of CDP's portfolio is repaid by the state.

CDP also manages loans and postal savings products owned by the MEF, for which it receives a fee established in a specific contract.

Outstanding transactions and the related financial effects at year-end were as follows:

<i>(thousands of euros)</i>	
<b>Transaction with Ministry for the Economy and Finance</b>	<b>31/12/2013</b>
Financial assets available for sale	3,807,665
Financial assets held to maturity	18,327,083
Loans to customers	173,631,669
- of which liquidity held with Treasury	134,789,281
Other assets	4,132
Due to customers	12,107,980
Other liabilities	3,668
Interest income and similar revenues	5,906,080
Interest expense and similar charges	(23,745)
Commission income	4,130
Commitments for loans to be disbursed	3,300,800

## Transactions with subsidiaries

### Transactions with Terna S.p.A.

In 2011, CDP provided financing of €500 million to Terna S.p.A.

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

Transactions with Terna S.p.A.	31/12/2013
Loans to customers	501,105
Interest income and similar revenues	6,232

### Transactions with CDP Investimenti SGR S.p.A.

Transactions with the subsidiary CDPI SGR regarded a guarantee issued by CDP, CDP's payable to CDPI SGR mainly for postal bonds held by the latter, the provision of outsourced ancillary services and the reimbursement of costs for CDP personnel seconded to CDPI SGR.

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

Transactions with CDP Investimenti SGR S.p.A.	31/12/2013
Loans to customers	2,041
Other assets	485
Commission income	3
Interest expense and similar charges	(61)
Administrative expenses (reimbursement expenses - seconded personnel)	161
Other operating revenues	521
Guarantees issued	1,923

### Transactions with Fondo Strategico Italiano S.p.A.

Transactions with the subsidiary FSI mainly referred to:

- provision of outsourced ancillary services;
- reimbursement of expenses incurred by CDP on behalf of FSI;
- interest bearing deposits held by FSI with CDP;
- payables arising from the "consolidation taxation mechanism".

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

<b>Transactions with Fondo Strategico Italiano S.p.A.</b>	<b>31/12/2013</b>
Other assets	733
Due to customers	2,478,274
Other liabilities	13,267
Other operating revenues	1,050
Interest expense and similar charges	(49,082)

#### Transactions with CDP GAS S.r.l.

Transactions with the subsidiary CDP GAS S.r.l. mainly referred to:

- receivables for loans disbursed;
- commitments for loans to be disbursed;
- deposits held by CDP GAS S.r.l. with CDP;
- provision of outsourced ancillary services;
- payables arising from the "consolidation taxation mechanism";
- reimbursements of costs for seconded personnel.

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

<b>Transactions with CDP GAS S.r.l.</b>	<b>31/12/2013</b>
Loans to customers	233,339
Other assets	153
Due to customers	160
Other liabilities	3,477
Interest income and similar revenues	6,291
Interest expense and similar charges	(109)
Administrative expenses (reimbursement expenses - seconded personnel)	9
Other operating revenues	218
Commitments for loans to be disbursed	67,461

#### Transactions with CDP Reti S.r.l.

Transactions with the subsidiary CDP GAS S.r.l. mainly referred to:

- deposits with CDP and related accrued interest;
- provision of outsourced ancillary services;
- reimbursements for costs of seconded personnel
- payables arising from the "consolidation taxation mechanism".

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

<b>Transactions with CDP Reti S.r.l.</b>	<b>31/12/2013</b>
Other assets	47
Due to customers	252,634
Other liabilities	29,018
Interest expense and similar charges	(4,802)
Administrative expenses (reimbursement expenses - seconded personnel)	9
Other operating revenues	38

#### **Transactions with SACE S.p.A.**

Transactions with the subsidiary SACE S.p.A mainly referred to:

- payable on time deposit;
- Euro Medium Term Notes issued by CDP and held by SACE S.p.A.

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

<b>Transactions with SACE S.p.A.</b>	<b>31/12/2013</b>
Due to customers	462,390
Interest expense and similar charges	(6,833)

#### **Transactions with Simest S.p.A.**

Transactions with the subsidiary Simest S.p.A mainly referred to the remuneration of corporate positions held by CDP employees.

(thousands of euros)

<b>Transactions with Simest S.p.A.</b>	<b>31/12/2013</b>
Administrative expenses (fees for company positions)	32

#### **Transactions with Fintecna Immobiliare S.r.l.**

Transactions with the subsidiary Fintecna Immobiliare S.r.l mainly referred to reimbursements of costs for personnel seconded to CDP.

(thousands of euros)

<b>Transactions with Fintecna Immobiliare S.r.l.</b>	<b>31/12/2013</b>
Other liabilities	56
Administrative expenses (reimbursement expenses - seconded personnel)	(56)

### Transactions with Quadrante S.p.A.

Transactions with the subsidiary Quadrante S.p.A mainly referred to loans and trade receivables.

(thousands of euros)

Transactions with Quadrante S.p.A.	31/12/2013
Loans to customers	7,505
Other assets	78

### Transactions with associates

#### Transactions with Eni S.p.A.

Receivables from customers include a loan granted to Eni under the Revolving Fund to support enterprises and investment in research.

Outstanding transactions and the related financial effects at 31 December 2013 were as follows:

(thousands of euros)

Transactions with Eni S.p.A.	31/12/2013
Loans to customers	461
Interest income and similar revenues	2
Commitments for loans to be disbursed	479

#### Transactions with Europrogetti & Finanza S.p.A. in liquidazione

The exposure to Europrogetti & Finanza S.p.A. in liquidazione, totalling about €3.9 million, of which about €3.5 million had been disbursed, was fully written down.

The impact of that transaction on the CDP's financial statements is summarised below:

(thousands of euros)

Transactions with Europrogetti & Finanza S.p.A. in liquidazione	Gross exposure	31/12/2013 Writedowns	Net exposure
Loans to customers	3,474	(3,474)	-
Commitments for loans to be disbursed	437	(437)	-

## Transactions with other related parties

### Transactions with Poste Italiane S.p.A.

Transactions with Poste Italiane S.p.A. mainly regard the funding service for postal savings products and loans granted by CDP.

The service provided by Poste Italiane S.p.A. is remunerated with an annual commission set in a specific agreement between the parties.

A loan transaction to Poste Italiane S.p.A. guaranteed by Italian government bonds was also outstanding. Outstanding transactions and the related financial effects at year-end were as follows:

*(thousands of euros)*

Transactions with Poste Italiane S.p.A.	31/12/2013
Loans to customers	1,901,482
Other liabilities	893,418
Interest income and similar revenues	27,388
Commission expense	(1,620,000)
Securities deposited with third parties	1,959,627

### Transactions with Snam S.p.A.

Transactions with Snam S.p.A., in which the subsidiary CDP Reti S.r.l. holds 30.00000002% of the issued share capital, regarded loans granted by CDP.

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

*(thousands of euros)*

Transaction with Snam S.p.A.	31/12/2013
Loans to customers	403,164
Interest income and similar revenues	11,240

### Transactions with Fincantieri Cantieri Navali Italiani S.p.A.

The transactions with Fincantieri Cantieri Navali Italiani S.p.A., a company in which the subsidiary Fintecna S.p.A holds an equity investment, mainly referred to:

- loans disbursed and residual commitments for loans to be disbursed;
- receivables arising from the "consolidation taxation mechanism".

Outstanding transactions and the related financial effects at the end of 2013 were as follows:

(thousands of euros)

<b>Transactions with Fincantieri Cantieri Navali Italiani S.p.A.</b>	<b>31/12/2013</b>
Loans to customers	8,697
Other assets	551
Interest income and similar revenues	30
Commitments for loans to be disbursed	12,417

#### Transactions with Fincantieri Oil & Gas S.p.A.

Transactions with Fincantieri Oil & Gas S.p.A, a company in which Fincantieri S.p.A holds an equity investment, referred to payables for participation in the "consolidation taxation mechanism" and commissions earned in structuring a financing transaction.

(thousands of euros)

<b>Transactions with Fincantieri Oil &amp; Gas S.p.A.</b>	<b>31/12/2013</b>
Other liabilities	7,979
Commission income	794

#### Transactions with Isotta Fraschini Motori S.p.A.

Transactions with Isotta Fraschini Motori S.p.A., a company in which Fincantieri S.p.A. holds an equity investment, referred to payables for participation in the "consolidation taxation mechanism".

(thousands of euros)

<b>Transactions with Isotta Fraschini Motori S.p.A.</b>	<b>31/12/2013</b>
Other liabilities	2,231

#### Transactions with SACE Fct S.p.A.

Transactions with SACE Fct S.p.A., a company in which SACE S.p.A. holds an equity investment, referred to interest earned on a deposit held with CDP.

(thousands of euros)

<b>Transactions with SACE Fct S.p.A.</b>	<b>31/12/2013</b>
Due to customers	522
Interest expense and similar charges	(522)

## PART L - OPERATING SEGMENTS

This section of the notes to the financial statements has been drafted in compliance with IFRS 8 Operating Segments.

As regards the organisational structure of CDP, the contribution of the main areas to the formation of the income statement and the balance sheet is detailed below.

### **Business and Finance Areas**

This aggregate includes the activities carried out by the Public Entities, Finance, Financing, Public Interest Lending and Economic Support areas.

Lending to Public Entities and public-law bodies is mainly conducted by the Public Entities area using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the Separate Account.

The Public Interest Lending area intervenes directly in general public interest projects sponsored by Public Entities or public-law bodies for which the financial sustainability has been verified.

The Financing area is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care).

The Economic Support area is responsible for managing subsidised credit instruments, established by specific legislation, and economic support instruments.

Treasury operations and funding activities are managed by the Finance area, which is responsible for meeting CDP's funding needs, as well as sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.



## Equity investments and miscellaneous

The activities related to investment and divestment of shareholdings and investment fund units, extraordinary transactions and transactions for the rationalization of the investment portfolio, in addition to all aspects related to the management of Companies and Investment Funds in which CDP holds equity interests, are carried out by the Equity Investment Area.

This aggregate also includes costs related to Areas that carry out governance, management, control and support activities, as well as costs and revenues not otherwise attributable.

Under the provision of IFRS 8, it was considered appropriate not give a separate breakdown of the results of the mentioned CDP areas as they do not meet the materiality thresholds provided for such reporting.

## Construction of the balance sheet by area

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual areas, with which the related revenues and expenses are correlated.

More specifically, the aggregates for “loans to customers and banks” (for amounts disbursed or being repaid), “cash and cash equivalents and other treasury investments” and “equity investments and shares” represent the stock of assets related to the specific operating activities of each area. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Finance area, which is included within the Business and Finance areas.

Notional funding between CDP areas is not reported separately in the detailed schedules as it is eliminated between areas.

## Construction of the income statement by business area

The operating result of the business areas was constructed on the basis of the following criteria.

As regards net interest income, the contribution of each area is calculated on the basis of internal transfer rates (“ITRs”) differentiated by product and maturity. In determining the ITRs, it is assumed that each lending transaction is funded using a hypothetical market transaction with the same financial characteristics but the opposite sign. This system is based on the CDP’s organisational model, which has a specific structure (Finance) devoted to treasury management and funding.

For the other aggregates of the income statement, each area is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs is allocated to each business unit on the basis of their actual use of resources or services.

For more information on the operating performance of the specific business units, see the Report on Operations.

## Reclassified balance sheet

(thousands of euros)

	Business and Finance Areas	Equity investment and Miscellaneous	Total CDP
Cash and cash equivalents and other treasury investments	147,507,160	-	147,507,160
Loans to customers and banks	102,969,738	240,844	103,210,582
Debt securities	23,054,202	-	23,054,202
Equity investments and shares	-	32,692,782	32,692,782
Funding	260,303,350	31,636,082	291,939,432
- of which: postal funding	211,655,701	30,761,005	242,416,706
- of which: funding from banks	22,734,286	-	22,734,286
- of which: funding from customers	20,006,503	-	20,006,503
- of which: funding from bonds	5,906,860	875,077	6,781,937

## Reclassified income statement

(thousands of euros)

	Business and Finance Areas	Equity investments and Miscellaneous	Total CDP
Net interest income	3,264,818	(725,423)	2,539,396
Dividends and gains (losses) on equity investments	-	2,080,031	2,080,031
Net commission income	(1,382,550)	(200,298)	(1,582,848)
Other net revenues	76,187	773	76,960
Gross income	1,958,456	1,155,083	3,113,538
Net writedowns	(45,291)	-	(45,291)
Overheads	(19,513)	(107,290)	(126,802)
<b>Operating income</b>	<b>1,895,539</b>	<b>1,057,749</b>	<b>2,953,289</b>



# Cassa depositi e prestiti

**2013 Annual Report**

Annexes

Annex 1  
List of equity investments

Annex 2  
Separation of accounts



Cassa depositi e prestiti



# Annex 1

## LIST OF EQUITY INVESTMENTS

(thousands of euros)

	Registered office	% holding	Carrying amount
<b>A. Listed companies</b>			
1. Eni S.p.A.	Rome	25.76%	15,281,632
2. Terna S.p.A.	Rome	29.85%	1,315,200
<b>B. Unlisted companies</b>			
1. SACE S.p.A.	Rome	100.00%	5,150,500
2. CDP Reti S.r.l.	Rome	100.00%	3,517,360
3. Fintecna S.p.A.	Rome	100.00%	2,009,436
4. Fondo Strategico Italiano S.p.A.	Milan	77.70%	3,419,512
5. CDP GAS S.r.l.	Rome	100.00%	467,366
6. Fintecna Immobiliare S.r.l.	Rome	100.00%	310,159
7. Simest S.p.A.	Rome	76.00%	232,500
8. Quadrante S.p.A.	Rome	100.00%	61,625
9. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Paris	38.93%	72,072
10. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Luxembourg	14.08%	27,899
11. Sinloc S.p.A.	Turin	11.29%	5,986
12. Galaxy S.à.r.l. SICAR	Luxembourg	40.00%	2,348
13. F2i SGR S.p.A.	Milan	16.52%	2,844
14. Istituto per il Credito Sportivo	Rome	21.62%	2,066
15. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
16. Fondo Italiano d'Investimento SGR S.p.A.	Milan	12.50%	866
17. European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund) Energy	Luxembourg		
- A units		12.86%	5,664
- B units		2.09%	919
18. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-

## Annex 2

### SEPARATION OF ACCOUNTS

CDP is subject to a system of organizational and accounting separation under Article 5.8 of Decree Law 269 of 30 September 2003, ratified with amendments by Law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

#### Separate Account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The articles of association of CDP, in accordance with law, allocate the following activities to the Separate Account:

- financing in any form, including the acquisition of trade receivables, for the state, regional governments, local authorities, public bodies and public-law entities using repayable funds raised from postal savings bonds and passbook savings accounts that benefit from state guarantees and are distributed through Poste Italiane S.p.A. or its subsidiaries, and funds raised from the issue of securities, borrowing and other financial operations with state guarantees. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;
- financing in any form, including the acquisition of trade receivables, the issue of guarantees, the acquisition of equity capital or debt capital, the subscription of investment fund units. Each of the above financial transactions shall be entered into with the entities referred to in the previous point or used for public interest operations promoted by the latter, in accordance with the criteria established in the decree of the Minister for the Economy and Finance adopted pursuant to Article 5.11, letter e) of the Decree Law or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A., or carried out in favour of small and medium-sized enterprises for the purpose of supporting the economy. The financial transactions shall be carried out using the funds referred to in the previous point and can be conducted either directly or through the banking system, with the exception of operations in favour of small and medi-

um-sized enterprises, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company as referred to in Article 33 of Legislative Decree 58 of 24 February 1998, as amended, whose corporate purpose achieves one of the institutional missions of CDP. Direct financial transactions must involve an amount equal to or greater than €25 million. Financial transactions carried out for operations promoted by the entities referred to in the previous point or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A., can be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;

- acquiring equity investments in companies of major national interest, having a stable financial position and performance and adequate profit-generating prospects, that satisfy the requirements set out in the decree of the Minister for the Economy and Finance to be issued pursuant to Article 5.8bis of the decree law. These equity investments can be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or Public Entities, holds an interest. Equity investments acquired using postal funding resources are recognized under the Separate Account;
- the supply of funding – using the funds referred to in point 1 – to Italian banks and the branches of EU and non-EU foreign banks operating in Italy and authorized to engage in banking, for them to grant loans secured by mortgages on residential properties mainly for the purchase of primary residences or for renovation and energy efficiency enhancement works in compliance with any parameters and priorities established by applicable laws and regulations;
- the purchase of bank bonds backed by portfolios of loans secured by mortgages on residential properties and/or securities issued pursuant to the provisions of Law 130 of 30 April 1999 as part of securitisations of claims in respect of loans secured by mortgages on residential properties. If the above bonds and the above securities are purchased using the funds referred to in point 1 above, they shall be recognized under the Separate Account;
- the acquisition of equity investments transferred or contributed to CDP by one or more decrees of the Minister for the Economy and Finance pursuant to Article 5.3, b) of Decree Law 269, the management of which complies with the criteria provided for in the decree of the Minister for the Economy and Finance referred to in Article 5.11, d) of Decree Law 269, as well as any increase in the equity investments transferred during the transformation of CDP into a joint-stock company;
- the management, where assigned by the Minister for the Economy and Finance, of the functions, assets and liabilities of CDP, prior to its transformation, transferred to the MEF pursuant to Article 5.3, a) of Decree Law 269, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- the provision of assistance and consulting to the parties listed in the first point or to support the operations or the parties listed in the second point.

Under CDP's current organisational structure at 31 December 2013, the Separate Account encompasses the following business areas: Public Entities, Public Interest Lending, the Operational Innovation Project, Public Savings, Economic Support, Parliamentary Supervisory Committee, in addition to the postal savings-related activities conducted by the Finance area, and the management of equity investments in the Separate Account carried out within the Equity Investments area.

## Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. While not specifically cited in Article 5 of Decree Law 269, the latter represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account.

Specifically, pursuant to Article 5.7, b) of Decree Law 269, CDP's articles of association include among the activities designed to achieve its mission that are not assigned to the Separate Account:

- financing in any form, including the acquisition of trade receivables, of works, plant, networks, and other infrastructures intended for the delivery of public services and for reclamation projects using funds raised through the issue of securities, borrowing and other financial operations, without state guarantees and excluding demand funding and with funding exclusively from institutional investors. For this purpose, CDP may issue securities of any kind and may obtain financing from shareholders or third parties. CDP also obtains funding using grants provided in any form by the state, public or private entities or international bodies and any other of its own resources and financial revenues compatible with its mission. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;
- providing consulting services and conducting studies, research and analysis of economic and financial matters.

From an organisational standpoint, the activities of the Financing area are included in the Ordinary Account.

## Joint Services

Joint Services include the service areas and areas with support, guidance and control functions, the corporate bodies and bodies provided for in the articles of association (except for the Parliamentary Supervisory Committee, which regards the Separate Account), the offices of the Chairman, the Chief Executive Officer and the Director General, where the latter position is filled. With regard to the Equity Investments area and the Finance area, for the purposes of accounting separation, their costs and revenues are broken down into Separate Account, Ordinary Account and Joint Services depending on the specific activity to which they refer (with the exception of the postal savings-related activities and the man-



agement of equity investments in the Separate Account, performed respectively within the Finance and Equity Investments and relating exclusively to the Separate Account).

For more information on CDP's system of accounting separation, please see the report on operations.

## Reclassified balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents and other treasury investments	126,808,529	1,807,168	(435)	128,615,262
Loans to customers and banks	93,845,187	4,745,573	-	98,590,760
Debt securities	15,850,044	1,343,818	-	17,193,862
Equity investments and shares	18,634,007	651,721	540,000	19,825,728
Funding	247,142,387	7,071,436	-	254,213,822
- of which: postal funding	218,408,319	-	-	218,408,319
- of which: funding from banks	14,619,067	4,060,440	-	18,679,507
- of which: funding from customers	9,057,428	-	-	9,057,428
- of which: funding from bonds	5,057,574	3,010,996	-	8,068,569

## Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	2,514,322	25,077	(3)	2,539,396
Dividends and gains (losses) on equity investments	1,972,962	107,069	-	2,080,031
Net commission income	(1,589,528)	7,611	(931)	(1,582,848)
Other net revenues	70,526	6,434	-	76,960
<b>Gross income</b>	<b>2,968,281</b>	<b>146,191</b>	<b>(934)</b>	<b>3,113,538</b>
Net writedowns	(16,418)	(28,873)	-	(45,291)
Overheads	(16,345)	(3,646)	(107,220)	(127,211)
<b>Operating income</b>	<b>2,935,950</b>	<b>115,160</b>	<b>(97,822)</b>	<b>2,953,289</b>





# Cassa depositi e prestiti

**2013 Annual Report**

Report of the Board of Auditors



Cassa depositi e prestiti

Shareholders,

During the financial year ending 31 December 2013, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of CONSOB in its communications, to the extent compatible with the status of Cassa depositi e prestiti S.p.A. ("CDP" or the "Company").

We preface our remarks as follows:

- A. The financial statements for 2013 have been prepared in accordance with the international accounting standards, adopted with Regulation (EC) 1606 on 19 July 2002, and transposed into Italian legislation with Legislative Decree 38 of 28 February 2005. The preparation of the financial statements complies with the provisions concerning bank financial statements in Bank of Italy circular no. 262 of 22 December 2005 as amended.
- B. The accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been examined by PricewaterhouseCoopers S.p.A. ("PWC") in the performance of its statutory auditing activities.
- C. The financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16.5 and 6, of the decree of the Ministry for the Economy and Finance (MEF) of 6 October 2004, involves the preparation of separate accounting statements for the use of the MEF and the Bank of Italy. At the end of the year, shared costs incurred by the Separate Account are computed and subsequently reimbursed on a pro-rated basis by the Ordinary Account. The separate accounting statements are presented as an annex to the separate financial statements.
- D. The financial statements for 2013 report net income of €2,349 million and equity of €18,138 million.

Given the foregoing, the Board of Auditors reports, in accordance with the provisions of Legislative Decree 39 of 27 January 2010, with regard to the issues within the scope of our responsibilities, that we:

- monitored the operation of the internal control and administrative-accounting systems with a view to assessing their appropriateness to company needs, as well as their reliability in representing events;
- participated in the Shareholders' Meetings, as well as all meetings of the Board of Directors held to date, and received periodic information from the directors on the activities carried out and the most significant operations conducted by CDP;
- continued monitoring the activities undertaken by CDP S.p.A., which, in addition to attending the meetings of the Board of Directors, also included periodic meetings with the heads of the main company departments, as well as the exchange of information with the financial reporting manager and with the auditors responsible for statutory auditing, PWC;
- monitored risk management control processes with meeting with the head of the risk management department;

- monitored compliance with the law and the articles of association, conformity with the principles of sound administration and in particular the appropriateness of the organisational, administrative and accounting arrangements adopted by the company and their effective operation;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining information from the audit firm;
- monitored the adequacy of the internal control system through meetings with the head of Internal Auditing, who reported on the exchange of information with the parties involved in the design (second level controls) and monitoring (third level controls) of the internal control system. The examinations performed found no issues or problems to report;
- met with the Supervisory Body for the reciprocal exchange of information, noting that pursuant to Legislative Decree 231/2001 the company has adopted an appropriate compliance model.

In addition, the Board of Auditors reports that:

1. during the year, events pertaining to the equity investment portfolio had significant effects on CDP's income and financial position. Moreover, other events that were less financially relevant – but still worthy of note – also had an impact on the results for 2013. More specifically:
  - *Impairment of equity investments:*
    - SACE: In 2013, SACE distributed a total of €1,235 million in dividends, of which €1,001 million were distributed at the end of the year as an extraordinary dividend. In relation to the payment of this dividend, CDP carried out impairment test of the investment in the separate financial statements of the Company at 31 December 2013. In line with IAS 36, having consulted independent experts, the Company estimated the “recoverable value” of the investment in SACE at €5,151 million. This resulted in writing down the carrying value by about €900 million.
    - Fintecna: In the Half-Yearly Report 2013, CDP adjusted the carrying value of its investment in Fintecna by about €109 million. The event that led to the writedown was the distribution of €500 million in dividends by Fintecna, of which €400 million as an extraordinary dividend. The Company re-performed the impairment test on the investment in Fintecna in the 2013 financial statements, which did not result in any further impairment requirements.
  - *Net gain on trading and hedging activities:* the result of trading activities, amounting to €76 million, is almost entirely attributable to the operational hedges of the option component embedded in the Premia and Indexed savings bonds established with the purchase of options mirroring the exposure. The result in 2013 is the consequence of the continued situation of overhedging, already noted in 2012. To limit the risk of volatility in profit or loss, in 2013 we continued to unwind explicit option positions used for operational hedging. The net result on hedging activities showed a loss of €14.8 million, almost entirely generated by the early termination of a number of hedging IRSs, for ALM purposes, during the first half of 2013.
  - *Agreement with Poste Italiane:* the existing agreement between CDP and Poste Italiane for 2011-2013, signed on 3 August 2011, with subsequent supplementary agreements signed in 2011 and 2012, was automatically renewed for another three years from 2014 to 2016. Nevertheless, CDP

and Poste Italiane have started negotiations to enter into a new agreement aimed at redefining the postal savings management service in the coming years, also taking into account the partial privatisation process that may affect Poste Italiane. In December, CDP and Poste Italiane signed a Supplementary Agreement that redefines net funding targets and the related remuneration for both parties in 2013. This agreement, aimed at expanding, improving and innovating the postal savings funding service, also contains a series of commitments by Poste Italiane designed to further promote postal savings products and improve the service of issuing and placing these products. In view of the foregoing and of the results achieved, the accrued commission expense in respect of the postal savings services provided by Poste Italiane for 2013 amounted to €1,620 million.

- *Specific and collective impairment of loans*: following the impairment testing conducted at the end of 2013 on the basis of reasonable expectations on repayment of the loan and bearing in mind the size of the guarantees covering each exposure, total writedowns amounted to €31 million while writebacks amounted to about €1.5 million, with a total loss of €29.5 million. The Company also recognised impairment losses from the collective assessment of performing exposures to private-sector parties. The net writedown from collective assessment in 2013 came to about €15.8 million (of which €9.3 million relating to exposures to banks). Following this adjustment, the overall provision for collective impairment amounted to €37.5 million (of which €25.5 million related to banks).
  - *Demerger of the real estate activities of Fintecna*: on 1 November 2013, the demerger of the Fintecna Group's real estate operations in favour of CDP took effect. The demerged assets include the investments in Fintecna Immobiliare S.r.l. and Quadrante S.p.A., land and buildings and other related items; the value of the net transferred assets is approximately €381 million, based on the corresponding book value at 31 December 2012.
2. In the notes to the financial statements for 2013, and more specifically in Part H – Transactions with related parties, the directors report the main transactions carried out during the year. Please refer to that section for more information on the type of transactions conducted and their impact on the income statement and the balance sheet.
  3. The information provided by the directors in their report on operations is felt to be adequate.
  4. PWC, which is in charge of the statutory audit of the accounts, has not made any specific observations that might be reflected in comments or qualifications in the report of the independent auditors, nor did any material issues emerge in the periodic exchange of information between the Board and the independent auditors.
  5. The Board of Auditors received no complaints pursuant to Article 2408 of the Italian Civil Code.
  6. The Board of Auditors received no reports or complaints of alleged irregularities.
  7. Pursuant to Article 17.9, a), of Legislative Decree 39/2010, the independent auditors, PWC, confirmed to the Board of Auditors that it did not find itself in any situations that would have compromised its independence or any circumstances that would give rise to incompatibility pursuant to Article 10 of that legislative decree.
  8. In 2013, there were a total of 12 meetings of the Board of Directors and 5 Shareholders' Meetings, all of which were attended by the Board of Auditors. The Board of Auditors held 11 meetings, to

which the judge designated by the State Audit Court was always invited. During the meetings, the Board, inter alia, examined and took due account of the minutes prepared by the Support Committee, while also preparing our own minutes, which were sent to the Chairman of the company, the MEF, and the State Audit Court.

9. The administrative/accounting system appears adequate to provide an accurate and prompt representation of operational events, a finding also borne out by information received from the audit firm.
10. In a context of continuous improvement of the internal control system, initiatives planned by the company to upgrade information technology systems are under way; in addition, in view of the expansion of the scope of the group, specific software was selected and is currently in the testing phase with a view to assisting the consolidation process.
11. Within the scope of our supervisory activities, we did not find any omissions, censurable facts or irregularities.

The Board of Auditors took due note of the information provided by the Financial Reporting Manager on the findings of the control activities performed, which found no material issues that would prevent the issue of the certification pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998. Therefore, there are no impediments to approving the financial statements for the 2013 financial year together with the report on operations submitted by the Board of Directors and the proposed allocation of net income for the year.

Rome, 16 April 2014

#### THE BOARD OF AUDITORS

<i>/signature/Angelo Provasoli</i>	Chairman
<i>/signature/Gerhard Brandstätter</i>	Auditor
<i>/signature/Andrea Landi</i>	Auditor
<i>/signature/Ines Russo</i>	Auditor
<i>/signature/Giuseppe Vincenzo Suppa</i>	Auditor







# Cassa depositi e prestiti

**2013 Annual Report**

Report of the independent auditors



Cassa depositi e prestiti



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF  
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

To the Shareholders of  
Cassa Depositi e Prestiti SpA

- 1 We have audited the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2013 which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 27 March 2013.
- 3 In our opinion, the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Cassa Depositi e Prestiti SpA for the year then ended.
- 4 The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with

**PricewaterhouseCoopers SpA**

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reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2013.

Rome, 29 April 2014

PricewaterhouseCoopers SpA

*Signed by*

Lorenzo Pini Prato  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers*





# Cassa depositi e prestiti

**2013 Annual Report**

Certification of the separate financial statements  
pursuant to Article 154-bis of  
Legislative Decree 58/1998



Cassa depositi e prestiti



## **Certification of the separate financial statements pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 as amended**

**1.** The undersigned Giovanni Gorno Tempini, in his capacity as Chief Executive Officer, and Andrea Novelli, in his capacity as the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis.3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness with respect to the characteristics of the company and
- the effective adoption

of the administrative and accounting procedures for the preparation of the separate financial statements in 2013.

**2.** In this regard:

**2.1** the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the separate financial statements at 31 December 2013 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;

**2.2** in 2013 the Financial Reporting Manager of Cassa depositi e prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting. Work also continued on the process to upgrade information technology procedures, which requires further activities for its completion.

**3.** In addition, we certify that:

**3.1** the separate financial statements:

- a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the information in the books and other accounting records;
- c) provide a true and fair representation of the performance and financial position of the issuer;

**3.2** the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 29 April 2014

Chief Executive Officer  
*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager  
*/signature/Andrea Novelli*







# Cassa depositi e prestiti

2013 Annual Report

Consolidated Financial Statements



# Form and content of the consolidated financial statements at 31 December 2013

The consolidated financial statements at 31 December 2013 have been prepared in conformity with applicable regulations and are composed of:

- Consolidated balance sheet;
- Consolidated income statement;
- Statement of consolidated comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated cash flow statement;
- Notes to the consolidated financial statements.

The notes to the separate financial statements are composed of:

## INTRODUCTION

PART A - Accounting policies

PART B - Information on the consolidated balance sheet

PART C - Information on the consolidated income statement

PART D - Consolidated comprehensive income

PART E - Information on risks and related hedging policies

PART G - Business combinations

PART H - Transactions with related parties

PART I - Share-based payments

PART L - Operating segments

ANNEXES - Annexes to the consolidated financial statements





# Cassa depositi e prestiti

**2013 Annual Report**

Consolidated financial statements

Consolidated balance sheet  
Consolidated income statement  
Statement of consolidated comprehensive income  
Statement of changes in consolidated equity  
Consolidated cash flow statement

## Consolidated balance sheet

(thousands of euros)

Assets	31/12/2013	31/12/2012
10. Cash and cash equivalents	737	350
20. Financial assets held for trading	2,574,242	3,765,660
40. Financial assets available for sale	6,532,702	6,256,966
50. Financial assets held to maturity	19,914,739	18,253,762
60. Loans to banks	18,672,942	18,502,789
- of which securing covered bonds	-	575,162
70. Loans to customers	245,792,451	241,539,610
- of which securing covered bonds	-	2,102,395
80. Hedging derivatives	961,826	1,190,984
100. Equity investments	20,474,446	20,757,812
110. Reinsurers' share of technical reserves	82,185	106,305
120. Property, plant and equipment	13,524,650	12,247,534
130. Intangible assets	2,789,776	892,833
of which:		
- goodwill	1,793,787	485,897
140. Tax assets	2,194,896	1,194,535
a) current	1,446,498	544,201
b) deferred	748,398	650,334
160. Other assets	6,951,847	4,202,901
<b>Total assets</b>	<b>340,467,439</b>	<b>328,912,041</b>

(thousands of euros)

Liabilities and equity	31/12/2013	31/12/2012
10. Due to banks	27,875,218	36,450,013
20. Due to customers	258,782,572	241,710,409
30. Securities issued	13,567,579	13,218,183
- of which securing covered bonds	-	2,639,475
40. Financial liabilities held for trading	516,352	522,596
60. Hedging derivatives	1,570,173	2,699,921
70. Adjustment of financial liabilities hedged generically (+/-)	52,258	56,413
80. Tax liabilities	2,551,975	2,581,139
a) current	940,307	1,122,178
b) deferred	1,611,668	1,458,961
100. Other liabilities	7,131,964	5,702,249
110. Staff severance pay	173,210	156,724
120. Provisions	2,283,731	2,189,204
a) post-employment benefits	4,677	1,992
b) other provisions	2,279,054	2,187,212
130. Technical provisions	2,461,639	2,569,657
140. Valuation reserves	(17,717)	311,030
170. Reserves	13,362,943	11,441,873
180. Share premium reserve	5,988	5,988
190. Share capital	3,500,000	3,500,000
200. Treasury shares (-)	(57,220)	-
210. Non-controlling interests (+/-)	4,205,478	2,869,778
220. Net income (loss) for the year	2,501,296	2,926,864
<b>Total liabilities and equity</b>	<b>340,467,439</b>	<b>328,912,041</b>

## Consolidated income statement

(thousands of euros)

Items	31/12/2013	31/12/2012
10. Interest income and similar revenues	9,168,751	10,661,134
20. Interest expense and similar charges	(6,328,077)	(7,212,610)
<b>30. Net interest income</b>	<b>2,840,674</b>	<b>3,448,524</b>
40. Commission income	103,045	48,411
50. Commission expense	(1,650,912)	(1,651,321)
<b>60. Net commission income</b>	<b>(1,547,867)</b>	<b>(1,602,910)</b>
70. Dividends and similar revenues	20,249	401
80. Net gain (loss) on trading activities	263,533	143,951
90. Net gain (loss) on hedging activities	(14,283)	(7,969)
100. Gains (Losses) on disposal or repurchase of:	68,316	51,903
a) loans	9,220	19,469
b) financial assets available for sale	59,057	6,125
c) financial assets held to maturity	39	145
d) financial liabilities	-	26,164
<b>120. Gross income</b>	<b>1,630,622</b>	<b>2,033,900</b>
130. Net impairment adjustments of:	(56,472)	(22,885)
a) loans	(53,744)	(22,097)
b) financial assets available for sale	(240)	-
c) financial assets held to maturity	-	-
d) other financial transactions	(2,488)	(788)
<b>140. Financial income (expense), net</b>	<b>1,574,150</b>	<b>2,011,015</b>
150. Net insurance premiums	465,275	-
160. Other net insurance income (expense)	(216,217)	-
<b>170. Net income from financial and insurance operations</b>	<b>1,823,208</b>	<b>2,011,015</b>
180. Administrative expenses	(4,254,733)	(523,673)
a) staff costs	(1,177,777)	(265,795)
b) other administrative expenses	(3,076,956)	(257,878)
190. Net provisions	31,711	(12,530)
200. Net adjustments of property, plant and equipment	(504,914)	(416,626)
210. Net adjustments of intangible assets	(93,142)	(56,879)
220. Other operating income (costs)	5,691,545	1,798,794
<b>230. Operating costs</b>	<b>870,467</b>	<b>789,086</b>
240. Gains (Losses) on equity investments	1,436,550	1,615,529
270. Gains (Losses) on the disposal of investments	(2,956)	5,745
<b>280. Income (Loss) before tax from continuing operations</b>	<b>4,127,269</b>	<b>4,421,375</b>
290. Income tax for the period on continuing operations	(1,228,267)	(1,186,592)
<b>300. Income (Loss) after tax on continuing operations</b>	<b>2,899,002</b>	<b>3,234,783</b>
310. Income (Loss) after tax on disposal groups held for sale	-	(23)
<b>320. Net income (loss) for the year</b>	<b>2,899,002</b>	<b>3,234,760</b>
330. Net income (loss) for the year pertaining to non-controlling interests	397,706	307,896
<b>340. Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,501,296</b>	<b>2,926,864</b>



## Statement of consolidated comprehensive income

*(thousands of euros)*

Items	31/12/2013	31/12/2012
<b>10. Income (Loss) for the period</b>	<b>2,899,002</b>	<b>3,234,760</b>
<b>Other comprehensive income net of taxes not transferred to income statement</b>		
40. Defined benefit plans	7,395	(5,968)
60. Share of valuation reserves of equity investments accounted for using equity method	8,079	-
<b>Other comprehensive income net of taxes transferred to income statement</b>		
80. Exchange rate differences	(41,838)	-
90. Cash flow hedges	25,023	8,401
100. Financial assets available for sale	352,985	199,937
120. Share of valuation reserves of equity investments accounted for using equity method	(556,745)	(198,730)
<b>130. Total other comprehensive income net of taxes</b>	<b>(205,101)</b>	<b>3,640</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>2,693,901</b>	<b>3,238,400</b>
150. Consolidated comprehensive income pertaining to non-controlling interests	520,924	292,621
<b>160. Consolidated comprehensive income pertaining to shareholders of the parent company</b>	<b>2,172,977</b>	<b>2,945,779</b>

## Statement of changes in consolidated equity: current period

(thousands of euros)

	Balance at 31/12/2012	Changes in opening balance	Balance at 01/01/2013	Allocation of net income for previous year		Changes for the period								Equity at 31/12/2013	Equity at 31/12/2013 - Group	Equity at 31/12/2013 - Non-controlling interests	
						Equity transactions											
				Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				Comprehensive income for 2013
Share capital:	2,823,350		2,823,350			1,050,000	555,677						441,205	4,870,232	3,500,000	1,370,232	
a) ordinary shares	2,823,350		2,823,350														
b) preference shares	1,050,000		1,050,000			(1,050,000)	116,033							116,033		116,033	
Share premium reserve	20,477		20,477				12,209							32,686	5,988	26,698	
Reserves:																	
a) income	12,937,002	1,557	12,938,559	1,952,332		(7,158)			(105)				101,239	14,984,867	13,206,124	1,778,743	
b) other	730,024		730,024										(126,290)	603,734	156,819	446,915	
Valuation reserves	264,331	(5,968)	258,363			(428)							(1,400)	51,434	(17,717)	69,151	
Equity instruments																	
Treasury shares								(57,220)							(57,220)	(57,220)	
Income (Loss) for the period	3,231,813	2,947	3,234,760	(1,952,332)	(1,282,428)									2,899,002	2,501,296	397,706	
<b>Total Equity</b>	<b>21,056,997</b>	<b>(1,464)</b>	<b>21,055,533</b>		<b>(1,282,428)</b>	<b>(7,586)</b>	<b>683,919</b>	<b>(57,220)</b>	<b>(105)</b>				<b>414,754</b>	<b>23,500,768</b>	<b>19,295,290</b>	<b>4,205,478</b>	
Equity - Group	18,183,035	2,720	18,185,755		(998,636)	(7,586)		(57,220)						19,295,290			
<b>Equity - Non-controlling interests</b>	<b>2,873,962</b>	<b>(4,184)</b>	<b>2,869,778</b>		<b>(283,792)</b>		<b>683,919</b>		<b>(105)</b>				<b>414,754</b>	<b>4,205,478</b>		<b>4,205,478</b>	

## Statement of changes in consolidated equity: previous period

(thousands of euros)

	Balance at 31/12/2011	Changes in opening balance	Balance at 01/01/2012	Allocation of new income for previous year		Changes for the period							Equity at 31/12/2012 - Non-controlling interests			
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions									
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		Change in equity interests		
															Comprehensive income for 2012	
Share capital:	2,820,798		2,820,798	2,552										Equity at 30/06/2012 - Group		
a) ordinary shares	2,820,798		2,820,798			2,552									2,823,350	
b) preference shares	1,050,000		1,050,000												1,050,000	
Share premium reserve	20,061		20,061			416									20,477	5,988
Share premium reserve	20,061		20,061			416									20,477	5,988
Reserves:																
a) income	11,379,143		11,379,143	1,691,652		(133,793)									12,937,002	11,283,501
b) other	479,668		479,668			250,356									730,024	156,819
Valuation reserves	254,483		254,483			240							9,608		264,331	312,810
Valuation reserves	254,483		254,483			240							9,608		264,331	312,810
Equity instruments																
Treasury shares																
Income (Loss) for the period	2,344,781		2,344,781	(1,691,652)	(653,129)								3,231,813	2,923,917	3,231,813	307,896
Income (Loss) for the period	2,344,781		2,344,781	(1,691,652)	(653,129)								3,231,813	2,923,917	3,231,813	307,896
Total Equity	18,348,934		18,348,934		(653,129)	119,771							3,241,421	18,183,035	21,056,997	2,873,962
Total Equity	18,348,934		18,348,934		(653,129)	119,771							3,241,421	18,183,035	21,056,997	2,873,962
Equity - Group	15,524,771		15,524,771		(371,000)	84,648							2,944,616	18,183,035	18,183,035	
Equity - Group	15,524,771		15,524,771		(371,000)	84,648							2,944,616	18,183,035	18,183,035	
Equity - Non-controlling interests	2,824,163		2,824,163		(282,129)	35,123									2,873,962	2,873,962
Equity - Non-controlling interests	2,824,163		2,824,163		(282,129)	35,123									2,873,962	2,873,962

## Consolidated cash flow statement (indirect method)

(thousands of euros)

<b>A. OPERATING ACTIVITIES</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
<b>1. Operations</b>	<b>4,512,194</b>	<b>3,287,128</b>
- net income for the year (+/-)	2,899,002	3,234,760
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(76,146)	(162,940)
- gains (losses) on hedging activities (-/+)	14,810	7,969
- net impairment adjustments (+/-)	56,232	22,885
- net value adjustments to property, plant and equipment and intangible assets (+/-)	650,732	473,505
- net provisions and other costs/revenues (+/-)	136,596	12,530
- net premiums not received (-)	(117,302)	-
- other insurance income not received/paid (-/+)	(109,268)	-
- unpaid charges, taxes and tax credits (+/-)	(119,397)	(103,247)
- writedowns/writebacks of equity investments (+/-)	(1,430,271)	(1,552,383)
- other adjustments (+/-)	2,607,206	1,354,049
<b>2. Cash generated by/used in financial assets</b>	<b>(8,068,578)</b>	<b>(351,571)</b>
- financial assets held for trading	1,282,479	95,894
- financial assets available for sale	195,317	(1,045,917)
- loans to banks: other	(1,153,554)	6,984,740
- loans to customers	(6,429,469)	(4,850,655)
- other assets	(1,963,351)	(1,535,633)
<b>3. Cash generated by/used in financial liabilities</b>	<b>4,562,463</b>	<b>31,732,615</b>
- due to banks: other	(9,808,627)	14,572,658
- due to customers	14,231,418	14,997,592
- securities issued	179,327	53,933
- financial liabilities held for trading	(42,875)	14,507
- other liabilities	3,220	2,093,925
<b>Cash generated by/used in operating activities</b>	<b>1,006,079</b>	<b>34,668,172</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>12,534,194</b>	<b>25,989,851</b>
- sale of equity investments	8,158	1,968,105
- dividends from equity investments	1,343,992	1,290,364
- sale of financial instruments held to maturity	11,173,401	22,680,756
- sale of property plant and equipment	4,224	50,473
- sale of intangibles	4,419	153
<b>2. Cash used in</b>	<b>(15,131,523)</b>	<b>(42,089,940)</b>
- purchase of equity investments	(317,914)	(3,794,162)
- purchase of financial assets held to maturity	(12,684,161)	(29,815,776)
- purchase of property, plant and equipment	(1,395,807)	(1,188,048)
- purchase of intangible assets	(213,979)	(59,147)
- purchases of subsidiaries and business units	(519,662)	(7,232,807)
<b>Cash generated by/used in investing activities</b>	<b>(2,597,329)</b>	<b>(16,100,089)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares	(57,220)	-
- dividend distribution and other allocations	(1,282,533)	(653,129)
<b>Cash generated by/used in financing activities</b>	<b>(1,339,753)</b>	<b>(653,129)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>(2,931,003)</b>	<b>17,914,954</b>

## Reconciliation

<b>Items*</b>		
Cash and cash equivalents at beginning of year	141,958,217	124,043,263
Total cash generated/used during the year	(2,931,003)	17,914,954
Cash and cash equivalents at end of year	139,027,214	141,958,217

\* The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central Treasury, which is reported under item 70 "Loans to customers", and the positive balance of the bank current accounts reported under item 60 "Loans to banks", net of current accounts with a negative balance reported under item 10 "Due to banks" under liabilities.



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Notes to the consolidated financial statements

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# Introduction

## STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

As in previous years, the financial statements of the Cassa depositi e prestiti Group (CDP) have been prepared in accordance with the regulations of the Bank of Italy, which are set out in its circular concerning banking and financial service supervision of 22 December 2005, updated to 21 January 2014, which set out the formats and rules for compiling bank financial statements, incorporating the introduction of International Financial Reporting Standards (IFRSs) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2005 financial year, to adopt the IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Union.

Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

- the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC);

as well as the Implementation Guidance and Basis for Conclusions adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.

The consolidated financial statements are expressed in euros and include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and these explanatory notes to the financial statements, as well as the directors' report on operations.

The consolidated financial statements present a clear, true and fair overview of the Company's financial performance and standing for the period.

## BASIS OF PRESENTATION

In line with the rules issued by the Bank of Italy, the financial statements and the tables in the notes to the financial statements are expressed, unless otherwise specified, in thousands of euros.

Accounts with zero balances for both the current and prior period have been excluded.

The figures in the tables of the notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet, the balance on the current account held with the Central State Treasury reported under item 70 "Loans to customers" and the positive balance on bank accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

The parts of the notes to the financial statements provided for in the Bank of Italy circular of 22 December 2005 that have not been reported regard issues that do not apply to the CDP Group.

## COMPARISON AND DISCLOSURE

As detailed below, the notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation of the company's financial performance and standing.

The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "B" of the supervisory instructions issued by the Bank of Italy.

Tables with no amounts for either 2013 or 2012 have been omitted.

When comparing the 2013 figures with the previous year's, it is necessary to bear in mind that:

- as of financial year 2013, we also consolidated the income statements of the subsidiaries SACE S.p.A., Simest S.p.A. and Fintecna S.p.A., which last year only contributed to the formation of balance sheet items, having entered the scope of consolidation effective 31 December;
- during the year a controlling interest was acquired in VARD, as described in more detail in Part G - Section 1;
- at the end of December, the acquisition of a controlling interest in Ansaldo Energia S.p.A. was finalised; given the timing of the transaction, only the balance sheet items of the investee were consolidated.

## CDP SEGREGATED ASSET POOLS

Following the redemption of all issues under the Covered Bond Programme at the end of January 2013, and in accordance with the decisions of the Board of Directors in February 2013, on 11 April 2013 the termination agreement was signed with all institutional counterparties for the termination of all legal relationships associated with the segregated asset pool and, consequently, the segregated asset pool was closed in the accounts. As a result, the encumbrance on the liquidity held on the segregated account, since November 2011, was removed and the funds can be reinvested in "eligible" securities (with a rating of AAA).

Consequently, at 31 December 2013, the "of which" items in the financial statements show zero balances.

## AUDITING OF THE FINANCIAL STATEMENTS

The CDP Group consolidated financial statements were audited by PricewaterhouseCoopers S.p.A., in execution of the shareholder resolution of 25 May 2011 which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

# PART A - ACCOUNTING POLICIES

## A.1 - General information

### SECTION 1 - DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission and with the Bank of Italy circular of 22 December 2005 updated to 21 January 2014, which establishes the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

### SECTION 2 - GENERAL PREPARATION PRINCIPLES

The financial statements have been prepared in accordance with the IFRSs issued by the IASB (including the SIC and IFRIC interpretations) endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- "Framework for the Preparation and Presentation of Financial Statements" (issued by the International Accounting Standards Board in 2001);
- "Implementation Guidance, Basis for Conclusions", IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs;
- interpretation documents concerning the application of the IFRSs in Italy, prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

Where the information required by the IFRSs and the regulations of the Bank of Italy is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the notes to the financial statements also provide supplemental information for such purpose.

The consolidated financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.



Pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document 2 of 6 February 2009 and the subsequent Document 4 of 4 March 2010 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, the CDP Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous years, the CDP Group feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor revenues with costs, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.

In the tables of the notes to the financial statements, the contribution of companies that do not belong to the banking group to the various line items is reported only if significant.

## Use of estimates

The application of international accounting standards in preparing the consolidated financial statements requires the company to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review.

Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.

The main areas in which management is required to make subjective assessments are:

- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning accounting treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the actuarial reserves of insurance undertakings;
- the valuation of work in progress and of inventories of raw materials, semi-finished and finished goods.

The description of the accounting treatment used for the main financial statement items provides details on the main assumptions and assessments used in preparing the consolidated financial statements.

### SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of controlling interests in companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2013, as approved by their competent corporate bodies, adjusted as necessary to harmonise them with the Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in circular 262 of 22 December 2005, updated to 21 January 2014.

The following table reports the companies included in the scope of consolidation on a full line-by-line basis.

## 1. Equity investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
<b>A. Enterprises</b>					
<b>A.1 Consolidated on a line-by-line basis</b>					
1. Terna S.p.A.	Rome	1	CDP S.p.A.	29.85%	29.85%
2. Terna Rete Italia S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
3. Terna Rete Italia S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
4. Terna Plus S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
5. Terna Storage S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
6. Terna CRNA GORA D.O.O.	Podgorica	1	Terna S.p.A.	100.00%	100.00%
7. Fintecna S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
8. Fincantieri S.p.A.	Trieste	1	Fintecna S.p.A.	99.36%	99.36%
9. Ace Marine LLC	Wisconsin WI (USA)	1	Fincantieri Marine Group LLC	100.00%	100.00%
10. Bocini di Palermo S.p.A.	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
11. Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
			Seaf S.p.A.	15.00%	15.00%
12. Delfi S.r.l.	Follo (SP - ITALY)	1	Fincantieri S.p.A.	51.00%	51.00%
13. FMSNA YK	Sasebo - Japan	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
14. Fincantieri do Brasil Participações S.A.	Brazil	1	Fincantieri S.p.A.	80.00%	80.00%
			Fincantieri Holding B.V.	20.00%	20.00%
15. Fincantieri Holding B.V.	Amsterdam (NL)	1	Fincantieri S.p.A.	100.00%	100.00%
16. Fincantieri Marine Group Holdings Inc.	Green Bay WI (USA)	1	Fincantieri USA Inc.	87.44%	87.44%
17. Fincantieri Marine Group LLC	Marinette WI (USA)	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
18. Fincantieri Marine Systems North America Inc.	Chesapeake VI (USA)	1	Fincantieri Holding B.V.	100.00%	100.00%
19. Fincantieri Oil & Gas S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
20. Fincantieri USA Inc.	Wilmington DE (USA)	1	Fincantieri S.p.A.	86.02%	86.02%
21. Gestione Bocini La Spezia S.p.A.	Muggiano (SP - ITALY)	1	Fincantieri S.p.A.	99.89%	99.89%
22. Isotta Fraschini Motori S.p.A.	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
23. Marinette Marine Corporation	Wisconsin WI USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
24. Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
25. Sea Stema S.p.A.	Genoa	1	Fincantieri S.p.A.	50.00%	50.00%
26. XXI Aprile S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
27. Fincantieri India Private Limited	India	1	Fincantieri S.p.A.	1.00%	100.00%
			Fincantieri Holding B.V.	99.00%	99.00%
28. VARD Holdings Limited	Singapore	1	Fincantieri Oil & Gas S.p.A.	55.63%	55.63%
29. VARD Group AS	Norway	1	VARD Holdings Limited	100.00%	100.00%
30. VARD Electro AS	Norway	1	VARD Group AS	100.00%	100.00%
31. VARD RO Holding S.r.l.	Romania	1	VARD Group AS	100.00%	100.00%
32. VARD Niteroi S.A.	Brazil	1	VARD Group AS	100.00%	100.00%
			VARD Electro Brazil Ltda	0.00%	0.00%
33. VARD Promar S.A.	Brazil	1	VARD Group AS	50.50%	50.50%
34. Estaleiro Quissamã Ltda	Brazil	1	VARD Group AS	50.50%	50.50%
35. VARD Singapore Pte Ltd	Singapore	1	VARD Group AS	100.00%	100.00%
36. VARD Design AS	Norway	1	VARD Group AS	100.00%	100.00%
37. VARD Accommodation AS	Norway	1	VARD Group AS	100.00%	100.00%
38. VARD Piping AS	Norway	1	VARD Group AS	100.00%	100.00%
39. VARD Brevik Holding AS	Norway	1	VARD Group AS	100.00%	100.00%
40. Seonics AS	Norway	1	VARD Group AS	51.00%	51.00%
41. Aakre Eigendom AS	Norway	1	VARD Group AS	100.00%	100.00%
42. VARD Piping S.r.l.	Romania	1	VARD Piping AS	100.00%	100.00%
43. VARD Design Liburna Ltd	Croatia	1	VARD Design AS	51.00%	51.00%
44. VARD Electro Tulcea S.r.l.	Romania	1	VARD Electro AS	99.96%	100.00%
45. VARD Electro Brazil Ltda	Brazil	1	VARD Electro AS	99.00%	99.00%
			VARD Group AS	1.00%	1.00%
46. VARD Electro Braila S.r.l.	Romania	1	VARD Electro AS	100.00%	100.00%
47. VARD Electrical Installation & Engineering (India) Private Ltd	India	1	VARD Electro AS	99.00%	99.00%
			VARD Tulcea S.A.	1.00%	1.00%

## 1. Equity investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
48. VARD Tulcea S.A.	Romania	1	VARD RO Holding S.r.l.	99.44%	99.44%
49. VARD Braila S.A.	Romania	1	VARD RO Holding S.r.l.	94.12%	94.12%
			VARD Group AS	5.88%	5.88%
50. VARD Vung Tau Ltd	Vietnam	1	VARD Singapore Pte Ltd	100.00%	100.00%
51. VARD Accommodation Tulcea S.r.l.	Romania	1	VARD Accommodation AS	99.77%	99.77%
			VARD Electro Tulcea S.r.l.	0.23%	0.23%
52. VARD Grenland Industri AS	Norway	1	VARD Brevik Holding AS	100.00%	100.00%
53. VARD Brevik Support AS	Norway	1	VARD Brevik Holding AS	100.00%	100.00%
54. VARD Engineering Brevik AS	Norway	1	VARD Brevik Holding AS	70.00%	70.00%
55. VARD Offshore Brevik AS	Norway	1	VARD Brevik Holding AS	100.00%	100.00%
56. Ronor AS	Norway	1	VARD Brevik Holding AS	100.00%	100.00%
57. VARD Ship Repair Braila S.A.	Romania	1	VARD Braila S.A.	68.58%	68.58%
			VARD Brevik Holding AS	31.42%	31.42%
58. Brevik Elektro AS	Norway	1	VARD Grenland Industri AS	100.00%	100.00%
59. Seaonics Polska SP.Z O.O.	Poland	1	Seaonics AS	100.00%	100.00%
60. VARD Engineering Constanta S.r.l.	Romania	1	VARD RO Holding S.r.l.	70.00%	70.00%
			VARD Braila S.A.	30.00%	30.00%
61. Johangarden AS	Norway	1	VARD Electro AS	100.00%	100.00%
62. Brevik Philadelphia	USA	1	VARD Electro AS	100.00%	100.00%
63. AJA Ship Design SA	Romania	1	VARD Braila S.A.	60.00%	60.00%
64. SACE S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
65. SACE BT S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
66. SACE Fct S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
67. SACE SRV S.r.l.	Rome	1	SACE BT S.p.A.	100.00%	100.00%
68. SACE DO BRASIL	São Paulo (BR)	1	SACE S.p.A.	100.00%	100.00%
69. Valcomp Uno S.r.l.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
70. Valcomp Tre S.p.A.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
71. Ansaldo Energia S.p.A.	Genoa	1	Fondo Strategico Italiano S.p.A.	84.55%	84.55%
72. Ansaldo Nucleare S.p.A.	Italy	1	Ansaldo Energia S.p.A.	100.00%	100.00%
73. Yeni Aen Anonim Sirketi	Turkey	1	Ansaldo Energia S.p.A.	100.00%	100.00%
74. Ansaldo Thomassen B.V.	Netherlands	1	Ansaldo Energia S.p.A.	100.00%	100.00%
75. Ansaldo Thomassen Gulf	United Arab Emirates	2	Ansaldo Thomassen B.V.	100.00%	100.00%
76. Ansaldo Swiss AG	Switzerland	1	Ansaldo Energia S.p.A.	100.00%	100.00%
77. ASPL Asia Power Project Ltd	India	1	Ansaldo Energia S.p.A.	100.00%	100.00%
78. CDP Investimenti SGR S.p.A.	Rome	1	CDP S.p.A.	70.00%	70.00%
79. Fondo Strategico Italiano S.p.A.	Milan	1	CDP S.p.A.	77.70%	77.70%
			Fintecna S.p.A.	2.30%	2.30%
80. CDP GAS S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
81. CDP Reti S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
82. Quadrante S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
83. Fintecna Immobiliare S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
84. Simest S.p.A.	Rome	1	CDP S.p.A.	76.01%	76.01%
85. Fondo FIV - comparto Plus	Rome	4	CDP S.p.A.	100.00%	100.00%
86. Fondo FIV - comparto Extra	Rome	4	CDP S.p.A.	100.00%	100.00%

### A.2 Consolidated proportionately

#### Key

- (1) Type of relationship:  
1 = majority of voting rights in ordinary shareholders' meeting  
2 = dominant influence in ordinary shareholders' meeting  
3 = agreements with other shareholders  
4 = other form of control  
5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/1992  
6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/1992  
7 = joint control
- (2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

Compared with 31 December 2012, the most significant changes in the line-by-line scope of consolidation concern:

- the inclusion of the VARD Group;
- the inclusion of the Ansaldo Energia Group;
- the inclusion in the scope of consolidation of the two sub-funds ("Extra" and "Plus") of the real estate fund Fondo Investimenti per la Valorizzazione (or "FIV"), which is managed by the subsidiary CDP Investimenti SGR S.p.A., given the existence of the requirements under SIC 12 pertaining to CDP's effective control over them.

### **Full line-by-line consolidation**

Full consolidation involves the line-by-line incorporation of the aggregates of the balance sheets and income statements of subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation (EC) 495/2009, under which the identifiable assets acquired and the identifiable assets assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 "Other liabilities" if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., the difference resulting from the transaction must be allocated definitively within 12 months of the acquisition date. If positive, the difference is recognised – after any allocation to the assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the acquiree is effectively acquired.

With reference to the equity investment in Ansaldo Energia S.p.A., in view of the fact that the transaction was completed close to the end of the year, at 31 December 2013 only the balance sheet of the acquiree has been consolidated. Accordingly, in the 2013 financial statements, the new company makes no contribution to the overall performance of the CDP Group.

### **Accounting for companies using the equity method**

Associates and joint ventures are accounted for using the equity method.

For joint ventures, CDP opted to use the equity method instead of proportionate consolidation, as permitted under IAS 31.

The equity method involves initial recognition of the equity interest at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity interest and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable value is less than the carrying amount, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent financial statements (annual or interim) approved by the companies.

## **SECTION 4 - EVENTS SUBSEQUENT TO THE REPORTING DATE**

During the period between the reporting date for the consolidated financial statements and their approval by the Board of Directors on 16 April 2014, no events occurred in addition to those reported below that would require an adjustment to the figures approved or the provision of additional information.

## **SECTION 5 - OTHER ISSUES**

### **First-time adoption of standards**

During the financial year new accounting standards and interpretations took effect. Their provisions were taken into account in the preparation of these financial statements, where applicable.

### **Amendments to IFRS 1 - First time adoption of International Financial Reporting Standards (Revised)**

The amendments to IFRS 1 eliminate the reference therein to 1 January 2004 as the date of transition to the IFRSs and provide guidance on presentation of the financial statements in accordance with the IFRSs after a period of hyperinflation.

More specifically, the amendments specify that if an entity should decide, upon transition to the IFRSs, to measure its assets and liabilities at fair value and to adopt that fair value as deemed cost in their first IFRS financial statements, in cases of severe hyperinflation the first IFRS financial statements shall dis-

close how, and why, it had, and then ceased to have, a functional currency with both of the following the characteristics:

- a reliable general price index is not available to all entities with transactions and balances in the currency;
- exchangeability between the currency and a relatively stable foreign currency does not exist.

### **Amendment to IAS 12 - Income taxes**

The amendment to IAS 12 requires entities to measure deferred tax liabilities arising from an asset in relation to the way the carrying amount of the asset will be recovered (through continuing use or through a sale). Following the amendment, SIC 21 - Income taxes - Recovery of revalued non-depreciable assets was withdrawn.

### **IFRS 13 - Fair value measurement**

IFRS 13 - Fair value measurement provides a precise definition of fair value and sets out, in a single standard, guidelines for measuring fair value and the disclosures concerning the valuation techniques adopted. The new standard represents a single IFRS framework to be used for the measurement of fair value and offers full guidance on how to measure the fair value of financial and non-financial assets and liabilities. It does not introduce significant changes in the use of fair value, but rather establishes how it should be measured when its use is required or permitted.

### **IAS 19 - Employee benefits (Revised)**

The revised version of IAS 19 - Employee benefits introduces significant changes and clarifications concerning the accounting treatment of employee benefits. More specifically, it eliminates the option of deferring recognition of part of actuarial gains and losses (the "corridor method"). "Remeasurements" of the net liability for defined benefits, consisting of the actuarial gains and losses; the return on plan assets; and changes in the effect of the asset ceiling are recognized under other comprehensive income. The amendments, in force for reporting periods beginning on or after 1 January 2013, were endorsed by the European Union with Regulation (EC) 475 of 5 June 2012.

### **Amendments to IAS 1 - Presentation of financial statements**

The amendments of IAS 1 - Presentation of financial statements introduce changes in the aggregation of items in the statement of other comprehensive income. More specifically, the amendments call for the separate presentation of items of other comprehensive income (OCI) that can be reclassified to profit or loss in the future and those that because of their nature will never be recycled.

The amendments, in force from the reporting periods beginning on or after 1 July 2012, were endorsed by the European Union with Regulation (EC) 475 of 5 June 2012.

### **Amendment to IFRS 7 - Offsetting financial assets and financial liabilities**

The amendments of IFRS 7 establish additional quantitative disclosures to enable users to compare and reconcile disclosures made in application of the IFRSs more effectively. The amendment provides for the

changes to IFRS 7 (paragraphs IN 89, 13A-13F, and B40-B53) to take effect for reporting periods beginning on or after 1 January 2013.

### **Accounting standards and interpretations that will enter into force in subsequent financial years**

At the date of approval of these financial statements, the IASB and the European Union have issued the following standards, amendments and interpretations that are applicable as of 1 January 2014:

- IAS 27 - Separate financial statements as amended by Regulation (EU) 1254/2012. The amendments consist in having extrapolated the provisions concerning the consolidated financial statements, which have been included in a new specific standard (IFRS 10 - Consolidated financial statements). Thus, IAS 27 Revised defines and regulates the principles for the preparation of the separate financial statements only, remaining essentially unchanged in this respect from the previous version;
- IAS 28 - Investments in associates and joint ventures as amended by Regulation (EU) 1254/2012. The accounting standard was supplemented with the requirement for joint ventures to be accounted for using the equity method;
- IAS 10 - Consolidated financial statements adopted by Regulation (EU) 1254/2012. The new standard establishes the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions previously contained in IAS 27 - Consolidated and separate financial statements and SIC 12 - Special purpose entities. The new standard contains a new definition of control as the sole basis for the consolidation of all types of entities, eliminates some inconsistencies or interpretation issues between IAS 27 and SIC 12, and finally lays down the rules for the clear and unambiguous identification of "de facto control";
- IFRS 11 - Joint control arrangements adopted by Regulation (EU) 1254/2012. The new standard establishes the accounting rules for entities that are party to a joint arrangement and replaces IAS 31 - Interests in joint ventures and SIC 13 - Jointly controlled entities - Non-monetary contributions by venturers. IFRS 11 also provides criteria for identifying joint arrangements based on the rights and obligations arising from the arrangements rather than on their legal form and, unlike the previous rules under IAS 31, it rules out the proportionate consolidated method as method to account for investments in jointly controlled entities;
- IFRS 12 - Disclosure of interests in other entities adopted by Regulation (EU) 1254/2012. IFRS 12 combines, enhances and replaces disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard includes all the information that an entity has to disclose to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows;



- IAS 32 - Financial instruments: presentation - Offsetting of financial assets and liabilities as amended by Regulation (EU) 1256/2012. Following the amendment to IFRS 7, IAS 32 Revised provides additional guidance to reduce inconsistencies in the practical application of that standard.

## **Accounting standards, amendments and interpretations not yet endorsed as at the date of these financial statements**

At the date of approval of these financial statements, the IASB and the European Union have issued but not yet endorsed the following standards, amendments and interpretations; others are currently in the consultation stage, including specifically:

- Exposure Draft "IFRS 9 - Financial instruments", as part of the project to revise IAS 39;
- some Exposure Drafts, also issued within the project to revise the current IAS 39, on amortised cost and impairment, fair value option for financial liabilities, expected credit losses and hedge accounting;
- Exposure Draft "Annual improvements to IFRS" relating to the 2010-2012, 2011-2013 and 2012-2014 cycle, as part of the annual improvement projects and general review of international accounting standards;
- Exposure Draft "Measurement of non-financial liabilities" as part of the review of the current IAS 37, concerning the recognition and measurement of provisions, contingent liabilities and contingent assets;
- Exposure Draft "Revenue from contracts with customers" as part of the review of the current IAS 11 and IAS 18, concerning revenue recognition;
- Exposure Draft "Insurance contracts" as part of the review of the current IFRS 4 concerning accounting for insurance contracts;
- Exposure Draft "Leases" as part of the review of the current IAS 17, concerning accounting for leases;
- Exposure Draft "Operating segments" as part of the review of the current IFRS 8, concerning accounting for operating segments;
- Interpretation on "Accounting treatment of put options written by the parent on non-controlling interests";
- Exposure Draft "IAS 28 - Equity method: share of other net asset changes";
- Exposure Draft "IAS 16 - Property, plant and equipment" and "IAS 38 - Intangible assets - Clarification of acceptable methods of depreciation and amortisation";
- Exposure Draft "IFRS 10 - Consolidated financial statements" and "IAS 28 - Investments in associates and joint ventures: sale or contribution of assets between an investor and its associate or joint venture";
- Exposure Draft "IFRS 11 - Joint arrangements: acquisition of an interest in a joint operation";
- Exposure Draft "IAS 19 - Defined benefit plans - Employee contributions";

- Interpretation “IFRIC 21 - Levies” on levies that businesses have to pay to the government for gaining access to a given market;
- Exposure Draft “IAS 27 - Equity method in separate financial statements”;
- Discussion Paper “Conceptual framework for financial reporting” as part of the project to revise the current framework;
- Exposure Draft “IFRS 14 - Regulatory deferral accounts”, that restrict to first time adopters of IFRS the ability to continue recognising regulatory deferral account balances in accordance with their previous GAAP.

## Other information

The Board of Directors approve the consolidated financial statements of CDP, which will be published in accordance with the procedures provided for in the regulations applicable to CDP.

### The consolidated taxation mechanism

For the period 2012-2014, the parent company has opted, in its capacity as the consolidating entity, to adopt the “consolidated taxation mechanism” introduced with Legislative Decree 344 of 12 December 2003 together with the subsidiaries Fondo Strategico Italiano S.p.A. and CDP GAS S.r.l. Starting from the current year, the subsidiaries Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A. and CDP Reti S.r.l. will also be included.

### Restatement of the balance sheet at 31 December 2012

The balance sheet at 31 December 2012 was restated for the following reasons:

- application of IAS 19 revised with an adverse effect on the Group’s equity of approximately €1.8 million. Given the significance of the effect, it was decided that it was not necessary to show the opening balance sheet values at 1 January 2012;
- after an analysis on the application of uniform accounting policies, the classification of certain financial assets at 31 December 2012 by two entities of the Group was revised. More specifically, in accordance with the subsidiaries’ financial statements, an amount of €935 million of Italian government bonds was reclassified from item 50 “Financial assets held to maturity” to item 40 “Financial assets available for sale” and an amount of €890 million of securities from other issuers from item 20 “Financial assets held for trading” to item 70 “Loans to customers”. Since 31 December coincides with the date of first consolidation of the subsidiaries, the aforementioned reclassifications had no effect on the Group’s financial position;
- final allocation of the price for the purchase of the subsidiaries SACE, Fintecna and SIMEST at year-end 2012, with an effect on net income of €0.7 million. For further details on the purchase price allocation, please refer to Part G - Section 3 of the notes to the consolidated financial statements;

- final allocation of the price for the purchase of the associated SNAM, which resulted in higher amortisation of the difference, at acquisition date, between the fair value and the carrying amount of the company's assets, with an impact on the 2012 consolidated income, before tax, of -€11 million;
- recognition of gains, before tax, from repurchase of own liabilities for €22 million following the cancellation of the securities issued by the parent company in exchange of those held by the subsidiary SACE. Pending the conclusion of the purchase price allocation, that positive component had been recognized in "Other liabilities";
- changes in interpretation or application as a result of the second update to the "Instructions for the compilation of the financial statements and consolidated financial statements of banks", issued by the Bank of Italy on 21 January 2014.

# Restatement 2012 financial statements

## Consolidated balance sheet

(thousands of euros)

Assets	31/12/2012	31/12/2012 Restated	Difference
10. Cash and cash equivalents	350	350	
20. Financial assets held for trading	4,656,129	3,765,660	(890,469)
40. Financial assets available for sale - of which securing covered bonds	5,287,839	6,256,966	969,127
50. Financial assets held to maturity	19,215,105	18,253,762	(961,343)
60. Loans to banks - of which securing covered bonds	18,502,789 575,162	18,502,789 575,162	
70. Loans to customers - of which securing covered bonds	240,752,149 2,102,395	241,539,610 2,102,395	787,461
80. Hedging derivatives	1,190,984	1,190,984	
100. Equity investments	20,770,242	20,757,812	(12,430)
110. Reinsurers' share of technical reserves	106,305	106,305	
120. Property, plant and equipment	12,157,413	12,247,534	90,121
130. Intangible assets of which: - goodwill	823,833 485,897	892,833 485,897	69,000
140. Tax assets a) current b) deferred	1,019,669 590,833 428,836	1,194,535 544,201 650,334	174,866 (46,632) 221,498
160. Other assets	4,068,477	4,202,901	134,424
<b>Total assets</b>	<b>328,551,284</b>	<b>328,912,041</b>	<b>360,757</b>

(thousands of euros)

Liabilities	31/12/2012	31/12/2012 Restated	Difference
10. Due to banks	36,450,013	36,450,013	
20. Due to customers	241,672,774	241,710,409	37,635
30. Securities issued	13,218,183	13,218,183	
- of which covered bonds	2,639,475	2,639,475	
40. Financial liabilities held for trading	522,596	522,596	
60. Hedging derivatives	2,699,921	2,699,921	
70. Adjustment of financial liabilities hedged generically (+/-)	56,413	56,413	
80. Tax liabilities	2,323,410	2,581,139	257,729
a) current	1,130,156	1,122,178	(7,978)
b) deferred	1,193,254	1,458,961	265,707
100. Other liabilities	6,111,219	5,702,249	(408,970)
110. Staff severance pay	153,289	156,724	3,435
120. Provisions	1,716,812	2,189,204	472,392
a) post-employment benefits	1,992	1,992	
b) other provisions	1,714,820	2,187,212	472,392
130. Technical provisions	2,569,657	2,569,657	
140. Valuation reserves	312,810	311,030	(1,780)
170. Reserves	11,440,320	11,441,873	1,553
180. Share premium reserve	5,988	5,988	
190. Share capital	3,500,000	3,500,000	
200. Treasury shares (-)			
210. Non-controlling interests (+/-)	2,873,962	2,869,778	(4,184)
220. Income (Loss) for the period	2,923,917	2,926,864	2,947
<b>Total liabilities and equity</b>	<b>328,551,284</b>	<b>328,912,041</b>	<b>360,757</b>

## Consolidated income statement

(thousands of euros)

Items	31/12/2012	31/12/2012 Restated	Difference
10. Interest income and similar revenues	10,661,134	10,661,134	
20. Interest expense and similar charges	(7,212,610)	(7,212,610)	
<b>30. Net interest income</b>	<b>3,448,524</b>	<b>3,448,524</b>	
40. Commission income	48,411	48,411	
50. Commission expense	(1,651,321)	(1,651,321)	
<b>60. Net commissions</b>	<b>(1,602,910)</b>	<b>(1,602,910)</b>	
70. Dividends and similar revenues	401	401	
80. Net gain (loss) on trading activities	143,951	143,951	
90. Net gain (loss) on hedging activities	(7,969)	(7,969)	
100. Gains (Losses) on disposal or repurchase of:			
a) loans	29,499	51,903	22,404
b) financial assets available for sale	19,469	19,469	
c) financial assets held to maturity	6,125	6,125	
d) financial liabilities	145	145	
	3,760	26,164	22,404
<b>120. Gross income</b>	<b>2,011,496</b>	<b>2,033,900</b>	<b>22,404</b>
130. Net impairment adjustments of:	(22,885)	(22,885)	
a) loans	(22,097)	(22,097)	
b) financial assets available for sale			
c) financial assets held to maturity			
d) other financial transactions	(788)	(788)	
<b>140. Financial income (expense), net</b>	<b>1,988,611</b>	<b>2,011,015</b>	<b>22,404</b>
150. Net insurance premiums			
160. Other net insurance income (expense)			
<b>170. Financial and insurance income (expense), net</b>	<b>1,988,611</b>	<b>2,011,015</b>	<b>22,404</b>
180. Administrative expenses:	(523,673)	(523,673)	
a) staff costs	(262,662)	(265,795)	(3,133)
b) other administrative expenses	(261,011)	(257,878)	3,133
190. Net provisions	(12,530)	(12,530)	
200. Net adjustments of property, plant and equipment	(416,626)	(416,626)	
210. Net adjustments of intangible assets	(56,879)	(56,879)	
220. Other operating income (costs)	1,798,132	1,798,794	662
<b>230. Operating costs</b>	<b>788,424</b>	<b>789,086</b>	<b>662</b>
240. Gains (Losses) on equity investments	1,627,959	1,615,529	(12,430)
270. Gains (Losses) on the disposal of investments	5,745	5,745	
<b>280. Income (Loss) before tax from continuing operations</b>	<b>4,410,739</b>	<b>4,421,375</b>	<b>10,636</b>
290. Income tax for the period on continuing operations	(1,178,903)	(1,186,592)	(7,689)
<b>300. Income (Loss) after tax on continuing operations</b>	<b>3,231,836</b>	<b>3,234,783</b>	<b>2,947</b>
310. Income (Loss) after tax on disposal groups held for sale	(23)	(23)	
<b>320. Income (Loss) for the period</b>	<b>3,231,813</b>	<b>3,234,760</b>	<b>2,947</b>
330. Net income (loss) for the year pertaining to non-controlling interests	307,896	307,896	
<b>340. Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,923,917</b>	<b>2,926,864</b>	<b>2,947</b>

## A.2 - The main financial statement accounts

The following pages provide a description of the accounting policies adopted in preparing the financial statements.

### 1 - FINANCIAL ASSETS HELD FOR TRADING

“Financial assets held for trading” (item 20) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.

Financial assets held for trading meet the following prerequisites:

- they are purchased with the intention of being sold in the short term;
- they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- they are derivatives (with the exception of derivatives that were acquired to hedge risks and that are designated as effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Initial recognition is effected at the signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available

on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading. Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

## 2 - FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans. The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

Following initial recognition, assets available for sale are measured at fair value, with the recognition of the amortized cost through profit or loss, while gains or losses associated with a change in fair value are recognised in a specific equity reserve (other comprehensive income - OCI), net of tax effects, until the financial asset is either derecognised or an impairment loss is recognised. At the time of the disposal or the recognition of the impairment loss the accumulated gains or losses are reversed in whole or in part to profit or loss.

In the event of partial disposal, the recycling of the valuation reserve to the income statement is carried out on a FIFO basis. Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with delivery of the instruments, are measured at cost. The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity securities, not listed on active



markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent comparable transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. A decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months. In the case of impairment of an available-for-sale security, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The value of the instrument after the writeback shall in any event not exceed the value that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time the asset is sold. Accordingly, in the event of disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as "Gains (Losses) on the disposal of financial assets available for sale" (item 100.b).

Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

### 3 - FINANCIAL ASSETS HELD TO MATURITY

"Financial assets held to maturity" (item 50) include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the actual intention and ability to hold to maturity.

If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.

The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.

Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

## 4 - LOANS

The term “loans” refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as “loans and receivables”, for which the company has a right to receive future cash flows.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan’s fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.

The loans made by the CDP Group to Public Entities and public-law bodies under the Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to local authorities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the authority as the work is performed by the various contractors involved.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by the CDP Group on the non-disbursed portion. CDP Group’s special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. The repayment plan for the amount granted begins, with certain exceptions, the year following the signing of the related con-

tract. The CDP Group's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a "short-term" receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted by the CDP Group to borrowers other than Public Entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.

The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back", given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.

Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans" (item 130.a).

Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 90 days past due, also undergo individual impairment testing.

Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.

The method used for collective testing is based on the parameters used for pricing loans and calculating (for internal purposes only) CDP's capital adequacy with respect to the exposures it has assumed. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the one-year expected loss.

These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).

"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. The item also reports the liquidity represented by the balance on the current account held with the Central State Treasury.

It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

## 6 - HEDGING TRANSACTIONS

In accordance with the IAS definition, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk is offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the position hedged, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.

A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or repaid.

In the event of hedges designed to neutralise the risk of changes in future cash flows arising from future transactions that are considered as highly probable as at the balance sheet date (cash flow hedge), the fair value changes of the derivative after initial recognition are recognised, to the extent of the effective portion, under the item "Reserves" in shareholders' equity. When the economic effects of the hedged item materialize, the reserve is transferred to operating profit or loss. If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss.

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised as "Reserves" is immediately recycled through profit or loss. Conversely, if the derivative is sold or no longer qualifies as an effective hedge, the portion of "Reserves" corresponding to the fair value changes of the instrument recognised up to that time, continues to be recognised in equity and shall be recycled through profit or loss, in accordance with the above-mentioned classification criteria, as the economic effects of the underlying hedged item materialize. If the hedged transaction is no longer considered as probable, the cumulative unrealised gains or losses recognised in equity are immediately recycled through profit or loss.

Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

## 7 - EQUITY INVESTMENTS

The item includes equity interests in joint ventures (IAS 31) and associates subject to significant influence (IAS 28).

Joint ventures are companies in which control is shared with other parties, including on the basis of contractual agreements.

Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority holdings are recognised as financial assets available for sale (item 40) and are treated as described above.

Equity investments are initially recorded at cost, at the settlement date, and subsequently adjusted according to the equity method. Acquisitions are treated in the same manner as business combinations.

Accordingly, the difference with the price paid (difference between the purchase price and the fraction of equity acquired) is allocated on the basis of the fair value of the net identifiable assets of the associate. Any excess not allocated represents goodwill. The higher allocated price is not presented separately but is included in the carrying value of the investment (equity method).

Any positive difference between the value of the share of equity in the investee and the cost of the investment is recognised as income.

In applying the equity method, account is also taken of treasury shares held by the investee.

Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant or prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, shall be recognised when the impairment is deemed to be significant or prolonged. A decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

## 8 - PROPERTY, PLANT AND EQUIPMENT

“Property, plant and equipment” includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.

Property, plant and equipment is recognised at purchase cost including incidental expenses and non-deductible VAT, increased by revaluations carried out under the provisions of specific laws.

The carrying amount represents the book value of the tangible assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic life of each asset.

Newly acquired assets are depreciated as from the period in which they enter service.

Property, plant and equipment held under finance leases that substantially transfer all the risks and rewards of ownership are recognised as assets at the lower of their fair value or the present value of the minimum lease payments due under the lease, including any amounts payable to exercise the final purchase option. The corresponding liability to lessor is recognised under financial debt. The assets are depreciated using the same criteria as those used for assets owned.

Leases where the lessor substantially retains all the risks and rewards associated with ownership are classified as operating leases. The costs of operating leases are recognised in income statement on a straight line basis over the term of the lease.

Property, plant and equipment leased out under finance lease agreements (or agreements that are treated as finance leases), that substantially transfer all the risks and rewards associated with ownership to the lessee, are recognised as financial receivables in the balance sheet. At the time of transfer of the asset to the user, the selling profit on the sale of the leased asset is recognised. That profit is determined

as the difference between: i) the lower of the fair value of the asset at the time the agreement is entered into and the present value of the minimum payments due to the Group under the lease, calculated at a market interest rate; ii) the production cost of the leased asset increased by legal and internal costs directly attributable to negotiating and arranging the lease.

Subsequent to recognition of the financial receivable, financial income is recognised in an amount reflecting the constant periodic rate of return on the receivable allocated over the term of the lease on a systematic and rational basis.

Assets to be relinquished free of charge are recognised at cost, including any disposal and removal costs that will be incurred under contractual obligations to restore the assets to their original condition, net of depreciation calculated over the lesser of the estimated useful life of the asset and the term of the concession, net of dismantling and removal costs.

Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.

Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.

Financial expense directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation under IAS 23 (revised in 2007) is capitalised in the carrying amount of the asset as part of its cost.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

## 9 - INTANGIBLE ASSETS

For IAS purposes, “Intangible assets” include goodwill, governed by IFRS 3, and other intangible assets, governed by IAS 38 and primarily include concessions, licenses and trademarks, customer contracts, R&D costs and industrial patents and intellectual property rights.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at fair value as of the date of acquisition and are amortised over the expected life of the asset. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship.

Research costs are expensed as incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:

- the project is clearly identified and the associated costs can be identified and measured reliably;
- the technical feasibility of the project has been established;
- there is a clear intention to complete the project and sell the intangible assets generated by the project;
- a potential market exists or, in the case of internal use, the usefulness of the intangible asset has been established;
- adequate technical and financial resources to complete the project are available.

The amortization of any development costs recognised under intangible assets begins as from the date on which the result of the project is ready for sale and is carried out on a straight-line basis.

The costs incurred for the acquisition of industrial patents and intellectual property rights are amortised on a straight-line basis, allocating the acquisition cost over the shorter of the expected period of use and the term of the associated contracts, as from the time the right acquired can be exercised.

Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each year, is subject to impairment testing in order to verify the appropriateness of the estimates.

An intangible asset is only recognised under the following conditions:

- a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company;
- b) the cost of the asset can be measured reliably.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Following initial recognition, goodwill is not amortised but is reduced for any impairment losses. The estimate of the recoverable value of goodwill recognised uses a discounted cash flow model, which determines value in use on the basis of an estimation of future cash flows and an appropriate discount rate.

In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.

Goodwill in respect of investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is taken to the income statement at the time of the acquisition.

## 10 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale rather than through continuing use are classified as held for sale and reported separately from



other assets and liabilities in the balance sheet. Non-current assets (or disposal groups) classified as held for sale are first measured in conformity with the IFRS/IAS applicable to each asset and liability and subsequently are measured at the lower of their carrying amount and fair value less costs to sell. The carrying amounts of each asset and liability that are not governed by the measurement rules set out in IFRS 5 but are held for sale are remeasured on the basis of the applicable IFRS before the fair value less costs to sell is redetermined. The individual assets of the companies classified as held for sale are not depreciated/amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an investment exclusively acquired with a view to resale.

## 11 - CURRENT AND DEFERRED TAXATION

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force.

Deferred tax items regard the recognition of the effects of differences between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year). "Taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future. Deferred tax assets are recognised if the conditions for their recovery obtain.

Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – calculated on the basis of the tax rates established by current regulations, are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under "Other assets".

If the deferred tax items regard developments that directly affect equity, they are recognised in equity. As regards the consolidated tax mechanism, from an administrative standpoint tax positions pertaining to CDP and those originated by the other companies participating in the mechanism are treated separately. Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

## 12 - PROVISIONS

“Provisions” (item 120) are recognised solely under following conditions:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable/expected that a charge, i.e. an outflow of resources embodying economic benefits, will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation. The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

Provisions include liabilities for defined benefit plans, other than staff severance pay (e.g. payment of seniority bonuses after a specific length of service or medical care after retirement), through which the Group undertakes to provide the agreed benefits to the current workforce and to former employees and to incur the actuarial and investment risks associated with the plan. Therefore, the cost of this plan is not defined in terms of contributions due for the year, but is recalculated on the basis of demographic and statistical assumptions and on wage trends. The methodology used is the “projected unit credit method”.

## 13 - DEBT AND SECURITIES ISSUED

“Amounts due to banks” (item 10) and “Amounts due to customers” (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than “Financial liabilities held for trading” (item 40), “Financial liabilities at fair value through profit or loss” (item 50), and debt securities under item 30 (“Securities issued”). This includes operating payables. Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It also includes securities which, as of the balance sheet date, have matured but have not yet been redeemed. It does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

These are initially measured at fair value including the costs incurred to issue the securities. Subsequent measurement is at amortised cost. The payables are eliminated when they mature or are extinguished.

## 14 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts, which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership of the liability to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability is retained, the liability remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

## 16 - FOREIGN CURRENCY TRANSACTIONS

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

- in the case of monetary instruments, at the spot exchange rate prevailing at the preparation date of the financial statements, recognising exchange rate differences under "Net gain (loss) on trading activities" in the income statement;
- in the case of non-monetary instruments, at cost using the exchange rate for the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

The effects of foreign exchange differences related to the equity of investments measured using the equity method are recognised in an equity reserve.

The financial statements denominated in foreign currencies other than the euro are translated in accordance with the following rules:

- all assets and liabilities are translated using the exchange rates in effect at the date of the financial statements;
- costs and revenues are translated at the average exchange rate for the period/year;
- the "Translation reserve" includes both the exchange rate differences arising from translation of income statement items at a rate different from that at year-end and those arising from the translation of shareholders' equity opening balances at an exchange rate different from that at year-end;
- goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at year-end.

## 17 - INSURANCE ASSETS AND LIABILITIES

Insurance assets include amounts in respect of risks ceded to reinsurers under contracts governed by IFRS 4. Reinsurers' share of technical provisions are determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

In accordance with IFRS 4, insurance liabilities related to actuarial reserves may continue to be accounted for in accordance with local GAAP. A review of the contracts written by the Group insurance undertakings found that they all qualify as insurance contracts. Technical provisions also include any provisions that made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. Reserves continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts); specifically, this item includes:

- unearned premium reserve, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Legislative Decree 173 of 26 May 1997; the reserve for unexpired risks, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for claims outstanding, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

## 18 - OTHER INFORMATION

### Staff severance pay

The liability for employee benefits payable to employees on or after termination of employment under defined benefit and other long-term benefit plans is recognised net of any plan assets. It is determined separately for each plan on the basis of actuarial assumptions, estimating the amount of future benefits accrued by employees at the reference date. The liability is estimated by independent actuaries.

Gains and losses resulting from the annual remeasurement of the liability recognised for commitments to employees are recognised as valuation reserves included in shareholders' equity.

For a limited number of companies in the Group, with a limited number of employees and whose liability for staff severance pay is not material, that liability continued to be reported as calculated on the basis of Italian statutory provisions (pursuant to Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

### Interest income and expense

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.

Interest also includes the net positive or negative balance of the differences and margins related to financial derivative contracts.

### Commissions

Commissions are recognised in the income statement on an accruals basis. This excludes commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, which are recognised under interest.

### Dividends

Dividends are recognised as income in the period in which they are approved for distribution.

Dividends from equity investments accounted for using the equity method are deducted from the carrying amount of the investments.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is measured as the weighted average cost. The net realizable value is the selling price in the ordinary course of business less the esti-

mated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads.

### **Contract work in progress (construction contracts)**

When the profit or loss of a contract can be reliably estimated, the related contract costs and revenues are recognised separately in profit or loss on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are taken immediately to profit or loss under contract costs.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

### **Share-based payments**

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognised under staff costs over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. Such estimate is reviewed where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

### **Capitalised borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready

for use. The directly attributable borrowing cost is that which would not have been incurred if the expenditure for the asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a year shall in any case not exceed the amount of borrowing costs incurred during that year.

Capitalisation commences as from the date all the following conditions have been met: (a) expenditures have been incurred for the asset; (b) borrowing costs are being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

## Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and taken to the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

## Revenues

Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

### **Net premium income**

This macro-item includes accrued premiums in respect of contracts classified as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary. All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

### **Use of estimates**

The application of international accounting standards in preparing the financial statements requires the company to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review. Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.

### **Emission rights**

The Group recognises the income statement and balance sheet effects arising from the purchase and/or sale of emission rights only to the extent they cover any difference between the assigned allowances and actual emissions.

### **Determining fair value**

Fair value is the amount for which an asset (or liability) could be exchanged in an arm's length transaction between parties with a reasonable level of knowledge about market conditions and the material circumstances of the object of the exchange.



In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer. For financial instruments, fair value is determined in three possible ways:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);
- in the case of financial instruments not quoted on active markets, recourse is made, where possible, to valuation techniques that use observable market parameters other than quoted prices for the instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use as inputs parameters that are not observable on the market and thus are inevitably subjective to some degree (Level 3).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, brokers, intermediaries, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market parameters at different levels of complexity. For example, valuation techniques may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

In selecting the valuation techniques to be used in Level 2 measurements, the Group takes account of the following criteria:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into the Group's corporate systems.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets. For derivatives and bonds, the Group has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. Nevertheless, given the generalised use of framework netting arrangements that provide for the exchange of collateral, as at 31 December 2013 such adjustments are confined to cases of limited importance.

In some cases, in determining fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, such as statistical or “expert based” estimates by the party performing the valuation (Level 3).

More specifically, in the financial statements of the Group, the following measurements are classified as Level 3:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using “expert-based” assessments owing to the low liquidity of some market segments;
- equity interests, other equity instruments, and unlisted debt instruments that are measured using non-market parameters.

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

## **Business combinations**

Business combinations are recognised using the acquisition method. Under that method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities assumed and equity instruments issued by the acquirer in exchange for control of the acquiree. Transaction costs are generally recognised in profit or loss at the time they are incurred.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 “Other liabilities” if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., within 12 months of the acquisition date, the difference resulting from the transaction must be allocated definitively, recognising the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. The following items are exceptions, being measured as provided for in the relevant standard governing their treatment:

- deferred tax assets and liabilities;
- assets and liabilities in respect of employee benefits;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree;
- assets held for sale and discontinued operations.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of any equi-

ty interest previously held by the acquirer in the acquiree over the acquisition-date fair value of the net assets acquired and liabilities assumed. If the acquisition-date fair value of the net assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest previously held by the acquirer in the acquiree, the excess is recognised in profit or loss as a gain from the transaction.

Non-controlling interests can be measured at fair value or as a proportionate share in the recognised amounts of the acquiree's identifiable net assets at the acquisition date. The choice of which measurement method to use is decided on a case-by-case basis.

Any contingent consideration provided in the business combination agreement is measured at the acquisition-date fair value and included in the amount of the consideration transferred in the business combination for the purposes of determining goodwill. Any subsequent changes in that fair value that can be considered as adjustments occurring during the measurement period shall be reflected retrospectively in goodwill. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed as of the acquisition date that has been obtained during the measurement period (which may not exceed one year from the acquisition date).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value as of the date of acquisition of control and any resulting gain or loss is recognised through profit or loss. Any amount resulting from previously held equity interest recognised in other comprehensive income is reclassified in the income statement as if the equity interest had been disposed of.

If the initial accounting for a business combination is incomplete at the end of the reporting period in which the business combination occurs, the Group reports the provisional amounts of the items for which the measurement cannot be completed in its consolidated financial statements. During the measurement period, the provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the assets and liabilities recognised as of that date.

Disposals of non-controlling interests in a subsidiary by way of a sale or dilution that do not result in the loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In these circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount of the adjustment of non-controlling interests and the fair value of the consideration received shall be recognised directly in equity.

## A.4 - Disclosures on fair value measurement

### QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

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 at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded. In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value inputs”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.

The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads or yield curves. If they are used in the pricing of an instrument, they must be available for the entire remaining life of the instrument. The fair value of a financial instrument measured using techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

The Level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot

be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or “expert-based” techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, or the inputs not observable in the market and not directly available.

This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

#### A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

Valuation techniques for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The CDP Group takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represents all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into the corporate systems of the Group’s companies.

The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.

Specifically, in CDP’s financial statements the fair value measurements are assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

For derivatives and bonds, the Group has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. When framework netting arrangements are in place that provide for the exchange of collateral, considering the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 31 December 2013 no adjustments of this kind apply. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the consolidated financial statements:

- the valuation of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using “expert-based” assessments owing to the low liquidity of some market segments;
- certain bonds whose valuation depends on the conditions of use established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

## A.4.2 VALUATION PROCESSES AND SENSITIVITY

### **Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs**

Here, too, Level 3 valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by CDP Group aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents that are periodically updated. The valuations are performed through internal systems used by the companies of the CDP Group for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

## Description of non-observable inputs used in the valuation process for the fair value measurement of instruments classified at Level 3 on a recurring basis and the sensitivity of the fair value to changes in those inputs and sensitivity analyses

In case of fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of reasonable possible alternative valuations. In general, the impact of non-observable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

### Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be submitted to the post office for redemption within a series of future dates, between the valuation date and the final maturity date. The estimate is made by the parent company through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds indexed to the Dow Jones Euro Stoxx 50. If the investor redeems the bond in advance they lose the entitlement to receive any component of indexed remuneration and as a result the option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

Sensitivity analysis to the redemption profile (figures in € millions)		
	+10% (higher redemptions)	-10% (lower redemptions)
Change in fair value resulting from the use of possible reasonable alternatives	+23.3	-8.4

### Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market refers to rates for indexes that have a liquid market. Given that the input is nevertheless observable in the market, even though it does not refer to the indexes to which the derivatives are linked, no sensitivity analysis is presented.

## Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2013, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value in a proportional manner, no sensitivity analysis has been reported.

## Adjustment to NAV

The net asset value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified as Level 3, the NAV may need to be adjusted downwards to take account of characteristics that, in the event of a transaction, are liable to generate a price lower than the NAV. At 31 December 2013 adjustments of this kind were made to the NAVs of the UCITS held in the portfolio at the standard rate of 15%, set on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units. Given that this parameter acts directly on the final fair value in a proportional manner, no sensitivity analysis has been reported.

## A.4.3 HIERARCHY OF FAIR VALUE INPUTS

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95).

Any transfer is motivated by whether it becomes possible or impossible to reliably measure fair value, at Level 1, Level 2 or Level 3, respectively: for example, if the measurement of an instrument is classified as "Level 3" due to the unobservability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.



## QUANTITATIVE DISCLOSURES

### A.4.5 HIERARCHY OF FAIR VALUE INPUTS

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

*(thousands of euros)*

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	2,052,959	518,998	2,285	3,041,719	720,213	3,728
2. Financial assets at fair value						
3. Financial assets available for sale	6,080,728	10,814	441,160	5,934,566	11,736	310,664
4. Hedging derivatives		960,719	1,107		1,188,301	2,683
5. Property, plant and equipment						
6. Intangible assets						
<b>Total</b>	<b>8,133,687</b>	<b>1,490,531</b>	<b>444,552</b>	<b>8,976,285</b>	<b>1,920,250</b>	<b>317,075</b>
1. Financial liabilities held for trading		93,835	422,517		106,090	416,506
2. Financial liabilities at fair value						
3. Hedging derivatives		1,544,456	25,717		2,686,869	13,052
<b>Total</b>		<b>1,638,291</b>	<b>448,234</b>		<b>2,792,959</b>	<b>429,558</b>

#### A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property plant and equipment	Intangible assets
<b>1. Opening balance</b>	<b>3,728</b>		<b>310,664</b>	<b>2,683</b>		
<b>2. Increases</b>			<b>184,698</b>			
2.1 Purchases			175,022			
- of which business combinations			1,570			
2.2 Profits taken to:			9,454			
2.2.1 Income statement						
- of which capital gains						
2.2.2 Equity	x	x	9,454			
2.3 Transfers from other levels						
2.4 Other increases			222			
<b>3. Decreases</b>	<b>1,443</b>		<b>54,202</b>	<b>1,576</b>		
3.1 Sales						
3.2 Repayments			6,605			
3.3 Losses taken to:	1,443		26,726	1,576		
3.3.1 Income statement	1,443		70	1,576		
- of which capital losses						
3.3.2 Equity	x	x	26,656			
3.4 Transfers from other levels			182			
3.5 Other decreases			20,689			
<b>4. Closing balance</b>	<b>2,285</b>		<b>441,160</b>	<b>1,107</b>	<b>-</b>	<b>-</b>

### A.4.5.3 Change for the year in financial liabilities at fair value on a recurring basis (Level 3)

(Thousands of euros)

	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
<b>1. Opening balance</b>	<b>416,506</b>		<b>13,052</b>
<b>2. Increases</b>	<b>192,746</b>		<b>12,665</b>
2.1 Issues	41,354		
2.2 Losses taken to:	151,392		12,665
2.2.1 Income statement	151,392		8,488
<i>- of which capital losses</i>	27		
2.2.2 Equity	x	x	4,177
2.3 Transfers from other levels			
2.4 Other increases			
<b>3. Decreases</b>	<b>186,735</b>		
3.1 Repurchases			
3.2 Repayments	184,143		
3.3 Profits taken to:	2,592		
3.3.1 Income statement	2,592		
<i>- of which capital gains</i>	2,168		
3.3.2 Equity	x	x	
3.4 Transfers from other levels			
3.5 Other decreases			
<b>4. Closing balance</b>	<b>422,517</b>		<b>25,717</b>

#### A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euros)

	31/12/2013				31/12/2012			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets held to maturity	19,914,739	21,569,324		38	18,253,762	19,444,032		
2. Loans to banks	18,672,942		271,246	18,637,592	18,502,789		358,931	18,259,082
3. Loans to customers	245,792,451		1,100,981	243,311,291	241,539,610		5,287,268	232,957,567
4. Investment property, plant and equipment	46,770		36,198	12,447				
5. Non-current assets and disposal groups held for sale								
<b>Total</b>	<b>284,426,902</b>	<b>21,569,324</b>	<b>1,408,425</b>	<b>261,961,368</b>	<b>278,296,161</b>	<b>19,444,032</b>	<b>5,646,199</b>	<b>251,216,649</b>
1. Due to banks	27,875,218		1,111,944	27,383,449	36,450,013		467,647	35,993,579
2. Due to customers	258,782,572		28,841	258,753,731	241,710,409		64,343	241,643,999
3. Securities issued	13,567,579	6,384,282	6,599,433	384,249	13,218,183		5,897,599	409,904
4. Liabilities associated with disposal groups held for sale								
<b>Total</b>	<b>300,225,369</b>	<b>6,384,282</b>	<b>7,740,218</b>	<b>286,521,429</b>	<b>291,378,605</b>		<b>6,429,589</b>	<b>278,047,482</b>

##### Key

CA = carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

## A.5 Disclosures on “day one profit/loss”

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a “day one profit/loss” (DOP).

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

The CDP Group has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related provisions of the IAS/IFRS.

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### Assets

#### SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

##### 1.1 Cash and cash equivalents: composition

(thousands of euros)

	31/12/2013	31/12/2012
a) Cash	737	350
b) Free deposits with central banks		
<b>Total</b>	<b>737</b>	<b>350</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

*(thousands of euros)*

	31/12/2013									31/12/2012		
	Banking group			Insurance group			Other entities			L1	L2	L3
	L1	L2	L3	L1	L2	L3	L1	L2	L3			
<b>A. On-balance-sheet assets</b>												
1. Debt securities				1,270,165						2,433,262		
1.1 Structured securities												
1.2 Other debt securities				1,270,165						2,433,262		
2. Equity securities				68,164	1,150					40,347	197	
3. Units in collective investment undertakings				714,630	3,256					568,110	53,837	
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
<b>Total A</b>				<b>2,052,959</b>	<b>4,406</b>					<b>3,041,719</b>	<b>54,034</b>	
<b>B. Derivatives</b>												
1. Financial derivatives		478,385	2,285		9,404			26,803			666,179	3,728
1.1 Trading		7,991			9,404			26,803			29,426	
1.2 Associated with fair value option												
1.3 Other		470,394	2,285								636,753	3,728
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
<b>Total B</b>		<b>478,385</b>	<b>2,285</b>		<b>9,404</b>			<b>26,803</b>			<b>666,179</b>	<b>3,728</b>
<b>Total (A+B)</b>		<b>478,385</b>	<b>2,285</b>	<b>2,052,959</b>	<b>13,810</b>			<b>26,803</b>		<b>3,041,719</b>	<b>720,213</b>	<b>3,728</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The financial derivatives shown in the table mainly regard options purchased to hedge the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

## 2.2 Financial assets held for trading: composition by debtor/issuer

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>A. ON-BALANCE-SHEET ASSETS</b>					
<b>1. Debt securities</b>		<b>1,270,165</b>		<b>1,270,165</b>	<b>2,433,262</b>
a) Governments and central banks		994,960		994,960	2,076,484
b) Other government agencies					2,375
c) Banks		131,473		131,473	280,143
d) Other		143,732		143,732	74,260
<b>2. Equity securities</b>		<b>69,314</b>		<b>69,314</b>	<b>40,544</b>
a) Banks					
b) Other issuers:		69,314		69,314	40,544
- insurance undertakings					
- financial companies		188		188	197
- non-financial companies		69,126		69,126	40,347
- other					
<b>3. Units in collective investment undertakings</b>		<b>717,886</b>		<b>717,886</b>	<b>621,947</b>
<b>4. Loans</b>					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
<b>Total A</b>		<b>2,057,365</b>		<b>2,057,365</b>	<b>3,095,753</b>
<b>B. DERIVATIVES</b>					
a) Banks	480,670	9,404	26,803	516,877	669,907
- fair value	480,670	9,404	26,803	516,877	669,907
b) Customers					
- fair value					
<b>Total B</b>	<b>480,670</b>	<b>9,404</b>	<b>26,803</b>	<b>516,877</b>	<b>669,907</b>
<b>Total (A+B)</b>	<b>480,670</b>	<b>2,066,769</b>	<b>26,803</b>	<b>2,574,242</b>	<b>3,765,660</b>



## 2.3 On-balance-sheet financial assets held for trading: change for the year

*(thousands of euros)*

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>2,433,262</b>	<b>40,544</b>	<b>621,947</b>		<b>3,095,753</b>
<b>B. Increases</b>	<b>454,343</b>	<b>68,606</b>	<b>258,607</b>		<b>781,556</b>
B1. Purchases	397,760	46,095	217,036		660,891
B2. Fair value gains	42,403	22,511	41,571		106,485
B3. Other increases	14,180				14,180
<b>C. Decreases</b>	<b>1,617,440</b>	<b>39,836</b>	<b>162,668</b>		<b>1,819,944</b>
C1. Sales	1,402,290	39,480	77,485		1,519,255
C2. Repayments	182,524		50,646		233,170
C3. Fair value losses	2,425	356	34,532		37,313
C4. Transfers to other portfolios					
C5. Other decreases	30,201		5		30,206
<b>D. Closing balance</b>	<b>1,270,165</b>	<b>69,314</b>	<b>717,886</b>		<b>2,057,365</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	4,814,023	3,069		5,887,018	4,601	
1.1 Structured securities						
1.2 Other debt securities	4,814,023	3,069		5,887,018	4,601	
2. Equity securities	1,259,547	7,745	20,973	47,548		18,731
2.1 At fair value	1,259,547	6,218	10,867	47,548		8,894
2.2 At cost		1,527	10,106			9,837
3. Units in collective investment undertakings	7,158		418,889		7,135	290,857
4. Loans			1,298			1,076
<b>Total</b>	<b>6,080,728</b>	<b>10,814</b>	<b>441,160</b>	<b>5,934,566</b>	<b>11,736</b>	<b>310,664</b>

### 4.1 of which: pertaining to the banking group

(thousands of euros)

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	4,012,479	3,069		4,668,773	4,601	
1.1 Structured securities						
1.2 Other debt securities	4,012,479	3,069		4,668,773	4,601	
2. Equity securities			11,807			11,006
2.1 At fair value			9,695			8,894
2.2 At cost			2,112			2,112
3. Units in collective investment undertakings			418,889			290,857
4. Loans						
<b>Total</b>	<b>4,012,479</b>	<b>3,069</b>	<b>430,696</b>	<b>4,668,773</b>	<b>4,601</b>	<b>301,863</b>

#### 4.1 of which: pertaining to other entities

*(thousands of euros)*

	31/12/2013			31/12/2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	801,544			1,218,245		
1.1 Structured securities						
1.2 Other debt securities	801,544			1,218,245		
2. Equity securities	1,259,547	7,745	9,166	47,548		7,725
2.1 At fair value	1,259,547	6,218	1,172	47,548		
2.2 At cost		1,527	7,994			7,725
3. Units in collective investment undertakings	7,158				7,135	
4. Loans			1,298			1,076
<b>Total</b>	<b>2,068,249</b>	<b>7,745</b>	<b>10,464</b>	<b>1,265,793</b>	<b>7,135</b>	<b>8,801</b>

#### 4.2 Financial assets available for sale: composition by debtor/issuer

*(thousands of euros)*

	Banking group	Other entities	31/12/2013	31/12/2012
<b>1. Debt securities</b>	<b>4,015,548</b>	<b>801,544</b>	<b>4,817,092</b>	<b>5,891,619</b>
a) Governments and central banks	3,807,665	801,544	4,609,209	5,887,019
b) Other government agencies	3,069		3,069	4,600
c) Banks	204,814		204,814	
d) Other				
<b>2. Equity securities</b>	<b>11,807</b>	<b>1,276,458</b>	<b>1,288,265</b>	<b>66,279</b>
a) Banks	2,066		2,066	2,066
b) Other issuers	9,741	1,276,458	1,286,199	64,213
- insurance undertakings		1,193,196	1,193,196	
- financial companies	3,755	5,165	8,920	8,940
- non-financial companies	5,986	75,550	81,536	54,458
- other		2,547	2,547	815
<b>3. Units in collective investment undertakings</b>	<b>418,889</b>	<b>7,158</b>	<b>426,047</b>	<b>297,992</b>
<b>4. Loans</b>		<b>1,298</b>	<b>1,298</b>	<b>1,076</b>
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other		1,298	1,298	1,076
<b>Total</b>	<b>4,446,244</b>	<b>2,086,458</b>	<b>6,532,702</b>	<b>6,256,966</b>

#### 4.4 Financial assets available for sale: change for the year

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>5,891,619</b>	<b>66,279</b>	<b>297,992</b>	<b>1,076</b>	<b>6,256,966</b>
<b>B. Increases</b>	<b>17,227,102</b>	<b>1,223,008</b>	<b>181,716</b>	<b>222</b>	<b>18,632,048</b>
B1. Purchases	17,106,574	902,589	173,040		18,182,203
- of which business combinations		3,160			3,160
B2. Fair value gains	111,670	320,419	8,676	222	440,987
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other increases	8,858				8,858
<b>C. Decreases</b>	<b>18,301,629</b>	<b>1,022</b>	<b>53,661</b>		<b>18,356,312</b>
C1. Sales	1,265,051		6,605		1,271,656
C2. Repayments	16,973,898				16,973,898
C3. Fair value losses	21,393		26,656		48,049
C4. Writedowns for impairment		240			240
- recognised through income statement		240			240
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other decreases	41,287	782	20,400		62,469
<b>D. Closing balance</b>	<b>4,817,092</b>	<b>1,288,265</b>	<b>426,047</b>	<b>1,298</b>	<b>6,532,702</b>

#### 4.4 of which: pertaining to the banking group

*(thousands of euros)*

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>4,673,374</b>	<b>11,006</b>	<b>290,857</b>		<b>4,975,237</b>
<b>B. Increases</b>	<b>16,574,745</b>	<b>801</b>	<b>181,693</b>		<b>16,757,239</b>
B1. Purchases	16,497,504		173,040		16,670,544
B2. Fair value gains	77,241	801	8,653		86,695
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other increases					
<b>C. Decreases</b>	<b>17,232,571</b>		<b>53,661</b>		<b>17,286,232</b>
C1. Sales	203,015		6,605		209,620
C2. Repayments	16,973,898				16,973,898
C3. Fair value losses	21,393		26,656		48,049
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other decreases	34,265		20,400		54,665
<b>D. Closing balance</b>	<b>4,015,548</b>	<b>11,807</b>	<b>418,889</b>		<b>4,446,244</b>

#### 4.4 of which: pertaining to other entities

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>1,218,245</b>	<b>55,273</b>	<b>7,135</b>	<b>1,076</b>	<b>1,281,729</b>
<b>B. Increases</b>	<b>652,357</b>	<b>1,222,207</b>	<b>23</b>	<b>222</b>	<b>1,874,809</b>
B1. Purchases	609,070	902,589			1,511,659
- of which business combinations		3,160			3,160
B2. Fair value gains	34,429	319,618	23	222	354,292
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other increases	8,858				8,858
<b>C. Decreases</b>	<b>1,069,058</b>	<b>1,022</b>			<b>1,070,080</b>
C1. Sales	1,062,036				1,062,036
C2. Repayments					
C3. Fair value losses					
C4. Writedowns for impairment		240			240
- recognised through income statement		240			240
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other decreases	7,022	782			7,804
<b>D. Closing balance</b>	<b>801,544</b>	<b>1,276,458</b>	<b>7,158</b>	<b>1,298</b>	<b>2,086,458</b>

## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

*(thousands of euros)*

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	19,914,739	21,569,324		38	18,253,762	19,444,032		
- structured								
- other	19,914,739	21,569,324		38	18,253,762	19,444,032		
2. Loans								
<b>Total</b>	<b>19,914,739</b>	<b>21,569,324</b>		<b>38</b>	<b>18,253,762</b>	<b>19,444,032</b>		

**Key**

FV = fair value

CA = carrying amount

The item mainly includes fixed-rate government securities held within the parent company's portfolio with a carrying amount of about €14,576 million, and inflation-linked government securities with a carrying amount of €3,751 million, with the latter held to hedge the exposure to Italian inflation arising from the issue by the parent company of postal savings bonds indexed to inflation.

### 5.2 Financial assets held to maturity: composition by debtor/issuer

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>1. Debt securities</b>	<b>19,914,739</b>	<b>18,253,762</b>
a) Governments and central banks	19,819,404	18,207,670
b) Other government agencies		53
c) Banks	46,276	46,039
d) Other issuer	49,059	
<b>2. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuer		
<b>Total</b>	<b>19,914,739</b>	<b>18,253,762</b>
<b>Total (fair value)</b>	<b>21,569,362</b>	<b>19,444,032</b>

## 5.4 Financial assets held to maturity: change for the year

(thousands of euros)

	Debt securities	Loans	Total
<b>A. Opening balance</b>	<b>18,253,762</b>		<b>18,253,762</b>
<b>B. Increases</b>	<b>12,860,815</b>		<b>12,860,815</b>
B1. Purchases	12,684,161		12,684,161
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other increases	176,654		176,654
<b>C. Decreases</b>	<b>11,199,838</b>		<b>11,199,838</b>
C1. Sales	1,000,883		1,000,883
C2. Repayments	10,172,518		10,172,518
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other decreases	26,437		26,437
<b>D. Closing balance</b>	<b>19,914,739</b>		<b>19,914,739</b>



## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

*(thousands of euros)*

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,213,100</b>			<b>1,213,100</b>	<b>447,906</b>			<b>447,906</b>
1. Fixed-term deposits		x	x	x	-	x	x	x
2. Reserve requirement	1,213,100	x	x	x	447,906	x	x	x
3. Repurchase agreements		x	x	x	-	x	x	x
4. Other		x	x	x	-	x	x	x
<b>B. Loans to banks</b>	<b>17,459,842</b>		<b>271,246</b>	<b>17,424,492</b>	<b>18,054,883</b>		<b>358,931</b>	<b>17,811,176</b>
1. Financing	17,188,138			17,424,492	17,192,223			17,311,170
1.1 Current accounts and free deposits	4,391,687	x	x	x	5,379,515	x	x	x
1.2 Fixed-term deposits	1,903,721	x	x	x	2,993,107	x	x	x
1.3 Other financing	10,892,730	x	x	x	8,819,601	x	x	x
- repurchase agreements		x	x	x	-	x	x	x
- finance leasing		x	x	x	-	x	x	x
- other	10,892,730	x	x	x	8,819,601	x	x	x
2. Debt securities	271,704		271,246		862,660		358,931	500,006
2.1 Structured securities		x	x	x	-	x	x	x
2.2 Other debt securities	271,704	x	x	x	862,660	x	x	x
<b>Total</b>	<b>18,672,942</b>		<b>271,246</b>	<b>18,637,592</b>	<b>18,502,789</b>		<b>358,931</b>	<b>18,259,082</b>

**Key**

FV = fair value

CA = carrying amount

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement of about €1,213 million;
- loans of approximately €10,893 million, mostly attributable to loans granted by the parent company to the banking system as part of initiatives to support SMEs;
- debt securities amounting to about €272 million;
- fixed-term deposits for approximately €1,904 million, of which about €1,397 million in respect of Credit Support Annexes (cash collateral) opened by the parent company to hedge counterparty credit risk on derivatives;
- current account balances amounting to about €4,392 million.

## 6.1 of which: pertaining to the banking group

(thousands of euros)

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,213,100</b>			<b>1,213,100</b>	<b>447,906</b>			<b>447,906</b>
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement	1,213,100	x	x	x	447,906	x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>13,635,844</b>			<b>13,872,198</b>	<b>12,729,518</b>			<b>12,848,465</b>
1. Financing	13,635,844			13,872,198	12,229,512			12,348,459
1.1 Current accounts and free deposits	1,347,330	x	x	x	1,059,238	x	x	x
1.2 Fixed-term deposits	1,396,968	x	x	x	2,354,373	x	x	x
1.3 Other financing	10,891,546	x	x	x	8,815,901	x	x	x
- repurchase agreements		x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other	10,891,546	x	x	x	8,815,901	x	x	x
2. Debt securities				-	500,006			500,006
2.1 Structured securities		x	x	x		x	x	x
2.2 Other debt securities		x	x	x	500,006	x	x	x
<b>Total</b>	<b>14,848,944</b>			<b>15,085,298</b>	<b>13,177,424</b>			<b>13,296,371</b>

### Key

FV = fair value

CA = carrying amount

## 6.1 of which: pertaining to the insurance group

*(thousands of euros)*

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>								
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement		x	x	x		x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>657,031</b>			<b>657,031</b>	<b>1,138,983</b>			<b>1,138,983</b>
1. Financing	657,031			657,031	1,138,983			1,138,983
1.1 Current accounts and free deposits	149,983	x	x	x	497,843	x	x	x
1.2 Fixed-term deposits	506,753	x	x	x	638,634	x	x	x
1.3 Other financing	295	x	x	x	2,506	x	x	x
- repurchase agreements		x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other	295	x	x	x	2,506	x	x	x
2. Debt securities								
2.1 Structured securities		x	x	x		x	x	x
2.2 Other debt securities		x	x	x		x	x	x
<b>Total</b>	<b>657,031</b>			<b>657,031</b>	<b>1,138,983</b>			<b>1,138,983</b>

**Key**

FV = fair value

CA = carrying amount

## 6.1 of which: pertaining to other entities

(thousands of euros)

	31/12/2013				31/12/2012			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>								
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement		x	x	x		x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>3,166,967</b>		<b>271,246</b>	<b>2,895,263</b>	<b>4,186,382</b>		<b>358,931</b>	<b>3,823,728</b>
1. Financing	2,895,263			2,895,263	3,823,728			3,823,728
1.1 Current accounts and free deposits	2,894,374	x	x	x	3,822,434	x	x	x
1.2 Fixed-term deposits		x	x	x	100	x	x	x
1.3 Other financing	889	x	x	x	1,194	x	x	x
- repurchase agreements		x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other	889	x	x	x	1,194	x	x	x
2. Debt securities	271,704		271,246		362,654		358,931	
2.1 Structured securities		x	x	x		x	x	x
2.2 Other debt securities	271,704	x	x	x	362,654	x	x	x
<b>Total</b>	<b>3,166,967</b>		<b>271,246</b>	<b>2,895,263</b>	<b>4,186,382</b>		<b>358,931</b>	<b>3,823,728</b>

### Key

FV = fair value

CA = carrying amount

## 6.2 Loans to banks hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Loans with specific fair value hedges:</b>	<b>272,339</b>	<b>131,429</b>
a) interest rate risk	272,339	131,429
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>272,339</b>	<b>131,429</b>

Loans subject to specific hedges are included in the assets of the parent company.

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: composition by type

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2013						31/12/2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
<b>Loans</b>	<b>242,323,538</b>		<b>371,364</b>		<b>1,100,981</b>	<b>240,261,187</b>	<b>236,294,069</b>		<b>231,714</b>		<b>5,254,063</b>	<b>228,094,188</b>
1. Current accounts	269,850			x	x	x	267,655			x	x	x
1.1 Liquidity held with Central State Treasury	134,789,288			x	x	x	136,718,703			x	x	x
2. Repurchase agreements	8,263,855			x	x	x				x	x	x
3. Loans	92,932,707		240,955	x	x	x	93,327,848		76,006	x	x	x
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	441			x	x	x	495			x	x	x
5. Finance leasing				x	x	x				x	x	x
6. Factoring	1,232,529		101,428	x	x	x	975,527		141,491	x	x	x
7. Other	4,834,868		28,981	x	x	x	5,003,841		14,217	x	x	x
<b>Debt securities</b>	<b>3,097,549</b>					<b>3,050,104</b>	<b>5,013,827</b>				<b>33,205</b>	<b>4,863,379</b>
8. Structured				x	x	x				x	x	x
9. Other debt securities	3,097,549			x	x	x	5,013,827			x	x	x
<b>Total</b>	<b>245,421,087</b>		<b>371,364</b>		<b>1,100,981</b>	<b>243,311,291</b>	<b>241,307,896</b>		<b>231,714</b>		<b>5,287,268</b>	<b>232,957,567</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Liquidity held with the Central State Treasury in current account no. 29814 in the name of "Cassa DP SPA - Gestione Separata" comprises liquidity generated by Separate Account transactions performed by the parent company. As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index. Interest accrued on current account no. 29814 which will be credited after the reporting date amounted to about €1,914 million.

The balance of item “Current accounts”, amounting to approximately €270 million, mainly includes the positive balance on correspondent accounts held by Fintecna with its associates.

Factoring receivables, amounting to €1,334 million, refer to loans granted by the subsidiary SACE Fct.

## 7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

	31/12/2013			31/12/2012		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
<b>1. Debt securities:</b>	<b>3,097,549</b>			<b>5,013,827</b>		
a) Governments	819,498			899,767		
b) Other government agencies	533,205			551,988		
c) Other issuers	1,744,846			3,562,072		
- non-financial companies	1,367,045			1,088,436		
- financial companies	377,801			2,473,636		
- insurance undertakings						
- other						
<b>2. Loans to:</b>	<b>242,323,538</b>	<b>371,364</b>		<b>236,294,069</b>		<b>231,714</b>
a) Governments	174,062,364	23,588		175,119,657		21,805
b) Other government agencies	48,382,396	33,551		50,209,732		24,334
c) Other	19,878,778	314,225		10,964,680		185,575
- non-financial companies	10,720,545	313,189		10,031,175		173,737
- financial companies	9,056,228			869,478		8,784
- insurance undertakings	13,188			536		
- other	88,817	1,036		63,491		3,054
<b>Total</b>	<b>245,421,087</b>	<b>371,364</b>		<b>241,307,896</b>		<b>231,714</b>

### 7.3 Loans to customers: assets hedged specifically

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>1. Loans with specific fair value hedges:</b>	<b>8,579,536</b>	<b>11,890,085</b>
a) interest rate risk	8,579,536	11,890,085
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>8,579,536</b>	<b>11,890,085</b>

## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

### 8.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	Fair value 31/12/2013			NV 31/12/2013	Fair value 31/12/2012			NV 31/12/2012
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives:</b>		<b>960,719</b>	<b>1,107</b>	<b>9,671,716</b>		<b>1,188,301</b>	<b>2,683</b>	<b>10,878,158</b>
1) Fair value		779,647	1,107	8,906,185		1,123,768	2,683	9,793,730
2) Cash flow		181,072		765,531		64,533		1,084,428
3) Investment in foreign operation								
<b>B. Credit derivatives:</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>960,719</b>	<b>1,107</b>	<b>9,671,716</b>		<b>1,188,301</b>	<b>2,683</b>	<b>10,878,158</b>

#### Key

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3



## 8.2 Hedging derivatives: composition by hedged portfolio and type of hedge (carrying amount)

*(thousands of euros)*

	Fair value					Generic	Cash flow		Investment in foreign operation
	Specific						Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	2,235	409		x		x	152,989	x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other		30,867				x		x	
<b>Total assets</b>	<b>2,235</b>	<b>31,276</b>					<b>152,989</b>		
1. Financial liabilities	724,861			x	22,382	x	23,041	x	x
2. Portfolio	x	x	x	x	x		x		x
<b>Total liabilities</b>	<b>724,861</b>				<b>22,382</b>		<b>23,041</b>		
1. Forecast transactions	x	x	x	x	x	x	5,042	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

## SECTION 10 - EQUITY INVESTMENTS - ITEM 100

### 10.1 Equity investments in joint ventures (accounted for with equity method) and in companies subject to significant influence: information on investments

Company name	Equity investment				
	Registered office	Type of relationship (1)	Investor	% holding	% of votes (2)
<b>A.1 Companies under joint control</b>					
1. ELMED ETUDES S.à.r.l.	Tunisia (TN)	7	Terna S.p.A.	50.00%	50.00%
2. Etihad Ship Building LLC	Abu Dhabi (UAE)	7	Fincantieri S.p.A.	35.00%	35.00%
3. Orizzonte Sistemi Navali S.p.A.	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
4. Alfieri S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
5. Manifatture Milano S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
6. Quadrifoglio Genova S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
7. Quadrifoglio Modena S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
8. Quadrifoglio Verona S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
9. Quadrifoglio Piacenza S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
10. Quadrifoglio Brescia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
11. MT-Manifattura Tabacchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
12. Bonafous S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
13. Pentagonagramma Romagna S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
14. Cinque Cerchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
15. Pentagonagramma Perugia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
16. Pentagonagramma Piemonte S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
17. Residenziale Immobiliare 2004 S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
18. Italia Turismo S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	42.00%	42.00%
19. Kedrion Group S.p.A.	Castelvecchio Pascoli (LU - ITALY)	7	FSI S.p.A.	23.20%	23.20%
20. Metroweb Italia S.p.A.	Milan	7	FSI S.p.A.	46.17%	46.17%
21. IQ Made in Italy Investment Company S.p.A.	Milan	7	FSI S.p.A.	50.00%	50.00%
22. Trans Austria Gasleitung GmbH (4)	Vienna (A)	7	CDP GAS S.r.l.	89.00%	50.00%
23. Consorzio Stabile Ansaldo New Clear	Genoa	7	Ansaldo Energia S.p.A.	20.00%	20.00%
Consorzio Stabile Ansaldo New Clear	Genoa	7	Ansaldo Nucleare S.p.A.	70.00%	70.00%
<b>A.2 Under significant influence</b>					
1. Eni S.p.A.	Rome	4	CDP S.p.A.	25.76%	25.76%
2. Galaxy S.à.r.l. SICAR	Luxembourg	4	CDP S.p.A.	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	4	CDP S.p.A.	31.80%	31.80%
4. CESI S.p.A.	Milan	4	Terna S.p.A.	42.70%	42.70%
5. CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MME)	4	Terna S.p.A.	22.09%	22.09%
6. CORESO S.A.	Brussels (B)	4	Terna S.p.A.	22.49%	22.49%
7. Altiorni e Ferriere di Servola S.p.A. in A.C.	Udine	4	Fintecna S.p.A.	24.10%	24.10%
8. Consorzio Edinca in liquidazione	Naples	4	Fintecna S.p.A.	38.80%	38.80%
9. Consorzio Edinsud in liquidazione	Naples	4	Fintecna S.p.A.	50.00%	50.00%
10. Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI - ITALY)	4	Fintecna S.p.A.	36.25%	36.25%
11. OMSAV S.p.A. in fallimento	Savona	4	Fintecna S.p.A.	30.00%	30.00%
12. Consorzio Incomir in liquidazione	Mercogliano (AV - ITALY)	4	Fintecna S.p.A.	45.46%	45.46%
13. Edilmagliana 89 S.c.a r.l. in liquidazione	Rome	4	Fintecna S.p.A.	50.00%	50.00%
14. Ligestra Due S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
15. Ligestra S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
16. Ligestra Tre S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
17. S.P.S. S.c.p.a. in fallimento	Rome	4	Fintecna S.p.A.	20.40%	20.40%
18. Olympic Subsea KS	Norway (NOR)	4	VARD Group AS	35.00%	35.00%

Company name	Registered office	Type of relationship (1)	Equity investment		
			Investor	% holding	% of votes (2)
19. Castor Drilling Solution AS	Norway	4	Seonics AS	22.52%	22.52%
20. Bridge Eiendom AS	Norway	4	VARD Brevik Holding AS	50.00%	50.00%
21. Brevik Technology AS	Norway	4	VARD Brevik Holding AS	34.00%	34.00%
22. Taklift AS	Norway	4	VARD Brevik Holding AS	25.47%	34.00%
23. Dameco AS	Norway	4	VARD Offshore Brevik AS	34.00%	34.00%
24. Møkster Supply AS	Norway	4	VARD Group AS	40.00%	40.00%
25. Møkster Supply KS	Norway	4	VARD Group AS	36.00%	36.00%
26. Island Offshore LNG AS	Norway	4	VARD Group AS	30.00%	30.00%
27. Island Offshore LNG KS	Norway	4	VARD Group AS	27.00%	27.00%
28. Rem Supply AS	Norway	4	VARD Group AS	26.66%	26.66%
29. Olympic Green Energy KS	Norway	4	VARD Group AS	30.00%	30.00%
30. DOF Iceman AS	Norway	4	VARD Group AS	50.00%	50.00%
31. ATI (African Trade Insurance Agency)	Nairobi	4	SACE S.p.A.	5.61%	5.61%
32. Consorzio CONDIF in liquidazione	Rome	4	Fintecna Immobiliare S.r.l.	33.33%	33.33%
33. Soc. Svil. Tur. Cult. Golfo di Napoli S.c.a r.l.	Naples	4	Fintecna Immobiliare S.r.l.	25.00%	25.00%
34. FOSIDER S.r.l. in A.S.	Bologna	4	Fintecna Immobiliare S.r.l.	40.00%	40.00%
35. Snam S.p.A.	San Donato Milanese (MI - ITALY)	4	CDP RETI S.r.l.	30.00%	30.00%
36. Ansaldo Energy Inc.	East Hanover (US)	4	Ansaldo Energia S.p.A.	100.00%	100.00%
37. Ansaldo Russia	Moscow (RUS)	4	Ansaldo Energia S.p.A.	100.00%	100.00%
38. Polaris S.r.l.	Genoa	4	Ansaldo Energia S.p.A.	49.00%	49.00%
39. NNS Société de service pour reacteur	Morestel (FR)	4	Ansaldo Energia S.p.A.	40.00%	40.00%
40. Polaris Anserv S.r.l.	Bucharest (RO)	4	Ansaldo Nucleare S.p.A.	20.00%	20.00%
<b>A.3 Unconsolidated subsidiaries (3)</b>					
1. Consorzio Codelsa in liquidazione	Rome	1	Fintecna S.p.A.	100.00%	100.00%
2. Consorzio I.MA.FI.D. in liquidazione	Naples	1	Fintecna S.p.A.	56.85%	56.85%
3. Consorzio MED.IN. in liquidazione	Rome	1	Fintecna S.p.A.	85.00%	85.00%
4. Ligestra Quattro S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
5. WPG Ltd in liquidazione	Bangkok (T)	1	Fintecna S.p.A.	99.45%	99.45%
6. Consorzio Aerest in liquidazione	Rome	1	Fintecna S.p.A.	97.38%	97.38%
7. Consorzio Italtecnasud in liquidazione	Rome	1	Fintecna S.p.A.	75.00%	75.00%
8. Alitalia Servizi S.p.A. in A.S.	Fiumicino (RM - ITALY)	1	Fintecna S.p.A.	68.85%	68.85%
9. Cagliari 89 S.c.a r.l. in liquidazione	Cagliari	1	Fintecna S.p.A.	51.00%	51.00%
10. Tirrenia di Navigazione S.p.A. in A.S.	Naples	1	Fintecna S.p.A.	100.00%	100.00%
11. Coedam S.c.a r.l. in liquidazione	Rome	1	Fintecna S.p.A.	60.00%	60.00%
12. Consorzio G1 Aste individuali	Rome	1	Fintecna Immobiliare S.r.l.	99.99%	99.99%

**Key**

(1) Type of relationship

- 1 = majority of voting rights in ordinary shareholders' meeting
- 2 = dominant influence in ordinary shareholders' meeting
- 3 = agreements with other shareholders
- 4 = other form of control
- 5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/1992
- 6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/1992
- 7 = joint control

(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

(3) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities

(4) Participation in financial rights is equal to 94%

(5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to the Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method

## 10.2 Equity investments in joint ventures and in companies subject to significant influence: accounting data

(thousands of euros)

Company name	Total assets	Total revenues	Net income (loss)	Equity	Carrying amount	Fair value*		
						L1	L2	L3
A. Companies accounted for with equity method								
A.1 under joint control								
1. ELMED ETUDES S.àr.l.	1,036		(73)	962	x	x	x	
2. Etihad Ship Building LLC	1,341	2,258	(1,139)	(600)	x	x	x	
3. Orizzonte Sistemi Navali S.p.A.	2,935,540	618,556	2,005	31,058	15,798	x	x	
4. Alfieri S.p.A. (4)	204,819	3,751	(1,167)	22,579	x	x	x	
5. Manifatture Milano S.p.A. (1)	101,070	4,907	(7,326)	1,001	8	x	x	
6. Quadrifoglio Genova S.p.A. (1)	17,405	1,346	(211)	1,062		x	x	
7. Quadrifoglio Modena S.p.A. (1)	55,666	13,450	(440)	2,708		x	x	
8. Quadrifoglio Verona S.p.A. (1)	21,135	(981)	(2,066)	397		x	x	
9. Quadrifoglio Piacenza S.p.A. (1)	19,118	782	(262)	2,164		x	x	
10. Quadrifoglio Brescia S.p.A. (1)	26,331	(1,847)	(3,072)	1,815		x	x	
11. MT - Manifattura Tabacchi S.p.A. (4)	93,090	2,486	(453)	9,958		x	x	
12. Bonafous S.p.A. (1)	20,782	282	(295)	2,333		x	x	
13. Pentagona Romagna S.p.A. (1)	50,263	1,508	(605)	5,293		x	x	
14. Cinque Cerchi S.p.A. (1)	125,666	12,032	(3,633)	5,614		x	x	
15. Pentagona Perugia S.p.A. (1)	10,447	205	(209)	1,818	34	x	x	
16. Pentagona Piemonte S.p.A. (1)	55,316	1,381	(1,315)	4,997		x	x	
17. Residenziale Immobiliare 2004 S.p.A. (4)	431,971	19,682	(3,975)	8,448		x	x	
18. Italia Turismo S.p.A. (1)	294,545	9,246	(6,156)	134,437	21,728	x	x	
19. Kedrion Group S.p.A. (5)	695,351	308,116	21,027	281,602	100,334	x	x	
20. Metroweb Italia S.p.A. (5)	723,682	52,174	14,438	410,191	201,193	x	x	
21. IQ Made in Italy Investment Company S.p.A. (3)					151,508	x	x	
22. Trans Austria Gasleitung GmbH	665,339	322,984	67,601	197,136	481,548	x	x	
23. Consorzio Stabile Ansaldo New Clear	130	154	17	11	14	x	x	
A.2 under significant influence								
1. Eni S.p.A. (1)	83,583,342	63,669,159	9,078,359	40,577,323	15,892,852	16,373,779		
2. Galaxy S.àr.l. SICAR (2)	51,160	23,190	3,681	7,820	2,348			
3. Europrogetti & Finanza S.p.A. in liquidazione (1)	6,687	503	41	(12,257)				
4. CESI S.p.A. (1)	149,745	93,300	15,064	88,456	36,700			
5. CrnoGorski Elektroprenosni AD ("CGES") (1)	198,794	29,155	6,551	165,233	36,959			
6. CORESO S.A. (1)	2,783	5,327	85	1,408	350			
7. Altiforni e Ferriere di Servola S.p.A. in A.C.								
8. Consorzio Edinca in liquidazione				46	10			
9. Consorzio Edinsud in liquidazione				83	26			
10. Fonderit Etruria S.r.l. in fallimento								
11. OMSAV S.p.A. in fallimento								
12. Consorzio Incomir in liquidazione			(36)	56	40			
13. Edilmagliana 89 S.c.a r.l. in liquidazione (1)				(346)				
14. Ligestra Due S.r.l.					217			
15. Ligestra S.r.l.			63		618			
16. Ligestra Tre S.r.l.					23,155			

(thousands of euros)

Company name	Total assets	Total revenues	Net income (loss)	Equity	Carrying amount	Fair value*		
						L1	L2	L3
17. S.P.S. S.c.p.a. in fallimento								
18. Olympic Subsea KS	64,570	9,686	3,229	31,089	12,496			
19. Castor Drilling Solution AS	1,794	1,554	(239)	1,435	1,435			
20. Bridge Eiendom AS	8,370	598		119	327			
21. Brevik Technology AS	120				90			
22. Taklift AS	2,272	1,674	120	1,794	303			
23. Dameco AS	239	598		119	3			
24. Møkster Supply AS	1,674				650			
25. Møkster Supply KS	44,362	8,370	717	14,708	4,754			
26. Island Offshore LNG AS	3,468				1,040			
27. Island Offshore LNG KS	106,421	14,349	239	33,839	9,738			
28. Rem Supply AS	91,235	14,229	1,196	33,002	9,654			
29. Olympic Green Energy KS	52,374	6,098	(1,674)	8,849	2,927			
30. DOF Iceman AS	13,631	4,544	(239)	2,630	2,432			
31. ATI (African Trade Insurance Agency)	149,455	5,158	(3,541)	126,675	7,570			
32. Consorzio CONDIF in liquidazione					26			
33. Soc. Svil.Tur. Cult. Golfo di Napoli S.c.a r.l.					2			
34. FOSIDER S.r.l. in A.S.								
35. Snam S.p.A. (1)	22,584,000	4,008,000	779,000	5,930,000	3,454,501	4,124,922		
36. Ansaldo Energy Inc.	197	678	17	92	92			
37. Ansaldo Russia (3)				55	55			
38. Polaris S.r.l. (1)	2,236	3,844	203	960	417			
39. NNS Société de service pour reacteur	5,762	15,816	355	443	174			
40. Polaris Anserv S.r.l.	398	839	116	157	31			
<b>Total equity investments valued using the equity method</b>					<b>20,474,157</b>			
<b>Other minor equity investments</b>					<b>289</b>			

**Key**

L1 = Level 1

L2 = Level 2

L3 = Level 3

(1) Figures from financial statements at 31 December 2012

(2) Figures from financial statements at 30 June 2013

(3) Newly-established company

(4) Figures from financial statements at 31 December 2011

(5) Figures at 30 September 2013

\* Amounts at 31 December 2013

### 10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Opening balance</b>	<b>20,757,812</b>	<b>18,774,671</b>
<b>B. Increases</b>	<b>1,675,312</b>	<b>5,440,711</b>
B.1 Purchases	232,289	3,884,059
<i>- of which business combinations</i>	<i>57,289</i>	<i>89,897</i>
B.2 Writebacks	111	-
B.3 Revaluations	1,431,411	1,552,383
B.4 Other increases	11,501	4,269
<b>C. Decreases</b>	<b>1,958,678</b>	<b>3,457,570</b>
C.1 Sales	8,158	1,968,105
C.2 Writedowns	1,251	-
C.3 Other decreases	1,949,269	1,489,465
<b>D. Closing balance</b>	<b>20,474,446</b>	<b>20,757,812</b>
<b>E. Total revaluations</b>	<b>4,691,314</b>	<b>3,259,903</b>
<b>F. Total writedowns</b>	<b>4,358</b>	<b>3,107</b>

Sub-item B.1 "Purchases" includes:

- €150 million in IQ Made in Italy Investment Company S.p.A. ("IQ"): this is a joint venture between CDP Group and Qatar Holding LLC (50% interest each), whose purpose is to invest in Italian companies, which meet predetermined size requirements and financial and earnings conditions, operating in the following sectors: (i) food and food distribution; (ii) fashion and luxury goods; (iii) furniture and design; (iv) leisure, tourism and lifestyle;
- €25 million for the increase from 18.63% to 23.2% of the interest held in Kedrion Group S.p.A.;
- €57 million for investments in joint ventures or associates, falling within the business combination carried out during the year concerning the company VARD, in relation to which reference is made, for more information, to Part G - Section 1.

The sub-item B.3 "Revaluations" reports the share of net income pertaining to the Group of companies measured using the equity method.

Sub-item C.3 "Other decreases" mainly includes the amount of dividends received from associates and deducted from the respective carrying amount.

## 10.4 Obligations relating to joint ventures

The most significant commitments in respect of joint ventures comprise:

- the acquisition of Edicima S.p.A. for €10.2 million;
- the commitments related to the investment in Kedrion Group S.p.A., broken down as follows:
  - earn out clause: Sestant, a shareholder in the Kedrion Group, is to receive a bonus if the value of the investment rises significantly in the event of changes in the ownership structure of the investee. At 31 December 2013 the option is worth about €1.1 million;
  - the Group has undertaken to provide Kedrion Group with a €50 million loan to service its general financial requirements, to be made through one or more draw-downs upon request of the company. Kedrion Group will pay a gross annual interest rate, at market conditions, of 6% and will be allowed to repay the loan (capital and interest) within 120 days of its provision, or within 180 days if the funds are used to fund a growth project in which both parties are involved. In the event that repayment is not made within these terms, the CDP Group will be entitled to demand a capital increase corresponding to the amount drawn down. At 31 December 2013 this loan has not been drawn down and is treated in the accounts as a commitment, partly in view of the fact that Kedrion Group must first grant the conversion option;
- the commitments related to the investment in Metroweb Italia S.p.A., broken down as follows:
  - commitment to make a grant to the capital account of Metroweb Italia totalling €1.3 million, in the event that the net negative financial position of Metroweb reaches or falls below a contractually agreed threshold at a given date. Against this commitment, a potential liability of €1.3 million has been recorded among the “Provision for risks and charges” since it is considered highly likely to occur, given the 2013 preliminary results provided by the company;
  - an option for F2i SGR S.p.A. (“F2i”) to acquire the entire investment in Metroweb Italia and, if not exercised, an option to sell to F2i the entire investment in Metroweb Italia, in both cases at contractually agreed terms and conditions. On the basis of the available information, the likelihood of these options being exercised is highly remote and therefore they were attributed a value of zero;
  - the allocation of a set number of warrants that include the right to receive, without further payment, an equal number of Metroweb Italia shares in the event of significant liabilities not declared in the agreements that led to the CDP Group becoming a shareholder in Metroweb Italia. In order to avoid upsetting company balances if the conditions for exercising the warrants held do occur and they are exercised, F2i has been allocated a set number of warrants entitling it to subscribe an equal number of shares at a pre-arranged price. These warrants have not been given a value because they will only be allocated in the event that significant liabilities are found to exist;
- the commitments made by Fintecna Immobiliare with the partners in the various vehicles. In summary, according to the shareholders’ agreement in place, the joint venturers:
  - mutually undertake in favour of the vehicles, (pursuant to Article 1411 of the Italian Civil Code) to ensure, where necessary, further financial support to meet the needs of the company in excess of third party finance, including funding to cover ordinary operating and the start-up costs and/or for the provision of third party finance;

- mutually undertake in favour of the vehicle, to cover its losses for an amount no less than necessary to reinstate the minimum required capital pursuant to Article 2327 of the Italian Civil Code, by waiving, in the first place, each party their claims arising from the shareholders' loans granted.

## 10.5 Obligations relating to associates

Commitments to associates include:

- the parent company's commitment as shareholder of Galaxy S.à.r.l. SICAR, a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector. Under the shareholders' agreement, as from the end of the investment period, which terminated on 9 July 2008, additional payments can be requested from the shareholders only for: (i) payment of the company's running costs (such as, for example, operating expenses and management commissions) and (ii) the completion of investments already approved. Currently no additional contributions by shareholders are envisaged given that the proceeds expected to be realised from divestments, together with existing cash, are adequate and consistent with the financial needs related to the operations of the company;
- commitments to increase the stake held in a number of companies engaged in shipbuilding projects in which an indirect stake is held through the subsidiary VARD. These commitments total approximately €3 million for 2014.



## SECTION 11 - REINSURERS' SHARE OF TECHNICAL RESERVES - ITEM 110

### 11.1 Reinsurers' share of technical reserves: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>A. Non-life insurance</b>	<b>82,185</b>	<b>106,305</b>
A1. Provision for unearned premiums	31,057	41,247
A2. Provision for outstanding claims	50,770	64,751
A3. Other	358	307
<b>B. Life insurance</b>		
B1. Mathematical reserves		
B2. Reserves for sums to be paid		
B3. Other		
<b>C. Technical reserves where the investment risk is borne by the insured</b>		
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		
C2. Reserves from the operation of pension funds		
<b>D. Total reinsurers' share of technical reserves</b>	<b>82,185</b>	<b>106,305</b>

### 11.2 Change in item 110 "Reinsurers' share of technical reserves"

*(thousands of euros)*

	Non-life insurance		
	Provision for unearned premiums	Provision for outstanding claims	Other
Technical reserves at the start of the year	41,247	64,751	307
a) Increases			51
b) Decreases	(10,190)	(13,981)	
<b>Technical reserves at the end of the year</b>	<b>31,057</b>	<b>50,770</b>	<b>358</b>

## SECTION 12 - PROPERTY, PLANT AND EQUIPMENT - ITEM 120

### 12.1 Property, plant and equipment: composition of assets measured at cost

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>1. Owned</b>	<b>215,082</b>	<b>117,366</b>	<b>13,144,957</b>	<b>13,477,405</b>	<b>12,183,388</b>
a) land	117,406	100,281	168,121	385,808	340,671
b) buildings	61,794	14,512	1,333,463	1,409,769	1,189,463
c) movables	2,130	2,181	9,099	13,410	11,959
d) electrical plant	1,302	341	245,837	247,480	171,506
e) other	32,450	51	11,388,437	11,420,938	10,469,789
<b>2. Acquired under finance leases</b>			<b>475</b>	<b>475</b>	<b>14,916</b>
a) land					
b) buildings			475	475	14,916
c) movables					
d) electrical plant					
e) other					
<b>Total</b>	<b>215,082</b>	<b>117,366</b>	<b>13,145,432</b>	<b>13,477,880</b>	<b>12,198,304</b>

### 12.2 Investment property: composition of assets measured at cost

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>46,770</b>		<b>36,198</b>	<b>12,447</b>	<b>49,230</b>		<b>49,230</b>	
a) land	4,185		5,917		5,578		5,578	
b) buildings	42,585		30,281	12,447	43,652		43,652	
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>46,770</b>		<b>36,198</b>	<b>12,447</b>	<b>49,230</b>		<b>49,230</b>	

## 12.2 of which: pertaining to the banking group

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>2,948</b>			<b>4,854</b>				
a) land								
b) buildings	2,948			4,854				
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>2,948</b>			<b>4,854</b>				

## 12.2 of which: pertaining to the insurance group

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>14,274</b>		<b>16,330</b>		<b>14,478</b>		<b>13,981</b>	
a) land	4,185		5,917		4,484		4,484	
b) buildings	10,089		10,413		9,994		9,497	
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>14,274</b>		<b>16,330</b>		<b>14,478</b>		<b>13,981</b>	

## 12.2 of which: pertaining to other entities

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>29,548</b>		<b>19,868</b>	<b>7,593</b>	<b>34,752</b>		<b>35,249</b>	
a) land					1,094		1,094	
b) buildings	29,548		19,868	7,593	33,658		34,155	
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>29,548</b>		<b>19,868</b>	<b>7,593</b>	<b>34,752</b>		<b>35,249</b>	

## 12.5 Operating property, plant and equipment: change for the year

*(thousands of euros)*

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>340,671</b>	<b>1,563,513</b>	<b>24,735</b>	<b>218,655</b>	<b>16,521,466</b>	<b>18,669,040</b>
A.1 Total net writedowns		(359,134)	(12,776)	(47,149)	(6,051,677)	(6,470,736)
<b>A.2 Opening net balance</b>	<b>340,671</b>	<b>1,204,379</b>	<b>11,959</b>	<b>171,506</b>	<b>10,469,789</b>	<b>12,198,304</b>
<b>B. Increases</b>	<b>46,097</b>	<b>279,478</b>	<b>3,733</b>	<b>127,871</b>	<b>1,500,246</b>	<b>1,957,425</b>
B.1 Purchases	17,676	198,041	3,570	109,071	1,482,728	1,811,086
- of which business combinations	17,625	171,226	1,596	60,248	165,067	415,762
B.2 Capitalised improvement costs		1,282				1,282
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes	28,421	80,155	163	18,800	17,518	145,057
<b>C. Decreases</b>	<b>960</b>	<b>73,613</b>	<b>2,282</b>	<b>51,897</b>	<b>549,097</b>	<b>677,849</b>
C.1 Sales	79	285		1,008	1,787	3,159
C.2 Depreciation		48,082	2,101	42,675	410,805	503,663
C.3 Writedowns for impairment recognised in:	68			946		1,014
a) equity						
b) income statement	68			946		1,014
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	298	7,994		7,254	9,803	25,349
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	515	17,252	181	14	126,702	144,664
<b>D. Closing net balance</b>	<b>385,808</b>	<b>1,410,244</b>	<b>13,410</b>	<b>247,480</b>	<b>11,420,938</b>	<b>13,477,880</b>
D.1 Total net writedowns	(68)	(407,216)	(14,877)	(90,770)	(6,462,482)	(6,975,413)
<b>D.2 Closing gross balance</b>	<b>385,876</b>	<b>1,817,460</b>	<b>28,287</b>	<b>338,250</b>	<b>17,883,420</b>	<b>20,453,293</b>
E. Measurement at cost						

## 12.5 of which: pertaining to the banking group

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>117,406</b>	<b>83,574</b>	<b>12,584</b>	<b>18,481</b>	<b>43,642</b>	<b>275,687</b>
A.1 Total net writedowns		(20,495)	(10,539)	(17,193)	(20,531)	(68,758)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>63,079</b>	<b>2,045</b>	<b>1,288</b>	<b>23,111</b>	<b>206,929</b>
<b>B. Increases</b>		<b>1,282</b>	<b>761</b>	<b>518</b>	<b>11,626</b>	<b>14,187</b>
B.1 Purchases			599	249	11,626	12,474
B.2 Capitalised improvement costs		1,282				1,282
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes			162	269		431
<b>C. Decreases</b>		<b>2,567</b>	<b>676</b>	<b>504</b>	<b>2,287</b>	<b>6,034</b>
C.1 Sales						
C.2 Depreciation		2,536	676	504	1,433	5,149
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes		31			854	885
<b>D. Closing net balance</b>	<b>117,406</b>	<b>61,794</b>	<b>2,130</b>	<b>1,302</b>	<b>32,450</b>	<b>215,082</b>
D.1 Total net writedowns		(23,031)	(11,215)	(17,697)	(21,964)	(73,907)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>84,825</b>	<b>13,345</b>	<b>18,999</b>	<b>54,414</b>	<b>288,989</b>
E. Measurement at cost						

## 12.5 of which: pertaining to the insurance group

*(thousands of euros)*

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>100,543</b>	<b>15,257</b>	<b>2,811</b>	<b>295</b>	<b>50</b>	<b>118,956</b>
A.1 Total net writedowns						
<b>A.2 Opening net balance</b>	<b>100,543</b>	<b>15,257</b>	<b>2,811</b>	<b>295</b>	<b>50</b>	<b>118,956</b>
<b>B. Increases</b>		<b>268</b>	<b>282</b>	<b>230</b>	<b>1</b>	<b>781</b>
B.1 Purchases		6	282	58		346
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		262		172	1	435
<b>C. Decreases</b>	<b>262</b>	<b>1,013</b>	<b>912</b>	<b>184</b>		<b>2,371</b>
C.1 Sales						
C.2 Depreciation		1,013	731	184		1,928
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	262		181			443
<b>D. Closing net balance</b>	<b>100,281</b>	<b>14,512</b>	<b>2,181</b>	<b>341</b>	<b>51</b>	<b>117,366</b>
D.1 Total net writedowns		(1,013)	(731)	(184)		(1,928)
<b>D.2 Closing gross balance</b>	<b>100,281</b>	<b>15,525</b>	<b>2,912</b>	<b>525</b>	<b>51</b>	<b>119,294</b>
E. Measurement at cost						

## 12.5 of which: pertaining to other entities

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>122,722</b>	<b>1,465,349</b>	<b>9,339</b>	<b>200,520</b>	<b>16,526,787</b>	<b>18,324,717</b>
A.1 Total net writedowns		(339,306)	(2,236)	(30,597)	(6,080,158)	(6,452,297)
<b>A.2 Opening net balance</b>	<b>122,722</b>	<b>1,126,043</b>	<b>7,103</b>	<b>169,923</b>	<b>10,446,629</b>	<b>11,872,420</b>
<b>B. Increases</b>	<b>46,097</b>	<b>277,928</b>	<b>2,690</b>	<b>127,123</b>	<b>1,488,620</b>	<b>1,942,458</b>
B.1 Purchases	17,676	198,035	2,689	108,764	1,471,102	1,798,266
- of which business combinations	17,625	171,226	1,596	60,248	165,067	415,762
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes	28,421	79,893	1	18,359	17,518	144,192
<b>C. Decreases</b>	<b>698</b>	<b>70,033</b>	<b>694</b>	<b>51,209</b>	<b>546,812</b>	<b>669,446</b>
C.1 Sales	79	285		1,008	1,787	3,159
C.2 Depreciation		44,533	694	41,987	409,372	496,586
C.3 Writedowns for impairment recognised in:	68			946		1,014
a) equity						
b) income statement	68			946		1,014
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	298	7,994		7,254	9,803	25,349
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	253	17,221		14	125,850	143,338
<b>D. Closing net balance</b>	<b>168,121</b>	<b>1,333,938</b>	<b>9,099</b>	<b>245,837</b>	<b>11,388,437</b>	<b>13,145,432</b>
D.1 Total net writedowns	(68)	(383,839)	(2,930)	(73,530)	(6,489,530)	(6,949,897)
<b>D.2 Closing gross balance</b>	<b>168,189</b>	<b>1,717,777</b>	<b>12,029</b>	<b>319,367</b>	<b>17,877,967</b>	<b>20,095,329</b>
E. Measurement at cost						



## 12.6 Investment property: change for the year

*(thousands of euros)*

	Banking group		Insurance group		Other entities	
	Land	Buildings	Land	Buildings	Land	Buildings
<b>A. Opening balance</b>			<b>4,484</b>	<b>9,994</b>	<b>1,094</b>	<b>33,658</b>
<b>B. Increases</b>		<b>2,963</b>	<b>263</b>	<b>814</b>		
B.1 Purchases				17		
B.2 Capitalised improvement expenses						
B.3 Fair value gains						
B.4 Writebacks						
B.5 Positive exchange rate differences						
B.6 Transfers from operating property						
B.7 Other increases		2,963	263	797		
<b>C. Decreases</b>		<b>15</b>	<b>562</b>	<b>719</b>	<b>1,094</b>	<b>4,110</b>
C.1. Sales						1,065
C.2 Depreciation		15				
C.3 Fair value losses						
C.4 Writedowns for impairment				222		
C.5 Negative exchange rate differences						
C.6 Transfers to other asset portfolios						
a) operating property						
b) assets held for sale						
C.7 Other decreases			562	497	1,094	3,045
<b>D. Closing balance</b>		<b>2,948</b>	<b>4,185</b>	<b>10,089</b>		<b>29,548</b>
E. Measurement at cost						

## 12.7 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to about €72 million and included:

- €50 million of the subsidiary Fincantieri, concerning the purchase of plant and equipment;
- €2 million for commitment to complete the Promar shipyard in 2014 by VARD sub-holding;
- €20 million for commitments relating to the subsidiary Ansaldo Energia for the purchase and maintenance of plant and equipment as well as capital expenditures to further improve safety in the workplace.

## SECTION 13 - INTANGIBLE ASSETS - ITEM 130

### 13.1 Intangible assets: composition by category

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2013		31/12/2012	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
<b>A.1 Goodwill</b>	<b>x</b>		<b>x</b>		<b>x</b>	<b>1,793,787</b>	<b>x</b>	<b>1,793,787</b>	<b>x</b>	<b>485,897</b>
A.1.1 pertaining to Group	x		x		x	1,656,832	x	1,656,832	x	352,454
A.1.2 non-controlling interests	x		x		x	136,955	x	136,955	x	133,443
<b>A.2 Other intangible assets</b>	<b>6,281</b>		<b>6,930</b>		<b>982,778</b>		<b>995,989</b>		<b>406,936</b>	
A.2.1 Assets carried at cost	6,281		6,930		982,778		995,989		406,936	
a) internally-generated intangible assets			6,052		67,627		73,679		34,027	
b) other assets	6,281		878		915,151		922,310		372,909	
A.2.2 Assets carried at fair value										
a) internally-generated intangible assets										
b) other assets										
<b>Total</b>	<b>6,281</b>		<b>6,930</b>		<b>982,778</b>	<b>1,793,787</b>	<b>995,989</b>	<b>1,793,787</b>	<b>406,936</b>	<b>485,897</b>

Other intangible assets mainly relate to intangible assets resulting from business combinations involving the various companies of the Group. They mainly regard:

- concessions and licenses for a total value of €179,117 thousand, which include, €89,664 thousand for the concession concerning the transmission and dispatching of electricity in Italy;
- customer contracts valued at €244,280 thousand;
- trademarks worth €16,000 thousand;
- technical know-how worth €48,694 thousand;
- the order portfolio of the industrial companies of the Group for €222,806 thousand;
- development costs for €14,276 thousand;
- infrastructure used for dispatching services recognised in the application of the interpretation IFRIC 12 - Services concession arrangements for €130,989 thousand.

## 13.2 Intangible assets: change for the year

*(thousands of euros)*

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>	<b>485,897</b>	<b>52,622</b>		<b>423,782</b>		<b>962,301</b>
A.1 Total net writedowns		(18,595)		(50,873)		(69,468)
<b>A.2 Opening net balance</b>	<b>485,897</b>	<b>34,027</b>		<b>372,909</b>		<b>892,833</b>
<b>B. Increases</b>	<b>1,310,458</b>	<b>58,036</b>		<b>653,748</b>		<b>2,022,242</b>
B.1 Purchases	1,310,458	58,036		653,315		2,021,809
- of which business combinations	1,310,458	42,475		580,521		1,933,454
B.2 Increases in internally-generated intangible assets	x					
B.3 Writebacks	x					
B.4 Fair value gains:						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences						
B.6 Other increases				433		433
<b>C. Decreases</b>	<b>2,568</b>	<b>18,384</b>		<b>104,347</b>		<b>125,299</b>
C.1 Sales				4,419		4,419
C.2 Writedowns		18,384		74,758		93,142
- Amortisation	x	18,384		73,281		91,665
- Impairment:				1,477		1,477
+ equity	x					
+ income statement				1,477		1,477
C.3 Fair value losses:						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences	2,568			24,759		27,327
C.6 Other decreases				411		411
<b>D. Closing net balance</b>	<b>1,793,787</b>	<b>73,679</b>		<b>922,310</b>		<b>2,789,776</b>
D.1 Total net writedowns		(36,979)		(125,631)		(162,610)
<b>E. Closing gross balance</b>	<b>1,793,787</b>	<b>110,658</b>		<b>1,047,941</b>		<b>2,952,386</b>

F. Measurement at cost

Key

DEF: definite life

INDEF: indefinite life

## 13.2 of which: pertaining to the banking group

(thousands of euros)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>				<b>22,248</b>		<b>22,248</b>
A.1 Total net writedowns				(15,071)		(15,071)
<b>A.2 Opening net balance</b>				<b>7,177</b>		<b>7,177</b>
<b>B. Increases</b>				<b>1,470</b>		<b>1,470</b>
B.1 Purchases				1,470		1,470
B.2 Increases in internally-generated intangible assets	x					
B.3 Writebacks	x					
B.4 Fair value gains:						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences						
B.6 Other increases						
<b>C. Decreases</b>				<b>2,366</b>		<b>2,366</b>
C.1 Sales						
C.2 Writedowns				2,366		2,366
- Amortisation	x			2,366		2,366
- Impairment:						
+ equity	x					
+ income statement						
C.3 Fair value losses:						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other decreases						
<b>D. Closing net balance</b>				<b>6,281</b>		<b>6,281</b>
D.1 Total net writedowns				(17,437)		(17,437)
<b>E. Closing gross balance</b>				<b>23,718</b>		<b>23,718</b>
F. Measurement at cost						

### Key

DEF: definite life

INDEF: indefinite life

## 13.2 of which: pertaining to the insurance group

*(thousands of euros)*

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>		<b>6,037</b>		<b>908</b>		<b>6,945</b>
A.1 Total net writedowns						
<b>A.2 Opening net balance</b>		<b>6,037</b>		<b>908</b>		<b>6,945</b>
<b>B. Increases</b>		<b>1,879</b>		<b>493</b>		<b>2,372</b>
B.1 Purchases		1,879		493		2,372
B.2 Increases in internally-generated intangible assets	x					
B.3 Writebacks	x					
B.4 Fair value gains:						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences						
B.6 Other increases						
<b>C. Decreases</b>		<b>1,864</b>		<b>523</b>		<b>2,387</b>
C.1 Sales						
C.2 Writedowns		1,864		523		2,387
- Amortisation	x	1,864		523		2,387
- Impairment:						
+ equity	x					
+ income statement						
C.3 Fair value losses:						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other decreases						
<b>D. Closing net balance</b>		<b>6,052</b>		<b>878</b>		<b>6,930</b>
D.1 Total net writedowns		(1,864)		(523)		(2,387)
<b>E. Closing gross balance</b>		<b>7,916</b>		<b>1,401</b>		<b>9,317</b>
F. Measurement at cost						

### Key

DEF: definite life

INDEF: indefinite life

## 13.2 of which: pertaining to other entities

(thousands of euros)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>	<b>485,897</b>	<b>46,585</b>		<b>400,626</b>		<b>933,108</b>
A.1 Total net writedowns		(18,595)		(35,802)		(54,397)
<b>A.2 Opening net balance</b>	<b>485,897</b>	<b>27,990</b>		<b>364,824</b>		<b>878,711</b>
<b>B. Increases</b>	<b>1,310,458</b>	<b>56,157</b>		<b>651,785</b>		<b>2,018,400</b>
B.1 Purchases	1,310,458	56,157		651,352		2,017,967
- of which business combinations	1,310,458	42,475		580,521		1,933,454
B.2 Increases in internally-generated intangible assets	x					
B.3 Writebacks	x					
B.4 Fair value gains:						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences						
B.6 Other increases				433		433
<b>C. Decreases</b>	<b>2,568</b>	<b>16,520</b>		<b>101,458</b>		<b>120,546</b>
C.1 Sales				4,419		4,419
C.2 Writedowns		16,520		71,869		88,389
- Amortisation	x	16,520		70,392		86,912
- Impairment:				1,477		1,477
+ equity	x					
+ income statement				1,477		1,477
C.3 Fair value losses:						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences	2,568			24,759		27,327
C.6 Other decreases				411		411
<b>D. Closing net balance</b>	<b>1,793,787</b>	<b>67,627</b>		<b>915,151</b>		<b>2,776,565</b>
D.1 Total net writedowns		(35,115)		(107,671)		(142,786)
<b>E. Closing gross balance</b>	<b>1,793,787</b>	<b>102,742</b>		<b>1,022,822</b>		<b>2,919,351</b>

F. Measurement at cost

### Key

DEF: definite life

INDEF: indefinite life

## Impairment testing of goodwill

Goodwill recognised in the balance sheet in the amount of €1,794 million, of which €137 million attributable to non-controlling interests, relates to:

- Terna for €486 million;
- Ansaldo Energia for €1,069 million; this goodwill is the result of the provisional allocation of the difference between the purchase price and the net assets of the investee that was included in the consolidation scope as of 31 December 2013. In accordance with IFRS 3, the purchase price allocation or "PPA" has to be completed within twelve months from the acquisition date;
- the companies in the VARD Group, included in the scope of consolidation in 2013. The PPA process was completed during the year and resulted in the recognition of goodwill of €239 million, as described in detail in section 1 of Part G to which reference is made.

In view of the above, only the goodwill related to Terna was tested for impairment in accordance with IAS 36, as other two transactions were completed in 2013.

For the purposes of the impairment test, goodwill is allocated to the cash generating units identified by Terna.

The impairment testing of goodwill is based on recoverable value, which in this case is equal to fair value. The latter is calculated as the average stock market price recorded during the last twenty-four months. Despite the adverse economic conditions associated with the on-going crisis, no evidence of impairment was found. The fair value in the reporting period far exceeded the value of the carrying amount of the subsidiary as reported in the consolidated financial statements.

## SECTION 14 - TAX ASSETS AND LIABILITIES - ITEM 140 OF ASSETS AND ITEM 80 OF LIABILITIES

### 14.1 Deferred tax assets: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>Deferred tax assets recognised in income statement:</b>	<b>129,840</b>	<b>236,240</b>	<b>319,225</b>	<b>685,305</b>	<b>555,745</b>
- losses carried forward			39,717	39,717	33,135
- grants					
- sundry writedowns		14,625	63,428	78,053	77,333
- financial instruments		22,400		22,400	26,076
- debts	496	17		513	1,340
- dismantling and site restoration					
- provisions for risks and charges	4,217	4,696	56,803	65,716	51,158
- writedowns on loans	12,115	30,666	9,706	52,487	13,187
- equity investments					
- property, plant and equipment/intangible assets	3,715	693	1,031	5,439	4,426
- product guarantees			8,924	8,924	9,710
- employee benefits		156	34,810	34,966	27,735
- technical provisions		118,912		118,912	108,135
- exchange rate differences		41,502	1,867	43,369	24,914
- other temporary differences	109,297	2,573	102,939	214,809	178,596
<b>Deferred tax assets recognised in equity:</b>	<b>30,735</b>		<b>32,358</b>	<b>63,093</b>	<b>94,589</b>
- assets available for sale	26,811		626	27,437	34,847
- exchange rate differences					
- cash flow hedge	3,921		28,885	32,806	56,674
- other assets	3		2,847	2,850	3,068
<b>Total</b>	<b>160,575</b>	<b>236,240</b>	<b>351,583</b>	<b>748,398</b>	<b>650,334</b>



## 14.2 Deferred tax liabilities: composition

*(thousands of euros)*

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>Deferred tax liabilities recognised in income statement:</b>	<b>33,864</b>	<b>149,778</b>	<b>1,341,737</b>	<b>1,525,379</b>	<b>1,372,552</b>
- capital gains taxed in instalments					188
- severance pay			4,427	4,427	4,291
- leasing					
- property, plant and equipment		19,286	1,178,132	1,197,418	1,150,279
- own securities portfolio		6,224		6,224	31,419
- equity investments	33,861	14,362	48,202	96,425	59,503
- other financial instruments		13,679		13,679	40
- technical provisions		36,219		36,219	23,123
- exchange rate differences		22,430	807	23,237	29,302
- other temporary differences	3	37,578	110,169	147,750	74,407
<b>Deferred tax liabilities recognised in equity:</b>	<b>72,122</b>	<b>200</b>	<b>13,967</b>	<b>86,289</b>	<b>86,409</b>
- assets available for sale	64,543		13,967	78,510	69,682
- reserve under Law 169/1983					
- reserve under Law 213/1998					
- other reserves					13,867
- other liabilities	7,579	200		7,779	2,860
<b>Total</b>	<b>105,986</b>	<b>149,978</b>	<b>1,355,704</b>	<b>1,611,668</b>	<b>1,458,961</b>

### 14.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

	31/12/2013			31/12/2012
	Banking group	Insurance group	Other entities	
<b>1. Opening balance</b>	<b>112,636</b>	<b>195,840</b>	<b>247,269</b>	<b>238,791</b>
<b>2. Increases</b>	<b>20,864</b>	<b>66,303</b>	<b>121,915</b>	<b>349,380</b>
2.1 Deferred tax assets recognised during the year	20,864	66,303	69,852	9,387
a) in respect of previous periods				
b) due to change in accounting policies				
c) writebacks				
d) other	20,864	66,303	69,852	9,387
2.2 New taxes or increases in tax rates				
2.3 Other increases			6,631	24,237
2.4 Business combinations			45,432	315,756
<b>3. Decreases</b>	<b>3,660</b>	<b>25,903</b>	<b>49,959</b>	<b>32,426</b>
3.1 Deferred tax assets derecognised during the year	3,660	25,903	45,138	29,358
a) reversals	3,660	25,903	26,250	29,358
b) writedowns for supervening non-recoverability			649	
c) due to change in accounting policies				
d) other			18,239	
3.2 Reduction in tax rates				
3.3 Other decreases			4,821	3,068
a) transformation in tax credits under Law 214/2011				
b) other			4,821	3,068
<b>4. Closing balance</b>	<b>129,840</b>	<b>236,240</b>	<b>319,225</b>	<b>555,745</b>

#### 14.4 Changes in deferred tax liabilities (recognised in income statement)

*(thousands of euros)*

	31/12/2013			31/12/2012
	Banking group	Insurance group	Other entities	
<b>1. Opening balance</b>	<b>39,817</b>	<b>123,420</b>	<b>1,209,315</b>	<b>1,228,730</b>
<b>2. Increases</b>	<b>96</b>	<b>48,546</b>	<b>239,184</b>	<b>249,500</b>
2.1 Deferred tax liabilities recognised during the year	93	48,546	40,104	6,390
a) in respect of previous periods				
b) due to change in accounting policies				
c) other	93	48,546	40,104	6,390
2.2 New taxes or increases in tax rates				
2.3 Other increases	3		8,804	52,242
2.4 Business combinations			190,276	190,868
<b>3. Decreases</b>	<b>6,049</b>	<b>22,188</b>	<b>106,762</b>	<b>105,678</b>
3.1 Deferred tax liabilities derecognised during the year	6,049	22,188	97,585	46,565
a) reversals	6,049	22,188	84,410	46,565
b) due to change in accounting policies				
c) other			13,175	
3.2 Reduction in tax rates				
3.3 Other decreases			9,177	59,113
<b>4. Closing balance</b>	<b>33,864</b>	<b>149,778</b>	<b>1,341,737</b>	<b>1,372,552</b>

## 14.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2013			31/12/2012
	Banking group	Insurance group	Other entities	
<b>1. Opening balance</b>	<b>36,727</b>		<b>57,862</b>	<b>153,836</b>
<b>2. Increases</b>	<b>26,563</b>		<b>4,256</b>	<b>44,426</b>
2.1 Deferred tax assets recognised during the year	26,560			28,906
a) in respect of previous periods				
b) due to change in accounting policies				
c) other	26,560			28,906
2.2 New taxes or increases in tax rates				
2.3 Other increases	3		2,873	14,383
2.4 Business combinations			1,383	1,137
<b>3. Decreases</b>	<b>32,555</b>		<b>29,760</b>	<b>103,673</b>
3.1 Deferred tax assets derecognised during the year	32,555			103,673
a) reversals	32,555			103,673
b) writedowns for supervening non-recoverability				
c) due to changes in accounting policies				
d) other				
3.2 Reduction in tax rates				
3.3 Other decreases			29,760	
<b>4. Closing balance</b>	<b>30,735</b>		<b>32,358</b>	<b>94,589</b>

## 14.6 Changes in deferred tax liabilities (recognised in equity)

*(thousands of euros)*

	31/12/2013			31/12/2012
	Banking group	Insurance group	Other entities	
<b>1. Opening balance</b>	<b>72,171</b>		<b>14,238</b>	<b>38,748</b>
<b>2. Increases</b>	<b>12,184</b>	<b>200</b>	<b>11,920</b>	<b>112,043</b>
2.1 Deferred tax liabilities recognised during the year	12,184	200	11,920	38,280
a) in respect of previous periods			15	
b) due to change in accounting policies				
c) other	12,184	200	11,905	38,280
2.2 New taxes or increases in tax rates				
2.3 Other increases				53,657
2.4 Business combinations				20,106
<b>3. Decreases</b>	<b>12,233</b>		<b>12,191</b>	<b>64,382</b>
3.1 Deferred tax liabilities derecognised during the year	6,290		8,287	39,018
a) reversals	6,290		8,287	39,018
b) due to change in accounting policies				
c) other				
3.2 Reduction in tax rates				
3.3 Other decreases	5,943		3,904	25,364
<b>4. Closing balance</b>	<b>72,122</b>	<b>200</b>	<b>13,967</b>	<b>86,409</b>

## SECTION 16 - OTHER ASSETS - ITEM 160

### 16.1 Other assets: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
Payments on account for withholding tax on postal passbooks	395,274			395,274	217,100
Other tax receivables	123	5,458	105,785	111,366	76,068
Improvements to leased assets			6,125	6,125	5,412
Receivables due from investees	1,146		65,912	67,058	53,948
Trade receivables and advances to Public Entities	3,472		27,373	30,845	16,798
Construction contracts			1,689,013	1,689,013	521,583
Advances to suppliers	267	192	207,299	207,758	116,608
Inventories		33	1,443,463	1,443,496	531,054
Advances to personnel	90	598	9,443	10,131	7,139
Other trade receivables	67	152,654	2,472,896	2,625,617	2,459,006
Other items	2,007	3,199	294,090	299,296	161,614
Accrued income and prepaid expenses	2,472	1,010	62,386	65,868	36,571
<b>Total</b>	<b>404,918</b>	<b>163,144</b>	<b>6,383,785</b>	<b>6,951,847</b>	<b>4,202,901</b>

The item reports assets not otherwise classified under the previous items.

The main items under this heading are:

- withholding tax on interest paid on postal savings passbooks for about €395 million: the balance at 31 December 2013 refers to advances paid to the Italian Revenue in excess of withholdings applied to interest earned in 2013 on postal savings passbooks;
- construction contracts for about €1,689 million, mainly related to Fincantieri shipbuilding activities;
- inventories of work in progress and semi-finished goods for approximately €1,443 million;
- other trade receivables in the amount of about €2,626 million mainly attributable to the Terna Group.

# Liabilities

## SECTION 1 - DUE TO BANKS - ITEM 10

### 1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Due to central banks</b>	<b>18,633,851</b>	<b>27,518,037</b>
<b>2. Due to banks</b>	<b>9,241,367</b>	<b>8,931,976</b>
2.1 Current accounts and demand deposits	154,498	140,351
2.2 Fixed-term deposits	1,489,775	2,134,256
2.3 Loans	7,512,142	6,652,072
2.3.1 Repurchase agreements	443,226	1,268,069
2.3.2 Other	7,068,916	5,384,003
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.6 Other payables	84,952	5,297
<b>Total</b>	<b>27,875,218</b>	<b>36,450,013</b>
Fair value - Level 1		
Fair value - Level 2	1,111,944	467,647
Fair value - Level 3	27,383,449	35,993,579
<b>Total fair value</b>	<b>28,495,393</b>	<b>36,461,226</b>

The item “Due to central banks” mainly refers to lines of credit extended by the ECB.

Fixed-term deposits refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives and the balance on passbook accounts and postal bonds held by banks.

For the parent company, loans mainly comprise repurchase agreements and loans from the EIB; the remainder is composed of bank loans to the other Group companies.

### 1.2 Details of item 10 “Due to banks”: subordinated liabilities

At 31 December 2013 there were no subordinated liabilities.

### 1.3 Details of item 10 "Due to banks": structured liabilities

At 31 December 2013 there were no structured liabilities.

### 1.4 Due to banks: liabilities hedged specifically

Amounts due to banks hedged specifically amounted to €2,340,085 thousand as broken down below:

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>1. Liabilities covered by specific fair value hedges:</b>	<b>221,549</b>	
a) interest rate risk	221,549	
b) exchange rate risk		
c) multiple risks		
<b>2. Liabilities covered by specific cash flow hedges</b>	<b>2,118,536</b>	<b>1,938,449</b>
a) interest rate risk	2,118,536	1,938,449
b) exchange rate risk		
c) other		
<b>Total</b>	<b>2,340,085</b>	<b>1,938,449</b>



## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

*(thousands of euros)*

	31/12/2013	31/12/2012
1. Current accounts and demand deposits	6,708	127,261
2. Fixed-term deposits	251,572,835	232,063,269
3. Loans	391,664	51,868
3.1 Repurchase agreements		
3.2 Other	391,664	51,868
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	6,811,365	9,468,011
<b>Total</b>	<b>258,782,572</b>	<b>241,710,409</b>
Fair value - Level 1		
Fair value - Level 2	28,841	64,343
Fair value - Level 3	258,753,731	241,643,999
<b>Total fair value</b>	<b>258,782,572</b>	<b>241,708,342</b>

"Fixed-term deposits" mainly regard the balance at the end of 2013 of postal passbook accounts and postal bonds issued by the parent company.

Other payables mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by CDP to Public Entities and public-law bodies.

The fair value reported above, for the part relating to postal savings bonds issued by CDP, is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium in line with that on medium/long-term government securities.

Taking account of the demand redemption option for bondholders and the considerable uncertainty about redemption forecasts in the presence of volatile spreads, which can lead to estimates of fair value that are lower than the value immediately obtainable by bondholders through early redemption, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

Other payables include the liability assumed with Finmeccanica S.p.A. for the purchase from the latter of the residual 15% interest in the share capital of Ansaldo Energia.

## 2.2 Details of item 20 "Due to customers": subordinated liabilities

At 31 December 2013 there were no subordinated liabilities.

## 2.3 Breakdown of item 20 "Due to customers": structured liabilities

Structured liabilities at 31 December 2013 amounted to €6,736 million and include indexed postal savings bonds and the BFP "Premia" and "Europa" bonds, for which the embedded derivative has been separated from the host contract.

## 2.4 Due to customers: liabilities hedged specifically

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>1. Liabilities covered by specific fair value hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) multiple risks		
<b>2. Liabilities covered by specific cash flow hedges:</b>	<b>434,356</b>	<b>424,248</b>
a) interest rate risk	434,356	424,248
b) exchange rate risk		
c) other		
<b>Total</b>	<b>434,356</b>	<b>424,248</b>

Amounts due to customers covered by cash flow hedges refer to inflation-linked postal savings bonds and are entirely attributable to the parent company.

## SECTION 3 - SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: composition by type

*(thousands of euros)*

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	13,567,579	6,384,282	6,599,433	384,249	13,218,183	6,664,047	5,897,599	409,904
1.1 structured	45,238		42,197		48,306		42,482	
1.2 other	13,522,341	6,384,282	6,557,236	384,249	13,169,877	6,664,047	5,855,117	409,904
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>13,567,579</b>	<b>6,384,282</b>	<b>6,599,433</b>	<b>384,249</b>	<b>13,218,183</b>	<b>6,664,047</b>	<b>5,897,599</b>	<b>409,904</b>

### 3.1 of which: pertaining to the banking group

*(thousands of euros)*

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,795,080		6,302,147	384,249	6,554,136		5,897,599	409,904
1.1 structured	45,238		42,197		48,306		42,482	
1.2 other	6,749,842		6,259,950	384,249	6,505,830		5,855,117	409,904
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>6,795,080</b>		<b>6,302,147</b>	<b>384,249</b>	<b>6,554,136</b>		<b>5,897,599</b>	<b>409,904</b>

For the banking group, this item at 31 December 2013 was entirely related to bonds issued by the parent company under the Euro Medium Term Notes programme. During the year remaining bonds of the Covered Bond Programme were redeemed.

### 3.2 of which: pertaining to other entities

(thousands of euros)

	31/12/2013				31/12/2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,772,499	6,384,282	297,286		6,664,047	6,664,047		
1.1 structured								
1.2 other	6,772,499	6,384,282	297,286		6,664,047	6,664,047		
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>6,772,499</b>	<b>6,384,282</b>	<b>297,286</b>		<b>6,664,047</b>	<b>6,664,047</b>		

Outstanding securities issued by other entities refer to bonds issued by Terna.

### 3.3 Breakdown of item 30 "Securities issued": securities hedged specifically

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Securities covered by specific fair value hedges:</b>	<b>10,152,005</b>	<b>10,982,734</b>
a) interest rate risk	9,788,255	10,582,082
b) exchange rate risk		
c) multiple risks	363,750	400,652
<b>2. Securities covered by specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>10,152,005</b>	<b>10,982,734</b>

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

### 4.1 Financial liabilities held for trading: composition by type

*(thousands of euros)*

	31/12/2013					31/12/2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance-sheet liabilities</b>										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					x					x
3.1.2 Other					x					x
3.2 Other securities										
3.2.1 Structured					x					x
3.2.2 Other					x					x
<b>Total A</b>										
<b>B. Derivatives</b>										
1. Financial derivatives			93,835	422,517				106,090	416,506	
1.1 Trading	x		18,149	37,467	x	x		9,734	2,977	x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		75,686	385,050	x	x		96,356	413,529	x
2. Credit derivatives										
2.1 Trading	x				x	x				x
2.2 Associated with fair value option	x				x	x				x
2.3 Other	x				x	x				x
<b>Total B</b>	x		<b>93,835</b>	<b>422,517</b>	x	x		<b>106,090</b>	<b>416,506</b>	x
<b>Total (A+B)</b>	x	-	<b>93,835</b>	<b>422,517</b>	x	x	-	<b>106,090</b>	<b>416,506</b>	x

#### Key

FV = fair value

FV\* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item is mainly composed of the embedded option component of bonds indexed to baskets of shares that was separated from the host contract.

## SECTION 6 - HEDGING DERIVATIVES - ITEM 60

### 6.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	Fair value 31/12/2013			NV 31/12/2013	Fair value 31/12/2012			NV 31/12/2012
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>		<b>1,544,456</b>	<b>25,717</b>	<b>14,913,099</b>		<b>2,686,869</b>	<b>13,052</b>	<b>12,849,174</b>
1) Fair value		1,452,441		11,890,602		2,562,811		9,516,944
2) Cash flow		92,015	25,717	3,022,497		124,058	13,052	3,332,230
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>1,544,456</b>	<b>25,717</b>	<b>14,913,099</b>		<b>2,686,869</b>	<b>13,052</b>	<b>12,849,174</b>

#### Key

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

### 6.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

	Fair value					Generic	Cash flow		Investment in foreign operation
	Specific						Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	1,393,670			x		x		x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other		29,014				x		x	
Total assets	1,393,670	29,014							
1. Financial liabilities	29,757			x		x	116,964	x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	29,757			x			116,964		
1. Forecast transactions	x	x	x	x	x	x	768	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

## SECTION 7 - ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

### 7.1 Value adjustments of hedged financial liabilities

*(thousands of euros)*

	31/12/2013	31/12/2012
1. Positive adjustments of financial liabilities	52,258	56,413
2. Negative adjustments of financial liabilities		
<b>Total</b>	<b>52,258</b>	<b>56,413</b>

### 7.2 Liabilities covered by macro-hedges against interest rate risk: composition

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

## SECTION 8 - TAX LIABILITIES - ITEM 80

For more information concerning this item, please see Section 14 of "Assets".

## SECTION 10 - OTHER LIABILITIES - ITEM 100

### 10.1 Other liabilities: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
Items being processed	9,576			9,576	30,817
Amounts due to employees	2,539	3,307	68,107	73,953	37,209
Charges for postal funding service	893,418			893,418	939,615
Tax payables	444,270	4,015	59,863	508,148	554,430
Construction contracts			1,275,535	1,275,535	580,919
Trade payables	20,698	21,334	3,508,120	3,550,152	2,972,046
Due to social security institutions	3,146	2,818	68,709	74,673	59,649
Accrued expenses and deferred income		1,791	162,283	164,074	146,742
Other items of insurance companies		54,942		54,942	2,096
- due to insured for recovered amounts					
- liabilities for premiums to be reimbursed		59		59	2,047
- premium deposits		5		5	
- processing expenses		26		26	49
- collections from factoring being processed		54,852		54,852	
Other	107,914	40,650	378,929	527,493	378,726
<b>Total</b>	<b>1,481,561</b>	<b>128,857</b>	<b>5,521,546</b>	<b>7,131,964</b>	<b>5,702,249</b>

For the banking group, the main items under this heading are:

- the payable to Poste Italiane S.p.A. of about €893 million, in respect of the unpaid portion at the balance sheet date of commissions for funding with postal savings products;
- tax payables totalling about €444 million, mainly regarding the tax on interest paid on postal savings products.

With regard to other Group entities, the item mainly regards trade payables. Liabilities for construction contracts, amounting to €1,276 million, refer to advances received exceeding the value of contracts completed.



## SECTION 11 - STAFF SEVERANCE PAY - ITEM 110

### 11.1 Staff severance pay: change for the year

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>A. Opening balance</b>	<b>845</b>	<b>7,145</b>	<b>148,734</b>	<b>156,724</b>	<b>58,911</b>
<b>B. Increases</b>	<b>1,311</b>	<b>391</b>	<b>41,755</b>	<b>43,457</b>	<b>103,059</b>
B.1 Provision for the year	1,300	361	5,678	7,339	3,920
B.2 Other increases	11	30	36,077	36,118	99,139
- of which business combinations			35,658	35,658	89,384
<b>C. Decreases</b>	<b>1,219</b>	<b>1,183</b>	<b>24,569</b>	<b>26,971</b>	<b>5,246</b>
C.1 Severance payments		489	15,868	16,357	4,102
C.2 Other decreases	1,219	694	8,701	10,614	1,144
<b>D. Closing balance</b>	<b>937</b>	<b>6,353</b>	<b>165,920</b>	<b>173,210</b>	<b>156,724</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>1. Company pension plans</b>		<b>1,919</b>	<b>2,758</b>	<b>4,677</b>	<b>1,992</b>
<b>2. Other provisions</b>	<b>15,715</b>	<b>168,370</b>	<b>2,094,969</b>	<b>2,279,054</b>	<b>2,187,212</b>
2.1 legal disputes	3,893	2,688	29,763	36,344	26,782
2.2 staff costs	10,367	2,313	86,394	99,074	101,575
2.3 other	1,455	163,369	1,978,812	2,143,636	2,058,855
<b>Total</b>	<b>15,715</b>	<b>170,289</b>	<b>2,097,727</b>	<b>2,283,731</b>	<b>2,189,204</b>

## 12.2 Provisions: change for the year

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2013	
	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions
<b>A. Opening balance</b>		12,451	1,992	176,874		1,997,887	1,992	2,187,212
<b>B. Increases</b>		10,969		3,508	2,758	608,229	2,758	622,706
B.1 Provision for the year		1,403		3,456		150,814		155,673
B.2 Changes due to passage of time						7,515		7,515
B.3 Changes due to changes in discount rate						12,290		12,290
B.4 Other increases		9,566		52	2,758	437,610	2,758	447,228
<b>C. Decreases</b>		7,705	73	12,012		511,147	73	530,864
C.1 Use during the year		7,296	73	11,366		322,832	73	341,494
C.2 Changes due to changes in discount rate						6,372		6,372
C.3 Other decreases		409		646		181,943		182,998
<b>D. Closing balance</b>		15,715	1,919	168,370	2,758	2,094,969	4,677	2,279,054

## 12.4 Provisions - Other provisions

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>2. Other provisions</b>	<b>15,715</b>	<b>168,370</b>	<b>2,094,969</b>	<b>2,279,054</b>	<b>2,187,212</b>
2.1 legal disputes	3,893	2,688	29,763	36,344	26,782
2.2 staff costs	10,367	2,313	86,394	99,074	101,575
- early retirement			22,021	22,021	18,604
- loyalty bonus			5,360	5,360	4,546
- electricity discount			35,019	35,019	39,208
- other	10,367	2,313	23,994	36,674	39,217
2.3 other	1,455	163,369	1,978,812	2,143,636	2,058,855

The main contributors to “other” provisions for risks and charges, totalling €2,144 million at 31 December 2013, are:

- about €452 in provisions for risks from civil, administrative and tax disputes, mostly arising from the incorporations of the former IRI Group companies in liquidation;

- about €339 for the reclamation and conservation of property sites, as well as provisions for commitments in respect of contracts. These relate to the probable liabilities deriving from the commitments assumed by the companies of the former IRI Group following their privatisation and rationalisation. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments, bearing in mind contractual provisions in force;
- about €332 million in potential liabilities relating to the assets pertaining to the sub-holding company Fintecna, recognised in the context of the price allocation process set out in IFRS 3;
- about €169 million in provisions for liquidation costs, estimated on the basis of the expected cost of handling the disputes deriving from the incorporation into Fintecna of the former IRI Group companies in liquidation. The estimate of these costs is determined on the basis of the expected time for resolving the said disputes;
- about €129 million in the provisions made by Ansaldo Energia for costs to be borne subsequent to the conclusion of orders, for guarantees or contractually required interventions.

## SECTION 13 - TECHNICAL PROVISIONS - ITEM 130

### 13.1 Technical provisions: composition

(thousands of euros)

	Direct business	Indirect business	Total 31/12/2013	Total 31/12/2012
<b>A. Non-life insurance</b>	<b>2,417,224</b>	<b>44,415</b>	<b>2,461,639</b>	<b>2,569,657</b>
A1. Provision for unearned premiums	1,639,174	31,334	1,670,508	1,810,738
A2. Provision for outstanding claims	776,992	13,081	790,073	757,354
A3. Other	1,058		1,058	1,565
<b>B. Life insurance</b>				
B1. Mathematical reserves				
B2. Provision for outstanding claims				
B3. Other				
<b>C. Technical provisions where the investment risk is borne by the insured</b>				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
<b>D. Total technical provisions</b>	<b>2,417,224</b>	<b>44,415</b>	<b>2,461,639</b>	<b>2,569,657</b>

### 13.2 Technical provisions: change for the year

(thousands of euros)

	31/12/2013	31/12/2012
<b>A. Non-life insurance</b>	<b>2,461,639</b>	<b>2,569,657</b>
Opening balance	2,569,657	
Business combinations	-	2,569,657
Change in reserve (+/-)	(108,018)	
<b>B. Life insurance and other technical provisions</b>		
Opening balance		
Business combinations		
Change in premiums		
Change in payments		
Change in income and other bonuses paid to policy holders (+/-)		
Change in exchange rate (+/-)		
Change in other technical reserves (+/-)		
<b>C. Total technical provisions</b>	<b>2,461,639</b>	<b>2,569,657</b>

## SECTION 15 - GROUP EQUITY - ITEMS 140, 170, 180, 190, 210 AND 220

### 15.1 "Share capital" and "Treasury shares": composition

The share capital of the parent company of €3,500,000,000 at 31 December 2013 is fully paid up and is composed of 296,450,000 ordinary shares, without par value.

Under CDP's articles of association the preference shares, which at 31 December 2012 amounted to 105,000,000, were automatically converted into 51,450,000 ordinary shares with effect from 1 April 2013, on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares), without prejudice to the right of preference shareholders to withdraw.

The right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. No preference share holder opted for conversion at par through payment of an adjustment, as provided for in the articles of association.

The shares of the withdrawing foundations, pursuant to Article 2437-quater of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties. The Ordinary Shareholders' Meeting of 20 March 2013 approved the authorisation to purchase the treasury shares as part of the liquidation procedure referred to in Article 2437-quater of the Civil Code.

The shares of the withdrawing foundations will be purchased with the use of available reserves at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013.

As a result, at 31 December 2013 the parent company held treasury shares with a value of €57,220,116.

## 15.2 Share capital - Number of shares of the parent company: change for the year

	Ordinary	Other
<b>A. Shares at start of the year</b>	<b>245,000,000</b>	<b>105,000,000</b>
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
<b>B. Increases</b>	<b>51,450,000</b>	
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes	51,450,000	
<b>C. Decreases</b>	<b>4,451,160</b>	<b>105,000,000</b>
C.1 Cancellation		
C.2 Purchase of own shares	4,451,160	
C.3 Disposal of companies		
C.4 Other changes		105,000,000
<b>D. Shares in circulation: closing balance</b>	<b>291,998,840</b>	
D.1 Treasury shares (+)	4,451,160	
<b>D.2 Shares at end of the year</b>	<b>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		

## 15.4 Income reserves: additional information

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>Income reserves</b>	<b>13,206,124</b>	<b>11,440,319</b>
Legal reserve	700,000	605,567
Other	12,506,124	10,834,752

## SECTION 16 - NON-CONTROLLING INTERESTS - ITEM 210

### 16.1 Equity instruments: composition and change for the year

*(thousands of euros)*

	31/12/2013	31/12/2012
Share capital:		
a) ordinary shares	1,370,232	373,350
b) preference shares	116,033	
Share premium reserve	26,698	14,489
Reserves:		
a) income	1,778,743	1,653,501
b) other	446,915	573,205
Valuation reserves	69,151	(52,663)
Equity instruments		
Treasury shares		
Net income (loss) for the year	397,706	307,896
<b>Total non-controlling interests</b>	<b>4,205,478</b>	<b>2,869,778</b>

## OTHER INFORMATION

### 1. Guarantees issued and commitments

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
1) Financial guarantees issued	615,262		334,945	950,207	569,633
a) Banks			270,000	270,000	
b) Customers	615,262		64,945	680,207	569,633
2) Commercial guarantees issued			1,150,307	1,150,307	
a) Banks					
b) Customers			1,150,307	1,150,307	
3) Irrevocable commitments to disburse funds	13,473,443	13,738	301,544	13,788,725	15,520,259
a) Banks	450,795			450,795	1,967,874
i) certain use	450,795			450,795	1,967,874
ii) uncertain use					
b) Customers	13,022,648	13,738	301,544	13,337,930	13,552,385
i) certain use	13,022,648			13,022,648	13,195,428
ii) uncertain use		13,738	301,544	315,282	356,957
4) Commitments underlying credit derivatives: sales of protection					
5) Assets pledged as collateral for third-party debts			84,500	84,500	90,000
6) Other commitments	1,683,234		1,441,738	3,124,972	5,203,635
<b>Total</b>	<b>15,771,939</b>	<b>13,738</b>	<b>3,313,034</b>	<b>19,098,711</b>	<b>21,383,527</b>



## 2. Assets pledged as collateral for own debts and commitments

*(thousands of euros)*

	31/12/2013	31/12/2012
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	2,917,500	3,747,330
4. Financial assets held to maturity	10,338,500	11,253,303
5. Loans to banks	135,250	575,162
6. Loans to customers	37,406,400	39,601,223
7. Property, plant and equipment	152,000	99,807
8. Other assets	244,000	244,000

The assets pledged as collateral for own debts are mainly represented by receivables and securities pledged as collateral in refinancing operations with the ECB. The remainder are securities in repurchase agreements used for funding and receivables pledged as security for loans from the EIB.

The property, plant and equipment pledged as collateral refer to assets (land and buildings recognised under item 160 of assets in the balance sheet) bearing first mortgages securing bank loans obtained to purchase them.

## 3. Information on operating leases

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>Information from lessee perspective</b>		
<b>Future non-cancellable operating lease payments</b>	<b>64,963</b>	<b>64,226</b>
- up to 3 months	9,071	397
- from 3 months to 1 year	26,568	9,887
- from 1 year to 5 years	28,365	34,324
- more than 5 years	959	19,618
<b>Information from lessor perspective</b>		
<b>Future non-cancellable operating lease payments</b>		
- up to 3 months		
- from 3 months to 1 year		
- from 1 year to 5 years		
- more than 5 years		

## 5. Management and intermediation on behalf of third parties

(thousands of euros)

	31/12/2013
<b>1. Order execution on behalf of customers</b>	
a) purchases	
1. settled	
2. not yet settled	
b) sales	
1. settled	
2. not yet settled	
<b>2. Asset management</b>	<b>195,672</b>
a) individual	
b) collective	195,672
<b>3. Securities custody and administration</b>	<b>49,153,603</b>
a) Third-party securities held as part of depository bank services (excluding asset management)	
1. securities issued by consolidated companies	
2. other securities	
b) other third-party securities on deposit (excluding asset management): other	10,021,340
1. securities issued by consolidated companies	
2. other securities	10,021,340
c) third-party securities deposited with third parties	10,021,340
d) own securities portfolio deposited with third parties	29,110,923
<b>4. Other transactions</b>	
Management on behalf of third parties on the basis of specific agreements:	
Postal savings bonds managed on behalf of the MEF (1)	73,849,468
Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	11,259,697
Payment of public administration debts - Decree Law 35 of 8 April 2013 (3)	3,411,001
Funds for Social and Public Residential Building (4)	3,093,587
Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2(207) (4)	775,273
Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law 1041/1971 (4)	705,448
Kyoto Fund (3)	632,089
Funds for the natural gas infrastructure programme for the South - Law 784/1980, Law 266/1997 and Law 73/1998 (4)	227,026
Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	50,711
Minimal Environmental Impact Fund (4)	32,116
Residential Building Loans - Law 179/1982, Article 5 (2)	150
Law 295/1973 Fund c/o SIMEST (5)	1,753,204
Law 394/1981 Revolving Fund c/o SIMEST (5)	674,002
Revolving Fund for Venture Capital Operations (5)	240,514
Start Up Fund (5)	4,163
Other funds (4)	241,466

(1) The figure shown represents the amount at the reporting date

(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF

(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date

(4) The figure shown represents the remaining funds available on the dedicated current accounts at the reporting date

(5) The figure shown refers to the total assets of the public aid fund

## 6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(Thousands of euros)

	Gross amount of financial assets (a)	Amount of financial assets subject to on-balance sheet netting (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amount not subject to on-balance sheet netting		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	795,246		795,246	283,650	495,059	16,537	73,226
2. Repurchase agreements	8,263,855		8,263,855	8,182,977		80,878	
3. Stock lending							
4. Other							
<b>Total 31/12/2013</b>	<b>9,059,101</b>		<b>9,059,101</b>	<b>8,466,627</b>	<b>495,059</b>	<b>97,415</b>	<b>x</b>
<b>Total 31/12/2012</b>	<b>1,007,679</b>		<b>1,007,679</b>	<b>408,809</b>	<b>525,604</b>	<b>x</b>	<b>73,266</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the Consolidated Balance Sheet:

(Thousands of euros)

Balance sheet items		Net amount of financial assets reported in balance sheet (c=a-b)
1. Derivatives		795,246
	20. Financial assets held for trading	470,181
	80. Hedging derivatives	325,065
2. Repurchase agreements		8,263,855
	70. Loans to customers	8,263,855
3. Stock lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see section A of the accounting policies.

## 7. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial liabilities (a)	Amount of financial liabilities subject to on-balance sheet netting (b)	Net amount of financial liabilities reported in balance sheet (c=a-b)	Related amount not subject to on-balance sheet netting		Net amount 31/12/2013 (f=c-d-e)	Net amount 31/12/2012
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	1,508,909		1,508,909	283,650	1,225,259		175
2. Repurchase agreements	443,226		443,226	443,226			102
3. Stock lending							
4. Other							
<b>Total 31/12/2013</b>	<b>1,952,135</b>	<b>-</b>	<b>1,952,135</b>	<b>726,876</b>	<b>1,225,259</b>	<b>-</b>	<b>x</b>
<b>Total 31/12/2012</b>	<b>3,907,490</b>	<b>-</b>	<b>3,907,490</b>	<b>1,676,776</b>	<b>2,230,437</b>	<b>x</b>	<b>277</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euros)

Balance sheet items	Net amount of financial liabilities reported in balance sheet (c=a-b)
1. Derivatives	1,508,909
40. Financial liabilities held for trading	59,766
60. Hedging derivatives	1,449,143
2. Repurchase agreements	443,226
10. Loans to banks	443,226
3. Stock lending	-
4. Other	-

For details of the valuation criteria used for the financial liabilities shown in the table above, see section A of the accounting policies.

## PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### SECTION 1 - INTEREST - ITEMS 10 AND 20

#### 1.1 Interest income and similar revenues: composition

(thousands of euros)

	Debt securities	Loans	Other	31/12/2013	31/12/2012
1. Financial assets held for trading	41,242			<b>41,242</b>	
2. Financial assets at fair value					
3. Financial assets available for sale	175,959			<b>175,959</b>	<b>169,733</b>
4. Financial assets held to maturity	932,487			<b>932,487</b>	<b>804,198</b>
5. Loans to banks	10,155	418,230		<b>428,385</b>	<b>378,227</b>
6. Loans to customers	92,243	7,477,548		<b>7,569,791</b>	<b>9,303,644</b>
7. Hedging derivatives	x	x			
8. Other assets	x	x	20,887	<b>20,887</b>	<b>5,332</b>
<b>Total</b>	<b>1,252,086</b>	<b>7,895,778</b>	<b>20,887</b>	<b>9,168,751</b>	<b>10,661,134</b>

Interest income for the period was generated primarily by:

- loans and current accounts in the amount of about €4,555 million;
- liquidity held by the parent company on treasury account no. 29814 in the amount of about €3,341 million;
- debt securities in the amount of about €1,252 million.

The item includes interest income accrued on impaired assets of about €9.3 million and on assets in foreign currency of €27.5 million.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payables	Securities	Other	31/12/2013	31/12/2012
1. Due to central banks	142,961	x		142,961	209,417
2. Due to banks	117,145	x		117,145	122,411
3. Due to customers	5,501,693	x		5,501,693	6,268,209
4. Securities issued	x	385,041		385,041	433,924
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	4,027	4,027	555
8. Hedging derivatives	x	x	177,210	177,210	178,094
<b>Total</b>	<b>5,761,799</b>	<b>385,041</b>	<b>181,237</b>	<b>6,328,077</b>	<b>7,212,610</b>

Interest expense on amounts due to customers mainly regards interest on postal savings products (about €5,447 million).

Interest on debt securities regarded bond issues in the amount of about €385 million.

The negative differences on hedges amounted to about €177 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2013	31/12/2012
A. Positive differences on hedging transactions	212,984	213,395
B. Negative differences on hedging transactions	390,194	391,489
<b>C. Balance (A-B)</b>	<b>(177,210)</b>	<b>(178,094)</b>

## SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission income: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
a) guarantees issued	2,996	3,343
b) credit derivatives		
c) management, intermediation and advisory services:	10,140	10,067
1. trading in financial instruments		
2. foreign exchange		
3. asset management	10,140	10,067
3.1. individual		
3.2. collective	10,140	10,067
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection and transmission		
8. advisory services		
8.1. concerning investments		
8.2. concerning financial structure		
9. distribution of third-party services		
9.1 asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitisations		
f) services for factoring transactions	10,745	
g) tax collection services		
h) management of multilateral trading systems		
i) holding and management of current accounts		
j) other services	79,164	35,001
<b>Total</b>	<b>103,045</b>	<b>48,411</b>

During the year, the parent company accrued commission income mainly in respect of:

- lending activities, in the amount of about €32.9 million;
- the agreement with the MEF for the assets and liabilities transferred to the MEF pursuant to Article 3 of the Ministerial Decree of 5 December 2003 in the amount of €3.25 million;

- management of the Kyoto Fund in the amount of about €0.4 million.
- Revolving Fund to support enterprises and research investment (FRI) in the amount of €0.5 million;
- guarantees issued in the amount of about €3 million.

The other group entities contribute to the item, mainly for commissions related to:

- CDPI SGR for asset management services (about €10 million);
- SACE Fct, for services related to factoring transactions (about €10.7 million);
- SIMEST, for the management of the Venture Capital Fund and subsidised funds (about €23.9 million);
- Fintecna, for commissions related to securities lending (about €16 million).

## 2.2 Commission expense: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
a) guarantees received	15,533	27
b) credit derivatives		
c) management and intermediation services:	1,620,000	1,649,115
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	1,620,000	1,649,115
6. off-premises distribution of securities, products and services		
d) collection and payment services	2,087	2,077
e) other services	13,292	102
<b>Total</b>	<b>1,650,912</b>	<b>1,651,321</b>

Commission expense mainly regards the charge for the period, equal to €1,620 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

The agreement signed between CDP and Poste Italiane for the 2011-2013 period sets the fee for placement activities and no longer provides for a commission directly attributable to the issue of new postal savings bonds, but rather a comprehensive fee for the activities involved in providing the service, that



starting from the financial statements for the year ended 31 December 2011 is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services. The Agreement in force for the three-year period 2011-2013 was automatically renewed for the three-year period 2014-2016. CDP and Poste Italiane S.p.A. have however also set up a negotiating table to redefine the management service for postal savings for the coming years, through the signature of a new Agreement.

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

### 3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2013		31/12/2012	
	Dividends	Income from units in collective investments undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading	1,857			
B. Financial assets available for sale	14,463	3,929		401
C. Financial assets at fair value				
D. Equity investments		x		x
<b>Total</b>	<b>16,320</b>	<b>3,929</b>		<b>401</b>

## SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES - ITEM 80

### 4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>106,485</b>	<b>66,861</b>	<b>37,313</b>	<b>4,433</b>	<b>131,600</b>
1.1 Debt securities	42,403	39,654	2,425	2,130	77,502
1.2 Equity securities	22,511	14,132	356	55	36,232
1.3 Units in collective investment undertakings	41,571	13,075	34,532	2,248	17,866
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
<b>3. Other financial assets and liabilities: exchange rate differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>(77,616)</b>
<b>4. Derivatives</b>	<b>254,488</b>	<b>35,940</b>	<b>178,342</b>	<b>30,053</b>	<b>209,549</b>
4.1 Financial derivatives:	254,488	35,940	178,342	30,053	209,549
- on debt securities and interest rates	29,176	11,877	18,597	21,325	1,131
- on equity securities and equity indices	225,312	24,011	159,392	8,056	81,875
- on foreign currencies and gold	x	x	x	x	127,516
- other		52	353	672	(973)
4.2 Credit derivatives					
<b>Total</b>	<b>360,973</b>	<b>102,801</b>	<b>215,655</b>	<b>34,486</b>	<b>263,533</b>

The result of trading activities, in the amount of €264 million, is mainly attributable to:

- the positive result of approximately €132 million of the trading portfolio held by the insurance companies of the Group;
- the adverse impact of exchange rate fluctuations on currency exposures (about €78 million), primarily attributable to the insurance companies of the Group. This value is offset by the positive result of approximately €104 million of foreign exchange derivatives entered into by the same companies;
- net income from derivatives on equities and equity indices, resulting from the operational hedges of the option component embedded in the Premia and Indexed savings bonds established with the purchase of options mirroring the exposure, for about €75 million. The result in 2013 is the consequence of the continued situation of overhedging, already noted in 2012. To limit the risk of volatility in profit or loss, in 2013 we continued to unwind explicit option positions used for operational hedging whose notional exceeded that of the hedged embedded options. The trend in early redemptions of equity linked bonds continued to limit the expected effects in terms of reduction of volatility in the income statement.

## SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES - ITEM 90

### 5.1 Net gain (loss) on hedging activities: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>A. Income on:</b>		
A.1 Fair value hedges	795,388	331,397
A.2 Hedged financial assets (fair value)		811,344
A.3 Hedged financial liabilities (fair value)	87,421	47,387
A.4 Cash flow hedges	71	
A.5 Assets and liabilities in foreign currencies	59,566	20,736
<b>Total income on hedging activities (A)</b>	<b>942,446</b>	<b>1,210,864</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	86,449	873,205
B.2 Hedged financial assets (fair value)	601,714	
B.3 Hedged financial liabilities (fair value)	209,306	324,892
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	59,260	20,736
<b>Total expense on hedging activities (B)</b>	<b>956,729</b>	<b>1,218,833</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(14,283)</b>	<b>(7,969)</b>

## SECTION 6 - GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

### 6.1 Gains (Losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2013			31/12/2012		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks	102		102			
2. Loans to customers	9,661	(543)	9,118	23,727	(4,258)	19,469
3. Financial assets available for sale	68,676	(9,619)	59,057	6,125		6,125
3.1 Debt securities	66,122	(9,619)	56,503	6,125		6,125
3.2 Equity securities	29		29			
3.3 Units in collective investment undertakings						
3.4 Loans	2,525		2,525			
4. Financial assets held to maturity	39		39	145		145
<b>Total assets</b>	<b>78,478</b>	<b>(10,162)</b>	<b>68,316</b>	<b>29,997</b>	<b>(4,258)</b>	<b>25,739</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued				26,164		26,164
<b>Total liabilities</b>				<b>26,164</b>		<b>26,164</b>

The balance mainly refers:

- as regards gains on loans to customers, to penalties received on the early repayment of loans;
- as regards the net gain on debt securities available for sale, to the sale of certain government bonds held by the subsidiary Fintecna S.p.A.

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €56.5 million, refers to the net balance between writedowns, both specific and general, and writebacks. Writebacks from interest concern writebacks connected with the passage of time, arising from the accrual of interest during the year based on the original effective interest rate used in calculating the writedown.

### 8.1 Net impairment adjustments of loans: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2013	31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks			(9,328)					(9,328)	(16,013)
- Loans			(9,328)					(9,328)	(16,013)
- Debt securities									
B. Loans to customers	(2)	(44,077)	(5,602)	316	4,928	21		(44,416)	(6,084)
Purchased impaired receivables									
- Loans			x			x	x		
- Debt securities			x			x	x		
Other receivables									
- Loans	(2)	(44,077)	(3,029)	316	4,928			(41,864)	(6,078)
- Debt securities			(2,573)			21		(2,552)	(6)
C. Total	(2)	(44,077)	(14,930)	316	4,928	21		(53,744)	(22,097)

#### Key

A = Interest

B = Other writebacks

## 8.2 Net impairment losses on financial assets available for sale: composition

(thousands of euros)

	Writedowns		Writebacks		31/12/2013	31/12/2012
	Specific		Specific			
	Writeoffs	Other	From interest	Other writebacks		
A. Debt securities						
B. Equity securities		(240)	x	x	(240)	
C. Units in collective investment undertakings			x			
D. Loans to banks						
E. Loans to customers						
F. Total		(240)			(240)	

## 8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2013	31/12/2012
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(191)					(191)	(162)
B. Credit derivatives									
C. Commitments to disburse funds			(3,324)		1,018		9	(2,297)	(626)
D. Other transactions									
E. Total			(3,515)		1,018		9	(2,488)	(788)

### Key

A = Interest

B = Other writebacks

## SECTION 9 - NET INSURANCE PREMIUMS - ITEM 150

### 9.1 Net insurance premiums: composition

*(thousands of euros)*

	Direct business	Indirect business	31/12/2013 Total	31/12/2012 Total
<b>A. Life insurance</b>				
A.1 Gross premiums recognised (+)				
A.2 Premiums reinsured (-)		x		
A.3 Total				
<b>B. Non-life insurance</b>				
B.1 Gross premiums recognised (+)	344,676	11,162	355,838	
B.2 Premium reinsured (-)	(21,701)	x	(21,701)	
B.3 Change in gross premiums reserve (+/-)	135,020	6,149	141,169	
B.4 Change in reinsurer premium reserves (+/-)	(10,313)	282	(10,031)	
B.5 Total	447,682	17,593	465,275	
<b>C. Total net premiums</b>	<b>447,682</b>	<b>17,593</b>	<b>465,275</b>	

## SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - ITEM 160

### 10.1 Other net insurance income (expense): composition

(thousands of euros)

	31/12/2013	31/12/2012
1. Net change in technical reserves	10	
2. Claims paid during the year	(186,984)	
3. Other income and expense on insurance operations	(29,243)	
<b>Total</b>	<b>(216,217)</b>	

### 10.2 Breakdown of sub-item "Net change in technical reserves"

(thousands of euros)

	31/12/2013	31/12/2012
<b>1. Life insurance</b>	-	
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 (-) Portion borne by reinsurers		
B. Other technical reserves		
B.1 Gross annual amount		
B.2 (-) Portion borne by reinsurers		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Gross annual amount		
C.2 (-) Portion borne by reinsurers		
<b>Total "life business reserves"</b>		
<b>2. Non-life insurance</b>	<b>10</b>	
Changes in other non-life sector technical reserves other than damages reserves, net of reinsurance	10	



### 10.3 Breakdown of sub-item "Claims paid during the year"

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>Life insurance: expense relating to claims, net of reinsurance</b>		
A. Amounts paid		
A.1 Gross annual amount		
A.2 (-) Portion borne by reinsurers		
B. Change in reserve for sums to be paid		
B.1 Gross annual amount		
B.2 (-) Portion borne by reinsurers		
<b>Total life business claims</b>		
<b>Non-life insurance: expense relating to claims, net of recoveries and net of reinsurance</b>		
C. Amounts paid	(365,391)	
C.1 Gross annual amount	(399,303)	
C.2 (-) Portion borne by reinsurers	33,912	
D. Change in recoveries, net of portion borne by reinsurers	225,114	
E. Change in claims reserve	(46,707)	
E.1 Gross annual amount	(32,718)	
E.2 (-) Portion borne by reinsurers	(13,989)	
<b>Total non-life business claims</b>	<b>(186,984)</b>	

### 10.4 Breakdown of sub-item "Other income and expense on insurance operations"

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>Life insurance</b>		
Other gains		
Other losses		
<b>Non-life insurance</b>	<b>(29,243)</b>	
Other gains	9,240	
Other losses	(38,483)	
<b>Total</b>	<b>(29,243)</b>	

## SECTION 11 - ADMINISTRATIVE EXPENSES - ITEM 180

### 11.1 Staff costs: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>1. Employees</b>	<b>64,539</b>	<b>72,355</b>	<b>1,027,035</b>	<b>1,163,929</b>	<b>256,733</b>
a) wages and salaries	47,669	41,116	704,470	793,255	159,792
b) social security contributions	183	9,076	49,455	58,714	30,374
c) severance pay	3	1,064	19,238	20,305	9,858
d) pensions	11,266	2,608	186,251	200,125	35,470
e) allocation to staff severance pay provision	1,300	361	7,074	8,735	5,798
f) allocation to provision for pensions and similar liabilities:			41	41	
- defined contribution			41	41	
- defined benefit					
g) payments to external pension funds:	1,255	3,525	24,147	28,927	3,662
- defined contribution	1,255	3,525	21,347	26,127	1,295
- defined benefit			2,800	2,800	2,367
h) costs in respect of agreements to make payments in own equity instruments					
i) other employee benefits	2,863	14,605	36,359	53,827	11,779
<b>2. Other personnel in service</b>	<b>21</b>	<b>741</b>	<b>3,193</b>	<b>3,955</b>	<b>3,214</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>1,558</b>	<b>840</b>	<b>7,495</b>	<b>9,893</b>	<b>5,848</b>
<b>4. Retired personnel</b>					
<b>Total</b>	<b>66,118</b>	<b>73,936</b>	<b>1,037,723</b>	<b>1,177,777</b>	<b>265,795</b>

## 11.2 Average number of employees by category

*(thousands of euros)*

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
<b>Employees:</b>	<b>561</b>	<b>706</b>	<b>27,330</b>	<b>28,597</b>	<b>4,031</b>
a) senior management	53	38	518	609	117
b) middle management	231	262	7,602	8,095	718
- of which grade 3 and 4	138	-	43	181	639
c) other employees	277	406	19,210	19,893	3,196
- of which office staff	277	406	3,972	4,655	2,222
- of which workers	-	-	15,238	15,238	974
<b>Other personnel</b>	<b>12</b>	<b>-</b>	<b>1</b>	<b>13</b>	<b>11</b>

## 11.4 Other employee benefits

*(thousands of euros)*

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
Lunch vouchers	873	1,072	521	2,466	843
Staff insurance	1,242	2,566	1,738	5,546	1,421
Lump-sum reimbursements		728		724	
Interest subsidies on loans	58	531		589	53
Leaving incentives	513	3,358	2,662	6,533	5
Energy Bonus			2,015	2,015	1,698
Length of service bonuses			81	81	875
Other benefits	177	6,350	29,342	35,873	6,884
<b>Total</b>	<b>2,863</b>	<b>14,605</b>	<b>36,359</b>	<b>53,827</b>	<b>11,779</b>

## 11.5 Other administrative expenses: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
IT costs	24,227	4,654	24,537	53,418	45,385
General services	8,759	4,549	2,665,869	2,679,177	133,234
Professional and financial services	9,050	6,493	140,484	156,027	28,690
Advertising and marketing	3,123	2,064	17,780	22,967	8,305
Other personnel costs	1,255	1,030	556	2,841	1,283
Utilities, duties and other expenses	9,981	6,469	138,820	155,270	40,228
Information resources and databases	1,450	4,866	150	6,466	112
Corporate bodies	306		484	790	641
<b>Total</b>	<b>58,151</b>	<b>30,125</b>	<b>2,988,680</b>	<b>3,076,956</b>	<b>257,878</b>

The following table reports the fees paid for statutory auditing and non-audit services.

(thousands of euros)

	Parent company	Other Group companies	Total
Auditing	441	2,741	3,182
Certification services	36	1,167	1,203
Tax consultancy services		770	770
<b>Total</b>	<b>477</b>	<b>4,678</b>	<b>5,155</b>

## SECTION 12 - NET PROVISIONS - ITEM 190

### 12.1 Net provisions: composition

*(thousands of euros)*

	Provisions	Uses	31/12/2013
Litigation	(3,337)	955	(2,382)
Sundry personnel costs	(4,264)	276	(3,988)
Tax disputes	(1,566)	-	(1,566)
Other risks and charges	(120,090)	159,737	39,647
<b>Total</b>	<b>(129,257)</b>	<b>160,968</b>	<b>31,711</b>

### 12.1 of which: pertaining to the banking group

*(thousands of euros)*

	Provisions	Uses	31/12/2013
Litigation	(560)	222	(338)
Sundry personnel costs	-	-	-
Tax disputes	(58)	-	(58)
Other risks and charges	-	-	-
<b>Total</b>	<b>(618)</b>	<b>222</b>	<b>(396)</b>

### 12.1 of which: pertaining to the insurance group

*(thousands of euros)*

	Provisions	Uses	31/12/2013
Litigation	(1,763)	733	(1,030)
Sundry personnel costs	(1,180)	276	(904)
Tax disputes	(54)	-	(54)
Other risks and charges	(459)	337	(122)
<b>Total</b>	<b>(3,456)</b>	<b>1,346</b>	<b>(2,110)</b>

### 12.1 of which: pertaining to other entities

*(thousands of euros)*

	Provisions	Uses	31/12/2013
Litigation	(1,014)	-	(1,014)
Sundry personnel costs	(3,084)	-	(3,084)
Tax disputes	(1,454)	-	(1,454)
Other risks and charges	(119,631)	159,400	39,769
<b>Total</b>	<b>(125,183)</b>	<b>159,400</b>	<b>34,217</b>

## SECTION 13 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 200

### 13.1. Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(503,396)	(1,236)		(504,632)
- operating assets	(503,381)	(1,014)		(504,395)
- investment property	(15)	(222)		(237)
A.2 Acquired under finance leases	(282)			(282)
- operating assets	(282)			(282)
- investment property				
<b>Total</b>	<b>(503,678)</b>	<b>(1,236)</b>		<b>(504,914)</b>

### 13.1 of which: pertaining to the banking group

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(5,164)			(5,164)
- operating assets	(5,149)			(5,149)
- investment property	(15)			(15)
A.2 Acquired under finance leases				
- operating assets				
- investment property				
<b>Total</b>	<b>(5,164)</b>			<b>(5,164)</b>

### 13.1 of which: pertaining to the insurance group

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(1,928)	(222)		(2,150)
- operating assets	(1,928)			(1,928)
- investment property		(222)		(222)
A.2 Acquired under finance leases				
- operating assets				
- investment property				
<b>Total</b>	<b>(1,928)</b>	<b>(222)</b>		<b>(2,150)</b>

### 13.1 of which: pertaining to other entities

*(thousands of euros)*

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(496,304)	(1,014)		(497,318)
- operating assets	(496,304)	(1,014)		(497,318)
- investment property				
A.2 Acquired under finance leases	(282)			(282)
- operating assets	(282)			(282)
- investment property				
<b>Total</b>	<b>(496,586)</b>	<b>(1,014)</b>		<b>(497,600)</b>

## SECTION 14 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 210

### 14.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(91,665)	(1,477)		(93,142)
- internally generated	(18,575)			(18,575)
- other	(73,090)	(1,477)		(74,567)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(91,665)</b>	<b>(1,477)</b>		<b>(93,142)</b>

### 14.1 of which: pertaining to the banking group

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(2,366)			(2,366)
- internally generated				
- other	(2,366)			(2,366)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(2,366)</b>			<b>(2,366)</b>

### 14.1 of which: pertaining to the insurance group

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(2,387)			(2,387)
- internally generated	(2,055)			(2,055)
- other	(332)			(332)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(2,387)</b>			<b>(2,387)</b>



## 14.1 of which: pertaining to other entities

*(thousands of euros)*

	Ammortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(86,912)	(1,477)		(88,389)
- internally generated	(16,520)			(16,520)
- other	(70,392)	(1,477)		(71,869)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(86,912)</b>	<b>(1,477)</b>		<b>(88,389)</b>

## SECTION 15 - OTHER OPERATING INCOME (COSTS) - ITEM 220

### 15.1 Other operating costs: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
Operating costs in respect of supply chain	8	804		812	
Depreciation of leasehold improvements			776	776	
Other	1,790	4,493	90,917	97,200	3,862
<b>Total</b>	<b>1,798</b>	<b>5,297</b>	<b>91,693</b>	<b>98,788</b>	<b>3,862</b>

### 15.2 Other operating income: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2013	31/12/2012
Income from adjustment of liability items		637	893	1,530	
Income for corporate offices paid to employees	345		546	891	282
Sundry reimbursements	1,712			1,712	1,504
Recovery of expenses		116	2,858	2,974	
Insurance indemnities			753	753	
Rent and other income from real estate operations	3	716	55,980	56,699	
Revenues from industrial operations			5,643,314	5,643,314	1,799,766
Other	983	7,230	74,247	82,460	1,104
<b>Total</b>	<b>3,043</b>	<b>8,699</b>	<b>5,778,591</b>	<b>5,790,333</b>	<b>1,802,656</b>

Revenues from industrial operations mainly consist of:

- €1,893,954 thousand for the National Transmission Grid usage fees accruing to Terna;
- €3,749,360 thousand, almost exclusively for the revenues of the companies engaged in shipbuilding activities.

Revenue from real estate operations is primarily attributable to Fintecna Immobiliare.

## SECTION 16 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 240

### 16.1 Gains (Losses) on equity investments: composition

*(thousands of euros)*

	31/12/2013	31/12/2012
<b>1. Joint ventures</b>		
<b>A. Gains</b>	<b>7,279</b>	<b>64,454</b>
1. Revaluations	1,000	64,454
2. Gains on disposals		
3. Writebacks		
4. Other	6,279	
<b>B. Losses</b>	<b>(544)</b>	
1. Writedowns	(544)	
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>6,735</b>	<b>64,454</b>
<b>2. Companies under significant influence</b>		
<b>A. Gains</b>	<b>1,430,522</b>	<b>1,551,075</b>
1. Revaluations	1,430,411	1,487,929
2. Gains on disposals		63,146
3. Writebacks	111	
4. Other		
<b>B. Losses</b>	<b>(707)</b>	
1. Writedowns	(707)	
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>1,429,815</b>	<b>1,551,075</b>
<b>Total</b>	<b>1,436,550</b>	<b>1,615,529</b>

The main components from measurement using the equity method of companies subject to significant influence or joint ventures regard the investments in:

- Eni in the amount of €1,135 million;
- SNAM, in the amount of €226 million;
- TAG in the amount of €56 million;
- Metroweb Italia in the amount of €4 million;
- Kedrion Group in the amount of €4 million.

## SECTION 19 - GAINS (LOSSES) ON THE DISPOSAL OF INVESTMENTS - ITEM 270

### 19.1 Gains (Losses) on the disposal of investments: composition

(thousands of euros)

	31/12/2013	31/12/2012
A. Land and buildings	(4,123)	623
- Gains on disposal	965	623
- Losses on disposal	(5,088)	
B. Other assets	1,167	5,122
- Gains on disposal	1,825	5,553
- Losses on disposal	(658)	(431)
<b>Net gain (loss)</b>	<b>(2,956)</b>	<b>5,745</b>

## SECTION 20 - INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS - ITEM 290

### 20.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2013	31/12/2012
1. Current taxes (-)	(1,382,249)	(1,283,388)
2. Change in current taxes from previous years (+/-)	34,585	1,238
3. Reduction of current taxes for the year (+)		
3.bis Reduction of current income taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	82,318	2,773
5. Change in deferred tax liabilities (+/-)	37,079	92,785
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(1,228,267)	(1,186,592)

## 20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

*(thousands of euros)*

	31/12/2013	Tax rate
<b>Income (Loss) before taxes</b>	<b>4,127,269</b>	
<b>IRES Theoretical tax liability (rate 27.5%) - ordinary</b>	<b>(1,146,008)</b>	<b>-27.5%</b>
<b>IRES Theoretical tax liability (rate 8.5%) - additional</b>	<b>(233,114)</b>	<b>-8.5%</b>
<b>IRES Theoretical tax liability (rate 36%) - total</b>	<b>(1,379,122)</b>	<b>-36%</b>
<b>Increases in taxes</b>		
- interest expense not deductible	(89,416)	-2.2%
- write-downs of investments	(363,221)	-8.8%
- other non-deductible costs	(492,785)	-11.9%
- impairment losses on loans	(52,640)	-1.3%
- temporarily non-deductible differences	(25,696)	-0.8%
- permanent non-deductible differences	(3,014)	-0.1%
- IRES surtax (Robin Hood Tax)	(99,142)	-2.4%
<b>Decreases in taxes</b>		
- dividends 95% exempt	1,144,110	27.7%
- other decreases	193,999	6.0%
- ACE benefit	58,043	1.4%
<b>IRES Actual tax liability</b>	<b>(1,108,884)</b>	<b>-27.1%</b>
<b>Taxable income for IRAP purposes</b>	<b>3,255,050</b>	
<b>IRAP Theoretical tax liability (5.57% rate)</b>	<b>(176,050)</b>	<b>-5.57%</b>
<b>Increases in taxes</b>		
- non-deductible interest 4%	(13,843)	-0.4%
- other non-deductible costs	(87,027)	-2.7%
<b>Decreases in taxes</b>		
- deductible costs from prior years	354	n.s.
- deductible costs in respect of staff	2,362	0.1%
- other decreases	839	n.s.
<b>IRAP Actual tax liability</b>	<b>(273,365)</b>	<b>-8.4%</b>

## SECTION 21 - INCOME (LOSS) AFTER TAX ON DISPOSAL GROUPS HELD FOR SALE - ITEM 310

### 21.1 Income (Loss) after tax on disposal groups held for sale: composition

(thousands of euros)

	31/12/2013	31/12/2012
1. Gains		500
2. Losses		
3. Result of valuation of disposal group (assets and associated liabilities)		
4. Gain (Loss) on realisation		
5. Tax and duties		(523)
<b>Net income (loss)</b>		<b>(23)</b>

### 21.2 Breakdown of income taxes on disposal groups held for sale

(thousands of euros)

	31/12/2013	31/12/2012
1. Current taxes (-)		
2. Change in deferred tax assets (+/-)		(523)
3. Change in deferred tax liabilities (-/+)		
<b>4. Income tax for the year (-1+/-2+/-3)</b>		<b>(523)</b>

## SECTION 22 - NET INCOME (LOSS) FOR THE YEAR PERTAINING TO NON-CONTROLLING INTERESTS - ITEM 330

### 22.1 Breakdown of item 330 "Net income (loss) for the year pertaining to non-controlling interests"

Net income pertaining to non-controlling interests amounts to €397,706 thousand.

# PART D - CONSOLIDATED COMPREHENSIVE INCOME

## Detailed breakdown of consolidated comprehensive income

*(thousands of euros)*

	Gross amount	Income taxes	Net amount
<b>10. Net income (loss) for the year</b>	<b>x</b>	<b>x</b>	<b>2,899,002</b>
Other comprehensive income not transferred to income statement			
<b>20. Property, plant and equipment</b>			
<b>30. Intangible assets</b>			
<b>40. Defined benefit plans</b>	<b>10,680</b>	<b>(3,285)</b>	<b>7,395</b>
<b>50. Non-current assets held for sale</b>			
<b>60. Valuation reserves of equity investments accounted for with equity method (pro rata)</b>	<b>8,079</b>		<b>8,079</b>
Other comprehensive income transferred to income statement			
<b>70. Hedging of foreign investments:</b>			
a) fair value changes			
b) reversal to income statement			
c) other changes			
<b>80. Exchange rate differences:</b>	<b>(41,838)</b>		<b>(41,838)</b>
a) fair value changes	(41,838)		(41,838)
b) reversal to income statement			
c) other changes			
<b>90. Cash flow hedges:</b>	<b>44,156</b>	<b>(19,133)</b>	<b>25,023</b>
a) fair value changes	43,454	(18,941)	24,513
b) reversal to income statement			
c) other changes	702	(192)	510
<b>100. Financial assets available for sale:</b>	<b>369,224</b>	<b>(16,239)</b>	<b>352,985</b>
a) fair value changes	392,937	(24,526)	368,411
b) reversal to income statement	(23,713)	8,287	(15,426)
- impairment adjustments			
- gain/loss on realisation	(23,713)	8,287	(15,426)
c) other changes			
<b>110. Non-current assets held for sale:</b>			
a) fair value changes			
b) reversal to income statement			
c) other changes			
<b>120. Valuation reserves of equity investments accounted for with equity method (pro rata):</b>	<b>(556,684)</b>	<b>(61)</b>	<b>(556,745)</b>
a) fair value changes	(556,887)		(556,887)
b) reversal to income statement			
- impairment adjustments			
- gain/loss on realisation			
c) other changes	203	(61)	142
<b>130. Total other comprehensive income</b>	<b>(166,383)</b>	<b>(38,718)</b>	<b>(205,101)</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>x</b>	<b>x</b>	<b>2,693,901</b>
<b>150. Consolidated comprehensive income pertaining to non-controlling interests</b>	<b>x</b>	<b>x</b>	<b>520,924</b>
<b>160. Consolidated comprehensive income pertaining to shareholders of the parent company</b>	<b>x</b>	<b>x</b>	<b>2,172,977</b>

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

The CDP Group attributes great importance to risk management and control as conditions for pursuing its effort in support of the country, in a context in which capital adequacy, stable and sustainable profits, liquidity and a strong reputation are the foundation of preserving financial balance over time. The risk management strategy seeks to achieve a complete and consistent vision of the Group's risk profile.

In line with the Risk Management Rules of the parent company, the underlying principles of the risk management and control system provide for:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- methodological rigour and adoption of international best practices in measurement and control systems.

For companies subject to management and coordination, the parent company is also responsible for setting policy, managing and controlling risk.

For a description of the risks to which the Group companies are exposed, please see Sections 1, 2 and 3 below.



# Section 1 - The risks of the banking group

## Introduction

Within the CDP organisational structure, the head of Risk Management and Anti-Money Laundering (RMA) area and the units that report directly to that officer are charged with governing and monitoring all the forms of risk to which CDP is exposed in its operations, rendering transparent CDP's overall risk profile and the capital requirements associated with each category of risk.

These risk categories are defined in the Risk Policy approved by the Board of Directors in 2010 and comprise market risks (which includes equity risk, interest rate risk, inflation risk and exchange rate risk), liquidity risk, credit risk (which includes concentration risk and counterparty risk), operational risks and reputational risk. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities).

The Risk Policy is the key tool used by the Board of Directors to set CDP's risk appetite, the thresholds of tolerance, the risk limits, the risk governance policies and the overall framework of organizational processes. The guidelines governing risk management policies are summarised in the Risk Management Rules and they envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering area is structured into six units:

- Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
- Market and Liquidity Risks (ALM);
- Operational Risks;
- Risks associated with equity investments;
- Loan monitoring and control;
- Anti-Money Laundering.

The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning CDP's overall risk policy and management and operational assessment of especially large risks. The Risk Committee is also responsible for issuing opinions on transactions for which a second opinion is required or that otherwise involve a significant impact on operations (in support of and in accordance with the BoD's powers).

The RMA verifies compliance with the limits set by the Board of Directors and the operational limits established by the Chief Executive Officer, recommending correction actions to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile selected by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

The Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement unit is also responsible for providing the Company with certified calculation models.

# 1.1 Credit risk

## QUALITATIVE DISCLOSURES

### 1. General aspects

Credit risk arises primarily in relation to lending activity – both under the Separate Account and the Ordinary Account – and on a secondary level in hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to central government and regional and local authorities.

In the last three years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which the parent company channels various types of financing, in particular loans to SMEs, for reconstruction in Abruzzo and in support of the real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by Public Entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially immunised for credit risk (as they are secured by the central government as the guarantor of last resort), and those assumed under “Export Bank” operations.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, drawing on funding not guaranteed by the state, in competition with banks.

### 2. Credit risk management policies

#### 2.1 Organisational aspects

The principles followed by the parent company in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.

The Lending and Loan Management area that reviews loans and carries out “middle office” activities, is responsible, among other things, for the assignment of internal ratings and estimating loss given default, parameters that are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy, a document approved by the CEO that sets out the methodologies used by CDP in assigning internal ratings to counterparties and in generating internal estimates of recovery rates for individual lending transactions.

As part of pre-lending assessments, the RMA focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. RMA also conducts a second level analysis on new loans whenever the overall exposure to the corresponding groups of customers is above certain thresholds set in the Risk Policy; the purpose of these analyses is to ensure that all risk factors have been properly taken into account and that the proposal is consistent with the parent company's internal limits and risk appetite.

Existing loans are subject to monitoring by the Lending and Loan Management department, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

The RMA also monitors overall developments in the risk level of the loan portfolio, partly with a view to identifying any necessary corrective actions to optimise the risk/return profile.

The RMA's responsibilities also include:

- second level control on performance monitoring of the counterparties in the loan portfolio, focusing in particular on the rating and recovery rates assigned and periodically updated by the Lending Department, designed to early detect any critical situations (early warning);
- support to the Risk Committee in the assessment of transactions identified according to the limits framework (second opinion);
- the development and/or validation of risk-adjusted credit pricing models;
- the development and/or validation of models and methodologies for the assignment of ratings and recovery rates;
- the preparation and updating of the Rating and Recovery Rate Policy in accordance with the requirements set out in CDP's Risk Policy.

## **2.2 Management, measurement and control systems**

As part of its credit risk management and control policies for the Separate Account, the parent company adopts a system for lending to regional and local governments, under which each loan is allocated to a uniform risk category, defining the level of risk associated with individual authorities appropriately with the aid of specific quantitative parameters for each type and size of authority.

The lending system makes it possible to identify cases in which a more extensive assessment of the borrower's creditworthiness is necessary, using qualitative and quantitative criteria.

For the Ordinary Account and lending for projects promoted by Public Entities pursuant to Decree Law 185 of 29 November 2008, the parent company uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

RMA monitors compliance with the limits framework and the guidelines for the composition of the loan portfolio, introduced in the Risk Policy in 2013. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalized deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

The RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The RMA also monitors the compliance with minimum rating requirement for counterparties and limits based on the maximum notional amounts of transactions and credit equivalents, by counterparty or groups of connected counterparties, established in the parent company's Risk Policy. Similarly, the RMA provides for the monitoring of exposures to counterparties in treasury activities, verifying compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the allocation of internal ratings aim to ensure compliance with reproducibility and homogeneity requirements, including through traceability of the allocation process.

In the internal rating assignment process, the parent company makes use of rating models developed by specialized external providers, which are applied as benchmark instruments and are broken down by major customer types on the basis of size, legal form and industry.

The rating scale adopted by the banking group, in line with those of the rating agencies, is divided into 21 classes, of which 10 refer to "investment grade" positions and 11 to "speculative grade" positions; in addition there is one class for counterparties in default. Given the types of borrowers and the limited number of historical defaults on CDP's portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data bases acquired from a specialised provider. Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

## 2.3 Credit risk mitigation techniques

The parent company mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

CDP's credit exposures under the Separate Account are largely accounted for by specific-purpose loans secured by delegation of payment.

Financing under the Ordinary Account and that involving non-Public Entities under the Separate Account can be secured by security interests in property or unsecured guarantees. Some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (New SME Fund), and in support of the housing market, are secured through the sale of the underlying loans. As regards loans for which no assignment as collateral was provided (2009 SME Fund and Abruzzo Reconstruction Fund), the availability period ended in 2012 and the corresponding exposures to the banking system are being amortized.

In addition to normal guarantee requirements, mainly in operations under the Ordinary Account and those for non-Public Entities under the Separate Account, other options include requiring borrowers to comply with financial covenants and other contractual clauses that make it possible to monitor credit risk more closely over the life of an operation.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organizations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

In project finance operations, the support provided by the project's sponsors plays a significant role during the construction phase, both in terms of commitment to provide additional resources, if necessary, and in maintaining their presence as shareholders until completion of the works and start-up of operations.

As regards bank counterparties in transactions in hedging derivatives, in view of the ISDA contracts signed, netting arrangements are also used. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also used to strengthen credit risk mitigation.

The arrangement is based on the standard format recommended by ISDA.

CDP intends to use Global Master Repurchase Agreements (GMRA - ISMA 2000 version) for securities financing transactions. In addition, CDP recently joined the central counterparty, Cassa di Compensazione e Garanzia, through which it carries out repurchase transactions backed by robust counterparty risk protection mechanisms.

## 2.4 Impaired financial assets

Impaired financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers.

The measurement of impaired positions is based on an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. In estimating the recovery plan and the consequent writedown, account is taken of any collateral or unsecured guarantees received. These include amounts granted but not yet disbursed on specific-purpose loans, which are disbursed on a state-of-completion basis. Borrowers with substantial arrears are disqualified from accessing new parent company financing and any remaining amounts to be disbursed on problem loans are frozen.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order to ensure that such events are reflected promptly, the information on the financial and economic situation of borrowers is monitored periodically and developments in any out-of-court settlements being negotiated and the various stages of court proceedings involving customers are tracked constantly.

Impaired assets are classified in order to identify – based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations and any debt restructuring authorised by CDP – non-performing positions to be reported under bad debts, substandard positions, restructured exposures and past-due/overlimit positions.

In the pre-litigation stage, impaired positions are monitored and managed by the Lending department in coordination with the other organisational structures involved. Actions for the recovery of these exposures aims to maximize the financial return, making use of out-of-court arrangements, including settlements, where appropriate, in order to improve recovery times and minimise costs incurred.

The restoration of impaired exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and to the binding opinion, where envisaged, of the credit monitoring unit.

## QUANTITATIVE DISCLOSURES

### A. Credit quality

#### A.1 Impaired and performing credit exposures: stocks, writedowns, changes and distribution by sector and geographical area

##### A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amount)

(thousands of euros)

	Banking group						Other entities		Total
	Bad debts loans	Substandard position	Restructured positions	Impaired past-due exposures	Non-impaired past-due exposures	Other assets	Impaired	Other	
1. Financial assets held for trading						480,670		1,306,372	1,787,042
2. Financial assets available for sale						4,015,548		802,842	4,818,390
3. Financial assets held to maturity						18,336,695		1,578,044	19,914,739
4. Loans to banks						14,848,944		3,823,998	18,672,942
5. Loans to customers	12,025	194,053		35,257	80,926	241,055,963	130,551	4,283,676	245,792,451
6. Financial assets at fair value									
7. Financial assets being divested									
8. Hedging derivatives						317,073		644,753	961,826
<b>Total at 31/12/2013</b>	<b>12,025</b>	<b>194,053</b>		<b>35,257</b>	<b>80,926</b>	<b>279,054,893</b>	<b>130,551</b>	<b>12,439,685</b>	<b>291,947,390</b>
<b>Total at 31/12/2012</b>	<b>7,955</b>	<b>42,715</b>		<b>25,471</b>	<b>119,514</b>	<b>272,981,961</b>	<b>155,573</b>	<b>15,149,820</b>	<b>288,483,009</b>



## A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

*(thousands of euros)*

	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading				x	x	480,670	480,670
2. Financial assets available for sale				4,015,548		4,015,548	4,015,548
3. Financial assets held to maturity				18,336,695		18,336,695	18,336,695
4. Loans to banks				14,874,284	(25,340)	14,848,944	14,848,944
5. Loans to customers	352,882	(111,547)	241,335	241,143,606	(6,717)	241,136,889	241,378,224
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	317,073	317,073
Total A	352,882	(111,547)	241,335	278,370,133	(32,057)	279,135,819	279,377,154
B. Other consolidated entities							
1. Financial assets held for trading				x	x	1,306,372	1,306,372
2. Financial assets available for sale				802,842		802,842	802,842
3. Financial assets held to maturity				1,578,044		1,578,044	1,578,044
4. Loans to banks				3,824,003	(5)	3,823,998	3,823,998
5. Loans to customers	155,844	(25,293)	130,551	4,400,043	(116,367)	4,283,676	4,414,227
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	644,753	644,753
Total B	155,844	(25,293)	130,551	10,604,932	(116,372)	12,439,685	12,570,236
Total at 31/12/2013	508,726	(136,840)	371,886	288,975,065	(148,429)	291,575,504	291,947,390
Total at 31/12/2012	331,362	(99,648)	231,714	283,212,155	(145,482)	288,251,295	288,483,009

### A.1.3 Banking group - On-balance-sheet and off-balance-sheet credit exposures to banks: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
<b>A. On-balance-sheet exposures</b>				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured exposures			x	
d) Impaired past-due exposures			x	
e) Other assets	15,081,615	x	(25,340)	15,056,275
<b>Total A</b>	<b>15,081,615</b>		<b>(25,340)</b>	<b>15,056,275</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired			x	
b) Other	467,467	x	(135)	467,332
<b>Total B</b>	<b>467,467</b>		<b>(135)</b>	<b>467,332</b>
<b>Total (A+B)</b>	<b>15,549,082</b>		<b>(25,475)</b>	<b>15,523,607</b>

### A.1.6 Banking group - On-balance-sheet and off-balance-sheet credit exposures to customers: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
<b>A. On-balance-sheet exposures</b>				
a) Bad debts	61,629	(49,604)	x	12,025
b) Substandard loans	255,996	(61,943)	x	194,053
c) Restructured exposures			x	
d) Impaired past-due exposures	35,257		x	35,257
e) Other assets	264,049,380	x	(6,717)	264,042,663
<b>Total A</b>	<b>264,402,262</b>	<b>(111,547)</b>	<b>(6,717)</b>	<b>264,283,998</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired	31,420	(437)	x	30,983
b) Other	13,724,463	x	(5,326)	13,719,137
<b>Total B</b>	<b>13,755,883</b>	<b>(437)</b>	<b>(5,326)</b>	<b>13,750,120</b>
<b>Total (A+B)</b>	<b>278,158,145</b>	<b>(111,984)</b>	<b>(12,043)</b>	<b>278,034,118</b>

### A.1.7 Banking group - On-balance-sheet credit exposures to customers: changes in gross impaired positions

(Thousands of euros)

	Bad debts	Substandard loans	Restructured exposures	Past due exposures
<b>A. Opening gross exposure</b>	<b>47,264</b>	<b>81,768</b>		<b>25,471</b>
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>14,812</b>	<b>191,899</b>		<b>74,534</b>
B.1 transfers from performing exposures	161	134,139		73,777
B.2 transfers from other categories of impaired exposures	12,646	52,871		
B.3 other increases	2,005	4,889		757
<b>C. Decreases</b>	<b>447</b>	<b>17,671</b>		<b>64,748</b>
C.1. to performing loans		3,098		8,355
C.2. writeoffs				
C.3. collections	436	2,873		2,546
C.4. assignments				
C.4. losses on exposures				
C.5. transfers to other categories of impaired exposures		11,670		53,847
C.6. other decreases	11	30		
<b>D. Closing gross exposure</b>	<b>61,629</b>	<b>255,996</b>		<b>35,257</b>
- of which: exposures assigned but not derecognised				

### A.1.8 Banking group - On-balance-sheet credit exposures to customers: changes in total adjustments

(Thousands of euros)

	Bad debts	Substandard loans	Restructured exposures	Past due exposures
<b>A. Total opening adjustments</b>	<b>39,309</b>	<b>39,053</b>		
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>10,663</b>	<b>29,454</b>		
B.1 writedowns	3,202	27,766		
B.1 bis losses on disposals				
B.2 transfers from other categories of impaired exposures	6,417			
B.3 other increases	1,044	1,688		
<b>C. Decreases</b>	<b>368</b>	<b>6,564</b>		
C.1 writebacks from valuations	316	80		
C.2 writebacks from collection	41	67		
C.2 bis gains on disposals				
C.3 writeoffs				
C.4 transfers to other categories of impaired exposures		6,417		
C.5 other decreases	11			
<b>D. Total closing adjustments</b>	<b>49,604</b>	<b>61,943</b>		
- of which: exposures assigned but not derecognised				

## A.2 Classification of exposures on the basis of external and internal ratings

### A.2.1 Banking group - Distribution of on-balance-sheet and off-balance-sheet credit exposures by external rating grades

(thousands of euros)

	External rating grades						Not rated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
<b>A. On-balance-sheet exposures</b>	4,922	2,317,517	221,809,532	6,926,296	1,758,823	26,049	47,409,117	280,252,256
<b>B. Derivatives</b>	1,678	10,870	3,989					16,537
B.1 Financial derivatives	1,678	10,870	3,989					16,537
B.2 Credit derivatives								
<b>C. Guarantees issued</b>			234,871				382,314	617,185
<b>D. Commitments to disburse funds</b>		169,248	9,546,862	16,199	80,299		3,771,122	13,583,730
<b>E. Other</b>								
<b>Total</b>	6,600	2,497,635	231,595,254	6,942,495	1,839,122	26,049	51,562,553	294,469,708

The following table maps the rating grades and the agency ratings used.

Rating grades	Moody's	ECAI Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

### A.3 Distribution of secured exposures by type of guarantee

#### A.3.1 Banking group - Secured credit exposures to banks

*(thousands of euros)*

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)	
						Credit derivatives				Guarantees					
		Land and buildings		Securities	Other assets	CLN	Other derivatives			Governments and central banks	Other government agencies	Banks	Other		
		Mortgages	Finance leasing				Governments and central banks	Other government agencies	Banks						Other
1. Secured on-balance-sheet credit exposures:															
1.1 fully secured - of which impaired	5,141,527				4,200,940						876,347			64,240	5,141,527
1.2 partially secured - of which impaired	205,245				201,336						431				201,767
2. Secured off-balance-sheet credit exposures:															
2.1 fully secured - of which impaired	281,640										19,218			262,422	281,640
2.2 partially secured - of which impaired															

### A.3.2 Banking group - Secured credit exposures to customers

(thousands of euros)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)	
						Credit derivatives				Guarantees					
		Land and buildings		Securities	Other assets	CLN	Other derivatives				Governments and central banks	Other government agencies	Banks		Other
		Mortgages	Finance leasing				Governments and central agencies	Other government banks	Banks	Other					
1. Secured on-balance-sheet credit exposures:															
1.1 fully secured	8,668,642	139,350		1,794,850	3,864,636					517,556	699,290	31,935	1,622,523	8,670,140	
- of which impaired	25,562	24,868								694				25,562	
1.2 partially secured	89,640,698	26,456		9,079	11,770,149					305,276	588	20,932	765,772	12,898,252	
- of which impaired	124,419				1,639					114,976				116,615	
2. Secured off-balance-sheet credit exposures:															
2.1 fully secured	3,834,853	1,135		22,100	39,785					727,816	39,070		3,004,947	3,834,853	
- of which impaired	21,905									21,905				21,905	
2.2 partially secured	13,286											2,748		2,748	
- of which impaired															

## B. Distribution and concentration of credit exposures

### B.1 Banking group - On-balance-sheet and off-balance-sheet credit exposures to customers by sector (carrying amount)

*(thousands of euros)*

	Governments			Other government agencies			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
<b>A. On-balance-sheet exposures</b>																		
A.1 Bad debts		x		2,803	(444)	x		(3,474)	x		x		9,222	(45,567)	x		(119)	x
A.2 Substandard loans		x		22	(33,462)	x			x		x		194,031	(28,481)	x			x
A.3 Restructured exposures		x				x			x		x				x			x
A.4 Past due exposures		x		5,445		x			x		x		29,812		x			x
A.5 Other	195,735,095	x		48,488,149	x		9,429,427	x		x			10,343,902	x	(6,717)	46,090	x	
<b>Total A</b>	<b>195,735,095</b>			<b>48,496,419</b>	<b>(33,906)</b>		<b>9,429,427</b>	<b>(3,474)</b>					<b>10,576,967</b>	<b>(74,048)</b>	<b>(6,717)</b>	<b>46,090</b>	<b>(119)</b>	
<b>B. Off-balance-sheet exposures</b>																		
B.1 Bad debts		x				x		(437)	x		x				x			x
B.2 Substandard loans		x				x			x		x		20,725		x			x
B.3 Other impaired assets		x		372		x			x		x		9,886		x			x
B.4 Other	3,469,569	x		2,708,305	x		13,116	x		x			7,523,025	x	(5,326)	5,122		
<b>Total B</b>	<b>3,469,569</b>			<b>2,708,677</b>			<b>13,116</b>	<b>(437)</b>					<b>7,553,636</b>		<b>(5,326)</b>	<b>5,122</b>	<b>x</b>	
<b>Total at 31/12/2013</b>	<b>199,204,664</b>			<b>51,205,096</b>	<b>(33,906)</b>		<b>9,442,543</b>	<b>(3,911)</b>					<b>18,130,603</b>	<b>(74,048)</b>	<b>(12,043)</b>	<b>51,212</b>	<b>(119)</b>	
<b>Total at 31/12/2012</b>	<b>201,335,536</b>			<b>53,712,262</b>	<b>(35,317)</b>		<b>2,614,294</b>	<b>(3,911)</b>	<b>(6)</b>				<b>15,850,253</b>	<b>(40,589)</b>	<b>(5,514)</b>	<b>34,321</b>		

## B.2 Banking group - On-balance-sheet and off-balance-sheet credit exposures to customers by geographical area (carrying amount)

(thousands of euros)

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts	12,025	(49,604)								
A.2 Substandard loans	194,053	(61,943)								
A.3 Restructured exposures										
A.4 Past due exposures	35,257									
A.5 Other	263,887,272	(6,717)	6,562		65,131		65,509		18,189	
<b>Total A</b>	<b>264,128,607</b>	<b>(118,264)</b>	<b>6,562</b>		<b>65,131</b>		<b>65,509</b>		<b>18,189</b>	
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts		(437)								
B.2 Substandard loans	20,725									
B.3 Other impaired assets	10,258									
B.4 Other	11,128,475	(5,326)			2,304,400		168,769		117,493	
<b>Total B</b>	<b>11,159,458</b>	<b>(5,763)</b>			<b>2,304,400</b>		<b>168,769</b>		<b>117,493</b>	
<b>Total (A+B) at 31/12/2013</b>	<b>275,288,065</b>	<b>(124,027)</b>	<b>6,562</b>		<b>2,369,531</b>		<b>234,278</b>		<b>135,682</b>	
<b>Total (A+B) at 31/12/2012</b>	<b>270,628,602</b>	<b>(85,337)</b>	<b>2,110,064</b>		<b>808,000</b>					



### B.3 Banking group - On-balance-sheet and off-balance-sheet credit exposures to banks by geographical area (carrying amount)

*(thousands of euros)*

	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured exposures										
A.4 Past due exposures										
A.5 Other	13,638,910	(25,340)	1,417,365							
<b>Total A</b>	<b>13,638,910</b>	<b>(25,340)</b>	<b>1,417,365</b>							
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	193,062	(135)	274,270							
<b>Total B</b>	<b>193,062</b>	<b>(135)</b>	<b>274,270</b>							
<b>Total (A+B) at 31/12/2013</b>	<b>13,831,972</b>	<b>(25,475)</b>	<b>1,691,635</b>							
<b>Total (A+B) at 31/12/2012</b>	<b>12,012,685</b>	<b>(16,158)</b>	<b>2,857,450</b>				<b>276,255</b>			

## C. Securitisations and asset disposals

### C.1 Securitisations

#### QUALITATIVE DISCLOSURES

At the end of 2002, CDP, then a Public Entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1. special corporations or consortiums operated by local authorities, consortiums of local authorities, and public or private limited companies operating public services (portfolio extinguished);
2. departments of the state, the regions, the autonomous provinces or local authorities (portfolio extinguished);
3. A2A S.p.A. (portfolio extinguished);
4. Acea Distribuzione S.p.A. (portfolio extinguished);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

As regards the loan portfolio made up of loans to public service operators, given that the securities issued by CPG in relation to the aforementioned portfolio were totally extinguished, the related receivables, for an amount of approximately €118 million, were transferred to the parent company, effective 1 May 2013, in compliance with the obligations provided by the assignment contract.

As a result, at 31 December 2013, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

The loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

## QUANTITATIVE DISCLOSURES

### C.1.4 Banking group - Exposures in respect of securitisations by portfolio and type

(Thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2013	31/12/2012
<b>1. On-balance-sheet exposures</b>							<b>7,083</b>
- senior							7,083
- mezzanine							
- junior							
<b>2. Off-balance-sheet exposures</b>							
- senior							
- mezzanine							
- junior							

### C.1.7 Banking group - Servicer activities - Collections on securitised assets and redemption of securities issued by vehicle

(Thousands of euros)

Servicer	Vehicle	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
CDP S.p.A.	CPG - Società di cartolarizzazione a r.l.		248,592		46,590						

## C.2 Asset disposals

### A. Financial assets assigned but not derecognised

## QUALITATIVE DISCLOSURES

Financial assets assigned but not derecognised regard government securities classified as "Financial assets available for sale" and "Financial assets held to maturity" involved in repurchase agreements used for funding with banks.

## QUANTITATIVE DISCLOSURES

### C.2.1 Banking group - Financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)

	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2013	31/12/2012
<b>A. On-balance-sheet assets</b>							195,918			248,026									443,944	1,267,827
1. Debt securities							195,918			248,026									443,944	1,267,827
2. Equity securities										x	x	x	x	x	x	x	x	x		
3. Units in collective investment undertakings								x		x	x	x	x	x	x	x	x			
4. Loans																				
<b>B. Derivatives</b>				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
<b>Total 31/12/2013</b>							195,918			248,026									443,944	x
- of which impaired																				
<b>Total 31/12/2012</b>							303,445			964,382									x	1,267,827
- of which impaired																			x	

**Key:**

A = Assigned financial assets fully recognised (carrying amount)

B = Assigned financial assets partially recognised (carrying amount)

C = Assigned financial assets partially recognised (total value)

### C.2.2 Banking group - Financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

*(thousands of euros)*

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>							
a) in respect of assets fully recognised							
b) in respect of assets partially recognised							
<b>2. Due to banks</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>
a) in respect of assets fully recognised			195,508	247,718			443,226
b) in respect of assets partially recognised							
<b>3. Securities issued</b>							
a) in respect of assets fully recognised							
b) in respect of assets partially recognised							
<b>Total 31/12/2013</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>
<b>Total 31/12/2012</b>			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>

### C.2.3 Banking group - Disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros)

	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2013	31/12/2012
<b>A. On-balance-sheet assets</b>					195,918		248,437						444,355	1,290,124
1. Debt securities					195,918		248,437						444,355	1,290,124
2. Equity securities							x	x	x	x	x	x		
3. Units in collective investment undertakings							x	x	x	x	x	x		
4. Loans														
<b>B. Derivatives</b>			x	x	x	x	x	x	x	x	x	x		
<b>Total assets</b>					195,918		248,437						444,355	1,290,124
<b>C. Associated liabilities</b>													x	x
1. Due to customers													x	x
2. Due to banks					195,508		247,718						x	x
3. Securities issued														
<b>Total liabilities</b>					195,508		247,718						443,226	1,268,069
<b>Net value 31/12/2013</b>					410		719						1,129	x
<b>Net value 31/12/2012</b>					7,596		14,459						x	22,055

#### Key

A = Assigned financial assets fully recognised

B = Assigned financial assets partially recognised

## **B. Financial assets assigned and derecognised with recognition of continuing involvement**

### **QUALITATIVE DISCLOSURES**

CDP does not have any transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

### **C.3 Banking group - Covered bond transactions**

To fund its lending activities under the Separate Account, in 2004 the parent company launched a programme for the issue of up to €20 billion in covered bonds secured by assets consisting of CDP loans to or guaranteed by Italian regional and local governments. The operation was conducted on the basis of Article 5.18 of Decree Law 269/2003, pursuant to which CDP “may pledge its assets and legal relationships to satisfy the rights of the holders of securities it issues”.

Since the start of the programme, four public issues have been carried out with a total overall value of €8 billion (at 31 December 2012 €3 billion were still outstanding) as well as a privately-placed yen-denominated issue equal to about €64 million (redeemed in full in 2012).

Since 2007, issues under the programme were suspended as there appeared to be no market opportunities that would counsel additional issues of covered bonds.

In October 2011, in accordance with the procedures provided for in the contracts governing the covered bond programme, the downgrade of the parent company’s rating triggered the obligation to exchange the collateral for liquidity to be held in a Segregation Collection Account at a contractually eligible bank (AAA rating), with the option of investing this liquidity in “eligible” securities (AAA rating).

In the same month, the Board of Directors approved the termination of the covered bond programme and in November 2011 the desegregation of the portfolio of loans in the segregated pool designated to secure the covered bond programme was completed.

With the redemption at maturity on 31 January 2013 of Issue (Series no. 2) of 20 October 2005, nominal amount of €3 billion, whose residual balance following acceptances of the repurchase offer was equal to €2.6 billion, all covered bond issues were fully extinguished.

## 1.2 Banking group - Market risks

### 1.2.1 Interest rate and price risk - Supervisory trading book

#### QUALITATIVE DISCLOSURES

##### A. General aspects

CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

### 1.2.2 Interest rate and price risk - Banking book

#### QUALITATIVE DISCLOSURES

##### A. General aspects, management and measurement of interest rate risk and price risk

As part of its activities, the banking group is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. The parent company also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.

These risks can affect the profits and economic value of CDP.

The parent company faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities predating its transformation into a joint-stock company and to the structure of assets and liabilities: a considerable portion of CDP's balance sheet consists of funding through ordinary fixed-rate bonds with an early redemption option, while the stock of loans is mainly fixed rate. Other types of postal bonds also include an early redemption option whose value is significantly affected by interest rates and inflation.

CDP's basic approach to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major



shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), calculated using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, VaR is measured both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry) in a single value;
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

The Banking Group's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

The parent company also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

The ALM approach seeks to minimise the volume of hedging derivatives by exploiting “operational hedges” between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance unit.

The measurement and the monitoring of interest rate risk are performed by the RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

Price (or equity) risk regards the possibility that the net economic value, profitability or the book equity could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments. For these purposes, investments in units of investment funds, including real estate funds, are treated like shares by CDP. The real estate risk connected to the management by CDP Investimenti SGR S.p.A. of the funds Fondo Investimenti per l'Abitare (FIA) and Fondo Investimenti per la Valorizzazione is also monitored.

In line with the net economic value approach, equity risk is quantified in terms of VaR with a one-year time horizon. VaR provides a proxy of the risk that liquid, listed securities – including those not recognised at fair value – will not recover any impairment losses over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in the parent company's funding operations, namely the issue of indexed postal bonds and "Premia" bonds, whose yield is linked to developments in the Dow Jones Euro Stoxx 50 Index. The RMA monitors the net exposure to such risk.

## **B. Fair value hedges**

The strategies underlying fair value hedging are aimed at reducing interest rate and inflation risk metrics and differ in part for the two Accounts.

The Ordinary Account is normally hedged against interest rate risk at the origination stage.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in euro and other currencies, carried out using IRSs and Cross Currency Swaps (CCS) indexed to 6-month Euribor plus a spread.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans.

The hedges are classified as micro fair value hedges. In 2013, a fair value hedge of a fixed-rate issue in yen was terminated; the corresponding CCS is currently set up as an operational hedge of the foreign exchange and interest rate risks associated with the note.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As a result of the sensitivity profile for these options, CDP's overall exposure to interest rate risk under the Separate Account undergoes significant fluctuations in relation to the level of interest rates. When the exposure reaches levels deemed excessive, it is necessary

to activate the mechanisms available, such as entering into new derivative contracts, early termination of existing derivatives, and the purchase of fixed-rate government securities.

In respect of financial liabilities, fair value hedges are currently in place for the bonds issued under the EMTN Programme that was launched in 2013 under the Separate Account, through IRSs indexed to 6-month Euribor plus a spread.

As regard financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, the parent company had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features. The programme was implemented using plain vanilla amortising IRSs in which CDP pays a fixed rate and receives 6-month Euribor plus a spread.

Subsequently, CDP also continued to hedge part of its new fixed-rate loans, using one-to-one hedges.

Part of the hedges on fixed-rate assets were terminated early in 2010, following the renegotiation of fixed-rate loans. A number of other hedges on fixed-rate assets were also early terminated in subsequent years to contain the total exposure to the yield curve.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index ("Indexed linked at maturity" and "Premia" no longer in issue and the new "Europe" series) is systematically immunised through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and optimising the strategy for bonds with options that are similar in terms of type, maturity and strike price.

These transactions are not subject to hedge accounting: the embedded options sold and the options purchased are both recognised at fair value and qualify as operational hedges.

The notional of the options purchased for each issue is calculated using estimates on the basis of the proprietary model of customer redemption behaviour.

During 2013, in order to minimise exposure arising from hedge discrepancies resulting from redemptions differing from estimates, the parent company put in place a programme to unwind the options it had purchased to hedge the embedded options of the "Indexed linked at maturity" and "Premia" bonds. In line with this strategy, it only hedged the new issues for the optional amounts not present in the portfolio on the basis of combined strike/maturity.

## C. Cash flow hedges

During 2010 the parent company launched a hedging programme for postal bonds indexed to the consumer price index for blue-collar and office worker households (FOI), a leading source of exposure to infla-

tion that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, estimating the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the transactions in this category, the parent company retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships.

As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps through which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed-rate securities in euros.

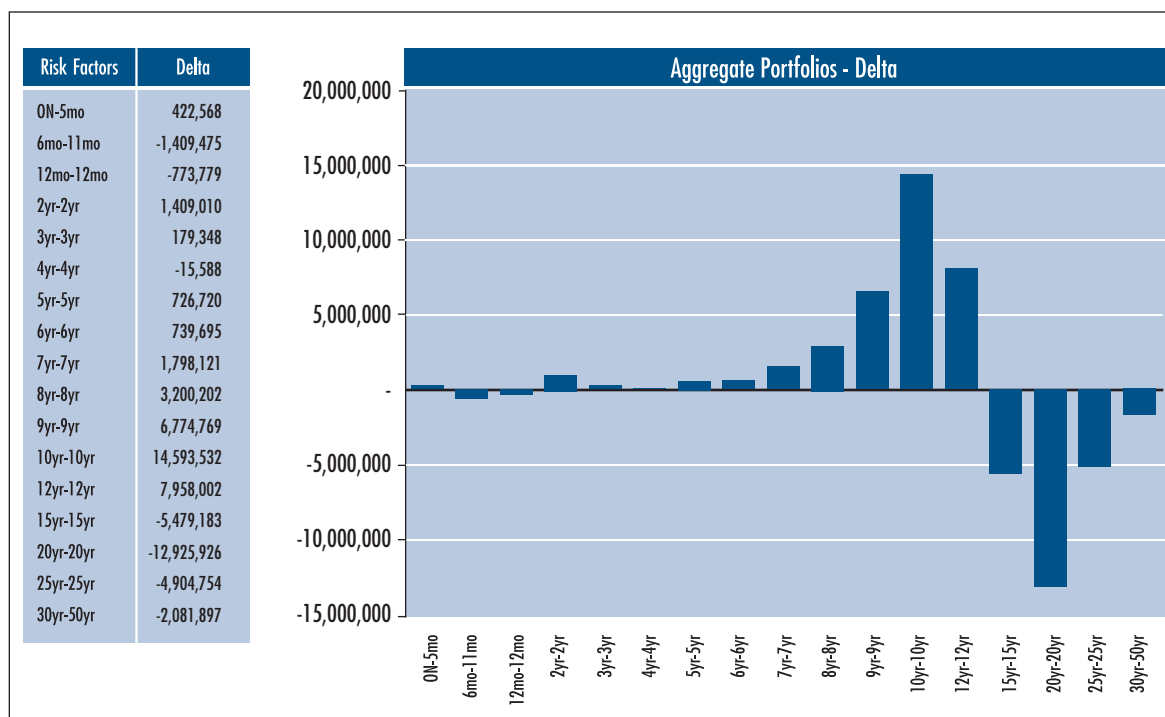
## QUANTITATIVE DISCLOSURES

### 1. Banking book: distribution of financial assets and liabilities by residual maturity (repricing date)

The following figure shows an analysis of interest rate risk sensitivity developed on the basis of internal models.

#### Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2013



### 1.2.3 Exchange rate risk

#### QUALITATIVE DISCLOSURES

##### A. General aspects, management and measurement of exchange rate risk

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the net income or economic value of CDP.

Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies and possibly the granting of loans denominated in currencies other than the euro under the “Export Banca” system.

##### B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (currently two issues under the EMTN Programme) was hedged with cross currency swaps, which transform CDP’s cash flows into those equivalent to an issue in euros. The exchange rate risk associated with the purchase of bonds denominated in foreign currencies (currently two securities in yen issued by the Republic of Italy) is hedged with cross currency swaps that transform CDP’s cash flows into the equivalent of fixed-rate securities in euros.

## QUANTITATIVE DISCLOSURES

### 1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
<b>A. Financial assets</b>			<b>414,898</b>			
A.1 Debt securities			414,898			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
<b>B. Other assets</b>						
<b>C. Financial liabilities</b>	<b>273,100</b>		<b>90,212</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	273,100		90,212			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives</b>						
- Options						
+ long positions	273,100		90,212			
+ short positions			414,898			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>	<b>273,100</b>		<b>505,110</b>			
<b>Total liabilities</b>	<b>273,100</b>		<b>505,110</b>			
<b>Difference (+/-)</b>						

## 1.2.4 Derivatives

### A. Financial derivatives

#### A 2. Banking book: end-period and average notional values

##### A.2.1 Hedging

*(thousands of euros)*

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	13,428,212		15,653,890	
a) Options				
b) Swaps	13,428,212		15,653,890	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	1,027,598		927,906	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	1,027,598		927,906	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>14,455,810</b>		<b>16,581,796</b>	
<b>Average values</b>	<b>15,518,803</b>		<b>18,211,300</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,785,727		1,785,727	
a) Options				
b) Swaps	1,705,727		1,705,727	
c) Forwards				
d) Futures				
e) Other	80,000		80,000	
2. Equity securities and equity indices	42,270,657		69,203,695	
a) Options	42,270,657		69,203,695	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	89,829			
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	89,829			
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>44,146,213</b>		<b>70,989,422</b>	
<b>Average values</b>	<b>57,567,818</b>		<b>81,942,898</b>	



### A.3 Financial derivatives: gross positive fair value - breakdown by product

*(thousands of euros)*

	Positive fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	325,064		371,593	
a) Options				
b) Interest rate swaps	126,651		273,212	
c) Cross currency swaps	198,413		98,381	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	472,679		640,481	
a) Options	424,074		575,767	
b) Interest rate swaps	46,107		60,320	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	2,498		4,394	
<b>Total</b>	<b>797,743</b>		<b>1,012,074</b>	

#### A.4 Financial derivatives: gross negative fair value - breakdown by product

(thousands of euros)

	Negative fair value			
	31/12/2013		31/12/2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	1,449,144		2,575,863	
a) Options				
b) Interest rate swaps	1,449,144		2,575,863	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	444,815		477,088	
a) Options	387,545		417,451	
b) Interest rate swaps	42,677		55,243	
c) Cross currency swaps	12,095			
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	2,498		4,394	
<b>Total</b>	<b>1,893,959</b>		<b>3,052,951</b>	

## A.7 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts not covered by netting arrangements

*(thousands of euros)*

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Debt securities and interest rates</b>							
- notional value							40,000
- positive fair value							2,498
- negative fair value							
- future exposure							
<b>2. Equity securities and equity indices</b>							
- notional value							18,912,057
- positive fair value							
- negative fair value							385,050
- future exposure							
<b>3. Foreign currencies and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4. Other</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

## A.8 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Debt securities and interest rates</b>							
- notional value			15,143,526	30,413			
- positive fair value			172,758				
- negative fair value			1,490,741	3,578			
<b>2. Equity securities and equity indices</b>							
- notional value			23,358,600				
- positive fair value			424,074				
- negative fair value			2,495				
<b>3. Foreign currencies and gold</b>							
- notional value			1,117,426				
- positive fair value			198,413				
- negative fair value			12,095				
<b>4. Other</b>							
- notional value							
- positive fair value							
- negative fair value							

## A.9 Residual life of over-the-counter financial derivatives: notional values

(thousands of euros)

	To 1 year	More than 1 year to 5 years	More than 5 years	Total
<b>A. Supervisory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
<b>B. Banking book</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</b>
B.1 Financial derivatives on debt securities and interest rates	1,909,309	3,727,271	9,577,359	15,213,939
B.2 Financial derivatives on equity securities and equity indices	16,556,636	25,682,253	31,768	42,270,657
B.3 Financial derivatives on exchange rates and gold	362,833		754,594	1,117,427
B.4 Financial derivatives on other assets				
<b>Total 31/12/2013</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</b>
<b>Total 31/12/2012</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	<b>87,571,218</b>

## C. Financial and credit derivatives

### C.1 Over-the-counter financial and credit derivatives: net fair value and future exposure by counterparty

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Bilateral financial derivatives agreements</b>							
- positive fair value			511,596				
- negative fair value			1,221,682	3,578			
- future exposure			387,508	1,092			
- net counterparty risk			339,845	261			
<b>2. Bilateral credit derivatives agreements</b>							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
<b>3. Cross product agreements</b>							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

## 1.3 Banking group - Liquidity risk

### QUALITATIVE DISCLOSURES

#### General aspects, management and measurement of liquidity risk

The exposure to liquidity risk in the form of asset liquidity risk is limited as the Company does not engage in trading.

For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, the parent company benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RMA, together with a number of aggregates that represent CDP's capacity to cope with potential crisis situations. In addition to the measures already in place at the end of the first half of 2013, CDP adopted a new Contingency Funding Plan (CFP), reviewing the approval/implementation process laid down in the previous document. The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, the parent company raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by the RMA.

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts. In the second half of 2013, the parent company implemented funding through the EMTN also for the Separate Account.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

## QUANTITATIVE DISCLOSURES

### 1. Distribution of financial assets and liabilities by residual maturity - currency: euro

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>140,544,022</b>	<b>4,250</b>	<b>7,682</b>	<b>717,391</b>	<b>318,930</b>	<b>4,097,736</b>	<b>7,088,642</b>	<b>33,273,974</b>	<b>82,696,568</b>	<b>1,212,518</b>
A.1 Government securities		4,250	2,250	641,305	297,873	252,309	2,092,020	8,092,550	11,877,500	
A.2 Other debt securities	180,596		5,432	2,672		17,874	79,682	172,523	1,226,641	
A.3 Units in collective investment undertakings	911,983									
A.4 Loans	139,451,443			73,414	21,057	3,827,553	4,916,940	25,008,901	69,592,427	1,212,518
- banks	1,765,432			40,000		1,155,068	1,191,652	5,809,410	3,896,719	1,212,518
- customers	137,686,011	8,263,855		33,414	21,057	2,672,485	3,725,288	19,199,491	65,695,708	
<b>On-balance-sheet liabilities</b>	<b>234,229,765</b>	<b>8,790,000</b>	<b>1,502,733</b>	<b>1,531,547</b>	<b>104,335</b>	<b>6,709,537</b>	<b>578,470</b>	<b>22,672,772</b>	<b>10,309,391</b>	
B.1 Deposits and current accounts	234,180,527	8,790,000	1,500,000	810,013	58,843	6,608,852	125,823	2,338,272	2,975,824	
- banks	957,687			800	20,000		2,207	128,370	392,849	
- customers	233,222,840	8,790,000	1,500,000	809,213	38,843	6,608,852	123,616	2,209,902	2,582,975	
B.2 Debt securities	296		2,733	526,032	25,223	35,457	133,973	1,874,500	4,048,000	
B.3 Other liabilities	48,942			195,502	20,269	65,228	318,674	18,460,000	3,285,567	
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions									538,624	
- short positions						250,000		102,001		
C.2 Financial derivatives without exchange of principal										
- long positions	466,515			7,014	40,888	352,524	425,403			
- short positions	45,172		88		7,070	145,092	137,059			
C.3 Deposits and loans to receive			4,000,000							
- long positions										
- short positions		4,000,000								
C.4 Irrevocable commitments to disburse funds										
- long positions										13,558,306
- short positions	13,558,306									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## 1. Distribution of financial assets and liabilities by residual maturity - currency: other

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>			42,167		38,732	80,575	162,086		414,594	
A.1 Government securities			42,167		38,732	80,575	162,086		414,594	
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			418		582	577	274,577	89,829		
B.1 Deposits and current accounts										
- banks										
- customers										
B.2 Debt securities			418		582	577	274,577	89,829		
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions						273,004		89,829		
- short positions									414,594	
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										



## 2. Disclosure of committed assets shown on the balance sheet

*(thousands of euros)*

	CA	Committed FV	CA	Not committed FV	Total 31/12/2013
1. Cash and cash equivalents		x	4	x	4
2. Debt securities	14,376,577	15,147,872	10,275,593	11,030,874	24,652,170
3. Equity securities			11,761	11,761	11,761
4. Loans	38,668,031	x	214,806,972	x	253,475,003
5. Other financial assets		x	35,098,555	x	35,098,555
6. Other non-financial assets		x	1,460,949	x	1,460,949
<b>Total 31/12/2013</b>	<b>53,044,608</b>	<b>15,147,872</b>	<b>261,653,834</b>	<b>11,042,635</b>	<b>314,698,442</b>

### Key

CA = carrying amount

FV = fair value

The assets given as collateral to the ECB for refinancing transactions included debt securities with a nominal value of €13,746 million and loans for an outstanding principal amount of about €33,629 million.

## 3. Disclosure of owned committed assets not shown on the balance sheet

*(thousands of euros)*

	Committed	Not committed	Total 31/12/2013
1. Financial assets	10,315,517		10,315,517
- Securities	10,315,517		10,315,517
- Other			
2. Non-financial assets			
<b>Total 31/12/2013</b>	<b>10,315,517</b>		<b>10,315,517</b>

## 1.4 Banking group - Operational risks

### QUALITATIVE DISCLOSURES

#### General aspects, management and measurement of operational risks

##### *System for managing operational risks*

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in circular 263 of 27 December 2006 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

Legal risk is the risk of losses resulting from violations of laws or regulations or self-governance rules (e.g. by-laws, codes of conduct, corporate governance rules), from liability in contract or tort or other disputes.

Taking best banking practices as a reference, in particular the supervisory regulations applicable to banks, CDP has initiated the formalisation and implementation of a methodological and organisational framework in terms of structures, processes, strategies and policies for managing operational risk related to the products/processes of companies in the Banking Group. The goal is to be able to set up an effective system for managing and monitoring operational risks, laying the foundation for mitigation measures and for a more accurate quantification of the associated economic capital, now estimated using the Basic Indicator Approach.

The operational risk management system is a structured set of processes, functions and resources, which begins with the identification of the risk and continues with measurement, monitoring, reporting and control/mitigation actions.

The methodology involves the supplementation of information on operational losses classified according to specified loss event types (i.e. a model of loss events), loss effect types (i.e. a model of types of losses) and risk factors (i.e. a model for the classification of risk factors).

This information comprises:

- internal data on operational losses (loss data collection);
- data on contingent losses (assessment of level of exposure to operational risks);
- factors representing the business environment and internal control systems;
- system loss data (external data).

### ***Loss data collection***

The framework for loss data collection adopted uses the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) with respect to the Italian Operational Loss Database (DIPO).

The primary loss data collection actions performed were:

- finding information sources and identifying a contact person for the operational risks regarding that source (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- determining the roles and responsibilities of the actors involved and the procedures for collecting and validating survey data;
- collecting significant data and related supporting documentation;
- surveying the data collected in the operational loss database.

Specific criteria were established for date of occurrence and amount thresholds for inclusion of loss events.

CDP has developed a proprietary IT application (LDC) for the collection of internal data relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (near-miss events).

### ***Assessment of level of exposure to operational risks***

CDP has also developed a qualitative methodology for assessing the company's exposure to operational risks. The objective is to use subjective assessments provided by internal resources (process owners and experts) to create a set of information that can be used to identify and assess those risks and obtain operational guidance for any appropriate mitigation actions.

The aim is to build a qualitative model to assess operational risks, based on past loss experience and prospective risk analysis.

The methodology adopted makes it possible to estimate:

- the absolute exposure to each risk identified in processes (inherent risk), i.e. the risk that would exist if the Company had no internal controls;
- the residual exposure to each risk identified in processes (residual risk), i.e. the risk remaining following the implementation of controls;
- the effectiveness of controls in place.

The preparatory work for the assessment of the level of exposure to operational risks consists in mapping adverse events (risk mapping) that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The risk mapping of processes, carried out by process owners and experts, is consequence of the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and assessing the advisability of taking targeted monitoring, control, prevention and mitigation actions.

The risk mapping process is based on two dimensions:

- corporate processes (broken down by individual activity), that serve as guides in identifying adverse events that could generate material financial losses;
- the loss event type.

The intersection of the two dimensions forms the basis for constructing, in collaboration with the units involved, a “risk-process” matrix, which identifies the potential risks to be assessed.

The risk mapping process is made up of the following three sub-processes:

- identification of the potential types of operational risk events on the basis of the event types proposed by the Basel Committee;
- classification of the risk factors, the loss event types and the loss effect types in accordance with the models in the methodological framework;
- maintenance of the risk maps, with continuous updating in order to capture any changes in the company's operational context.

As regards the adverse events to be mapped, in order to encourage the development of integrated risk management, the risk map focuses special attention on compliance risk, on the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to Article 11 of Law 300 of 29 September 2000, published in Official Gazette 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and who act in its interest), on the risk governed by Legislative Decree 231 of 21 November 2007 (Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as well as Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC), on the risk governed by Law 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette 301 of 28 December 2005), on the risk of disruption or malfunction of IT systems and on outsourcing risk.

Following the identification of operational risks that could potentially produce unexpected losses for the Company, the assessment of the Company's exposure to such risks is carried out through interviews with process owners and experts in order to gain an understanding of their activities and the configuration of the internal environment.

The main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk unit:
  - recommends the methodologies and procedures for identifying risks;
  - controls and ensures correct application of the methodologies and procedures;
  - provides methodological and technical support for identifying risks;
  - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2. the process owners and experts:
  - identify and assess the main risks in the processes for which they are responsible;
  - regulatory monitor the evolution of those risks and the emergence of new risks;
3. the Compliance unit:
  - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
  - proposes actions to mitigate risks identified;
4. Anti-Money Laundering unit:
  - identifies money laundering risk factors in line with the methodological framework for the assessment of exposure to operational risks;
  - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
  - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
5. Financial Reporting Manager:
  - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law 262 of 28 December 2005);
  - supports the owners in identifying control measures;
6. the Internal Auditing area:
  - as part of its third-level controls, assesses the methodological framework of the risk mapping process, carrying out controls of the correct application of that framework;
  - recommends the mapping of all risks that – while not identified by owners and experts – have been identified in corporate processes during audit activities;
  - assesses the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001.

The assessment of the exposure to operational risks enables the supplementation of historical loss data collection with subjective estimates whenever loss data – for specific processes – are not reliable and/or sufficiently abundant to be able to support the decision-making of top management concerning specific activities within the Company's core business.

At the end of the assessment process, interventions are prioritised on the basis of the problem areas that have emerged and the “qualitative” rating assigned to each risk identified:

- “low” residual risk: the risks that come under this category generally require monitoring to verify that their level is within the acceptability limit;
- “medium” residual risk: the risks that come under this category generally require action to improve the internal control system in the medium to long term and continuous monitoring to verify that their level is within the acceptability limit;
- “high” residual risk: the risks that fall in this category generally require action to improve the internal control system in the short to medium term and frequent monitoring in order to verify that their assessed level is within the acceptability threshold;
- “very high” residual risk: the risks that come under this category require immediate mitigation action.

Once estimated, the residual risk for each activity is monitored by the Operational Risk unit with the co-operation of the organisational units involved. More specifically, in order to monitor the exposure to the most significant operational risks, the Operational Risk unit only considers activities for which residual risk has been rated “very high”, “high” or “medium” and, if necessary and in cooperation with the organisational units involved, develops mitigation recommendations to restructure or supplement existing procedures and controls.

A report is prepared for each procedure consisting of:

- a summary document presenting selected summary data;
- a detailed document, which reports all of the results of the analysis (the risks identified and the associated assessment of inherent risk, controls and residual risk) for each phase/activity in the process;
- a controls chart, which summarises all controls, both those incorporated in procedures and those that form part of operational practices;
- a document including proposed mitigation actions for “very high”, “high” and “medium” residual risks.

## Section 2 - The risks of insurance undertakings

### 2.1 Insurance risks

The total exposure of SACE S.p.A., calculated as the sum of credit and guarantees issued (principal and interest), amounted to €35.3 billion, up 7.1% compared with the end of 2012. The growth trend that last year had sharply slowed down thus resumed, mainly due to the guarantee portfolio, which accounts for 97.7% of the overall exposure. The loan portfolio grew by 9.7% due to the sovereign component (+10.1%), while the corporate component posted a decrease of 11.1%. The total exposure in the portfolio of SACE BT decreased by 5.9% to €36.2 billion.

(millions of euros)

Portafolio	2013	2012	Change
<b>SACE</b>	<b>35,291.8</b>	<b>32,937.3</b>	<b>7.1%</b>
Outstanding guarantees	34,475.8	32,193.2	7.1%
- principal	29,336.4	27,531.7	6.6%
- interest	5,139.4	4,661.4	10.3%
Loans	816.1	744.1	9.7%
<b>SACE BT</b>	<b>36,170.1</b>	<b>38,454.6</b>	<b>-5.9%</b>
Short-term credit	10,039.0	13,207.8	-24.0%
Surety Italy	6,990.1	7,255.6	-3.7%
Other property damage	19,141.0	17,991.1	6.4%

The breakdown by geo-economic area shows an increase in the exposure to EU countries (39.7%, compared with 37.2% in 2012); the increase was especially marked in Italy, which with a share of 30% continued to rank first in terms of concentration. Exposure to the Americas also increased (14.2% compared to 11.9% in 2012) and to African Sub-Saharan countries (from 1.3% to 2%). The exposure to other European countries and the CIS fell (from 25.2% to 21.9%), as did that to East Asia and Oceania (from 10.3% to 9.2%) and the Middle East and North Africa (from 14.1% to 13%).

The proportion of credit in US dollars diminished compared with 2011, falling from 55% to 48%, while 38% of the SACE S.p.A.'s guarantee portfolio is denominated in that currency. The exchange rate risk in respect of the receivables portfolio and the guarantee portfolio is mitigated in part by the operational hedge provided by the unearned premium provision and in part through asset-liability management techniques implemented by the Company.

The breakdown by sector continues to present a high level of concentration, with the top five sectors representing 66.2% of the overall private-sector portfolio. Oil&Gas continues to be the main sector, accounting for 23% (down from 26% in 2012). Exposure to the cruise ship sector and the banking sector increased from 8.4% to 10.6% and from 8.3% to 9.9% respectively.

## **SACE BT**

### ***Credit insurance business***

The policies in place under the credit insurance business line were 116,359 at 31 December 2013 (-32.0% compared to 2012), for a corresponding value of €11.7 billion. Risk exposure at the same date, which is defined taking into account deferral in payment terms, contract extensions and deductibles, was spread on 123,029 debtors (-30.4% compared to 2012) for a total of €10.0 billion, down 24.0% from the previous year. The average amount insured per debtor stood at €98 thousand. The portfolio is primarily concentrated in EU countries (89.2%), with Italy accounting for 68.6%. The remaining exposure includes the Americas (3.8%), East Asia and Oceania (3.6%), other European countries and the CIS (3.6%), and Middle East and Africa (2.2%).

Wholesale Trade, Agriculture and Retail Trade are the top three industries for this line of business, accounting for 22.8%, 10.6% and 9.7% of total exposure respectively.

### ***Surety business***

The exposure of the surety business, namely the amount insured, amounted to €7.0 billion, slightly down (-3.7%) on 2012. Guarantees in tenders represent 64.9% of the exposure, followed by guarantees for tax payments and reimbursements (31.4%).

The portfolio, consisting of more than 33 thousand contracts, is concentrated in the north of Italy (67.0%) and the centre (23.9%).

### ***Construction/Other property damage business***

Nominal exposure of the Construction business is equal to €19 billion. Actual exposure – calculated net of deductibles, percentage deductibles and indemnity limits – was €14.5 billion, slightly up from the previous year (+5.7%). The number of policies outstanding came to 5,892, in line with 2012. Ten-year Liability policies accounted for 53.6% of the portfolio, while contracts for Construction All Risk and Erection All Risk coverage represent the remaining 46.4%.

## **2.2 Financial risks**

Financial management consists of implementing an asset-liability management (ALM) strategy to ensure effective overall risk management. This activity confirmed that values were in line with the limits defined for each Group company and each type of investment.



These limits are fixed to ensure prudent and effective asset management, aimed at controlling portfolio risks and maintaining these within previously defined limits. Value-at-Risk models are used to quantify capital requirements.

(millions of euros)

Asset class	HTM	HFT	Total	%
Bonds	1,705.1	2,078.5	3,783.6	57.7%
Collective investment undertakings		717.9	717.9	10.9%
Shares		69.3	69.3	1.1%
Money market		1,986.5	1,986.5	30.3%
<b>Total</b>	<b>1,705.1</b>	<b>4,852.2</b>	<b>6,557.3</b>	<b>100.0%</b>

Of the total portfolio, 57.7% is accounted for by bonds and other debt securities, 10.9% by stakes in collective investment undertakings mainly invested in bonds or shares, 1.1% by shares and the remaining 30.3% by monetary instruments.

With regard to the credit risk of its securities portfolio, the SACE Group pursues a prudent investment policy, setting limits on the types of financial instruments that can be used, on concentration by class and on the creditworthiness of the issuer.

Rating grades	%
AAA	1.5%
AA+	1.0%
AA	0.3%
AA-	0.3%
A+	0.4%
A	0.6%
A-	1.1%
BBB+	36.3%
BBB	51.5%
Other	7.0%

### *Sensitivity analysis*

During the year, a sensitivity analysis is conducted on the Group's investment portfolio, specifically for bonds, shares and stakes in collective investment undertakings.

The sensitivity analysis of the securities portfolio was enhanced with new stress tests and new analysis scenarios calibrated on the basis of recent economic and financial developments. Stress tests were performed for simulated scenarios of rising and falling yield curves and equity prices. In addition, tests were also performed for scenarios with rising oil prices and an appreciation of the euro against the US dollar, with propagation and correlation effects. The results confirmed the strength of the portfolio even in situations of considerable strain in financial markets and in the main commodities.

Stress test	Impact on trading portfolio (millions of euros)	Description of stress test
All Rates +100bp	85.3	Explicit Factor Shocks
All Rates -100bp	-82.9	Explicit Factor Shocks
Equities up 10%	-20.3	Global/US/Europe/Asia & Japan market factors up 10%
Equities down 10%	20.3	Global/US/Europe/Asia & Japan market factors down 10%
Oil Up 20%	-26.3	Explicit Factor Shocks
EUR up 10% vs. USD (with propagation)	-155.8	Euro up 10% against USD, with propagation to other currencies and correlation effect on equity factors

Scenario analyses also produced excellent results, confirming the soundness of adopting a highly prudent investment policy in an environment of dramatic shocks for financial markets.

Scenario analysis	Impact on trading portfolio (millions of euros)	Scenario description
Lehman Default - 2008	43.5	Historical yields immediately following failure of Lehman Brothers in 2008.
Greece Financial Crisis - 2010	100	Greece was one of the fastest growth euro-area economies between 2000 and 2007. The cost of financing that growth, however, generated alarming budget deficits, which were especially high in relation to GDP. On 27 April 2010 the rating on Greek debt was lowered from BBB+ to BB+.
Oil Prices Drop - May 2010	56.1	Oil prices fall by 20% on concerns over cuts in government budgets as a result of the economic crisis in Europe.
Russian Financial Crisis - 2008	-86.3	The war with Georgia and the rapid decline in oil prices raise fears of a recession.
Debt Ceiling Crisis & Downgrade - 2011	-38.3	The debt ceiling crisis in the United States and the consequent downgrade by S&P. The scenario reflects market variable for 17 days: from 22 July 2011 to 8 August 2011, the day the market began to react to the debt ceiling standoff.
VIX up scenario	-34.6	Historical scenario of the VIX between 5 July and 30 September 2011: from the minimum of 16.06 (5 July) to the peak of 42.96 (30 September).

As regards the non-current portfolio, the sensitivity analysis performed with the calculation of the basis point value generated a very low value (€0.65 million), substantially in line with that posted in 2012 (€0.60 million), confirming the wisdom of the prudent approach adopted for this portfolio as well.

## Section 3 - The risks of other entities

### ***Terna Group***

As a normal part of operations, the Terna Group is exposed to a variety of financial risks: market risk (exchange rate risk, interest rate risk and inflation risk), liquidity risk, and credit risk.

This section provides information regarding the Terna Group's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to measure them.

The Group's risk management policies seek to identify and analyse the risks the companies are exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the Group companies.

The exposure of the Terna Group to the aforementioned risks is substantially represented by the exposure of the parent. As part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them.

*(millions of euros)*

	2013				2012			
	Loans	Loans at fair value	Hedging derivatives	Total	Loans	Loans at fair value	Hedging derivatives	Total
<b>Assets</b>			545.5	545.5			754.9	754.9
Financial derivatives								
Cash, short-term deposits and intercompany loans	1,617.1			1,617.1	2,510.1			2,510.1
<b>Total</b>	<b>1,617.1</b>		<b>545.5</b>	<b>1,617.1</b>	<b>2,510.1</b>		<b>754.9</b>	<b>3,265.0</b>

(millions of euros)

	2013				2012			
	Payables	Loans at fair value	Hedging derivatives	Total	Payables	Loans at fair value	Hedging derivatives	Total
<b>Liabilities</b>								
Long-term debt (including short-term amount)	2,365.9	6,341.8		8,707.7	2,435.1	6,543.7		8,978.8
Financial derivatives			80.0	80.0			141.2	141.2
<b>Total</b>	<b>2,365.9</b>	<b>6,341.8</b>	<b>80.0</b>	<b>8,787.7</b>	<b>2,435.1</b>	<b>6,543.7</b>	<b>141.2</b>	<b>9,120.0</b>

## Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risks comprise three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must be performed with the objective of maximising financial income and minimising the related risks by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.

Terna Group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to plan hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changes in market conditions or in the hedged item make the latter unsuitable or unduly expensive. The concept of hedging transaction is not restricted to those hedges that qualify for hedge accounting, but rather encompasses the objective of total or partial hedging of the income statement or balance sheet item from interest rate risk.

All derivative contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, so that any change in the fair value and/or estimated cash flows of the contracts is offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position. The fair value of financial derivatives reflects the estimated amount that Terna would pay or receive in order to extinguish contracts at the closing date.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2) by means of appropriate valuation techniques for each category of financial instrument, using market data as at the closing date (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve and inflation at the reporting date.

The financial assets and liabilities in respect of derivative instruments in place during the year can be classified as:

- cash flow hedge derivatives, related to hedging the risk of changes in the cash flows associated with long-term floating-rate loans;
- fair value hedge derivatives, related to hedging the exposure to changes in the fair value of a financial asset or liability associated with fluctuations in interest rates (fixed-rate bonds).

The following table shows the notional amounts and the fair value of derivatives entered into by the Terna Group:

*(millions of euros)*

	31/12/2013		31/12/2012		Change	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
FVH derivatives	3,750.0	545.5	3,750.0	754.9		-209.4
CFH derivatives	2,366.3	-80.0	2,435.7	-141.2	-69.4	61.2

### *Interest rate risk*

Interest rate risk is represented by the uncertainty associated with movements in interest rates that could have an impact on the fair value or future cash flows of financial instruments.

In conducting its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk is associated with items of net financial debt and the related hedging positions in derivative instruments that generate financial expense. Terna's borrowing strategy focuses on long-term loans whose term reflects the useful life of company assets. It also pursued an interest rate risk hedging policy that aims to reconcile this approach with the regulatory framework, which every four years establishes the cost of debt as part of the formula to set the return on the regulatory asset base (RAB).

Accordingly, the hedging instruments used, at various maturity dates, include both derivatives that transform fixed rates into floating rates and derivatives that transform floating rates into fixed rates.

In order to reduce the amount of financial debt exposed to the risk of fluctuations in interest rates and to optimise the temporal correlation between average cost of debt and regulatory rate used in the WACC formula, various types of plain vanilla derivatives are used, such as interest rate swaps.

Interest rate swaps are used to reduce the volume of debt exposed to fluctuations in interest rates as well as the volatility of borrowing costs. By entering into an interest rate swap with a counterparty, Terna agrees to exchange floating-rate interest payments against fixed-rate interest payments (agreed between the parties), or vice versa, with reference to predefined notional amounts and at specified time intervals.

The following table reports the financial instruments subscribed by Terna, classified by type of interest rate (fixed or floating):

(millions of euros)

	Carrying amount 31/12/2013	Carrying amount 31/12/2012	Change
Fixed-rate financial instruments			
- liabilities	-6,421.8	-6,684.9	263.1
Floating-rate financial instruments			
- assets	2,162.6	3,265.0	-1,102.4
- liabilities	-2,365.9	-2,435.1	69.2
<b>Total</b>	<b>-6,625.1</b>	<b>-5,855.0</b>	<b>-770.1</b>

### Sensitivity to interest rate risk

As regards the management of interest rate risk, Terna has, on the one hand, entered into fixed-to-floating interest rate swaps (FVH) to hedge the fair value of the fixed-rate bonds and, on the other, into floating-to-fixed interest rate swaps (CFH) to hedge the expected cash flows in respect of all other floating-rate debt.

Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, as initially and periodically verified, is high (between 80% and 125%), the Company chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to simultaneously recognise the income statement effects of the hedges and the hedged item.

As a result, for FVH derivatives, the fair value changes of the hedged item attributable to the risk being hedged must be recognised in the income statement, thereby offsetting the fair value changes of the derivative that are also recognised in the income statement; for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognizing any ineffective portion through Profit or Loss) and then recycled through profit or loss in the same period in which the cash flows relating to the hedged item have an earnings effect. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items, therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact from fair value changes on the income statement.

The following table reports the amounts recognised in profit or loss and in "Other comprehensive income" in respect of positions sensitive to changes in interest rates, the theoretical value of the positions

following a positive or negative shift in the yield curve and the differential impact of those changes recognisable in profit or loss and in "other comprehensive income". A hypothetical 10% variation in interest rates with respect to market interest rates at the reporting date has been assumed.

(millions of euros)

	Gain or loss				Equity	
	Current rates +10%	Current rates	Current rates -10%	Current rates +10%	Current rates	Current rates -10%
<b>31 December 2013</b>						
Positions sensitive to interest rates (FVH, Bond, CFH)	0.2	0.3	0	-78.1	-80	-82
Hypothetical change	-0.2		-0.3	1.9		-1.9
<b>31 December 2012</b>						
Positions sensitive to interest rates (FVH, Bond, CFH)	2.5	2.4	2.3	-138.7	-141.2	-143.7
Hypothetical change	0.1		-0.1	2.5		-2.5

### *Inflation risk*

As regards inflation rate risk, the rates established by the regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. Such cost components are updated on an annual basis to take account of the impact of inflation. In 2007, the company used an inflation-linked bond issue thereby obtaining an effective hedge of profit for the year: any decrease in expected revenues due to a decrease in the inflation rate would be offset by lower financial expense.

### *Exchange rate risk*

Terna generally hedges exchange rate risk through the forward sale or purchase of currencies (forward contracts) or the use of options. Currency options give Terna the right or the obligation to buy or sell predetermined amounts of a currency at a specific exchange rate at the end of a specific period of time. Normally, both forward contracts and options have maturities of no more than 12 months.

Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

In the financial statements at 31 December 2013 (as at 31 December 2012), there were no financial instruments exposed to exchange rate risk.



## Liquidity risk

The liquidity risk is the risk Terna might encounter difficulty in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of financial needs by obtaining adequate lines of credit and appropriate management of any surplus liquidity. At 31 December 2013, Terna had approximately €850 million in short-term credit lines. The following table reports the repayment schedule for nominal long-term debt at 31 December 2013:

(millions of euros)

	Maturity	31/12/2012	31/12/2013	Amount maturing within 12 months	Amount maturing after 12 months	2015	2016	2017	2018	Beyond	Average interest rate at 31/12/2013
Bonds	2014-2024	1,676.1	1,596.2	618.8	977.4					977.4	4.6%
Bonds IL	2023	710.5	677.0		677.0					677.0	2.8%
Bonds PP	2019	699.4	672.4		672.4					672.4	4.9%
Bonds 1250	2021	1,465.7	1,402.6		1,402.6					1,402.6	4.8%
Bonds 1250	2017	1,246.0	1,246.9		1,246.9			1,246.9			4.1%
Bonds 750	2018	746.0	746.7		746.7				746.7		2.9%
<b>Total fixed rate</b>		<b>6,543.7</b>	<b>6,341.8</b>	<b>618.8</b>	<b>5,723.0</b>			<b>1,246.9</b>	<b>746.7</b>	<b>3,729.4</b>	
EIB	2014-2030	1,285.7	1,216.3	79.0	1,137.3	77.0	85.1	96.9	96.9	781.4	0.3%
Club Deal	2015	649.4	649.6		649.6	649.6					0.7%
CDP	2019	500.0	500.0		500.0					500.0	1.3%
<b>Total floating rate</b>		<b>2,435.1</b>	<b>2,365.9</b>	<b>79.0</b>	<b>2,286.9</b>	<b>726.6</b>	<b>85.1</b>	<b>96.9</b>	<b>96.9</b>	<b>1,281.4</b>	
<b>Total</b>		<b>8,978.8</b>	<b>8,707.7</b>	<b>697.8</b>	<b>8,009.9</b>	<b>726.6</b>	<b>85.1</b>	<b>1,343.8</b>	<b>843.6</b>	<b>5,010.8</b>	

## Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by trade receivables and the financial investments of the Group.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since the counterparties, in compliance with financial risk management policies, are leading international credit institutions with high ratings and such transactions are diversified in compliance with specific concentration limits.

Terna provides its services to counterparties considered solvent by the market, who therefore have a high credit standing, and does not have highly concentrated credit risk.

Credit risk management is guided by the provisions of Resolution 111/2006 of the Authority for Electricity and Gas (the Authority), which, at Article 49, introduced instruments for the limitation of risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their revenues), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee defined by the Authority.

At the close of the year, the exposure was as follows:

*(millions of euros)*

	Carrying amount 31/12/2013	Carrying amount 31/12/2012	Change
FVH derivatives	545.5	754.9	-209.4
Cash and cash equivalents	1,617.1	2,510.1	-893.0
Trade receivables	1,721.1	1,884.1	-163.0
<b>Total</b>	<b>3,883.7</b>	<b>5,149.1</b>	<b>-1,265.4</b>

The overall credit risk exposure at 31 December 2013 is represented by the carrying amount of financial assets (current and non-current), trade receivables and cash and cash equivalents.

The following tables provide quantitative information on receivables from customers that have not fallen due and have not suffered an impairment loss.

*(millions of euros)*

Geographical distribution	Carrying amount	
	2013	2012
Italy	1,676.0	1,854.6
Euro-area countries	35.4	4.5
Other countries	9.7	25.0
<b>Total</b>	<b>1,721.1</b>	<b>1,884.1</b>

(millions of euros)

Customer type	Carrying amount	
	2013	2012
Distributors*	430.0	380.9
Electricity Equalisation Fund**	238.3	216.0
Input dispatching contractors	216.3	227.9
Withdrawal dispatching contractors (non distributors)	745.2	917.1
Virtual import contractors and virtual import service (interconnectors and shippers)	15.7	18.9
Sundry on-balance-sheet assets	75.6	123.3
<b>Total</b>	<b>1,721.1</b>	<b>1,884.1</b>

\* Includes receivable accrued in respect of Terna Rete Italia S.r.l. grid transmission fees

\*\* Of which € 223 million from volume effect on grid transmission fees

The following table breaks down customer receivables by expiry class, reporting any potential impairment:

(millions of euros)

	Impairment 31/12/2013	Gross 31/12/2013	Impairment 31/12/2012	Gross 31/12/2012
Not yet past due		1,429.3		1,491.5
0-30 days past due		216.8		321.0
31-120 days past due	-0.6	22.6	-3.7	36.2
More than 120 days past due	-31.4	84.4	-22.8	61.9
<b>Total</b>	<b>-32.0</b>	<b>1,753.1</b>	<b>-26.5</b>	<b>1,910.6</b>

Changes in the provision for doubtful trade accounts in the course of the year were as follows:

(millions of euros)

	2013	2012
Balance at 1 January	-26.5	-23.6
Reversal of provision	1.5	0.8
Impairment for the year	-7.0	-3.7
<b>Balance at 31 December</b>	<b>-32.0</b>	<b>-26.5</b>

The value of guarantees received from eligible electricity market customers is illustrated below:

(millions of euros)

	2013	2012
Input dispatching activity	258.1	240.9
Withdrawal dispatching activity	843.1	897.0
Grid transmission fees distributors	174.8	169.7
Virtual imports	171.2	99.5
<b>Balance at 31 December</b>	<b>1,447.2</b>	<b>1,407.1</b>

## Default risk and debt covenants

This risk arises where the loan agreements or bond issues' regulations, to which the parent company is a party, contain provisions according to which, upon the occurrence of certain events, the counterparties are entitled to request the debtor the immediate repayment of the loaned amounts, thereby generating a liquidity risk.

## Fintecna Group

The following discusses the main risks to which the Group is exposed, as well as the policies for their management. They are broken down into risks relating to the markets in which the subsidiaries and associated companies operate and financial risks.

## Market risk

A key element of achieving the Group's objectives is effective management of risks and internal and external opportunities. The identification, analysis and measurement of the main risks is accompanied by actions to mitigate their impact or prevent the emergence of risk.

## Risks associated with general economic conditions

The performance and financial position of the Group are influenced by macroeconomic conditions of the markets in which the Group and its main customers operate, such as GDP growth rates, consumer and business confidence, the credit system and the cost of raw materials.

The group has continued to cut internal costs and enhance efficiency, while at the same time making use of the operational flexibility mechanisms envisaged in contracts and Italian law. In the shipbuilding sector in particular, it implemented a reorganisation plan that seeks to adjust the Group's production capacity to changing conditions in the market and evolving demand forecasts as well as to increase work flexibility.

## **Risks specific to the Group's markets**

The Group has operated for many years in shipbuilding and has focused on providing products that make the most of its experience and know-how.

To defend its competitive position in the shipbuilding sector, where it is most exposed to competitive pressures, the Group has sought, through specialization in high value added markets, to maintain high manufacturing and innovative standards, which has entailed investment in the continuous training of technical staff, with a view to retaining key management personnel. In addition, it selects its strategic suppliers with care, while seeking new ways to optimise costs and achieve the technical and financial flexibility it needs to remain commercially competitive and broaden its customer base.

The performance of the Fincantieri Group is also strongly dependent on the financial circumstances of its principal customers, good relations with which constitute one of the Group's strengths.

In its pursuit of business opportunities in emerging markets, the Group seeks to mitigate country and/or corruption risk by focusing on commercial actions that are supported by intergovernmental agreements or other forms of cooperation between states.

## **Compliance risk**

The Group is subject to the laws of the countries in which it operates. Any violation of these laws may result in civil, administrative and criminal penalties and the obligation to implement reorganisation measures. The associated costs and liabilities could have a negative impact on the Group's operations and its performance. The group's activities are subject to, among other things, laws on environmental protection and workplace health and safety.

The Group actively encourages compliance with all the laws to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. Fincantieri and VARD started implementing and maintaining an Environmental Management System at their sites with the goal of becoming certified under the UNI EN ISO 14001:2014 standard.

## Financial risks

### *Exchange rate risk*

Exposure to exchange rate risk is mostly associated with the Fincantieri Group's shipbuilding contracts denominated in foreign currencies and, to a small extent, the result of the sourcing of supplies priced in currencies other than the euro. The Group policy is designed to minimise the impact of exchange rate fluctuations on performance. The management of exchange rate risk, for which the group makes use of forward foreign currency purchase and/or sale contracts or option structures, is conducted consistently with developments in foreign exchange markets and with regard to the expected time horizon for foreign currency flows. Whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but focuses on larger amounts only in payments, with specific reference to the VARD Group that was first consolidated in 2013. The exchange rate risk management policy envisages the full coverage of cash flows in currencies other than the functional currency of the financial statements, to be implemented immediately after the signing of the respective commercial contracts.

### *Interest rate risk*

Exposure to interest rate risk is mainly related to a number of loans taken out by the Fincantieri Group, on which interest rates are affected by developments in the money market.

The risk policy is to mitigate the possible impact of changes in key interest rates on performance and cash flows. To this end, a number of derivative contracts have been entered to hedge this risk. These transactions are undertaken depending on developments in the financial markets and, therefore, with due regard to their cost-effectiveness.

### *Liquidity risk*

Liquidity risk refers to the group's ability to discharge its obligations in respect of financial liabilities. The financial resources of the Group produce sufficient liquidity to manage these risks.

The treasury policy for the year continued to focus on improving return on liquidity, which was essentially achieved by generating gains on disinvestment/reinvestment transactions in government securities carried out by Fintecna S.p.A.

The Fintecna Group carries out securities lending transactions with specific banking counterparties. In investment decisions, the Group, and especially the parent company, select the banking counterparty on the basis of an internal ranking that incorporates a balanced mix of risk/return indicators. To ensure flexibility in treasury operations, the Group also has a number of credit lines that, at the balance-sheet date, were virtually undrawn, given the Group's current capacity for self-financing.

## Other operating risks

In the management of shipbuilding contracts, the Group uses dedicated facilities, specific agreements with customers and purchasing transactions in order to protect itself from the risk of reduction on contracts' margins that may result from delays in delivery of ships, increase in fuel costs or non-payment by the customer upon delivery.

## Other risks

The Group (i.e. mainly the parent company, and other Group subsidiaries that carry out liquidation activities through special purpose entities that are accounted for in the consolidated financial statements using the equity method) is also exposed to the risks arising from on-going litigation, which is mostly related to the many companies already in liquidation that have come under its control over the years. Taking into consideration the complexity and considerable uncertainty of these situations, the directors, acting to the best available information and a prudent assessment of the circumstances, periodically update the evaluations of the adequacy of the provisions recognised in the financial statements. The overall stock of liquid assets of the Group is considered adequate to meet prospective cash requirements arising from legal disputes, while the Group's medium-term investments are considered the ideal support for provisions.

## **SIMEST**

The main risks identified, monitored and managed by SIMEST refer to the financial risk related to its investments.

In order to manage this risk, as part of first level controls and through its Financing and Investment Evaluation department, SIMEST conducts a thorough assessment of investment proposals, both with regard to the proposing company and the investment itself, with a view to reduce its exposure to the mentioned financial/credit risk.

In this respect, the first step is an analysis of the partner company's financial situation, earnings performance, financial statements and Business Plan (possibly extended to the economic group of which it is part) and the main competitive aspects that characterise its business, also analysing the potential and consistency (in terms of size and at the operational/sector level) of the investment project with the overall strategic plan of the Italian company.

The analysis also takes into due account any existing relationships with the same company and the Group as a whole (in order to avoid excessive concentration of the portfolio), verifying (including through the

use of an internally developed scoring system) the various aspects of the proposed investment (solidity of the partner/Group, soundness/ effectiveness of the investment project, consistency between the sponsor and the project and, ultimately, country risk).

The results of the assessment performed are summarised in the investment proposal submitted to the internal Investment Committee. the proposal summarizes the characteristics and amount of the investment in relation to the proposing company, the planned financial structure and the related acquisition/shareholding by SIMEST as well as the structure of the guarantees provided (in addition to the commitment by the Italian company, partner and sponsor of the project, to repurchase the investment at maturity, such repurchasing obligation being always mandatory).

If the proposal is considered of interest – taking also into account the related financial/credit risk and the methods for managing and mitigating such risk – the proposal is submitted to SIMEST Board of Directors for final approval.

Following the risk assessment and approval of the proposal by the SIMEST Board, the specification and completion of the agreement with the partner may proceed, in accordance with the guidelines and instructions set out by the Board (such guidelines and instructions being always subject to change where any changes take place in the data and information initially acquired during the proposal assessment). At the acquisition stage, all related information and Board instructions are verified and any guarantees obtained. The financial/credit risk of the Italian partner and the investee is monitored over time, using periodic financial reporting and management information. The Italian partner and the corporate guarantors are monitored using special databases.

The risk associated with the investment is primarily mitigated through the direct commitments of the Italian partners to repurchase SIMEST's stake in foreign investments, partly secured by corporate sureties and bank or insurance guarantees.

Price risk and foreign exchange risk in respect of equity investments are mitigated using contractual language guaranteeing that SIMEST will recoup its investment at the price paid in euros for the acquisition.

As regards the direct commitments of the Italian partners to repurchase SIMEST's stake in the equity investments abroad and of third-party guarantors, at 31 December 2013 such direct commitments of Italian partners totalled €324.1 million. Of the total, €204.2 million regarded commitments not secured by third-party guarantees (of which €0.9 million regarding equity investments involving the participation of leading Italian banks) and €119.9 million regarded commitments secured by corporate sureties.

Repurchase commitments secured by bank and/or insurance guarantees amounted to €107.0 million, while those secured by collateral amounted to €4.8 million.



Taking into account actual exposure (shares paid up), the partners repurchase commitments are broken down as follows:

*(millions of euros; %)*

	<b>31/12/2013</b>		<b>31/12/2012</b>	
Unsecured commitments	46.9%	204.2	41.8%	155.0
Commitments secured by corporate sureties	27.5%	119.9	25.3%	93.8
<b>Subtotal</b>	<b>74.4%</b>	<b>324.1</b>	<b>67%</b>	<b>248.8</b>
Commitments secured by:				
- bank sureties	24.3%	105.9	31.6%	116.6
- insurance guarantees	0.0%	0.2	0.0%	0.2
- guarantee consortiums	0.2%	0.9	0.3%	1.2
<b>Subtotal</b>	<b>24.5%</b>	<b>107.0</b>	<b>31.9%</b>	<b>118.0</b>
Commitments secured by rights in real property	1.10%	4.8	1.0%	3.7
<b>Subtotal</b>	<b>1.1%</b>	<b>4.8</b>	<b>1.0%</b>	<b>3.7</b>
<b>Grand total</b>	<b>100.0%</b>	<b>435.9</b>	<b>100.0%</b>	<b>370.5</b>

Liquidity risk and interest rate risk are monitored constantly using a cash flow analysis approach, especially for equity investments. This monitoring activity has enabled SIMEST to obtain the credit lines needed to manage company cash flows on good terms and conditions (taking account of the rating assigned by financial institutions to SIMEST).

In relation to the rates charged on some short-term credit lines, for which renewal was considered highly probable, SIMEST considered it appropriate to put in place operational hedges through interest rate swaps, on terms advantageous compared to long-term financing.

In other matters concerning interest rate risk, the quantification of the return on equity investments is defined flexibly over time, taking account of market developments. The objective is to define a return that is sufficient to absorb the impact of changes in borrowing rates over the short, medium and long term.

### **Fintecna Immobiliare Group**

The main risk associated with the business carried out by the Fintecna Immobiliare Group is the change in value of the real estate in which it invests.

Recent external developments, which have been sharply impacted by the crisis of the real estate sector in recent years, have affected projects in the course of implementation, most notably partnerships with

private-sector operators to leverage real estate holdings. The Fintecna Immobiliare Group finds itself dealing with a portfolio of property development projects during a downturn in the market, which has recently deteriorated and shows no signs of recovery in the near future.

The Group's policy is aimed at minimising the effects of such risk, operationally, by managing the development of real estate complexes in the most critical market conditions through the selection of the best development options, taking account of the state of urbanization and construction and of the market absorption time; from a managerial standpoint, through updated assessments of the assets that reflect their current value and whose impact is incorporated in the financial statements.

### ***Ansaldo Energia Group***

The main risks to which the Ansaldo Energia Group is exposed consist of:

- disputes for failure to comply with laws and regulations (Law 231); the Group has taken all the necessary actions to investigate any irregular situations and avoid persistence of unsuitable behaviour by employees, directors and suppliers;
- variability of market conditions impacting long-term contracts at predefined prices: the Group has adopted procedures that regulate the preparation and approval of major commercial proposals, in order to control the main financial parameters, including the Economic Value Added (EVA), which is one of the key valuation metrics, as from the proposal stage. In addition, a review of the estimated contract costs is carried out on a regular basis, at least quarterly. Risks and uncertainties related to the implementation of the contracts are identified, monitored and assessed through the "Project Management" directive and the Lifecycle Management and Risk Assessment procedures, designed to reduce the probability of occurrence or the adverse consequences of identified risks and to timely implement mitigating actions. These analyses involve the top management, the programme managers and the quality, production and finance functions ("phase review");
- disputes relating to proper contract performance: the Group usually enters into insurance policies available on the market to cover potential damages. Nevertheless, the occurrence of damage not covered by insurance policies or exceeding liability limits cannot be ruled out, nor a future increase in insurance premiums;
- compliance with the specific regulations of the markets in which the Group operates: it is monitored through specific departments, the constant updating in relation to the relevant legislation, by only starting any commercial activities subject to prior verification of compliance with existing constraints and to obtaining the necessary authorisations;
- volatility of exposures in currencies other than the euro: the Group's policy provides for the systematic coverage of transaction risk on all contracts by using the financial instruments available on the market. The Group's procedures require that all revenues in foreign currency be hedged against exchange rate risk, upon acquisition of the contract. As regards costs, the Group's policy is to enter into supply contracts predominantly in euro. Any portion of purchases to be made in local currency is

normally covered by a corresponding amount of revenue in the same currency. At the end of 2013, the total notional value of items hedged by derivatives amounted to €6,054 thousand. The sensitivity to exchange rate changes is not significant, given the modest currency exposure;

- interest rate risk: the Group, having a negative financial position, comprising a fixed-rate portion and a floating-rate portion hedged by IRS, is nevertheless exposed to changes in interest rates with respect to its liquidity uses. Interest rate risks were measured using sensitivity analysis, as required by IFRS 7. If the benchmark rates had been higher (lower) by 50 basis points, at 31 December 2013 net income and shareholders' equity would have been higher (lower) by €2,777 thousand;
- liquidity risk: the Group, having a negative financial position, is subject to liquidity risk; such risk is minimized by the ability to quickly generate cash sufficient to cover the company's operating needs and the surpluses to repay the loans taken on during the equity restructuring. The plans for the next few years, drawn up using conservative criteria, support the above;
- credit risk management: the Group is exposed to credit risk with respect to the counterparties of its commercial transactions and in financing and investing activities, as well as with respect to guarantees given on third party debts or commitments. In order to eliminate or minimize the credit risk arising from commercial transactions, especially with foreign countries, the Group's policy is to hedge the risk from the inception of the commercial transaction, by carefully examining the terms and methods of payment to be included in commercial proposals that may subsequently be incorporated in sale contracts. More specifically, according to the contract amount, the type of customer and the importing country, the necessary precautions are taken to limit credit risk both in the terms and methods of payment, such as stand-by letter of credit or irrevocable and confirmed letter of credit or, where this is not possible and the country's/customer's risk is particularly high, the desirability is assessed of requesting an adequate insurance coverage through Export Credit Agencies or through international banks for contracts for which the supply has to be financed. The following table has been prepared to provide a more detailed view of the concentration and ageing of receivables in the balance sheet:

(thousands of euros)

	31/12/2013				31/12/2012			
	EU area	US area	Other areas		EU area	US area	Other areas	
	Other customer types	Other customer types	Other customer types	Gov. ent./ Pub. auth.	Other customer types	Other customer types	Other customer types	Gov. ent./ Pub. auth.
Guarantee withholdings	164		781		85		4,159	
Not past due	17,848	1,652	159,187		49,111	1,120	66,989	
Less than 6 months past due	7,838	29	89,586	291	19,039	352	71,310	
Past due from 6 months to one year	525	24	6,840	247	6,097		4,909	
Past due from 1 year to 5 years	8,411		15,165	10	7,938	- 38	15,735	
Past due by more than 5 years	7,356		2,971		2,946		3,466	
	<b>42,142</b>	<b>1,705</b>	<b>274,530</b>	<b>548</b>	<b>85,216</b>	<b>1,434</b>	<b>166,568</b>	

## PART F - CONSOLIDATED CAPITAL

### SECTION 1 – CONSOLIDATED CAPITAL

#### QUALITATIVE DISCLOSURES

Pending the issuance of specific measures in this area by the Bank of Italy, the parent company is subject to “informational” supervision only.

Accordingly, in 2013, in agreement with the Bank of Italy, the CDP Group did not calculate supervisory capital or the related supervisory capital requirements.

## PART G - BUSINESS COMBINATIONS

### SECTION 1 - BUSINESS COMBINATIONS CARRIED OUT DURING THE YEAR

#### 1.1 Business combinations

(millions of euros)

Company name	Date of transaction	(1)	(2)	(3)	(4)
Valcomp Tre S.p.A.	27/02/2013	3	50%	13	1
VARD (STX OSV)*	23/01/2013 and 13/03/2013	498	56%	479	11
Johangarden AS	28/06/2013	2	100%	n.d.	n.d.
Ansaldo Energia S.p.A.	23/12/2013	694	85%	1,253	24

#### Key

(1) = Cost

(2) = Percentage of voting rights in ordinary shareholders' meeting

(3) = Total Group revenues

(4) = Net Group profit (loss)

\* The total revenues and profit (loss) of the Group are expressed in Norwegian Krone (NOK)

#### Acquisition of Valcomp Tre S.p.A.

Following the agreement reached with WESTI S.p.A., on 27 February 2013, Fintecna Immobiliare S.r.l. acquired control of the company Valcomp Tre S.p.A., of which it already held a 50% stake.

Control was acquired through the purchase of the remaining shares, representing 50% of the share capital, at a price of €2,841 thousand, corresponding to the pro-rata value of the investee's book equity as reported in the financial statements for the year ended 31 December 2012.

In these financial statements the transaction was accounted for using the "acquisition method" in accordance with IFRS 3, as follows:

- remeasurement of the fair value of the stake already held in the acquiree (50% and previously accounted for using the equity method), estimated at €2,841 thousand (relating to the real estate portfolio owned by that company, and corresponding to the carrying amount of the assets), and subsequent recognition of a gain of €6,279 thousand, recorded in item 240 of the consolidated income statement "Gains (Losses) on equity investments" for the year 2013;

- fair value measurement of the assets and liabilities acquired. The carrying amounts of the assets and liabilities already recognized in the financial statements of the company were maintained, as they were considered representative of their fair values, as previously indicated.

Considering that Valcomp Tre S.p.A. had been subject to control as early as the beginning of 2013, this company was included in the scope of consolidation from 1 January 2013.

### **Acquisition of VARD (former STX OSV)**

On 23 January 2013 (the "Acquisition Date") – through its subsidiary Fincantieri Oil & Gas S.p.A. – STX Europe completed the acquisition of 50.75% of STX OSV Holdings Limited (now known as VARD Holdings Limited, hereinafter "VARD" and together with its subsidiaries, the "VARD Group "). VARD is listed on the Singapore Stock Exchange and is a world leader in the construction of support vessels for oil and natural gas exploration and production activities ("Offshore Support Vessel").

The acquisition was made at a price of SGD 1.22 per share, amounting to a total value of approximately €455 million (approximately SGD 730 million) paid in a lump sum at the acquisition date.

The above acquisition resulted in the requirement for the group, in accordance with the regulations applicable to companies listed on the Singapore Stock Exchange, to engage in a public tender offer ("Tender Offer") for all the remaining shares at a price equal to SGD 1.22 per share.

In compliance with the aforementioned legislation, on 13 February 2013 the Group filed the "Tender Offer" document with the Singapore Stock Exchange. At the close of the tender, on 13 March 2013, 4.88% of the offer was subscribed, bringing the overall stake in VARD held by the Group to 55.633%.

The total value of the acquisition, considering the shares acquired through the public tender, amounts to approximately €500 million (approximately SGD 800 million). No price adjustments were envisaged. The acquisition was entirely financed with equity.

The acquisition of the VARD Group is a business combination pursuant to IFRS 3 - Business combinations. Therefore, the acquiree's identifiable assets acquired and liabilities assumed were measured at fair value at the acquisition date, except for i) some contingent liabilities existing prior to the acquisition, the value of which could not be determined, ii) deferred tax assets and liabilities and iii) some liabilities associated with employee benefits that were recognized in accordance with the applicable standard, pursuant to IFRS 3.

The process of measuring the identifiable assets acquired and liabilities assumed was completed during the second half of 2013 and, therefore, the balances recorded in these consolidated financial statements are to be considered final.

(thousands of euros)

<b>VARD</b>	
Price paid for 50.75% of the VARD Group	454,691
Price paid for shares acquired during public tender offer	43,285
<b>(a) Total price</b>	<b>497,976</b>
<b><i>Fair values of the assets transferred and the liabilities assumed</i></b>	
Loans to banks and customers	329,270
Equity investments	58,096
Property, plant and equipment	186,962
Intangible assets	213,550
Other assets	781,893
Payables to banks and customers	-530,937
Other liabilities	-425,023
Deferred tax liabilities	-34,278
Other liabilities and provisions	-110,486
<b>Total</b>	<b>469,047</b>
Non-controlling interests	-8,857
<b>(b) Total net assets acquired</b>	<b>460,190</b>
(c) Pro-rata share of equity = (b) *55.633%	256,012
<b>Goodwill = (a-c)</b>	<b>241,956</b>

The purchase price allocation entailed, among other things:

- the identification and valuation of intangible assets with finite useful lives, such as primarily the order portfolio and trade contracts for a total of €212,452 thousand;
- the recognition of a provision for expected losses on construction contracts amounting to €95,543 thousand;
- the determination of the tax effects on the above adjustments;
- the recognition, on a residual basis, of goodwill in an amount of €241,956 thousand.

### Acquisition of Johangarden AS

The 100% stake in Johangarden AS ("JGAS") was acquired on 28 June 2013 through the investee VARD Electro AS. The company is based in Tennfjord, Norway, and is engaged in the non-residential real estate sector.

### Acquisition of Ansaldo Energia S.p.A.

On 23 December 2013, Fondo Strategico Italiano completed the purchase of 84.55% of the share capital of Ansaldo Energia S.p.A. for a consideration of €694 million; the company is a leader in the production of machinery for the energy sector (gas and steam turbines and generators), turnkey gas heat-

ing plants and plant maintenance services. The agreements with the seller, Finmeccanica S.p.A., provide for CDP Group's commitment to purchase the remaining 15% stake in Ansaldo Energia still owned by Finmeccanica, at the conditions and with the procedures as established in the agreement. In accordance with IAS 32, paragraph 23, this commitment to buy own equity instruments in exchange for cash or other financial instruments was recognised as a financial liability at the present value of the redemption amount.

Since the transaction was completed near year-end, only the balance sheet of the acquiree was consolidated as at 31 December 2013. Accordingly, in the 2013 financial statements the new company does not make any contribution to the overall earnings of the CDP Group.

The purchase price allocation or "PPA" will be completed within twelve months from the acquisition date, as permitted by IFRS 3, paragraphs 45 et seq.; on a provisional basis, the positive difference between the purchase price and Ansaldo Energia shareholders' equity was recognised as goodwill in intangible assets.

## **SECTION 2 - BUSINESS COMBINATIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR**

No business combinations were effected after the end of 2013.



## SECTION 3 - RETROSPECTIVE ADJUSTMENTS

During the year, the purchase price allocation (also “PPA”) was completed in relation to the assets and liabilities, including contingent liabilities, resulting from the purchase at the end of last year of all the shares of SACE S.p.A. and Fintecna S.p.A. and of the controlling stake (76.005%) of Simest S.p.A. The PPA was completed within twelve months of the acquisition date, as permitted by IFRS 3, paragraphs 45 et seq.

The activity was completed by restating the identifiable assets acquired and the identifiable liabilities assumed from each of the three companies at the fair value as at the acquisition date (31 December of last year). As an exception to the valuation criterion based on fair value, certain contingent liabilities existing prior to the acquisition and deferred tax assets and liabilities were recognised in accordance with the applicable standard.

The purchase price allocation that led to the restatement of the 2012 data affected by the PPA process resulted, in relation to the assets and liabilities contributed by each of the three mentioned companies, in the recognition of the effects described below.

### Fintecna Group companies

The following table summarises the relevant acquisition data:

(thousands of euros)

<b>Fintecna</b>	
Price paid	2,500,000
Shareholders' equity at purchase date	2,814,070
<b>Negative difference at purchase date (a)</b>	<b>(314,070)</b>
<b>Price allocation IFRS 3</b>	
Write-off of pre-existing goodwill	(60,416)
Intangible assets	69,000
Property, plant and equipment	53,000
Remaining difference = (a)-(b)	(38,552)
Deferred tax liabilities	2,584
Loans to customers	(8,000)
Provisions for liabilities and contingencies	(331,686)
<b>Total allocated (b)</b>	<b>(314,070)</b>
<b>Remaining difference = (a)-(b)</b>	<b>-</b>

Application of the acquisition method resulted in:

- the recognition of the fair value of intangible assets with finite useful life for €69,000 thousand (order book, contracts with customers, brand, technological know-how) relating to the shipbuilding sector (Fincantieri sub-holding);
- the recognition of a greater value of tangible assets compared to book value (technical equipment, industrial buildings and their land) in an amount of €53,000 thousand;
- the recognition of contingent liabilities in an amount of €331,685 thousand. In this regard, IFRS 3 expressly provides for the buyer's option to also recognise any contingent liabilities with respect to which it is required to only make a disclosure or, if considered remote, no information. The recognised contingent liabilities are closely related to the business conducted by Fintecna S.p.A., namely the professional management of complex and lengthy liquidation proceedings, in relation to which the subsidiary, prior to acquisition, had allocated provisions in excess of €1.2 billion;
- the adjustment in the amount of €8,000 thousand to loans granted to some of the vehicles in which Fintecna has a stake;
- the determination of the tax effects on the above adjustments.

### SACE Group companies

The following table summarises the relevant acquisition data:

*(thousands of euros)*

<b>SACE</b>	
Price paid	6,050,000
Shareholders' equity at purchase date	6,210,100
<b>Negative difference at purchase date (a)</b>	<b>(160,100)</b>
<b>Price allocation IFRS 3</b>	
Write-off of pre-existing goodwill	(7,655)
Assets held to maturity	(37,043)
Loans to customers	(12,831)
Property, plant and equipment	42,741
Deferred tax liabilities	(29,714)
Prepaid tax assets	35,345
Other liabilities	(15,832)
Provisions for liabilities and contingencies	(135,111)
<b>Total allocated (b)</b>	<b>(160,100)</b>
<b>Remaining difference = (a)-(b)</b>	<b>-</b>

Application of the acquisition method resulted in:

- the recognition of a greater value of tangible assets compared to book value (industrial and investment buildings and land) in an amount of €42,741 thousand;
- the restatement at fair value of investments classified as securities held-to-maturity and trade receivables for a total negative amount of €49,785 thousand;
- the recognition of the fair value of SACE commitment to provide a loan at predefined conditions, in an amount of €15,832 thousand;
- the recognition of contingent liabilities in an amount of €135,110 thousand mainly connected to prudential allocations for concentration risk arising from SACE's specific mission and role of supporting exports;
- the determination of the tax effects on the above adjustments.

### **SIMEST**

The comparison between the acquisition price, amounting to €232,500 thousand, and the share of equity attributable to CDP, amounting to €233,162 thousand, resulted in a difference of €662 thousand which, following the restatement at fair value of the identifiable assets acquired and the identifiable liabilities assumed, including contingent liabilities, was not possible to allocate. Therefore, said amount was recognised in the consolidated income statement under item 220 "Other operating costs and income".

## PART H - TRANSACTIONS WITH RELATED PARTIES

### 1. Information on the compensation of key management personnel

The following table reports the compensation paid in 2013 to members of the Board of Directors, Board of Auditors and key management personnel of the parent company and the wholly-owned subsidiaries.

#### Remuneration of Group Board of Directors and Board of Auditors

*(thousands of euros)*

	Board of Directors	Board of Auditors	Key management personnel
(a) short-term benefits	10,434	1,465	29,168
(b) post-employment benefits	200		683
(c) other long-term benefits			
(d) severance benefits			72
(e) share-based payments			
<b>Total</b>	<b>10,634</b>	<b>1,465</b>	<b>29,923</b>

### 2. Information on transactions with related parties

Certain transactions between the CDP Group and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

In any event, the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of the CDP Group's ordinary operations.

The following table reports assets, liabilities, revenues and costs in respect of transactions in 2013 with the Ministry for the Economy and Finance, Poste Italiane S.p.A. and associates and joint ventures.

## Transactions with related parties

*(thousands of euros)*

Name	Assets	Liabilities	Off balance sheet	Costs/Revenues
Alfiere S.p.A.	22,869			124
Bonafous S.p.A.	3,397			192
Brevik Technology AS	26			
Bridge Eiendom AS	641			
CESI S.p.A.	16,157	9,325		1,628
Cinque Cerchi S.p.A.	13,257			350
Consorzio G1	10			113
CORESO S.A.		113		1,246
DOF Iceman AS	5,479			153
Eni S.p.A.	4,113	1,576	479	26,817
Etihad Ship Building LLC	422	240		3,864
Gruppo Poste Italiane	1,902,116	893,418	1,959,627	(1,592,554)
IQ Made in Italy Investment Company S.p.A.	46			46
Island Offshore LNG AS	4,089			
Italia Turismo S.p.A.	29,097	18		808
Kedrion Group S.p.A.				42
Ligestra Due S.r.l.	156,051	9		2,447
Ligestra Quattro S.r.l.	6			6
Ligestra S.r.l.	100,033	15		2,531
Ligestra Tre S.r.l.	47	9		66
M.T. Manifattura Tabacchi S.p.A.	4,649			287
Manifatture Milano S.p.A.	8,412			540
Metroweb Italia S.p.A.				50
Ministry of the Economy and Finance	195,770,641	12,111,679	3,300,800	5,886,496
Olympic Green Energy KS	1,509			67
Orizzonte Sistemi Navali S.p.A.	20,475	2,736		466,956
Pentagramma Perugia S.p.A.	1,105			26
Pentagramma Piemonte S.p.A.	9,302	15		244
Pentagramma Romagna S.p.A.	3,521	6		251
Quadrifoglio Brescia S.p.A.	1,300			116
Quadrifoglio Genova S.p.A.	2,399			46
Quadrifoglio Piacenza S.p.A.	2,160			241
Quadrifoglio Verona S.p.A.	779			33
Quadrifoglio Modena S.p.A.	3,490			331
Rem Supply AS	1,172			62
Residenziale Immobiliare 2004 S.p.A.	37,277	2		4,464
Snam S.p.A.	403,164			11,240
Trans Austria Gasleitung GmbH	233,490		67,461	6,592

## PART I - SHARE-BASED PAYMENTS

No share-based payment agreements were entered into in 2013 nor are any plans from previous years outstanding.

## PART L - OPERATING SEGMENTS

This section of the notes to the consolidated financial statements has been prepared in compliance with IFRS 8 - Operating segments.

Operating segment disclosures are presented by separating the contribution of the two Group's operations: "Affairs and Finance area of the parent company" and "Group companies, other investments and other".

For the "Affairs and Finance area of the parent company", which coincides with the respective Area of the parent company (shown here, with reference to the income statement data, net of consolidation eliminations and adjustments), reference is made to the separate segment disclosure.

With respect to the "Group companies, other investments and other" area, it includes the balances attributable to "Equity Investments and other" of the parent company, as shown in the separate segment disclosure, as well as the contribution of all the other companies of the CDP Group, with the aim of representing all costs and revenues associated with CDP's investment portfolio as a single aggregate.

Accordingly, the reclassified balance sheet and income statement at 31 December 2013 have been constructed on the basis of the respective separate financial statements (for CDP, CDPI SGR, SIMEST, FSI, CDP Reti, Quadrante, CDP GAS and FIV) or consolidated financial statements (Terna Group, SACE Group, Fintecna Group, Fintecna Immobiliare Group and Ansaldo Energia), aggregating their accounts as indicated above and reporting the effects of consolidation into CDP, for the balance sheet aggregates, in the column "Eliminations/adjustments".

## Reclassified balance sheet

(thousands of euros)

Balance sheet at 31 December 2013	Affairs and Finance area of the parent company	Group companies, other investments and other	Elimination/adjustment	Total CDP Group
Cash and cash equivalents and other treasury investments	147,507,160	4,514,951	(3,062,370)	148,959,741
Loans to customers and banks	102,969,738	3,226,620	(233,339)	105,963,019
Debt securities	23,054,202	3,757,823	(139,820)	26,672,204
Equity investments and shares		39,058,197	(12,789,025)	26,269,172
Funding	260,303,350	32,299,449	(3,410,048)	289,192,751
- of which postal funding	211,655,701	30,761,005		242,416,706
- of which funding from banks	22,734,286	240,337		22,974,623
- of which funding from customers	20,006,503	423,030	(3,297,658)	17,131,875
- of which funding from bonds	5,906,860	875,077	(112,390)	6,669,547

## Reclassified income statement

(thousands of euros)

Income statement at 31 December 2013	Affairs and Finance area of the parent company	Group companies, other investments and other	Total CDP Group
<b>Net interest income</b>	<b>3,320,494</b>	<b>(452,496)</b>	<b>2,867,998</b>
Dividends and gains (losses) on equity investments		1,992,793	1,992,793
Net commission income	(1,380,694)	(157,442)	(1,538,136)
Other net revenues	76,187	172,901	249,088
<b>Gross income</b>	<b>2,015,988</b>	<b>1,555,755</b>	<b>3,571,743</b>
Profit (Loss) on insurance operations		249,058	249,058
<b>Profit (loss) on banking and insurance operations</b>	<b>2,015,988</b>	<b>1,804,813</b>	<b>3,820,801</b>
Net writedowns	(45,291)	(5,901)	(51,192)
Overheads	(19,513)	(254,809)	(274,322)
of which administrative expenses	(19,513)	(242,406)	(261,919)
<b>Operating income</b>	<b>1,953,071</b>	<b>1,543,190</b>	<b>3,496,262</b>
Impact of consolidation			(115,974)
<b>Net income</b>			<b>2,521,635</b>
Net income (loss) for the year pertaining to non-controlling interests			20,338
<b>Net income (loss) for the year pertaining to shareholders of the parent company</b>			<b>2,501,296</b>





# Cassa depositi e prestiti

**2013 Annual Report**

Annexes

Annex 1  
Scope of consolidation



Cassa depositi e prestiti

# Annex 1

## PARENT COMPANY

Name	Registered office
Cassa depositi e prestiti S.p.A.	Rome

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Method of consolidation
Aakre Eigendom AS	Norway	VARD Group AS	100.00%	Full
Ace Marine LLC	Wisconsin WI USA	Fincantieri Marine Group LLC	100.00%	Full
AJA Ship Design SA	Romania	VARD Braila SA	60.00%	Full
Alfiere S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Alfiformi e Ferriere di Servola S.p.A. in A.C.	Udine	Fintecna S.p.A.	24.10%	Equity
Ansaldo Energia S.p.A.	Genoa	Fondo Strategico Italiano S.p.A.	84.55%	Full
Ansaldo Energy Inc.	East Hanover (US)	Ansaldo Energia S.p.A.	100.00%	Equity
Ansaldo Nucleare S.p.A.	Italy	Ansaldo Energia S.p.A.	100.00%	Full
Ansaldo Russia	Moscow (RUS)	Ansaldo Energia S.p.A.	100.00%	Equity
Ansaldo Swiss AG	Switzerland	Ansaldo Energia S.p.A.	100.00%	Full
Ansaldo Thomassen B.V.	Netherland	Ansaldo Energia S.p.A.	100.00%	Full
Ansaldo Thomassen Gulf	United Arab Emirates	Ansaldo Thomassen B.V.	100.00%	Full
ASPL Asia Power Project Ltd	India	Ansaldo Energia S.p.A.	100.00%	Full
ATI (African Trade Insurance Agency)	Nairobi	SACE S.p.A.	5.61%	Equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Full
Bonafous S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Brevik Elektro AS	Norway	VARD Grenland Industri AS	100.00%	Full
Brevik Philadelphia	USA	VARD Electro AS	100.00%	Full
Brevik Technology AS	Norway	VARD Brevik Holding AS	34.00%	Equity
Bridge Eiendom AS	Norway	VARD Brevik Holding AS	50.00%	Equity
Castor Drilling Solution AS	Norway	Seaonics AS	22.52%	Equity
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	Full
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	Full
CDP Reti S.r.l.	Rome	CDP S.p.A.	100.00%	Full
Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Full
		Seaf S.p.A.	15.00%	Full
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
Cinque Cerchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Consorzio CONDIF in liquidazione	Rome	Fintecna Immobiliare S.r.l.	33.33%	Equity
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	38.80%	Equity
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	50.00%	Equity
Consorzio Incomir in liquidazione	Mercogliano (AV - ITALY)	Fintecna S.p.A.	45.46%	Equity
Consorzio Stabile Ansaldo New Clear	Genoa	Ansaldo Nucleare S.p.A.	70.00%	Equity
		Ansaldo Energia S.p.A.	20.00%	Equity
CORESO S.A.	Brussels	Terna S.p.A.	22.49%	Equity
CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MME)	Terna S.p.A.	22.09%	Equity
Dameco AS	Norway	VARD Offshore Brevik AS	34.00%	Equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	51.00%	Full
DOF Iceman AS	Norway	VARD Group AS	50.00%	Equity
Edilmagliana 89 S.c.a r.l. in liquidazione	Rome	Fintecna S.p.A.	50.00%	Equity
ELMED ETUDES S.ar.l.	Tunisia (TN)	Terna S.p.A.	50.00%	Equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Estaleiro Quissamã Ltda	Brazil	VARD Group AS	50.50%	Full
Etihad Ship Building LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	Equity
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Method of consolidation
Fincantieri do Brasil Participações S.A.	Brazil	Fincantieri S.p.A.	80.00%	Full
		Fincantieri Holding B.V.	20.00%	Full
Fincantieri Holding B.V.	Amsterdam (NL)	Fincantieri S.p.A.	100.00%	Full
Fincantieri India Private Ltd	India	Fincantieri Holding B.V.	99.00%	Full
		Fincantieri S.p.A.	1.00%	Full
Fincantieri Marine Group Holdings Inc.	Green Bay WI (USA)	Fincantieri USA Inc.	87.44%	Full
Fincantieri Marine Group LLC	Marinette WI (USA)	Fincantieri Marine Group Holdings Inc.	100.00%	Full
Fincantieri Marine Systems North America Inc.	Chesapeake VI (USA)	Fincantieri Holding B.V.	100.00%	Full
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Full
Fincantieri S.p.A.	Trieste	Fintecna S.p.A.	99.36%	Full
Fincantieri USA Inc.	Wilmington DE (USA)	Fincantieri S.p.A.	86.02%	Full
Fintecna Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	Full
Fintecna S.p.A.	Via Versilia 2 - Rome	CDP S.p.A.	100.00%	Full
FMSNA YK	Sasebo-Nagasaki (JP)	Fincantieri Marine Systems North America Inc.	100.00%	Full
Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI - ITALY)	Fintecna S.p.A.	36.25%	Equity
Fondo FIV - comparto Extra	Rome	CDP S.p.A.	100.00%	Full
Fondo FIV - comparto Plus	Rome	CDP S.p.A.	100.00%	Full
Fondo Strategico Italiano S.p.A.	Milan	CDP S.p.A.	77.70%	Full
		Fintecna S.p.A.	2.30%	Full
FOSIDER S.r.l. in A.S.	Bologna	Fintecna Immobiliare S.r.l.	40.00%	Equity
Galaxy S.à.r.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	Equity
Gestione Bacini La Spezia S.p.A.	Muggiano (SP - ITALY)	Fincantieri S.p.A.	99.89%	Full
IQ Made in Italy Investment Company S.p.A.	Milan	FSI S.p.A.	50.00%	Equity
Island Offshore LNG AS	Norway	VARD Group AS	30.00%	Equity
Island Offshore LNG KS	Norway	VARD Group AS	27.00%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Full
Italia Turismo S.p.A.	Rome	Fintecna Immobiliare S.r.l.	42.00%	Equity
Johangarden AS	Norway	VARD Electro AS	100.00%	Full
Kedrion Group S.p.A.	Castelvecchio Pascoli (LU - ITALY)	FSI S.p.A.	23.20%	Equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Manifatture Milano S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Marinette Marine Corporation	Wisconsin WI (USA)	Fincantieri Marine Group LLC	100.00%	Full
Metroweb Italia S.p.A.	Milan	FSI S.p.A.	46.17%	Equity
Møkster Supply AS	Norway	VARD Group AS	40.00%	Equity
Møkster Supply KS	Norway	VARD Group AS	36.00%	Equity
MT-Manifattura Tabacchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
NNS Société de service pour reacteur	Morestel (FR)	Ansaldo Energia S.p.A.	40.00%	Equity
Olympic Green Energy KS	Norway	VARD Group AS	30.00%	Equity
Olympic Subsea KS	Norway	VARD Group AS	35.00%	Equity
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.A.	30.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romagna S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Polaris Anserv S.r.l.	Bucarest (RO)	Ansaldo Nucleare S.p.A.	20.00%	Equity
Polaris S.r.l.	Genoa	Ansaldo Energia S.p.A.	49.00%	Equity
Quadrante S.p.A.	Rome	CDP S.p.A.	100.00%	Full
Quadrifoglio Brescia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Genova S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Modena S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Piacenza S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Verona S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Rem Supply AS	Norway	VARD Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	Equity
Ronor AS	Norway	VARD Brevik Holding AS	100.00%	Full

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Method of consolidation
S.P.S. S.c.p.a. in fallimento	Rome	Fintecna S.p.A.	20.40%	Equity
SACE BT S.p.A.	Rome	Sace S.p.A.	100.00%	Full
SACE DO BRASIL	San Paulo do Brazil	Sace S.p.A.	100.00%	Full
SACE Fct S.p.A.	Rome	Sace S.p.A.	100.00%	Full
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Full
SACE SRV S.r.l.	Rome	SACE BT S.p.A.	100.00%	Full
Seanics AS	Norway	VARD Group AS	51.00%	Full
Seanics Polska SPZ O.O.	Poland	Seanics AS	100.00%	Full
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	50.00%	Full
Simest S.p.A.	Rome	CDP S.p.A.	76.01%	Full
Snam S.p.A.	San Donato Milanese (MI - ITALY)	CDP Reti S.r.l.	30.00%	Equity
Soc. Svil.Tur. Cult. Golfo di Napoli S.c.a.r.l.	Naples	Fintecna Immobiliare S.r.l.	25.00%	Equity
Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Full
Taklift AS	Norway	VARD Brevik Holding AS	25.47%	Equity
Terna CRNA GORA D.O.O.	Podgorica	Terna S.p.A.	100.00%	Full
Terna Plus S.r.l.	Rome	Terna S.p.A.	100.00%	Full
Terna Rete Italia S.p.A.	Rome	Terna S.p.A.	100.00%	Full
Terna Rete Italia S.r.l.	Rome	Terna S.p.A.	100.00%	Full
Terna S.p.A.	Rome	CDP S.p.A.	29.85%	Full
Terna Storage S.r.l.	Rome	Terna S.p.A.	100.00%	Full
Trans Austria Gasleitung GmbH (4)	Vienna (A)	CDP GAS S.r.l.	89.00%	Equity
Valcomp Tre S.p.A.	Rome	Fintecna Immobiliare S.r.l.	100.00%	Full
Valcomp Uno S.r.l.	Rome	Fintecna Immobiliare S.r.l.	100.00%	Full
VARD Accommodation AS	Norway	VARD Group AS	100.00%	Full
VARD Accommodation Tulcea S.r.l.	Romania	VARD Accommodation AS	99.77%	Full
		VARD Electro Tulcea S.r.l.	0.23%	Full
VARD Braila S.A.	Romania	VARD RO Holding S.r.l.	94.12%	Full
		VARD Group AS	5.88%	Full
VARD Brevik Holding AS	Norway	VARD Group AS	100.00%	Full
VARD Brevik Support AS	Norway	VARD Brevik Holding AS	100.00%	Full
VARD Design AS	Norway	VARD Group AS	100.00%	Full
VARD Design Liburna Ltd	Croatia	VARD Design AS	51.00%	Full
VARD Electrical Installation and Engineering (India) Private Limited	India	VARD Electro AS	99.00%	Full
		VARD Tulcea S.A.	1.00%	Full
VARD Electro AS	Norway	VARD Group AS	100.00%	Full
VARD Electro Braila S.r.l.	Romania	VARD Electro AS	100.00%	Full
VARD Electro Brazil (Instalações Eletricas) Ltda	Brazil	VARD Electro AS	99.00%	Full
		VARD Group AS	1.00%	Full
VARD Electro Tulcea S.r.l.	Romania	VARD Electro AS	99.96%	Full
VARD Engineering Brevik AS	Norway	VARD Brevik Holding AS	70.00%	Full
VARD Engineering Constanta S.r.l.	Romania	VARD RO Holding S.r.l.	70.00%	Full
		VARD Braila S.A.	30.00%	Full
VARD Grenland Industri AS	Norway	VARD Brevik Holding AS	100.00%	Full
VARD Group AS	Norway	VARD Holdings Limited	100.00%	Full
VARD Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	55.63%	Full
VARD Niterói S.A.	Brazil	VARD Group AS	100.00%	Full
		VARD Electro Brazil (Instalações Eletricas) Ltda	0.00%	Full
VARD Offshore Brevik AS	Norway	VARD Brevik Holding AS	100.00%	Full
VARD Piping AS	Norway	VARD Group AS	100.00%	Full
VARD Piping S.r.l.	Romania	VARD Piping AS	100.00%	Full
VARD Promar S.A.	Brazil	VARD Group AS	50.50%	Full
VARD RO Holding S.r.l.	Romania	VARD Group AS	100.00%	Full
VARD Ship Repair Braila S.A.	Romania	VARD Braila S.A.	68.58%	Full
		VARD Brevik Holding AS	31.42%	Full
VARD Singapore Pte Ltd	Singapore	VARD Group AS	100.00%	Full
VARD Tulcea S.A.	Romania	VARD RO Holding S.r.l.	99.44%	Full
VARD Vung Tau Ltd	Vietnam	VARD Singapore Pte Ltd	100.00%	Full
XXI Aprile S.r.l.	Rome	Fintecna S.p.A.	100.00%	Full
Yeni Aen Anonim Sirketi	Turkey	Ansaldo Energia S.p.A.	100.00%	Full



# Cassa depositi e prestiti

2013 Annual Report

Report of the independent auditors





**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF  
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

To the Shareholders of  
Cassa Depositi e Prestiti SpA

- 1 We have audited the consolidated financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries ("Cassa Depositi e Prestiti Group") as of 31 December 2013 which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flows statement and related notes. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present, for comparative purposes, the prior year data. As set out in the notes to the financial statements, the directors have restated certain prior year comparative data with respect to those previously presented that we audited and on which we issued our audit report dated 27 March 2013. We have examined the restatement methods of the comparative data and the related disclosures in the notes for the purpose of expressing our opinion on the consolidated financial statements for the year ended 31 December 2013.

- 3 In our opinion, the consolidated financial statements of the Cassa Depositi e Prestiti Group as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the

**PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 I.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Pascolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001

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Cassa Depositi e Prestiti Group for the year then ended.

- 4 The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2013.

Rome, 29 April 2014

PricewaterhouseCoopers SpA

*Signed by*

Lorenzo Pini Prato  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers*







# Cassa depositi e prestiti

**2013 Annual Report**

Certification of the consolidated financial statements  
pursuant to Article 154-bis of  
Legislative Decree 58/1998



Cassa depositi e prestiti



## Certification of the consolidated financial statements pursuant to Article 154-bis of Legislative Decree 58/1998

**1.** The undersigned Giovanni Gorno Tempini, in his capacity as Chief Executive Officer, and Andrea Novelli, in his capacity as the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis.3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness with respect to the characteristics of the company and
- the effective adoption

of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2013.

**2.** In this regard:

**2.1** the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the consolidated financial statements at 31 December 2013 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;

**2.2** in 2013 the Financial Reporting Manager of Cassa depositi e prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting. Work also continued on the process to upgrade information technology procedures of the parent company, which requires further activities for its completion.

**3.** In addition, we certify that:

**3.1** the consolidated financial statements:

a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the information in the books and other accounting records;

c) provide a true and fair representation of the performance and financial position of the issuer and the companies included in the scope of consolidation;

**3.2** the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 29th April 2014

Chief Executive Officer  
*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager  
*/signature/Andrea Novelli*



**Edited by CDP S.p.A.**  
Institutional Relations & External Communication  
Administration, Planning & Control

**Publishing project**  
Institutional Relations & External Communication

**Editorial consulting**  
postScriptum, Rome

**Translation by**  
STAR S.r.l. Alessandria

**CDP S.p.A. photograph by**  
Antonio Tomasello

**Design, typesetting and printing**  
Marchesi Grafiche Editoriali S.p.A., Rome

Printing completed in  
July 2014  
using environmentally-friendly paper  
Fedrigoni Symbol Free Life Satin

Not for commercial distribution







Cassa depositi e prestiti