CASSA DEPOSITI E PRESTITI

CDP GROUP

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

AT 31 DECEMBER 2007

2007 Consolidated Financial Statements

CDP GROUP

Cassa depositi e prestiti S.p.A. 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

CONTENTS

REPORT

ON

GROUP OPERATIONS

(YEAR ENDED 31 DECEMBER 2007)

CONTENTS OF THE REPORT ON GROUP OPERATIONS

1. INTRODUCTION

The report on operations and other documentation contained here, which have been prepared as the result of the determination that CDP S.p.A. exercises de factor control over Terna S.p.A., report the consolidated figures for two companies that operate in different sectors and use different formats for their financial statements, which are appropriate for the specific nature of their lines of business (one is essentially financial intermediary, the other an industrial company). In order to harmonise the data, Terna S.p.A. was asked to reclassify its financial statements on the basis of the formats established by the Bank of Italy for banks, which have already been adopted by CDP S.p.A. The data were then consolidated in the group financial statements of CDP S.p.A. The representation obtained, while formally correct, reflects the consolidation in a single document of data on assets, liabilities and performance of two companies whose activities are not directly comparable and, accordingly, this representation may in a number of respects provide a less accurate picture of the situation than that provided in their respective separate and group financial statements.

1.1 THE CDP GROUP

On 15 September 2005 Cassa depositi e prestiti S.p.A. acquired 29.99% of Terna S.p.A.
Following the acquisition, CDP S.p.A. determined that it exercised de facto control over Terna pursuant to Article 2359, paragraphs 1 and 2, of the Italian Civil Code, as cited in Article 93 of the Consolidated Law on Financial Intermediation.
The analysis conducted by CDP that showed that control was ongoing and not determined by contingent or occasional circumstances examined the following elements:

a) the composition and degree of fragmentation of the shareholder base;
b) developments in especially important shareholders' meetings;
c) the composition of the Board of Directors.

As regards the ability of CDP to exercise a dominant influence over the administrative and operational decisions of Terna S.p.A., attention must in any event be drawn to ruling 14542 of 4 August 2005 of the Competition Authority. The measure, which also gave consideration to the equity investment held by CDP in ENEL S.p.A., required that at least six of the seven Terna directors to be appointed by CDP (assuming a ten-person board of directors) be sufficiently independent so as to ensure the neutral and impartial management of the company, without discrimination among customers or categories of customers.

This ruling was overturned with Council of State decision 550 of 12 January 2007, and therefore as from the election of the officers of Terna in 2008 CDP will no longer be restricted by the independence requirement in designating its candidates.
The independence of directors and the very different activities and contexts in which CDP and Terna S.p.A. operate make it impossible to provide a unified vision of the performance and financial position of the two companies. Accordingly, the performance of the two companies in 2007 will be discussed separately in this consolidated report.
At 31 December 2007 the CDP Group is composed of the parent company CDP S.p.A., Terna S.p.A. and its Italian and Brazilian subsidiaries.

PARENT COMPANY

	Registered office	Investor	% holding
Cassa depositi e prestiti S.p.A.	Rome		

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

	Registered office	Investor	% holding
Terna S.p.A.	Rome	CDP	29.99%
Terna Participacoes SA	Rio de Janeiro (Brazil)	Terna S.p.A.	66.00%
RTL Spa	Rome	Terna S.p.A.	100.00%
inTERNAtional S.p.A.	Rome	Terna S.p.A.	100.00%
TSN SA	Rio de Janeiro (Brazil)	Terna Participacoes SA	100.00%
Novatrans Energia Spa	Rio de Janeiro (Brazil)	Terna Participacoes SA	100.00%
Lovina Participacoes Ltda	NA	Terna Participacoes SA	99.99%
ETAU - Empresa de Transmissao do Alto Uruguai SA	Rio de Janeiro (Brazil)	Terna Participacoes SA	52.58%

1.2 CASSA DEPOSITI E PRESTITI S.P.A.

Cassa Depositi e Prestiti S.p.A. (CDP S.p.A.) is the result of the transformation of CDP S.p.A. from an agency part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003.

Article 5.7 of the decree outlines the new company's main lines of activity, which maintain continuity with CDP S.p.A.'s mission prior to the transformation. Specifically, they are:

- financing of any form 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 and other forms of funding that may benefit from state guarantees;
- financing of works, plant, networks, and other resources intended for the delivery of public services and for improvement projects. To this end, the CDP S.p.A. may raise funds through the issue of securities, borrowing and other financial operations, without state guarantees and precluding demand funding.

Decrees issued by the Minister for the Economy and Finance on 5 December 2003 and 6 October 2004 implemented the decree law and established the assets and liabilities of CDP S.p.A., as well as the criteria 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.

With regard to the acquisition of equity investments, on 27 January 2005 the Minister for the Economy and Finance issued, pursuant to Article 5.9 of Decree Law 269 of 30 September 2003 (regulating the minister's policy-making powers for CDP S.p.A. activities), a decree establishing the criteria for determining which equity investments CDP S.p.A. may make. The decree makes reference to CDP S.p.A.'s Bylaws, which at Article 3.2, establish that "The company may also carry out any other operations instrumental, related or accessory to the attainment of its corporate purpose, including *inter alia*: […] acquiring equity investments and interests in companies, other businesses, consortiums and business groupings in Italy and abroad". The decree specifies the definitions of instrumental, related and accessory to the corporate purpose of CDP S.p.A.. Accordingly, CDP S.p.A. may acquire, using funds from postal savings if deemed appropriate, equity investments in companies whose business:

- is functional or auxiliary to the pursuit of CDP S.p.A.'s corporate purpose (instrumental equity investments);
- is interdependent with CDP S.p.A.'s corporate purpose (related equity investments);
- is complementary to CDP S.p.A.'s corporate purpose (accessory equity investments).

In accordance with Article 5.6 of Decree Law 269 of 30 September 2003, the provisions of Title V of the 1993 Banking Law also apply to CDP S.p.A., given its characteristics.

All of the activities established by the new regulatory framework in which CDP S.p.A. now operates must be conducted in a manner such that they preserve the financial stability of the organisation over the long term while ensuring a return on investment for the shareholders (bearing in mind the "preferred dividend" to be paid to the holders of preferred shares pursuant to Article 30 of the company bylaws).

CDP S.p.A.'s mission was further defined in the 2005-2009 Business Plan approved by the Board of Directors in June 2005. It includes fostering the development of public investment, infrastructure works for the delivery of local public services and major works of national interest, as well as providing small investors with financial products with a moderate risk profile in order to encourage saving.

The Business Plan also defines the organisation of the business areas resulting from CDP S.p.A.'s new regulatory framework, which is as follows:

- the Public Investments business unit, which covers financing activities for general government, particular as concerns the regional and local authorities, in respect of the principles of universality and non-discrimination;
- the Development Policies Management and Support business unit, which covers new incentives for enterprises and research;
- the Infrastructure and Strategic Projects business unit, responsible for all forms of financing for entities involved in providing public services;
- the Finance business unit, which includes the activities of funding, including postal savings, monitoring investments, and managing liquidity and related investment risks;
- and the corporate centre, which includes all the functions that support the various business units, as well as the functions of governance and control.

Each of the CDP S.p.A. business units corresponds to a specific division within the company, and the corporate centre is made up of the support areas and the governance and control bodies.

1.2.1 Organisational and accounting separation

Article 5.8 of Decree Law 269 of 30 September 2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company. To this end, Article 8 of the decree of the Minister for the Economy and Finance (MEF) of 5 December 2003 called for CDP S.p.A. to submit the criteria for organisational and accounting separation to the MEF, having heard the opinion of the Bank of Italy, with such criteria to be based on the guidelines set out in the MEF decree of 6 October 2004.

By the end of the 2004 financial year, CDP S.p.A. had completed the procedures to implement organisational and accounting separation after having obtained the opinion of the Bank of Italy and submitted the definitive criteria to the MEF. As such, the organisational and accounting separation took full effect from the 2005 financial year.

CDP S.p.A.'s implementation of the system of organisational and accounting separation, as envisaged in Decree Law 269/2003, made it first necessary to observe EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP S.p.A. funding, such as postal bonds and passbook savings accounts, benefit from an explicit 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, conducted in competition with other market players. This separation is, in particular, intended to avoid the indiscriminate transfer of resources between the activities that benefit from forms of compensation, such as the state guarantee, and "market" activities.

More specifically, the separation arrangements put in place by CDP S.p.A. envisage:

- the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP S.p.A.'s existing organisational units have been re-grouped. The Separate Account includes the units responsible for government financing activity, the management of equity investments, the management of the assets and functions transferred to MEF with CDP S.p.A.'s transformation into a joint-stock company, and the provision of advisory services to government bodies. The 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 and control of the company in the light of the company's unique status;
- the implementation of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to the Accounts and Joint Services, and the second level the subsequent allocation to the 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 the Separate Account and the 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 distinct annual income statements on the basis of the levels of separation described above.

As regard the organisational structure of CDP S.p.A. in effect as of 31 December 2007, the Public Investments and Development Policies Management & Support divisions come under the Separate Account, while the Infrastructure & Strategic Projects division comes under the Ordinary Account. Joint Services include all of the support areas and the governance and control bodies. The departments of the Finance division, on the other hand, are divided among the other three divisions based on the specific activity being performed.

From the very start of operations for the Ordinary Account, CDP S.p.A. 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.

1.2.2 Operation of the Separate Account

On the basis of the provisions of the MEF decree of 6 October 2004, in 2007 CDP S.p.A. continued to broaden its range of products, an effort undertaken in the previous two years, as well. In particular, in compliance with the principles of uniformity and accessibility that govern the Separate Account, CDP S.p.A. has begun offering two new families of products for regional governments and autonomous provinces and public entities (particularly local health authorities and other healthcare entities, public residential construction entities, and public universities and similar institutions). Within the first of these families, the products offered are single-disbursement and multiple-disbursement loans without grace periods, which are governed by CDP S.p.A. circular no. 1271. For public entities, the new products are real estate loans and unsecured loans, which are governed by CDP S.p.A. circular no. 1272.

In addition, in accordance with the related guidelines issued by the MEF, with the issue of CDP S.p.A. circular no. 1270, the company made itself available to take part in the tenders for the award of financing contracts with repayment charged entirely to the state based on long-term contributions authorised by specific legislation, while nevertheless preserving the ability for the entity receiving state assistance to turn to CDP S.p.A. directly.

In 2007, CDP S.p.A. continued to offer government entities the opportunity to reshape their loan portfolio through extinguishment and refinancing with a programme for local authorities and a programme for regional governments.

Within the scope of the Separate Account, lending and disbursement also began under the Revolving Fund to support enterprises and investment in research, which was established by Article 1.354 of Law 311 of 30 December 2004.

With regard to funding within the Separate Account, CDP S.p.A. continued to issue new series of postal savings bonds on a monthly basis, with the financial restructuring of existing products and diversification with a mix of products for savers. The following changes are of particular note:

- the revision of postal savings passbooks, with the introduction, beginning on 1 January 2007, of a new interest structure;
- the issuance of a new type of postal savings bond, the yield of which is tied to an equity index (*"Buono Premia"*), which, when it was introduced during the fourth quarter of 2007, had already achieved considerable success in funding;

- the revision of the current fixed-term indexed bond, the maturity of which was reduced to 5 years, while at the same time the premium upon maturity was changed to 28% of the nominal value subscribed.

The introduction of a yield incentive for passbooks and the issue of new types of bond is part of the effort to enhance customer loyalty and ensure that CDP S.p.A. maintains strong new funding flows. Thanks in part to the above initiatives, all the targets for 2007 set in the agreement with Poste Italiane S.p.A. were exceeded.

In terms of institutional funding, activities for 2007 included the first issue of CDP S.p.A. covered bonds in a foreign currency (Japanese yen).

1.2.3 Operation of the Ordinary Account

Operation of the Ordinary Account in 2007 involved the continuation of financing infrastructure for public services by broadening commercial relations and the sectors covered, as well as developing the necessary internal support tools and enhancing the efficiency of lending procedures.

The loans approved by the Board of Directors during the year and the new agreements regarded projects in many areas:

a. solid waste treatment and waste separation plants;
b. work to increase power generation capacity, including through the use of renewable energy resources;
c. integrated water management;
d. work to create district heating infrastructure;
e. loans to multi-utility operators;
f. investments related to local public transport and to subway construction;
g. investments in airport infrastructure;
h. expansion, upgrading and operation of sundry infrastructure;
i. specialised hospital building;
j. investments connected with urban transformation projects that focus on infrastructure;
k. investments connected with large-scale works of national interest.

It should also be noted that, in 2007, preference was given to the development of corporate activities over project financing, which had an effect on overall performance, due in part to the penalising tax regime for CDP operations through the end of 2007, which differed from that for ordinary banks. The ineligibility of loans granted by CDP to the withholding tax made it necessary for beneficiaries to pay individual taxes in the case of loans backed by collateral (mortgages, liens, etc.), as is typical of the security structures of project finance transactions. This increased the burden on the beneficiary of operations with CDP both when obtaining financing and in the event of loan syndication by arranger banks. This issue was resolved as from January 2008 thanks to specific legislation introduced with the 2008 Finance Act.

Finally, in the fourth quarter of 2007, lending under the Ordinary Account was made more efficient with the release and implementation of a pricing system that made it possible to reduce time-to-market, thereby making commercial efforts more effective. In addition, the loan authorisation process was accelerated by establishing a lending committee and extending operational decision-making powers.

Funding strategy for the Ordinary Account in 2007 provided for a direct correlation between the volume of funds raised and the amount of lending, so as to optimise treasury activities. Funding continued in the following forms:

- funding from Community bodies based on lines of credit in with the European Investment Bank (EIB) in the amount of €101 million;
- issues under the Euro Medium Term Notes programme totalling €500 million.

1.3 TERNA S.P.A.

TERNA – Rete Elettrica Nazionale S.p.A. is the company responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and is also the main owner of the National Transmission Network, with more than 98% of the infrastructure. Terna's task is to operate the safe transmission of electricity throughout Italy, ensuring the balancing of supply and demand for electricity and meeting national electricity requirement.
Terna is also specialised in the design, construction, remote monitoring and operation, and maintenance of transmission lines and its high and very-high-voltage plant.

Since 2004 the company has been listed on the Italian Stock Exchange. Cassa Depositi e Prestiti S.p.A., holds a plurality of the share capital, with 29.99%.

The current structure of the company is the result of the acquisition in 2005 of the business unit of Gestore della Rete Elettrica Nazionale (GRTN, the Independent System Operator, or ISO) responsible for the transmission and dispatching of electricity and planning and developing the National Transmission Network, in implementation of the Prime Minister's Order of 11 May 2004. The unification of ownership and operation of the National Transmission Network took operational effect as from 1 November 2005 with the appointment of the new board of directors and of Luigi Roth and Flavio Cattaneo as chairman and chief executive officer, respectively.

Abroad, Terna operates in the Brazilian market through Terna Participaçoes S.A., a group company listed since October 2006 on the São Paolo stock exchange in Brazil. The company is responsible for the design, construction, operation, maintenance and development of parts of the Brazilian national transmission network.

1.3.1 Mission

Terna's mission is to provide public utility services through the transmission and dispatching of electricity and the management of the National Transmission Network, as established in Legislative Decree 79/1999 and the Ministerial Decree of 20 April 2005. In the performance of its mission Terna:

- ensures the safety, reliability, efficiency and continuity of electricity services;
- manage electricity flows over the grid, ensuring the balancing of supply and demand (dispatching);
- plans and implements development projects for the National Transmission Network;
- guarantees access to the National Transmission Network for all operators on impartial, neutral and equal terms and conditions;
- participates in promoting environmental protection and the safety of electricity plant.

1.3.2 Operations

Terna's operations concern the transmission of electricity over the high and very-high-voltage network, operating and maintaining the related plant.
Its main activities include:

- managing the National Transmission Network;
- operating and maintaining plant and the National Transmission Network;
- managing electricity flows, ensuring the balancing of supply and demand (dispatching);
- planning and implementation of development and maintenance projects for the National Transmission Network, ensuring the continuity of supply and the preparation of the annual safety plan;
- connecting all operators who request service to the National Transmission Network, without jeopardising service continuity, in compliance with the Network Code and the technical and financial terms and conditions for access an interconnection;
- preparing electricity sector statistics.

1.3.3 Assets in Italy

Terna owns more than 98% of the National Transmission Network, i.e. the high and very-high-voltage grid.

In particular, Terna owns (directly and through its subsidiary RTL - Rete di Trasmissione Locale):

- 39,446 km of electricity lines;
- 366 transformer and switching stations;
- 610 transformers.

1.3.4 Assets in Brazil

The Terna Participaçoes Group, the Brazilian subholding of the Terna Group, is one of the leading electricity transmission operators. It is also the second-largest private company in terms of its share of the Brazilian market and revenues account for 9.3% of the total revenues of the country's energy sector. Terna Participaçoes SA holds seven 30-year concessions through two transmission companies (TSN S.A. e Novatrans S.A.) for the design, construction, operation, maintenance and development of parts of the Brazilian national transmission network.

30-year concessions:

- 2,647 km of electricity lines;
- 7 transformer and switching stations;
- 14 transformers.

Terna's assets in Italy and Brazil make it the second-largest ISO in Europe and one of the 10 largest in the world by kilometres of lines under management.

1.3.5 History: the main developments

- On 16 March 1999 the Bersani Decree establishing the procedures, timetable and measures necessary for the reorganisation of the Italian electricity sector is issued.

- On 27 April 1999 the Independent System Operations (Gestore della Rete di Trasmissione Nazionale, GRTN) is established as a public entity controlled by the Ministry for the Economy and Finance, to which the Bersani Degree entrusts electricity transmission and dispatching activities.

- On 31 May 1999, Terna is established as part of the Enel Group, with responsibility for the operation and maintenance of the Enel high-voltage plant that is part of the National Transmission Network, as well as with the development of the grid on the basis of the directives issued by the ISO under a specific agreement.

- On 27 October 2003 Law 290 is enacted, establishing the unification of ownership and operation of the National Transmission Network.

- On 11 May 2004 the Prime Minister's Order setting the timetable and procedures for the merger of Terna and GRTN is issued.

- On 14 June 2004 50% of Terna is sold to the public in an IPO.

- On 1 November 2005 the unification of ownership and operation of the National Transmission Network takes operational effect: Terna – Rete Elettrica Nazionale S.p.A. is born.

1.3.6 Overview of the Italian electricity system

The Italian electricity system is organised into four segments making up the entire industry: generation, transmission, distribution and sales. While the electricity transmission and distribution stages are operated under government concessions, the generation and sale of electricity are free and performed under competitive conditions. Terna's activities regard the transmission of electricity over the high and very-high-voltage grid (132/150/220/380 kV).

At the institutional level, the entities responsible for establishing energy policy guidelines and all regulatory aspects are, respectively, the Ministry for Economic Development and the Authority for Electricity and Gas.

These overall arrangements are the product of the liberalisation of the electricity sector begun in Europe with Directive 96/92/EC, transposed into Italian law with Legislative Decree 79/99 (the so-called Bersani Decree). As regards transmission in particular, Legislative Decree 79/99 established the creation of an Independent System Operator (formerly GRTN, now GSE, the Electricity Services Operator) controlled directly by the State and Terna, a company in the Enel Group, which held "reversion rights" to the assets. The two companies were subsequently unified as Terna – Rete Elettrica Nazionale. In addition to GRTN and Terna, the opening of the electricity market also involved the establishment of two other major players: the Single Buyer and the Electricity Market Operator (EMO). The latter operates the Power Exchange, where each day electricity supply and demand are matched. The Power Exchange, in operation since April 2004, is composed of three markets: the Day Ahead Market, the Adjustment Market and the Ancillary Services Market, where

Terna is an active participant to acquire power for the management and control of the electricity system (handling congestion, creation of electricity reserves, real-time balancing). The liberalisation of the market was completed on 1 July 2007. As from that date, everyone (households, small and medium-sized enterprises, etc.) is free to select their electricity supplier.

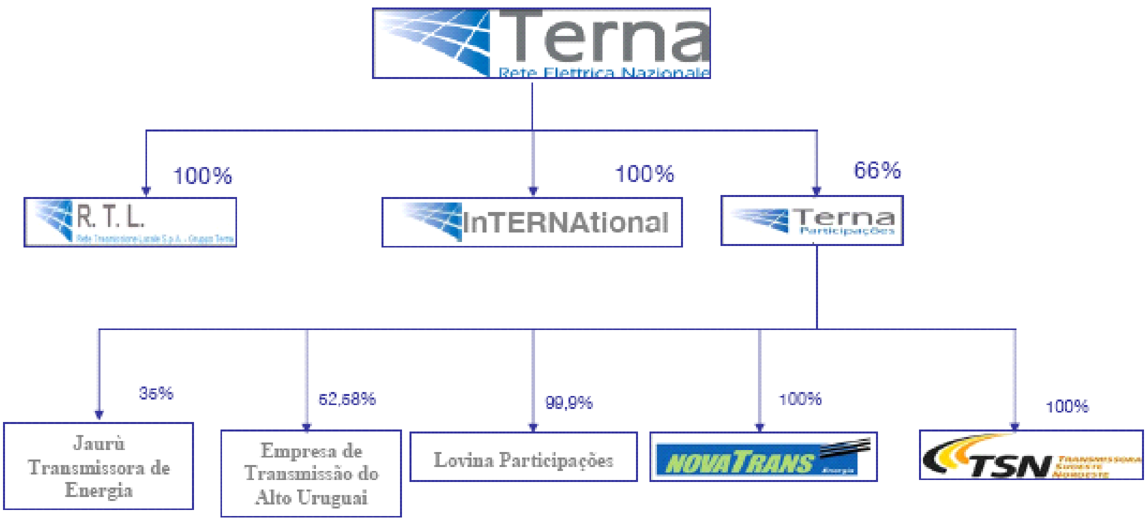
1.3.7 The companies in the Terna Group

The Terna Group includes:

- the Italian companies (wholly owned by Terna S.p.A.):
  1. RTL SpA (which on 31 July 2007 absorbed the subsidiaries RTM 1 SpA and RTM 2 SpA and, on 31 December 2007, RTT Srl, acquired during the year) and
  2. InTERNAtional SpA (established by Terna S.p.A. on 10 September 2007);

- the Brazilian companies (controlled through a 66% stake):
  1. Terna Participações SA;
  2. TSN SA;
  3. Novatrans SA;
  4. Lovina Participações SA (acquired by Terna Participações on 13 September 2007).

The associated company, CESI SpA, in which Terna has a stake of 24.36% and the ETAU SA joint venture, acquired during the year and in which Terna Participações holds 52.58%, are accounted for using the equity method.
At the end of 2007 the structure of the Terna Group was as follows:



2. THE GENERAL MACROECONOMIC SITUATION

2.1 THE MACROECONOMIC FRAMEWORK

In the first half of 2007, the world economy grew rapidly thanks to the performance of the Asian economies. For the full year, the world economy grew by about 5.0%. However, during the summer months, the sub-prime crisis in the United States fostered instability in the international financial markets, leading to an increase in risk premiums and a decline in the propensity of banks to lend. Nevertheless, these tensions came in a fairly positive international context and were countered by the prompt action of central banks to ensure orderly conditions in the financial markets.

In the United States, real GDP growth for the third quarter came to 3.9% on an annualised basis, in line with the previous quarter but much stronger than the first quarter (0.6%). The growth in the third quarter reflected a rise in private consumption (3.0% annualised) and exports (16.2% annualised). The steady decline in investment reflected the continued steep contraction in investment in residential construction (-20.1% on an annualised basis).
For the full year, however, the U.S. economy grew by just 1.9%, a significant slowdown with respect to 2006 (2.9%), as the real estate crisis persisted, with a negative impact on consumption. The confidence of economic agents showed signs of deteriorating.

After contracting in the second quarter (-0.4%), the Japanese economy posted growth of 0.6% in the third. Among the components of domestic demand, private consumption rose slowly (0.3%), while investment in private residential construction dropped sharply (-7.8%), as did public investment (-2.6%). As for foreign demand, exports continued to expand rapidly (2.9% compared with 0.9% in the second quarter).
Trends in consumer prices are unclear and continue to decline slightly year-on-year. In September 2007, inflation was -0.2% compared with the prior year, with nominal salary levels continuing to decline. At its meeting at the end of October, the Bank of Japan left its reference rate unchanged at 0.5%. For 2007, GDP growth came to about 2.0%.

Growth in the Chinese economy was very strong in the first half of the year (11.5%) thanks to an increase in investment and exports. This growth continued in the third quarter at a rate of more than 11.0%. At the beginning of September, the Chinese central bank adopted a more restrictive monetary policy stance by raising the reserve requirement and interest rates. Inflation increased from the start of the year, but slowed slightly in September (6.2%).

India continued to make a significant contribution to world economic growth.

In the third quarter, the economy of the euro area grew by 0.7%, compared with 0.3% the previous year. A significant driver of growth was the rise in household consumption, thanks to the solid performance of the labour market. In the second half of the year, however, consumer and business confidence showed signs of weakening from the peaks reached during the summer months.
For 2007, GDP growth for the euro area was about 2.5%.
Current risks for the global economy include the sharp increases in oil prices, which underlie inflationary pressures, and potential further consequences of the sub-prime lending crisis in the United States for the world's financial markets and banking system.

After modest growth in the second quarter of 2007 (0.1%), Italian GDP for the third quarter grew by 0.4% over the previous period, while industrial output posted growth of 0.6%.
Average annual growth for the Italian economy was about 1.9%.

2.2 CDP'S REFERENCE MARKET

2.2.1 The financial market and rates

The crisis that affected the financial markets last summer was a reflection of the interaction between credit risk, market risk and liquidity risk (in both its funding and market aspects) in a manner that had not been experienced previously. This resulted in a series of critical issues that prompted a decline in market confidence concerning the quality of key asset items of banks and their financial situation, which a particularly negative impact on liquidity conditions in the interbank market.

In the context of accentuated market integration, the crisis originated in the United States affected European banks in different ways. A number of banks involved either directly or indirectly in lending to sub-prime customers incurred losses connected with the increase in default rates for this category of borrowers and were forced to write down the value of their assets. In addition, for banks in general, the tensions in the money markets caused by the uncertainty surrounding the actual level of losses and the distribution of these losses led to a shortage of funds and an increase in their related cost.
In particular, the uncertainty as to the value of investments secured even partially by receivables prompted investors to shun asset-backed securities.

Since last August, central banks have intervened repeatedly to improve market liquidity. After the Fed cut its target for the official rate in September by 50 basis points and in October by 25 basis points, and the ECB and central banks of the leading industrial countries injected funds, liquidity in the interbank markets for shorter-term maturities improved. However, strains returned in November and December following the losses reported by a number of leading banks in the United States and Europe. On 12 December, the main central banks decided to coordinate efforts to ensure adequate flows of liquidity to the markets, while the day before the Fed had again reduced its official rates (by 25 basis points), thereby bringing its target for the federal funds rate to 4.50%.

The sub-prime crisis brought out a number of critical problems:

- the inadequacy of the ratings assigned to more complex financial products;
- the non-transparent nature of the assets underlying the securities issued;
- valuation difficulties for investors.

In its November meeting, the ECB left its key official rate unchanged at 4.0%. The most recent 25-basis-point increase dates back to June 2007.
During the year, euro interest rates rose significantly all along the yield curve. At the short-term end (1 week – 12 months), the yield curve was particularly affected by tensions in the credit market and the general crisis in liquidity, posting average increases of 77 basis points since December 2006. For 2-year to 30-year maturities, there was also a general and virtually uniform increase of about 50 basis points since the beginning of the year. However, in the second half of the year, there was a noticeable reversal in this trend with a significant flattening of the yield curve and short-term rates converging on the same levels as long-term rates.

European equity markets seesawed during the year, primarily as a result of the financial crisis. After performing strongly in the first half of the year, reaching a peak in July with a gain of 8% since January, the DJ EuroStoxx 50 index closed 2007 in negative territory, posting a decline of 11%.

At the beginning of 2007, the euro/US dollar exchange rate was at 1.32. During the year, and especially since September, the dollar weakened, falling to 1.46 by the end of 2007, just below the trough of 1.49 reached in November.

2.2.2 Public finances

The general government accounts of the euro-area countries improved in 2007. Based on the update of the stability programmes presented at the end of 2007 by the euro-area countries, the general government deficits fell on average from the 1.6% of GDP in 2006 to 0.8% in 2007. According to stability-programme projections, by 2008 no euro-area country should have a deficit of more than the threshold level of 3% of GDP. The ratio of debt to GDP is also expected to decline from 67.9% in 2006 to 66.0% in 2007.

Based on ISTAT data published in February 2008, Italy's net general government borrowing amounted to 1.9% of GDP, down from the 3.4% in 2006. Data published by the Bank of Italy in March 2008 show a reduction in the ratio of debt to GDP to 104.0%, compared with 106.5% in 2006.

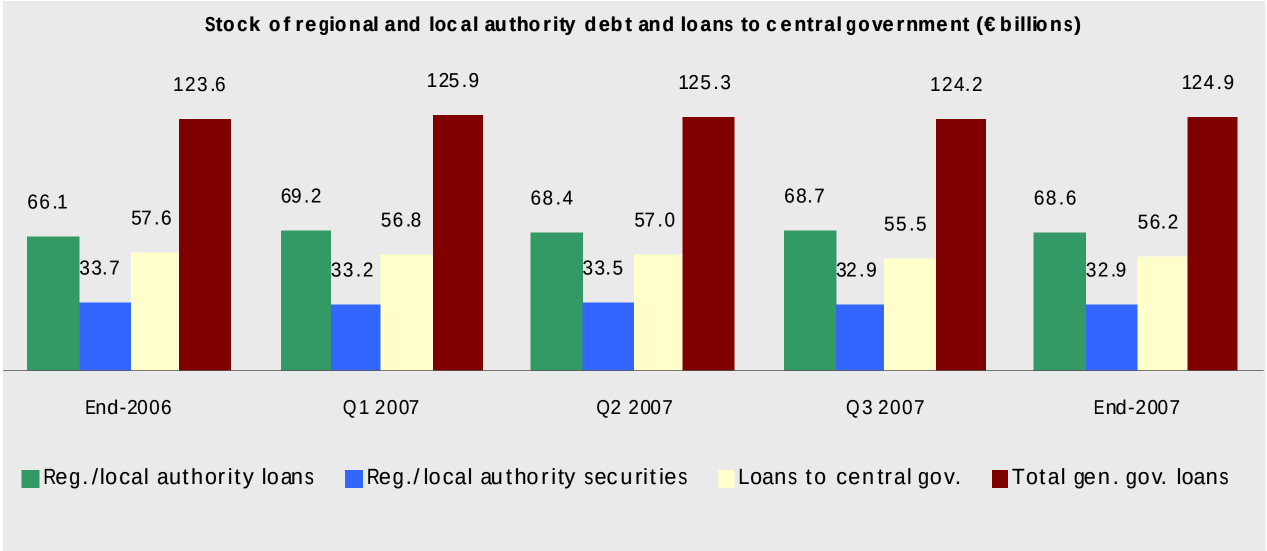
At 31 December 2007, the stock of loans to regional government entities was €68.6 billion, an increase of 3.8% over 2006 (€66.1 billion).

As at the same date, the stock of securities issued by local and regional authorities came to €33 billion, a slight decline (-2.3%) from the previous year (€33.7 billion).

Total debt for these regional and other local governments therefore reached €111.7 billion, including the securitisation transactions recognised as debt in addition to the bonds and other debt and securities issued.[1]

CDP's primary market was broadly stagnant for the year, both in terms of securities issued, the stock of which, as mentioned above, declined from the end of 2006, and lending, which posted markedly slower growth (+3.8% compared with the end of 2006) than the double-digit growth of the prior year (+17.5% growth in the stock loans to regional and other local governments between 31 December 2005 and 31 December 2006, and +12.7% growth in lending to central government for the same period).

[1] Effective as of 1 January 2007, in application of the EUROSTAT criteria of September 2006, the 2007 Finance Act (Law 296 of 27 December 2006) extended the notion of debt for regional and other local governments to include the assignment or securitisation of receivables from suppliers of goods and services for which the entity assumes new payment obligations, including by way of restructuring amortisation plans with payment deferrals of more than 12 months. Transactions approved by regional and local governments prior to 4 September 2006 are not to be included if completed by 31 March 2007.



Source: Bank of Italy. The time series are subject to revision in conjunction with the periodic updates to the Bank of Italy figures.

A breakdown of the debt of regional and other local governments confirms the central importance of loans issued by CDP S.p.A. and other monetary financial institutions (MFIs) (61.4% of total debt, compared with 61.1% in 2006), while bond issues declined slightly in 2007 (equal to 29.5% of all debt, compared with the 31.2% of 2006). At the same date, securitisation transactions for regional and local authorities, which are treated as debt under Eurostat criteria, rose to 9.1% of total debt, up from 7.7% in 2006.

With regard to transactions in derivative instruments by regional and other local authorities, the 2007 Finance Act supplemented the principles concerning active debt management introduced with Ministerial Decree 389 of 1 December 2003 by establishing that transactions in derivatives must serve to reduce both the final cost of debt and the exposure to market risks. In addition, these authorities must submit derivative contacts being negotiated to the Ministry for the Economy and Finance, on pain of having such contracts declared inoperative.

The changes introduced by Law 296 of 27 December 2006 concerning local finances include the abandonment of spending ceilings for the 2007 Stability Pact, with the restoration of the previous criteria of improving the financial balance so as to harmonise the rules for the domestic Stability Pact with those of the Stability and Growth Pact. For the first time since the introduction of the Stability Pact, local governments are required to prepare their budgets on an accruals basis in compliance with the planning objective of the Stability Pact set for each year.

2.3 TERNA'S REFERENCE MARKET – THE ELECTRICITY SITUATION IN ITALY

2.3.1 Electricity demand in Italy

Accordingly to preliminary figures, in 2007 electricity demand amounted to 339,839 GWh, an increase of 0.7% on 2006. The figure for 2007 reflects calendar differences (there were three more business days in 2007 than in 2006) and weather differences. Adjusting for calendar and weather effects (the latter had an especially significant impact during the year) demand rose by 0.9%.

Of total demand, 86.5% was met by domestic generation (86.7% in 2006), for a total of 293,909 GWh, net of consumption for ancillary services and pumping, an increase of +0.5% on 2006. The remainder (13.5%) was met by net imports, for a total of 45,930 GWh in 2007, compared with 44,985 GWh the previous year (+2.1%).

Breaking down external flows, gross imports rose by 4.2% to 48,570 GWh compared with 46,595 GWh in 2006.

Exports rose from 1,610 GWh to 2,640 GWh, up 64.0%.

2.3.2 Electricity consumption

In 2007 total electricity consumption came to 318,700 GWh, an increase of 0.4% on 2006. In analysing the destination markets for electricity, it should be born in mind that as from 2007 all customers can access the free market.

2.3.3 Electricity generation

In 2007 domestic generation was broadly in line with that for the previous year (+0.1%). Breaking total generation net of auxiliary services down by energy resource, in 2007 thermal generation rose by 1.4% compared with 2006.

In 2007 hydro generation was lower than the previous year, dropping by 10.1%. The index of hydroelectric capacity fell to 0.70 compared with 0.80 in 2006.

Among renewables, net generation from wind and photovoltaic resources rose by a substantial 40.7 %, while geothermal generation edged up by 0.8%.

2.3.4 Dispatching and sales

The forecasting and maintenance coordination measures implemented by Terna, together with the entry into service of new generation plants, enable the company to meet demand with an adequate margin of reserve power. In fact, during the summer and winter peaks margins exceeded those in.

In 2007 the structure of the electricity market did not change significantly. Terna operated on the Day Ahead Market on a daily basis, selling some 3.3 TWh of power and purchasing about 5.6 TWh. As regards the procurement of dispatching resources, in October Terna signed its first forward contracts for November and December. This new approach to procurement, which complemented the Ancillary Services Market, was introduced with Resolution no. 111/06, following which Terna prepared a proposal approved by the Authority for Electricity and Gas in June 2007 (Resolution no. 130/07). The possibility of locking in forward dispatching resources enables Terna as a system operator to stabilise dispatching costs, which would otherwise be exposed to the volatility on the spot Ancillary Services Market.

In this initial experimental stage, the contracts involved small amounts and had a duration of just two months, with a total value of about €26 million.

As regards the Ancillary Services Market, Terna operated in the planning stage, which takes place the day before that on which the electricity flow occurs, purchasing and selling about 14.7 TWh and 12.4 TWh respectively, for a total net outlay of €1,783 million. The net balance, equal to about 0.2 TWh per month, is used to correct errors by operators in forecasting their demand. The volume of purchases and sales in real-time balancing up to November came to 8.6 TWh and 9.9 TWh respectively, with a net charge of €628 million.

3. GROUP STRUCTURE

3.1 CDP ORGANISATION AND PERSONNEL

The natural evolution of the operational environment and, consequently, of the approaches adopted by CDP in performing its functions and achieving its objectives led the company to continue its renewal and development effort in 2007 with:

1. further development of the organisational model;
2. the design and revision of organisational processes;
3. the implementation of new technology infrastructure.

During the year, the Board of Directors, in compliance with the amendment to the articles of association requested by the MEF, appointed the manager responsible for preparing the corporate financial reports.

At 31 December 2007, CDP had 392 employees, including 32 executives, 114 middle managers and 246 office staff.

Compared with the previous year, the workforce remained essentially unchanged, with 21 employees being hired in 2007 and 22 leaving the company, largely due to retirement.

In 2007, hiring included personnel with specialist skills, but also whose attitudes and motivation are in line with the company's mission and values.
The recruitment process took advantage of the great many unsolicited applications received, and CV management was facilitated by an application connected with the *"Lavora con noi"* ("Work with us") section of the company's website that made it possible to create a database of CVs into which potential recruits could submit their applications and make updates, additions or cancellations.
The selection process resulted in the hiring of specialists primarily for the areas of finance, information technology and administration, with an increasing number of recent university graduates being recruited, thanks in part to contacts established with universities.
As a result, the percentage of university graduates out of total employees increased by a further 3 percentage points, from 40% in 2006 to 43% in 2007, while the average age fell to 45 years.

In 2007, the personnel management and assessment system was consolidated with the refinement of the tools already in use, with a view to increasing involvement of personnel within the company.

During the year, a total of some 4000 hours of training was provided, involving 79% of the workforce.

3.2 TERNA GROUP PERSONNEL

The workforce of the Terna Group breaks down as follows.

	Italy		Brazil*		Total		
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	Change
Total	**3,495**	**3,475**	**107**	**80**	**3,602**	**3,555**	**47**
Executives	68	75	1	1	69	76	-7
Middle managers	464	439	10	7	474	446	28
Office staff	1,875	1,857	72	62	1,947	1,919	28
Workers	1,088	1,104	24	10	1,112	1,114	-2

**The Brazilian employees do not have the same career classifications as those envisaged in the collective bargaining agreement for the electricity sector and have therefore been classified her on a comparable basis.*

The figures for both years are net of retirements as from 31 December.
The increase in the workforce is attributable to the inclusion of the personnel of RTT within the organisational structure of Terna S.p.A., the increase in the Brazilian personnel following the acquisition of new companies and the expansion of staff in existing units.
With regard to developments in the organisational structure of Terna S.p.A., personnel training initiatives, management incentive systems and initiatives to leverage human resources, please see the report on operations for the separate financial statements of the parent company.

During the year, the board of directors, in compliance with the provisions of law (Law 262/2005), appointed the manager responsible for preparing the corporate financial reports.

4 FINANCIAL POSITION AND PERFORMANCE OF THE CDP GROUP

Net income for the 2007 financial year amounted to €2,040 million, of which the part pertaining to the shareholders of the parent company (hereinafter "the Group") came to €1,661 million and that pertaining to minority interests to €380 million.
Net interest income totalled €2,086 million, up 25.5% on the previous year.
Operating costs came to €595 million, an increase of 9.3% compared with 2006 owning to greater depreciation and amortisation charges on non-current assets, while staff costs and other administrative expenses declined by 2.2%.
Income taxes for the year amounted to €515 million.
Assets expanded by 8.8% to €206 billion, with the principle items including cash and cash equivalents of €91 billion (+16.3%), equity investments and shares of about €19 billion (-2%), loans to customers of nearly €80 billion (+2.4%) and property, plant and equipment of €8 billion (+5.2%).
On the funding side, amounts due to customers came to nearly €88 billion (+8.1%) and securities issued to more than €92 billion (+9.5%).
Shareholders' equity at the end of the year amounted to €17.5 billion, of which €14.8 billion pertaining to the shareholders of the parent company and €2.7 billion pertaining to minority interests.

The following sections analyse the main assets and liabilities of CDP S.p.A. and the Terna Group. The figures presented in this section regard the management analyses presented in the separate financial statements of the parent company and the consolidated financial statements of the Terna Group. By contrast, the figures in the financial statements and the notes to the financial statements take account of the different accounting policies envisaged for the consolidated financial statements compared with the separate financial statements and the fair value measurement of the assets and liabilities of the Terna Group as at the date they were acquired by CDP.

4.1 LOANS TO CUSTOMERS

Loans to Group customers mainly regard the lending operations of the parent company, CDP, and the trade receivables of the Terna Group.

4.1.1 CDP lending

CDP's loan portfolio can be divided among the products of the Separate Account and those of the Ordinary Account.

The main products available under the Separate Account are:

a) ordinary specific-purpose loans, with normal maturities of between 5 and 30 years, with disbursement in one or more instalments on the basis of the stage of completion of the project being financed. Repayment normally begins on 1 July of the current year or on 1 January of the year following the year in which the loan is granted. During the pre-repayment grace period the borrower pays interest (simple capitalisation) on the amounts disbursed by CDP at the fixed rate or the reference spread established for the loan. During the amortisation period CDP pays a floating rate of interest six-monthly on amounts not yet disbursed;
b) "flexible" loans, which are structured as credit lines that can be drawn (subject to presentation of status reports on the stage of completion of the works) during a pre-repayment grace period of between 1 and 6 years. Repayment is made on the amounts actually drawn, and borrowers have the option of switching from floating-rate to fixed-rate at a higher rate determined on the basis of the length of the repayment period and the pre-repayment grace period;
c) loans without a pre-repayment grace period disbursed in one or more instalments for regions and autonomous provinces;
d) real estate and unsecured loans for local health authorities, hospitals, public residential construction entities, universities and comparable higher educational institutions;
e) loans under the Revolving Fund in support of businesses and investment in research;
f) advances under the Revolving Fund for Project Development and the domestic Stability Pact Fund.

Under CDP's Ordinary Account, lending can be divided into corporate loans and project financing for the construction of works, plant, networks and other infrastructure for the delivery of public services and for reclamation projects.

Developments in the main lending activities in 2007 are discussed in the following pages.

4.1.1.1 *Developments in Separate Account lending*

A) LOANS TO CUSTOMERS AND BANKS AND NEW LENDING[2]

The stock of loans to customers of the Separate Account at 31 December 2007 came to €76,333 million, an increase of 4.0% over the end of 2006. At 31 December 2007, €10,895 million of loans in repayment are still to be disbursed. Such loans are normally disbursed in accordance with the state of progress of the respective projects.

(millions of euros)

STOCK OF LOANS TO CUSTOMERS AND BANKS - SEPARATE ACCOUNT

	31/12/2007	31/12/2006	% Change
Specific-purpose loans	75,735	72,814	4.0%
Advances	43	85	-49.1%
Securities	537	473	13.5%
Other loans (FRI)	18	-	n/s
Loans funded with third-party funds under administration	-	2	n/s
Total	**76,333**	**73,374**	**4.0%**
Amounts to disburse on loans	**10,895**	**10,189**	**6.9%**

Unlike past years, in 2007 the reference market for the Separate Account experienced a sharp contraction that also impacted upon the volumes of new lending for CDP S.p.A. In 2007, total new lending came to €5,471 million, markedly lower than the volumes posted in previous years. Of this amount, €1,251 million was related to lending through the Revolving Fund in support of businesses and investment in research (FRI).

For the system as a whole, the market contraction appeared to be essentially due to the difficulties faced by local authorities in increasing their level of debt due both to the more stringent restrictions imposed by the Stability Pact in 2007 and to the significant reduction in the participation of national and regional governments in investment. These developments in market performance for 2007 could also be seen as a return to a more sustainable trend in debt for local and regional authorities following years of significant growth.

CDP also continued offering local and regional authorities the option of renegotiating existing loans in order to reduce debt charges and to use these resources for new projects. With these transactions, contracts were signed which transformed about €271 million into

[2] Since 2007 the figures for volumes and stocks under the Separate Account also include the contribution of the Revolving Fund to support enterprises and investment in Research. See part D of this section.

new CDP S.p.A. loans. The results achieved by these programmes were significantly lower than those achieved in 2006, due essentially to the rise in interest rates seen primarily in the second half of the year, which made renegotiation increasingly less advantageous.

(millions of euros)

FLOWS OF NEW LOANS GRANTED - SEPARATE ACCOUNT - 2007

	North	Centre	South	Abroad	Total
Local authorities	1,495	550	1,019	-	3,064
Regions and autonomous provinces	-	75	197	-	272
Other entities	692	191	1	-	885
Other loans (FRI)	272	189	789	1	1,251
Total	**2,459**	**1,005**	**2,006**	**1**	**5,471**

Of the loans granted, 56% were to local authorities (for a total of €3,063 million), 5% to regional authorities (for a total of €272 million), 16% to other beneficiaries, including public entities, universities and other public-law bodies (for a total of €885 million), and 23% through the FRI (for a total of €1,251 million).

B) DISBURSEMENTS MADE DURING THE YEAR

Last year, loan disbursements came to €4,904 million. The considerable decline from 2006 (-51%) was due primarily to the contraction in new lending during the year.

(millions of euros)

DISBURSEMENTS OF CDP SPA LOANS - 2007

Local authorities	3,782
Regions and autonomous provinces	537
Other entities	567
Other loans (FRI)	18
Total	**4,904**

C) OTHER SEPARATE ACCOUNT ACTIVITIES

Advances granted on the Revolving Fund for Project Development and on the domestic Stability Pact Fund posted a decline in 2007, totalling €43 million at the end of the year. The amounts to be disbursed from these funds as of the same date came to €36 million.

The Separate Account loan portfolio also includes the securities issued by municipalities, provinces and regions. In 2007, CDP S.p.A. subscribed securities issued by the Region of Umbria in the amount of €25 million and by Cassa del Trentino in the amount of €43 million.

D) REVOLVING FUND IN SUPPORT OF BUSINESSES

One of the specific-purpose funds is the Revolving Fund in support of businesses and research investments. It was established by Article 1.354 of Law 311 of 30 December 2004 and activated in 2006. This tool is a part of the broader reformation of public incentives for business and replaces a portion of the grant with a subsidised loan based on CDP S.p.A. funding. Italian law requires banks to evaluate the creditworthiness of the initiatives and supplement the CDP S.p.A. subsidised loans with loans granted on market terms. Of the fund's resources (some €6 billion) at the end of 2007, the competent ministries approved loans totalling €2,244 million, of which €1,653 million under Law 488/92 (development incentives), €249 million under Law 46/82 (Technological Innovation Fund), and €342 million under Legislative Decree 297/99 (Research Incentive Fund).
Total new lending agreed during the year came to €1,251 million.

(millions of euros)

FLOWS OF NEW FRI LOANS BY SUBSIDY LAW - 2007

Subsidy law	
Law 488/92 (Artisans)	32
Law 488/92 (Tourism, industry and trade)	1,053
Law 46/82 (FIT - PIA Innovation)	166
Total	**1,251**

The first disbursements began in 2007, with the total disbursed at 31 December 2007 coming to €18 million.

4.1.1.2 *Developments in Ordinary Account lending*

The total stock of loans under the Ordinary Account came to €1,824 million at 31 December 2007, for a net increase of 29% over the end of 2006 (€1,410 million). At the same date, the amount of loans disbursed, which corresponds with the amount reported as an asset on the balance sheet, reached €1,291 million, up 25% over the closing balance for 2006.

(millions of euros)

STOCK OF LOANS GRANTED - ORDINARY ACCOUNT

	31/12/2007	31/12/2006	Change (%)
Project finance	367	368	-0.4%
Corporate finance	1,457	1,041	40.0%
Total	**1,824**	**1,410**	**29.4%**

(millions of euros)

STOCK OF LOANS TO CUSTOMERS AND BANKS - ORDINARY ACCOUNT

	31/12/2007	31/12/2006	Change (%)
Project finance	127	75	68.3%
Corporate finance	1,164	957	21.6%
Total	**1,291**	**1,033**	**25.0%**

During 2007, new loans, which were mainly in the corporate lending segment, totalled more than €470 million.

(millions of euros)

FLOWS OF NEW LOANS GRANTED - ORDINARY ACCOUNT - 2007

	Total
Project finance	2
Corporate finance	468
Total	**470**

Total flows of new loans granted are reported gross of amounts repaid early and principal repayments

Net disbursements for 2007 came to €313 million (of which €259 million in corporate lending and €55 million in project finance).

(millions of euros)

FLOWS OF NEW LOANS DISBURSED - ORDINARY ACCOUNT - 2007

	Total
Project finance	55
Corporate finance	259
Total	**313**

Total flows of new loans disbursed are reported gross of amounts repaid early and principal repayments

More specifically, a portion of these new disbursements regarded number of transactions agreed in prior years, all of which were classified as project finance. The extended timeframe of drawings on these projects is related to the type of project being financed and the duration of the related construction (with disbursements being made in accordance with the state of progress). Another portion of new disbursements was related to corporate revolving transactions, while a final portion was related to loans granted and disbursed at the same time and bridge financing granted and partially disbursed in 2007.

Overall, lending volumes under the Ordinary Account in 2007 were also lower than the previous year. However, a large part of the 2006 volumes were related to the refinancing or repurchase of loans originally granted through the Separate Account.

4.1.2 Terna Group trade receivables

Trade receivables for the Terna Group break down as follows:

millions of euros	31.12.2007	31.12.2006	Change
Non-energy receivables	286.2	285.3	0.9
Energy receivables	1,254.9	896.8	358.1
Trade receivables	**1,541.1**	**1,182.1**	**359.0**

Trade receivables totalled €1,541.1 million, an increase of €359.0 million over 2006 primarily attributable to Terna's electricity transmission and dispatching services.
These receivables are shown net of impairment losses (€12.9 million for energy-related items and €0.9 million for other items), which are recognised as an adjustment item in the provision for doubtful accounts.

Non-energy receivables - €286.2 million
These items came to €286.2 million and are related primarily to the receivable for network transmission fees and the remuneration paid to the parent company and the other owners for the use of the Italian transmission network by power generators and distributors (€220.6 million). They also include the year's portion of lease payments for the Brazilian lines for the portions invoiced and to be invoiced (€24.1 million).
Other trade receivables (€41.5 million) refer primarily to Italian customers and include receivables for contract work in progress (€1.4 million) of a long-term nature on behalf of third-party customers.

Energy receivables -- €1,254.9 million
These largely regard receivables in respect of "transit items" related to electricity transmission and dispatching. They also include receivables for fees invoiced to market operators for dispatching (DIS fee – res. 237/04) and metering activities (MIS fee – res. 05/04) and receivables to cover administrative and operating costs incurred for the withdrawal of electricity from generators of renewable energy with capacities of less than 10 MVA connected to the National Transmission Network (Res. 34/05).
Energy-related receivables also include the deferred costs incurred in respect of participation in the European Transmission System Operators – Cross-Border Trade (ETSO-CBT) agreements related to the offsetting of costs connected with the transit of electricity on foreign networks. With its resolution 15/2005, the Authority for Electricity and Gas ensured coverage of these costs, establishing that the methods of repayment will be set out in a specific measure.

4.2 EQUITY INVESTMENTS

4.2.1 CDP equity investments

(thousands of euros)

EQUITY INVESTMENTS AND FINANCIAL ASSETS AVAILABLE FOR SALE

	Number of shares	% holding
A. Listed companies		
1. Eni S.p.A.	400,288,338	9.99%
2. Enel S.p.A.	627,528,282	10.15%
3. Terna S.p.A. (*)	599,999,999	29.99%
B. Unlisted companies		
1. Poste Italiane S.p.A.	457,138,500	35.00%
2. ST Holding N.V.	425,992	30.00%
3. Galaxy S.àr.l.	845,772	40.00%
4. Sinloc S.p.A.	605,727	11.85%
5. F2i SGR S.p.A.	1,500	14.29%
6. Europrogetti & Finanza S.p.A.	5,975,000	31.80%
7. Istituto per il Credito Sportivo	2,065,864	21.62%
8. Tunnel di Genova S.p.A.	170,000	33.33%

(*) company over which CDP has determined it exercises *de facto* control

As of 1 January 2007, the CDP S.p.A. portfolio of equity investments primarily included the minority shareholdings in Enel S.p.A., Eni S.p.A., and Poste Italiane S.p.A., which were transferred to CDP S.p.A. from the Ministry for the Economy and Finance when CDP was transformed into a joint-stock company at the end of 2003, as well as an indirectly held share of about 10% in STMicroelectronics N.V. acquired in December 2004 and a 29.99% stake in Terna S.p.A., which was acquired from Enel S.p.A. in September 2005.

The composition of the CDP S.p.A. portfolio of equity investments changed during 2007 following the establishment, on 23 January 2007, of Fondi Italiani per le Infrastrutture SGR S.p.A. (F2i), a company in which CDP S.p.A. currently holds a 14.29% stake.

Related to all equity investments held by CDP S.p.A., dividends received for 2007 came to €997 million and were related primarily to the stakes held in Eni S.p.A. and Enel S.p.A. It should be noted that Eni S.p.A., Enel S.p.A., and Terna S.p.A. have adopted a semi-annual dividend distribution policy.

As mentioned, CDP S.p.A., in partnership with Italy's two largest banking groups (Intesa Sanpaolo and UniCredit), two of the leading global investment banks (Lehman Brothers and Merrill Lynch), and a number of leading Italian pension funds and banking foundations, established the company F2i in January 2007. The company's mission is to provide collective investment management services through the promotion, creation and organisation of closed-end mutual funds specialising in infrastructure.

In 2007, CDP S.p.A. determined that it exercised *de facto* control over Terna S.p.A., a company in which it holds a 29.99% stake. Such control was formally reported to CONSOB and to the company's administrative bodies. One of the consequences of this is the obligation for CDP S.p.A. as a company exercising control over other companies to prepare both separate and consolidated financial statements, rather than just separate statements as was done until the 2006 financial year.

As concerns the separation of organisation and accounting, shareholdings in the CDP S.p.A. portfolio as of 31 December 2007, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the shares held in F2i SGP S.p.A. and Galaxy S.àr.l, which fall under the Ordinary Account.

Below are brief descriptions of all of the shareholdings, with the exception of Terna S.p.A., which is described in the first section of the report on operations.

<u>Eni S.p.A. ("Eni")</u>

Eni is an integrated company operating in the oil and natural gas industries, as well as power generation and distribution, engineering and construction, and the petrochemical industry. The company is known for the excellence of its skill base and its strong international market position. Eni has a presence in some 70 countries and more than 73,000 employees. Its four primary businesses are: Exploration & Production, Gas & Power, Refining & Marketing, Engineering & Construction.
The company's shares are listed on the Milan stock exchange and the New York Stock Exchange.

<u>Enel S.p.A. ("Enel")</u>

Enel is Italy's leader in electricity generation, distribution, and sales. The company is also involved in the import, distribution and sale of natural gas. Following the acquisition of the Spanish electrical company Endesa, Enel now has a presence in 21 countries and a total installed capacity of some 80,000 MW serving 50 million electricity and gas customers. These businesses are handled by the following divisions: Generation and Energy Management; Engineering and Innovation; Sales; Infrastructure and Networks; International; and Iberia and Latin America.

The company's shares are traded on the Milan stock exchange. With effect from 20 December 2007, its shares were officially delisted from the New York Stock Exchange.

Poste Italiane S.p.A. ("Poste Italiane")

Poste Italiane operates the universal postal service in Italy and engages in commercial activities through its various product divisions and group companies in the two main business areas of postal services and BancoPosta (postal banking and financial services). Postal services include the Mail, Express Delivery, Logistics and Parcels, and Philately divisions. BancoPosta operations consist essentially in the provision of payment services and financial products (including products on behalf of CDP S.p.A., i.e. postal passbook savings accounts and postal savings bonds). In March 2007, Poste Italiane entered the telecommunications industry as a virtual mobile carrier through its subsidiary PosteMobile S.p.A.

STMicroelectronics Holding N.V. ("STH")

STH, a Dutch firm with Italian and French shareholders, manages – through its wholly-owned subsidiary STMicroelectronics Holding II B.V. – a 27.5% stake in the Dutch firm STMicroelectronics N.V., which is active in research and the production of semiconductors and other technology. CDP S.p.A. indirectly holds a 10.07% stake in STMicroelectronics N.V.
STMicroelectronics N.V. is an independent global manufacturer of semiconductors and is a leader in semiconductor solutions for the full range of microelectronic applications, from development to delivery. STMicroelectronics N.V. is one of the world's largest semiconductor companies. The group was established in June 1987 following the merger of the Italian company SGS Microelettronica and the French firm Thomson Semiconducteurs. In May 1998, the company changed its name from SGSThomson Microelectronics to STMicroelectronics N.V.
STMicroelectronics N.V. shares are traded on the Italian stock market, the New York Stock Exchange, and Euronext Paris.
In conjunction with determining the carrying value of the stake in STH as at 31 December 2007, the fair value of the share held by STH in STMicroelectronics N.V. was calculated. This equity investment is the company's only significant asset, and STH has virtually no debt. Given STH's financial structure, it is possible to determine the fair value of CDP's stake in the company based on the market value of the corresponding shares in STMicroelectronics N.V. Therefore, the equity investment in STH was recognised on the CDP S.p.A. balance sheet at a value of €949 million, which was determined based on the performance of the STMicroelectronics N.V. stock price during the latter part of 2007. This led to a writedown through profit or loss in the consolidated CDP S.p.A. financial statements for 2007 in the amount of €479.2 million.

Galaxy S.àr.l. ("Galaxy")

Galaxy, a Luxembourg firm, makes equity or quasi-equity investments in transportation infrastructure, particularly within Europe and other OECD countries. Its main segments of investment are roadways, rail, airports and harbours. The current Galaxy shareholders are Caisse des Dépôts et Consignations ("CDC"), Kreditanstalt für Wiederaufbau ("KfW"), and CDP S.p.A. Galaxy operates in a manner typical of a private equity fund. In particular, Galaxy shareholders have a financial commitment totalling €250 million, which could be asked of the company's shareholders during the investment period (currently scheduled to end in July 2008, but extendable for 2 more years). CDP S.p.A. became a Galaxy shareholder with a maximum total commitment of €100 million, €21 million of which had been paid as of the end of 2007.

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

The company is a financial intermediary entered in the special section of the general register pursuant to Article 113 of the 1993 Banking Law for persons operating on a non-public basis.
Sinloc is engaged in promoting and supporting initiatives for local territorial development. It also provides financial and legal consulting services to local authorities, banking foundations and other government bodies, with a focus on projects for urban regeneration and socio-economic development.

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. In July 2007, F2i SGR was entered under number 247 of the register of asset management companies kept by the Bank of Italy. In December 2007, F2i SGR launched the Italian infrastructure fund (*Fondo Italiano per le Infrastrutture*), the first fund specialising in infrastructure assets, and announced the close of the first tranche of subscriptions, at which time the total resources available had reached more than €1,500 million, with more to be added in 2008.

Europrogetti & Finanza S.p.A. ("EPF")

EPF was established in 1995, pursuant to Decree Law 26 of 1995, ratified with Law 95 of 29 March 1995, to promote initiatives to stimulate entrepreneurial activities and develop projects eligible for European co-financing.
EPF is involved in the entire project lifecycle, from design through to the actual works, making particular use of project financing as a key means of development.

Istituto per il Credito Sportivo ("ICS")

ICS, which was reformed with Presidential Decree no. 453 of 20 October 2000, is a residual public-law bank in accordance with Article 151 of the 1993 Banking Law. It provides medium and long-term financing to public and private borrowers for the design and construction of sports facilities.
The 2004 Finance Act (Article 4.14) expanded the scope of ICS's activity to include financing for cultural initiatives, as well.

Tunnel di Genova S.p.A. ("TdG")

The company was established to coordinate activities for the design, construction and operation of underground and underwater links between the western and eastern sections of Genoa.
In 2007, following the completion of the preliminary design for the works being handled by TdG, CDP S.p.A. explored a number of opportunities to sell the 33.33% stake held in the company. CDP initiated contacts with a number of public entities and publicly-held companies that expressed an interest in buying the stake held, is currently evaluating the bids received in order to dispose of the stake on the best terms possible.

4.2.2 Investment funds subscribed by CDP

(thousands of euros)

INVESTMENT FUNDS

	31/12/2007			
	Number of units	**Carrying value**	**Sector**	**Fund manager**
1. Fondo PPP Italia	350	328	Infrastructure and PPP	Fondaco SGR
2. Fondo Abitare Sociale 1	20	1,000	Social Housing	Polaris Investment Italia SGR
3. F2i - Fondo Italiano per le Infrastrutture (*)	150	-	Infrastructure	F2i Fondi Italiani per le Infrastrutture SGR

(*) fund subscribed on 19 December 2007, for which no amounts were paid in 2007

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

PPP Italia

PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) Its purpose is to make equity or quasi-equity investments through significant minority shareholdings (20-40% stakes) and active (e.g. with representation on the boards of directors of the companies held) minority interests in the following sectors:

- civil construction (schools, hospitals, public office buildings, etc.);
- the environment and urban regeneration;
- transportation and public utilities.

The fund totals €120 million, and CDP S.p.A. has subscribed units totalling €17.5 million, €328 thousand of which was paid as at 31 December 2007.

Abitare Sociale 1

Abitare Sociale 1 is an Italian closed-end ethical real estate fund promoted by the Cariplo Foundation. The financial resources of the fund are to be used for the construction of housing and services in the Lombardy region, so as to contribute to solving the housing problem with a particular emphasis on the socially or financially disadvantaged and by collaborating with the service and public sectors. This will also include rent control for the properties built using the assets of the fund. The initiative primarily targets students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties. The fund has total assets of €85 million. CDP S.p.A. is involved in the initiative with a financial commitment of €20 million, €1 million of which was paid as at 31 December 2007.

Fondo Italiano per le Infrastrutture ("F2i")

The purpose of the F2i fund is to invest in infrastructure, particularly in the areas of transportation, gas and energy transport, media and telecommunications, power generation (from renewable sources), and social and local public services. The F2i fund was authorised by the Bank of Italy in August 2007 and, subsequent to its first closing in 2007, had total resources of more than €1,500 million. Additional funds are to be raised in 2008. CDP S.p.A. has purchased units in F2i totalling €150 million. In 2007, no payments were made to the fund.

4.2.3 Terna equity investments

The composition of the Terna Group is summarised in the following table:

Name	Registered office	Activity	% holding
Direct control Terna SpA			
Terna Participações SA	Rio de Janeiro (Brazil)	Holding company with equity investments in electricity transmission companies	66%
R.T.L. Rete Trasmissione Locale	Rome	Construction and maintenance of electricity transmission networks	100%
InTERNAtional SpA	Rome	Construction and maintenance of electricity transmission networks in Italy and abroad	100%
Control through Terna Participações SA			
T.S.N. - Transmissora Sudeste Nordeste SA (Brazil)	Rio de Janeiro (Brazil)	Construction and maintenance of electricity transmission networks	100%
Novatrans Energia SA	Rio de Janeiro (Brazil)	Construction and maintenance of electricity transmission networks	100%
Lovina Participações S.A.			99.99%
ETAU - Empresa de Transmissão do Alto Uruguai S.A	São Paulo (Brazil)	Construction and maintenance of electricity transmission networks	52.58%

In addition to the above companies, Terna also holds a 24.36% stake in the associated company CESI S.p.A., while Terna Participações holds a 52.58% stake in the joint venture ETAU SA.

The following information concerns equity investments in Italian companies.

RTL Rete di Trasmissione Locale

Following the consolidation entries and adjustments in accordance with the International Financial Reporting Standards (IFRSs) adopted by the parent company, the company's contribution to the performance of the Terna Group for the year was about €27.9 million.
On 1 October 2005, RTL, through a specific agreement entered into at arm's length, entrusted the parent company with the operation and routine maintenance of the lines owned by RTL.
Two additional agreements (for general services and treasury operations) are in effect with the parent company. These contracts were also entered into on an arm's length basis or based on assessments made in accordance with the ratio of expected cost to the quantity of product/service used.

Merger of RTM1 and RTM2 into RTL

With the merger instrument signed on 24 July 2007, RTL S.p.A. absorbed the wholly-owned subsidiaries RTM1 S.p.A. and RTM2 S.p.A. (which were acquired on 24 November 2006). The effective date of the merger was 31 July 2007. The merger was approved on 18 April 2007 (in accordance with Article 2501-*bis* of the Italian Civil Code) by the shareholders of RTL, RTM1 and RTM2 based on the financial statements for the financial year ended 31 December 2006 for the companies involved in the merger. All shares of the absorbed companies were cancelled in accordance with the procedures set out in the merger plan and, therefore, without increasing the capital of the surviving company and without any share exchange or cash adjustment payment. The accounting and tax effects of the merger of RTM1 and RTM2 are retroactive to 1 January 2007.

Acquisition of RTT Srl and merger into RTL

A 100% stake in AEM Trasporto Energia S.r.l. was acquired on 28 June 2007, with effect from 30 June 2007. The total amount paid for the acquisition was €38.1 million. The company also changed its name to Rete Trasmissione Torino (RTT) Srl. On 18 December 2007, with effect from 31 December 2007, the instrument was signed for the merger of RTT S.r.l. into RTL S.p.A. in accordance with the merger plan approved by the shareholders of RTL S.p.A. and RTT S.r.l. on 12 October based on the financial statements as at 30 June 2007. The merger entailed the cancellation of all shares in the absorbed company in accordance with the procedures defined in the merger plan and, therefore, without increasing the capital of the surviving company and without any share exchange or cash adjustment payment. The accounting and tax effects of the merger of RTT are retroactive to 1 July 2007.

New contracts with subsidiaries

On 1 February 2007, Terna signed two service agreements with RTM1 and RTM2 (acquired from RTL) for the provision of services to the company, which include:

1) the coordination of management, in part through appropriate training programmes;
2) the coordination of administration and finance for the subsidiary, including the configuration and management of the company's financial assets;
3) the provision of other services in areas of specific company interest.

On 17 July 2007, Terna signed an agreement with RTM1 (now RTL) for the provision by the parent company of a range of technical services for RTM1 lines and stations, and specifically:

1) activities aimed at ensuring the operational efficiency of the power lines and stations through the routine maintenance of all components;
2) overseeing and controlling the lines and stations;
3) maintenance and repairs in response to exceptional events, as well as plant modifications and other extraordinary maintenance.

InTERNAtional

On 10 September 2007, Terna SpA established the InTERNAtional S.p.A., which is headquartered in Rome and has share capital in the amount of €120 thousand. The company's purpose includes the design, construction, management, development and maintenance of networks and other infrastructures in the areas of electricity transmission and dispatching, both in Italy and abroad, as well as related research, consulting and assistance.

The following information concerns the equity investments in Brazilian companies:

Acquisition of Empresa de Transmissão do Alto Uruguai S.A. ("ETAU")

On 6 July 2007, Terna Participações signed an agreement with Alcoa Alluminio SA and Camargo Correa Cimentos LA for the acquisition of a 52.58% stake in Empresa de Transmissão do Alto Uruguai S.A. ("ETAU"). The transaction was completed on 28 December 2007 following approval by the local regulatory body, Agência Nacional de Energia Elétrica (ANEEL) and the financing bank, Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

The price paid to acquire the stake was R$ 60.8 million (or about €23 million).

ETAU holds a 30-year licence to operate the 230 kV Campos Novos – Santa Marta transmission line located in southern Brazil, which runs for some 188 km, from the Campos Novos substation in the state of Santa Caterina to the Santa Maria substation in the state of Rio Grande do Sul and with the intermediate substations of Barra Grande and Lagoa Vermelha.

The acquisition has enabled the parent company to further consolidate its presence in Brazil and to achieve strategic growth for the operations of Terna Participações, so that it can leverage its potential for the development of the country's energy infrastructure.

Acquisition and merger of GTESA and PATESA and related increase in TSN share capital

On 30 November 2007, TSN completed the acquisition of 100% stakes in Goiana Transmissora de Energia S.A. (GTESA) and Paraiso Açu per Transmissora de Energia S.A. (PATESA).

Governed by a contract signed on 21 August 2007, the acquisition was completed following approval by the local regulatory body, ANEEL, and the financing bank, BNDES.

GTESA and PATESA hold licences for a total of 186 km of 230 kV lines that include the Goianinha-Mussuré and Paraíso-Açu lines.

The acquisition further strengthens Terna's presence in Brazil, as the companies acquired hold licences for the north-eastern part of Brazil, where the Terna Group already has a presence through the subsidiary TSN.

The total price to purchase these stakes in GTESA and PATESA was R$ 92.8 million (or about €35 million). As at 30 November 2007, the two companies had assets of R$ 48.2 million (about €18.3 million) and debt of R$ 23.1 million (about €8.8 million). The lines licensed by GTESA and PATESA generate annual fees of R$ 4.8 million (about €1.8 million) and R$ 11.2 million (about €4.2 million), respectively.

In conjunction with the acquisition, GTESA and PATESA were merged into TSN in order to realise the shareholdings and optimise administrative costs. The difference of R$ 67.2 million between the purchase price paid for the companies (R$ 92.8 million) and the fair value of the assets and liabilities acquired (R$ 25.6 million) has been allocated to goodwill.

In order to finance the acquisition, TSN carried out a capital increase, which was wholly subscribed by Terna Participações, in the amount of R$ 93 million with the issue of 2,000,000 callable preference shares.

Lovina Participações (Lovina) – Empresa de Transmissão de Energia do Oeste Ltda ("ETEO")

On 13 September 2007, Terna Participações acquired a 99.99% stake in Lovina Participações Ltda., a newly established company with share capital of R$ 1,000 and headquartered in Rio de Janeiro, Brazil.

On 17 September, Terna Participações, through its subsidiary Lovina Participações Ltda., signed an agreement for the purchase of a 100% stake in Empresa de Transmissão de Energia do Oeste Ltda. (ETEO), which holds the licence for 502 km of 440 kV transmission lines in the state of San Paolo. The total price of the transaction was R$ 562.2 million (or about €217 million).

In 2006, ETEO, holder of a 30-year licence, posted revenues of R$ 92.1 million, EBITDA of R$ 71.3 million, and net income of R$ 45.8 million.

The closing of the transaction remains subject to approval by the local regulatory body, ANEEL.

On 13 December 2007, the company was transformed into a *"Sociedade Anônima"* (S.A.) and renamed Lovina Participações S.A.

Novatrans Energia (NVT)

Following the consolidation entries and adjustments in accordance with the International Financial Reporting Standards (IFRSs) adopted by the parent company, this company's contribution to the performance of the Terna Group for the financial year was about €21.8 million.

With regard to operations in 2007, operation of the Camaçari-Sapeaçu line was unified within the centre for remote operations in Samambaia. Maintenance for the stations continues to be handled by in-house personnel, which carried out all routine and emergency maintenance for the stations during the first half of 2007. In anticipation of the conclusion of the contract with Cotesa, which is expected to take place on 15 January 2008, line maintenance teams with their own equipment and resources were organised.

Transmissora Sudeste Nordeste (TSN)

Following the consolidation entries and adjustments in accordance with the International Financial Reporting Standards (IFRSs) adopted by the parent company, this company's contribution to the performance of the Terna Group for the financial year was about €33.9 million.

Plant maintenance and operation has been conducted by Transener and overseen by the same personnel used for Novatrans.

At the end of the year, it was consensually agreed to terminate the maintenance contract with Transener in order to begin using in-house personnel beginning on 1 February 2008.

4.2 PROPERTY, PLANT AND EQUIPMENT

4.2.1 CDP property, plant and equipment

CDP's property, plant and equipment breaks down as follows:

(thousands of euros)

PROPERTY, PLANT AND EQUIPMENT

	Opening net value	Net increases / decreases	Depreciation 2007	Closing net value	Change for the year
Land	117,406	0	0	117,406	0.0%
Buildings	75,197	1,494	-2,454	74,237	-1.3%
Plant	6,012	2,750	-1,851	6,911	15.0%
Hardware and electronic office machinery	3,992	993	-1,191	3,794	-5.0%
Furniture and furnishings	1,800	1,832	-539	3,093	71.8%
Assets under development	3,558	-1,951	0	1,607	-54.8%
Leasehold maintenance	295	866	-92	1,069	262.8%
Other	52	65	-29	88	67.0%
Total	**208,312**	**6,049**	**-6,156**	**208,205**	**-0.1%**

The value of these assets is essentially unchanged on the previous year (-0.1%), although the figures before depreciation show significant investments for property renovation and the renewal of plant and furnishings connected, in particular, with the renovation under way at the company' headquarters in Rome.
Intangible assets increased 16.1% as detailed below.

4.2.2 Terna property, plant and equipment

The Terna Group's property, plant and equipment reached €5,613 million, an increase of 8.4%. The €437.2 million increase is due essentially to the following:

- for the parent company (+€342.2 million), to the net effect of new investments, depreciation for the year, the recognition of grants related to plant, and disposals;
- for the Brazilian firms (+€56.6 million), to the acquisition of the assets of GTESA and PATESA (€16.9 million), positive exchange rate differences recognised on the value of assets due to the strengthening of the R$-euro exchange rate (€49.7 million), and the net effect of new investments (€10.0 million) and depreciation (€20.0 million);
- for the subsidiary RTL (+€38.4 million), primarily to the acquisition of RTT plants (€31.8 million) and to new investments for the year (€6.7 million net of depreciation).

In addition to routine transactions during the year, this item includes the transfer of transmission plant (€28.4 million) from RTL to Terna. The transfer, which was finalised on 12 December 2007, was part of the implementation of the plan to rationalise the Valcamonica and Valtellina electrical networks as agreed by the parent company, the local authorities concerned, and the Ministry for Economic Development.

Provided below are some of the figures concerning the Terna Group's transmission network.

National Transmission Network

The figures for the Group's systems in Italy are shown in the table below:

	T.E.R.NA		RTL		TOTAL	
	N°	Km	N°	Km	N°	Km
Stations	319	-	47	-	366	-
Transformers	586	-	24	-	610	-
Bays	4,111	-	326	-	4,437	-
Lines	-	36,142	-	3,304	-	39,446
Three-phase lines	1,995	40,034	164	4,167	2,159	44,201

The changes in 2007 can be attributed to:

- RTL for the assets acquired with the merger of RTT during the year (5 stations, including the Moncalieri station previously acquired from Iride Energia; 5 transformers; 213 km and 10 units of three-phase lines);
- the parent company, for which the changes for the year are described in the corresponding section of the Terna S.p.A. report on operations as at 31 December 2007.

Brazilian Transmission Network

The figures for the Group's systems in Brazil are shown in the table below:

	TSN				NOVATRANS		Total	
	TSN		GTESA / PATESA					
	N°	Km	N°	Km	N°	Km	N°	Km
Stations	7	-	-	-	-	-	7	-
Transformers	14	-	-	-	-	-	14	-
Bays	31	-	4	-	10	-	45	-
Lines	-	1.183	-	186	-	1278	-	2.647
Three-phase lines	12	1.183	2	186	5	1278	19	2.647

It should also be noted that, compared with the figures for 2006, the lines increased by 186 km following the acquisition of systems in the states of Paraiba, Pernambuco, and Rio Grande do Norte.

4.3 LIABILITIES AND EQUITY

4.2.1 CDP funding

CDP funding is broken down in the table below.

(millions of euros)

FUNDING

	31/12/2007	31/12/2006	Change %
Due to banks	698	265	164.0%
Due to customers	10,953	10,226	7.1%
Debt securities	9,314	8,741	6.6%
Postal funding	157,248	144,540	8.8%
Total funding	**178,213**	**163,772**	**8.8%**

Amounts due to banks posted a significant increase due primarily to the two new loans received from the European Investment Bank (totalling €101 million) and the increase in deposits related to the Credit Support Annex (CSA) guarantee agreements, due in part to the signing of new agreements with market counterparties.

Amounts due to customers, which increased by 7.1%, are essentially related to the portion of specific-purpose loans for which the repayment period had begun as at 31 December 2007 but which had not yet been disbursed, which totals €10,895 million. This item also includes funds received from the Italian government which were still to be disbursed as of 31 December 2007, related to the approval and disbursement of grants for the purchase or lease of low environmental impact vehicles.

Liabilities for securities increased as a result of new bond issues with a total face value at the issue date of €564 million.
Of particular note in that regard was the first bond issue in a foreign currency (Japanese yen) for a total of €64 million (at the issue date) maturing 2017. The exchange rate risk connected with this issue has been hedged appropriately using derivative instruments.

At 31 December 2007, CDP S.p.A.'s postal funding totalled €157 billion, up about 9% from €145 billion in 2006.

(millions od euros)

STOCK OF POSTAL SAVINGS

	31/12/2007	31/12/2006	Change %
Postal passbook savings accounts	76,286	70,583	8.1%
Postal savings bonds	80,962	73,957	9.5%
Total	**157,248**	**144,540**	**8.8%**

4.2.2 Financial liabilities of the Terna Group

The table below shows a breakdown of borrowings and other financial liabilities on the Group's consolidated balance sheet as at 31 December 2007.

	Book value		Change
millions of euros	31.12.07	31.12.06	
Bonds	1.840,40	1.406,60	433,8
Bank loans	925,1	961,3	-36,2
Long-term borrowing	**2.765,50**	**2.367,90**	**397,6**
CFH derivatives	0	6,2	-6,2
FVH derivatives	57,5	0	57,5
Trading derivatives	0,5	0	0,5
Non-current financial liabilities	**58**	**6,2**	**51,8**
Short-term borrowing	0	50	-50
Current portion of long-term borrowing	71,8	71,1	0,7
Short-term borrowing and current portion of long-term borrowing	**71,8**	**121,1**	**-49,3**
Total	**2.895,30**	**2.495,20**	**400,1**

Gross liabilities increased by €400.1 million to €2,895.3 million.

The total net change in the value of bonds for the year (€433.8 million) is attributable to the new bond issue by Terna during 2007 in the amount of €502.8 million and to the decrease in the fair value of the 2014-2024 bond issue in the amount of €69.0 million. The latter change was offset by the increase in the fair value of derivatives (totalling €70.0 million, of which €12.0 million as a reduction in financial assets and €58.0 million as an increase in financial liabilities).

On 23 October 2007, Terna S.p.A. issued a bond indexed to Italian inflation (FOI, the consumer price index excluding tobacco products for the households of blue and white-collar workers) with a term of 16 years maturing 15 September 2023 in order to refinance existing short-term debt and to cover the additional funding needs envisaged in the business plan. The bond includes a fixed-rate coupon (2.731%) calculated on a par value that is revalued every six months based on inflation, with redemption at maturity.

4.4 PERFORMANCE

4.4.1 CDP performance

The following table reports the main performance aggregates for 2007:

(millions of euros)

INCOME DATA

	31/12/2007	31/12/2006	Change (%)
NET INTEREST INCOME	2,206	1,780	23.9%
GROSS INCOME	2,423	2,533	-4.3%
NET INCOME FROM FINANCIAL OPERATIONS	2,414	2,499	-3.4%
OPERATING INCOME	2,349	2,432	-3.4%
INCOME (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	1,869	2,434	-23.2%
NET INCOME FOR THE PERIOD	**1,374**	**1,876**	**-26.8%**

Performance for the year was generally positive and, excluding non-recurring items, an improvement over 2006. More specifically, 2006 benefited from non-recurring revenues in the amount of about €260 million related to trading activities and to a portion of the gain on the sale or repurchase of assets, while 2007 performance was affected by the €472 million writedown of the value of equity investments (the amounts indicated are given gross of tax effects, where material).

Net interest income came to €2,206 million, an increase of nearly 24% due to both the increase in the volume of lending and funding and the optimisation of the spread between the return on assets and the cost of liabilities.

Gross income came to €2,423 million, declining by 4% from 2006 due, as mentioned above, to the absence of the non-recurring revenues that boosted the figures for the previous year. Excluding these revenues, 2007 performance would have been better than 2006, as the rise in net interest income more than offset the decline in dividends received from equity investments, the increase in management fees paid on postal savings, and the decline in penalty payments received for early loan repayment.

Net income totalled €1,374 million, a decline of 27% from the previous year. In addition to the above factors, net income for the year was significantly affected by the writedown of the investment held in STMicroelectronics Holding N.V. Therefore, net income for 2007 would also have increased over 2006 without the effect of extraordinary and other non-recurring items.

4.4.2 Terna Group performance

The following table reports the operating performance of the Terna Group in 2006 and 2007.

millions of euros	2007	2006	Change	%
Revenues:				
- Grid transmission fees	1211.0	1145.6	65.4	5.7%
- Other energy items	43.3	41.9	1.4	3.3%
- Other revenues from sales and services	41.9	41.2	0.7	1.7%
- Other revenues and income	52.0	47.8	4.2	8.8%
Total revenues	**1348.2**	**1276.5**	**71.7**	**5.6%**
Operating costs:				
- Staff costs	194.0	214.3	-20.3	-9.5%
- Services, leases and rentals	135.2	145.3	-10.1	-7.0%
- Materials	10.1	9.6	0.5	5.2%
- Other	31.1	38.7	-7.6	-19.6%
Total operating costs	**370.4**	**407.9**	**-37.5**	**-9.2%**
GROSS OPERATING MARGIN	**977.8**	**868.6**	**109.2**	**12.6%**
Amortisation and depreciation	**255.1**	**212.4**	**42.7**	**20.1%**
OPERATING INCOME	**722.7**	**656.2**	**66.5**	**10.1%**
- Net financial income (expenses)	-116.9	-29.4	-87.5	297.6%
INCOME BEFORE TAXES	**605.8**	**626.8**	**-21.0**	**-3.4%**
- Income taxes	173.0	235.2	-62.2	-26.4%
NET INCOME FOR THE YEAR	**432.8**	**391.6**	**41.2**	**10.5%**
- pertaining to Group	*413.9*	*389.1*	*24.8*	*6.4%*
- pertaining to minority interests	*18.9*	*2.5*	*16.4*	*656.0%*

Revenues for 2007 amounted to €1,348.32 million (€1,111.2 million for the parent company, €70.8 million for the subsidiary RTL, and €166.3 million for the Brazilian subsidiaries), increased by €71.7 million (+5.6% over the €1,276.5 million of 2006).

This net increase in revenues was essentially due to the following:

- an increase in payments for network use of about €65.4 million as a result of the following factors:
  - greater revenues for the transport of energy on Italy's National Transmission Network (in the amount of €55.8 million) attributable mainly to:

  - for the parent company (up €0.3 million), the net result of lower revenues for net adjustment payments for past years in the amount of €51.5 million (in the previous, €47.3 million was recognised as a result of the provisions of Resolution 162/06 of the Authority for Electricity and Gas related to rate supplements for 2005) and a €51.8 million increase in revenues related to the change in rates, as well as the increase in transmission grid fees resulting primarily from the greater release of revenues related to the business plan (€9.0 million);
  - for the subsidiary RTL, greater revenues (€55.4 million) related essentially to the transmission grid fees for the full year for RTM1 and RTM2 (which were merged into RTL on 31 July and included in the scope of consolidation for December 2006 only) and the revenues of RTT (merged into RTL with effect from 31 December 2007) for the second half of the year;
- greater revenues for the Brazilian firms in the amount of €9.6 million (distributed linearly across the duration of the concession) related essentially to the annual concession fee adjustment and the appreciation of the local currency (€3.8 million);

- other energy items (up €1.4 million) related essentially to the fees for metering services (MIS component – up €0.7 million) and dispatching services (DIS component - up €0.7 million);
- other sales and services (up €0.7 million) due essentially to greater revenues from unregulated activities conducted during the year;
- other revenues and income (up €4.2 million) mainly as a result of the combined effect of greater rental income (+€4.4 million) from the contract with Enel Distribuzione for the use of Terna infrastructure for carrier-line communications, as well as greater insurance payments received for damages (+€2.4 million) net of lower plant grants for the period recognised primarily by the parent company (-€4.1 million).

Operating costs came to €370.4 million (€322.8 million for the parent company, €11.4 million for the subsidiary RTL, and €36.2 million for the Brazilian subsidiaries), a decrease of 9.2% (€37.5 million) from 2006. This decrease is primarily attributable to the parent company (€46.3 million) and was offset by the increase in costs for RTL (€7.9 million) attributable to the absorbed companies RTM1 and RTM2, which were only consolidated for the month of December for the 2006 financial year.

More specifically, for the parent company, the decline in operating costs was primarily attributable to:

- a €22.3 million decrease in staff costs due essentially to the net effect of the following developments:
  - greater staff costs related to the former Italian subsidiaries RTM1 and RTM2, which were consolidated as of December 2006, and the former RTT, which was acquired on 30 June 2007 (estimated at €6.4 million);

  - a decline in post-employment benefit expense for severance pay (down €8.7 million) due to the change in actuarial calculation in application of new legislation in effect as from 2007;
  - the release of the excess provision allocated at 31 December 2006 for INPS social security contributions for the share, not yet due, related to voluntary unemployment insurance (a decline of about €3.9 million);
  - lower charges connected with consensual early retirement for employees who had accrued pension rights (down €5.5 million);
  - an increase in capitalised costs in respect of in-house projects (about €14.8 million);
- a €11.7 million reduction in costs for services related primarily to the policy of rationalising services purchased, which led to a reduction in costs for, in particular, IT services (-€6.4 million, services that were previously purchased within the Enel Group), telecommunications (-€5.5 million), vehicle hire costs (down €3.8 million), and insurance services (-€0.3 million). Greater costs were recognised in relation to contracts and services for routine plant maintenance and costs for general services in the amount of about €4.3 million;
- greater allowances for doubtful accounts in 2006 concerning energy items (a decrease of €11.5 million).

The **gross operating margin** (EBITDA) reached €977.8 million, an increase of €109.2 million over the €868.6 million of 2006 (+12.6%). The Brazilian subsidiaries contributed €130.0 million, and RTL contributed €59.4 million.
Depreciation and amortisation for the year increased by €42.7 million over 2006 (+20.1%), of which €18.5 million is attributable to the parent company for the start of operation of new plant and €23.1 million is attributable to RTL, which includes the depreciation and amortisation of RTM1 and RTM2 (consolidated only as of December for the 2006 financial year) harmonised with the standards of the Terna Group following a review of the remaining useful lives of the related assets.

As a result, **operating income** (EBIT) reached €722.7 million, a €66.5 million increase (+10.1%) over 2006.

The €87.5 million increase in **net financial expense** over the previous year is essentially due to the recognition in 2006 of the gain from the Terna Participações IPO (€70.6 million).

Net income reached €432.8 million, up 10.5% over the €391.6 million of the previous year. Net income for the Group, i.e. net of minority interests in the amount of €18.9 million, came to €413 million, for a 6.4% increase over 2006.

5. MONITORING RISK

5.1 CDP RISK MANAGEMENT

DEVELOPMENTS IN INTEREST RATE RISK

In 2007, CDP limited exposure to rising interest rates by hedging the fixed-rate assets of the Separate Account both with transactions aimed at covering a portion of the existing stock and – beginning in the second half of the year – through the systematic hedging of new fixed-rate lending selected based on a minimum level of principal granted.

The activities of the Finance division in the area of risk management made it possible to meet the quarterly limits set by the Board of Directors.

Throughout 2007, CDP's exposure to an increase in interest rates remained within the range of -€13.5/-18.1 million, starting at -€16 million and declining to -€15.3 million by year-end.
In mid-June 2007, in expectation of the increase in interest-rate exposure as determined by simulations conducted with the Dynamic ALM (DALM) system, the Finance division executed a series of hedging transactions. In proximity of the peak reached by PV01, and given the high degree of interest-rate volatility, the highest level of VaR (€579.3 million) was reached in July.
The effects of hedging led to a gradual decline in the risk indicators, with VaR falling to €412.2 million by year-end.

In 2007, risk measurement was expanded to include the inflation component as a risk factor present in inflation-linked postal savings bonds.

DEVELOPMENTS IN COUNTERPARTY RISK CONNECTED WITH DERIVATIVE TRANSACTIONS

During 2007, the entire banking and financial sector was impacted by tensions on a global scale generated by the subprime mortgage crisis.
Within this market environment, CDP acted with the utmost caution. During the year, five new Credit Support Annex contracts were signed in order to mitigate counterparty risk through the exchange of collateral.
CDP also managed counterparty risk with the assignment of a number of transactions.

OTHER CREDIT RISK INITIATIVES

In 2007, efforts were made to enhance, test and incorporate in organisational processes the portfolio model to measure the credit risk originating from financing activities under the Ordinary Account.

DEVELOPMENTS IN LIQUIDITY RISK

CDP's main source of funding is government-backed postal savings.
In 2007, CDP further increased the already high balance held on the treasury current account.

For more information on risks and the related hedging policies, see the notes to the financial statements.

LEGAL DISPUTES

As concerns pending litigation, it should be noted that both the total number of disputes and the potential liability remained insignificant in absolute terms and that, in relative terms, the impact of the estimated potential charges on CDP's accounts appears to be of very little significance.
With regard to the customers of the Separate Account, as at 31 December 2007 30 suits were pending with a total estimated liability of no more that €500 thousand. Furthermore, these numbers show a declining trend compared with the past, and there are no situations that point to serial disputes that could suggest the presence of critical issues in procedures or in the related laws and regulations.
There are currently no pending disputes in relation to the Ordinary Account.
With regard to labour disputes, at 31 December 2007 there were 33 suits pending with a total estimated potential liability of no more than €1.5 million.

5.2 TERNA GROUP RISK MANAGEMENT

As part of its policies for managing financial risk approved by the board of directors on 12 November 2007, the Terna Group established the operating responsibilities and procedures for managing market risks (specifically the risk of changes in interest rates and exchange rates) and liquidity risk, with specific emphasis on the instruments to be used and precise operating limits in transactions with such instruments.
Credit risk management is guided by Resolution 111/06 of the Authority for Electricity and Gas, Article 49 of which specifies the instruments that can be used to limit the default risk related to dispatch customers, both as a preventive measure and in the event of actual

default. In particular, the resolution specifies three instruments to be used to protect the electricity market: the system of guarantees (sureties issued by individual customers in relation to their revenues); the option to terminate dispatching contracts (in the event of default or failure to replace enforced guarantees); and the recoverability of uncollected receivables, after attempting all collection measures, through a specific fee defined by the Authority when necessary.

The Terna Group's exposure to such risks essentially corresponds to the parent company's exposure. Therefore, see the related section of the notes to the Terna S.p.A. financial statements for details. More specifically:

- the subsidiaries have no financial derivative contracts outstanding, either for hedging or for trading purposes;
- RTL S.p.A. has just one current account with the parent company, has not issued any bonds, and its trade receivables are insignificant (at about €5.7 million) in comparison with consolidated trade receivables;
- the impact of changing interest rates on the Brazilian subsidiaries is insignificant. The main source of interest rate risk comes from indexing most of the Brazilian debt to a subsidised interest rate granted by the bank BNDES. This exposure has not been hedged given that the subsidised interest rate granted by BNDES (TJLP) has low volatility and is advantageous when compared with both domestic short-term interest rates (CDI) and similar rates for debt of comparable maturity. Other financing is in fact exposed to interest rate risk, but the amount is limited in relation to the consolidated figures (at a total of R$ 106.6 million or about €40.8 million);
- the exposure of the Brazilian subsidiaries to exchange rate risk is limited to fluctuations in the Brazilian real in relation to the currencies in the BNDES basket of currencies, the total amount of which is R$ 93.15 million (€35.7 million). In any event, the effect of an appreciation or depreciation of the real against the basket has only a marginal impact when compared with the consolidated figures.

6. OUTLOOK FOR 2008

6.1 THE OUTLOOK FOR CDP

With regard to the outlook for operations, CDP S.p.A. will continue along the path originally defined in the 2005-2009 business plan in line with the company's mission and with the strategic objectives established in the plan.

Generally speaking, it is not currently possible to foresee whether the weakness that characterised the market for lending under the Separate Account in 2007 will continue into 2008.

In this context, CDP will continue to invest in the growth of the new activities undertaken in recent years and will assess the introduction of new products and new lines of business that are deemed to be in line with the company's role and with the current business plan. In 2008, the areas that are expected to post the greatest rates of growth should continue to be Ordinary Account lending and disbursements through the Revolving Fund to support business and research investments and funding through postal savings products.

Performance for 2008 should be essentially in line with 2007 before the writedowns to the portfolio of equity investments.

6.2 THE OUTLOOK FOR THE TERNA GROUP

On 31 January 2007, Terna presented financial analysts with its business plan for 2008-2012 as approved by the company's board of directors.
Terna Group's 2008-2012 plan follows four main lines of action:

- developing the National Transmission Network: an investment plan totalling more that €3.1 billion for the period 2008-2012, an increase of €400 million over the previous plan. Development investments account for 80% of total investment and have risen from €2.2 billion to €2.5 billion;
- increasing margins and controlling costs, particularly by rationalising costs for regulated activities in Italy. For the period covered by the plan, total costs related to the Italian business unit, on a comparable scope of consolidation basis, are to be reduced by about

€50 million from 2006. The gross operating margin is expected to rise from 71% to 75% by the end of the period, thanks to a gradual increase in revenues;

- ensuring excellent performance in the security of the electrical system and the reliability of the National Transmission Network, in line with the indications of the regulatory authorities and international best practice;
- Brazil: creating value through gains in operating efficiencies connected, in part, with the recent acquisitions.

On 13 February 2008, Standard & Poor's confirmed Terna's long-term rating of "AA-" and its short-term rating of "A-1+", and the outlook was changed from stable to negative.
After the presentation of the new business plan, the ratings agency pointed to the potentially negative impact on financial standing of both the investment plan for the development of the National Transmission Network and the company's strategy for growth.

Rome, 28 April 2008

The Chairman
Alfonso Iozzo

REPORT
OF THE
BOARD OF AUDITORS

Shareholders,

The consolidated financial statements at 31 December 2007, which were transmitted to the Board of Auditors together with the report on operations, have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASs/IFRSs) and endorsed by the European Commission pursuant to Regulation EC no. 1606 on 19 July 2002, in compliance with the formats and rules established by the Bank of Italy (circular 262/2005).

The consolidated financial statements have been prepared after it was determined that CDP exercises *de facto* control over Terna S.p.A. pursuant to Article 2359, paragraphs 1 and 2, of the Italian Civil Code, as cited in Article 93 of the Consolidated Law on Financial Intermediation.

While the certification, and thus the formulation of an opinion concerning the content and form, of the consolidated financial statements are the responsibility of the auditors, KPMG, pursuant to applicable law (please see the opinion issued by KPMG), we affirm that the consolidated financial statements at 31 December 2007:

- have been prepared in accordance with the appropriate accounting standards;
- their content and form are compliant with the provisions of law;
- for more information on the scope of consolidation, please seen the report on Group operations;
- the content of the report of the Directors on the consolidated financial statements meets both the specific compulsory requirements and the general requirements concerning completeness and clarity.

No significant facts have emerged that would require reporting to the control bodies or mention in this report.

Rome, 8 April 2008

THE BOARD OF AUDITORS

Alberto SABATINI	- Chairman…………………………..
Mario BASILI	- Auditor…………………………….
Biagio MAZZOTTA	- Auditor…………………………….
Antonio Angelo ARRU	- Auditor …………………………….

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM

Telefono 06 809611
Telefax 06 8077475
e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with articles 156 and 165 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Cassa Depositi e Prestiti S.p.A.

1 We have audited the consolidated financial statements of Cassa Depositi e Prestiti Group as at and for the year ended 31 December 2007, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the parent's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. 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 directors. We believe that our audit provides a reasonable basis for our opinion.

As this is the first year that consolidated financial statements have been prepared, the parent has presented the 2006 pro forma figures for comparative purposes. We have not audited such pro forma figures and, therefore, our opinion on the consolidated financial statements of Cassa Depositi e Prestiti Group does not extend thereto.

3 In our opinion, the consolidated financial statements of Cassa Depositi e Prestiti Group as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Cassa Depositi e Prestiti Group as at 31 December 2007, the results of its operations, changes in its equity and its cash flows for the year then ended.

Rome, 11 April 2008

KPMG S.p.A.

(Signed on the original)

Giuseppe Scimone
Director

CERTIFICATION
OF THE CONSOLIDATED FINANCIAL STATEMENTS
pursuant to Article 24 bis, paragraph 8, of the articles of association

Certification of the General Manager and the manager responsible for preparing the corporate financial reports of Cassa Depositi e Prestiti S.p.A of the consolidated financial statements at 31 December 2007 pursuant to Article 24 bis, paragraph 8, of the articles of association

1. The undersigned Antonino Turicchi, in his capacity as General Manager, and Angelo Mariano, in his capacity as the manager responsible for the corporate financial reports of Cassa Depositi e Prestiti S.p.A., taking account of the provisions of Article 24 bis, paragraph 8, of the articles of association of Cassa Depositi e Prestiti S.p.A., introduced in accordance with the instructions of the Ministry for the Economy and Finance, the majority shareholder, and with point 2 below,

hereby certify:

- 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 2007.

2. Reference framework and other aspects:

2.1 the assessment of the appropriateness of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2007 was conducted on the basis of 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 Organizations of the Treadway Commission, a generally accepted model at the international level.

2.2 the manager responsible for preparing the corporate financial reports of Cassa Depositi e Prestiti S.p.A. was appointed on 30 May 2007, during the course of the year to which this certification refers. In the time available, he monitored the appropriateness and effective adoption of the existing accounting and administrative procedures of the internal control system for financial reporting and, adopting generally recognised methods, began a process of upgrading those procedures that will require additional activities for its completion.

3. We also certify that the consolidated financial statements at 31 December 2007:

a) correspond to the information in the books and other accounting records;

b) prepared in compliance with the International Financial Reporting Standards endorsed by the European Union and the measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38/2005, based on our knowledge, provide a true and fair representation of the performance and financial position of the company and the companies included in the scope of consolidation.

Rome, 10 April 2008

General Manager	Manager responsible for preparing the corporate financial reports
Antonino Turicchi	*Angelo Mariano*

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

The consolidated financial statements at 31 December 2007 have been prepared in conformity with the applicable regulations and are composed of:

- **CONSOLIDATED BALANCE SHEET;**
- **CONSOLIDATED INCOME STATEMENT;**
- **STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY;**
- **CONSOLIDATED CASH FLOW STATEMENT;**
- **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.**

Schedules presenting a comparison with the balance sheet and the income statement at 31 December 2006 have also been prepared.

The notes to the consolidated 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 – Segment information

PART E – Information on risks and related hedging policies

PART G – Business combinations

PART H – Transactions with related parties

PART I – Share-based payments

The following annex is an integral part of the notes to the financial statements:

ANNEX 1 - RESTATEMENT OF 2006 INDIVIDUAL FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2007

Consolidated balance sheet

Consolidated income statement

Statement of changes in consolidated shareholders' equity

Consolidated cash flow statement

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	31/12/2007	31/12/2006 (*)
10.	Cash and cash equivalents	91,407,823	78,622,580
20.	Financial assets held for trading	353,727	136,529
40.	Financial assets available for sale	15,355,285	15,320,238
60.	Loans to banks	4,129,471	3,666,231
70.	Loans to customers	79,896,625	78,033,162
	of which securing covered bonds	*17,679,918*	*19,118,126*
80.	Hedging derivatives	828,581	104,154
100.	Equity investments	3,863,170	4,112,552
120.	Property, plant and equipment	7,954,950	7,562,947
130.	Intangible assets	782,873	742,106
	of which:		
	goodwill	*521,165*	*521,165*
140.	Tax assets	1,047,598	719,670
	a) current	*548,616*	*318,478*
	b) deferred	*498,982*	*401,192*
160.	Other assets	70,390	60,615
	Total assets	**205,690,493**	**189,080,784**

(*) unaudited pro-forma data

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and shareholders' equity	31/12/2007	31/12/2006 (*)
10.	Due to banks	2,264,941	2,335,494
20.	Due to customers	87,617,083	81,033,750
	of which amounts to be disbursed on loans securing covered bonds	*2,004,619*	*2,909,458*
30.	Securities issued	92,010,517	84,013,548
	of which covered bonds	*7,900,926*	*7,852,807*
40.	Financial liabilities held for trading	362,886	137,392
60.	Hedging derivatives	954,247	663,676
70.	Adjustment of financial liabilities hedged generically (+/-)	(528,637)	(319,044)
80.	Tax liabilities	2,291,682	2,836,092
	a) current	*517,971*	*653,367*
	b) deferred	*1,773,711*	*2,182,725*
100.	Other liabilities	3,036,366	2,359,701
110.	Staff severance pay	74,569	86,143
120.	Provisions	150,733	140,687
	a) pensions and similar commitments	-	*9*
	b) other provisions	*150,733*	*140,678*
140.	Valuation reserves	6,726,977	6,472,717
170.	Reserves	2,887,049	1,160,832
180.	Share premium reserve	425	-
190.	Share capital	3,500,000	3,500,000
210.	Minority interests (+/-)	2,681,046	2,499,529
220.	Net income for the period	1,660,609	2,160,267
	Total liabilities and shareholders' equity	**205,690,493**	**189,080,784**

(*) unaudited pro-forma data

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(thousands of euros)

CONSOLIDATED INCOME STATEMENT

		31/12/2007	31/12/2006 (*)
10.	Interest income and similar revenues	7,171,345	5,656,181
20.	Interest expense and similar charges	(5,085,818)	(3,994,152)
30.	**Net interest income**	**2,085,527**	**1,662,029**
40.	Commission income	5,056	11,493
50.	Commission expense	(760,890)	(732,850)
60.	**Net commission income**	**(755,834)**	**(721,357)**
70.	Dividends and similar revenues	810,908	907,199
80.	Net gain (loss) on trading activities	16,892	244,817
90.	Net gain (loss) on hedging activities	(54,200)	9,323
100.	Gains (losses) on disposal or repurchase of:	20,138	200,398
	a) loans	*20,138*	*200,398*
120.	**Gross income**	**2,123,431**	**2,302,409**
130.	Net impairment adjustments of:	(9,696)	(34,526)
	a) loans	*(9,696)*	*(34,526)*
140.	**Financial income (expense), net**	**2,113,735**	**2,267,883**
180.	Administrative expenses:	(481,654)	(492,719)
	a) staff costs	(277,722)	(284,966)
	b) other administrative expenses	(203,932)	(207,753)
190.	Net provisions	(8,664)	4,510
200.	Net adjustments of property, plant and equipment	(284,538)	(256,241)
210.	Net adjustments of intangible assets	(28,957)	(24,026)
220.	Other operating income (costs)	1,398,998	1,312,819
230.	**Operating costs**	**595,185**	**544,343**
240.	Gains (losses) on equity investments	(153,731)	312,231
270.	Gains (losses) on disposal of investments	627	70,034
280.	**Income (loss) before tax from continuing operations**	**2,555,816**	**3,194,491**
290.	Income tax for the period on continuing operations	(515,324)	(780,618)
300.	**Income (loss) after tax on continuing operations**	**2,040,492**	**2,413,873**
320.	**Net income (loss) for the period**	**2,040,492**	**2,413,873**
330.	Net income (loss) pertaining to minority interests	379,883	253,606
340.	**Net income (loss) pertaining to parent company**	**1,660,609**	**2,160,267**

(*) unaudited pro-forma data

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Balance at 31.12.2006 (*)		Changes in opening balance	Balance at 1.01.2007		Allocation of net income for previous year			Changes for the year												Shareholder equity at 31.12.2007	
						Reserves		Dividends and other allocations	Changes in reserves		Equity transactions								Net income (loss) for the period ended 31.12.2007			
											Issue of new shares		Purchase of own shares		Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options				
	Group	Minority interest		Group	Minority interest	Group	Minority interest		Group	Minority interest	Group	Minority interest	Group	Minority interest					Group	Minority interest	Group	Minority interest
Share capital:																						
a) ordinary shares	2,450,000	308,000		2,450,000	308,000							74									2,450,000	308,074
b) other shares	1,050,000			1,050,000																	1,050,000	
Share premium reserve											425	991									425	991
Reserves:																						
a) income	945,877	1,298,855		945,877	1,298,855	1,705,267	55,079		24,029	-9,731											2,675,173	1,344,203
b) other	214,955	501,561		214,955	501,561				-1,786	-7,184					-1,800			507			211,876	494,377
Valuation reserves:																						
a) available for sale	6,281,003			6,281,003					285,603												6,566,606	
b) cash flow hedges	-1,245	-2,906		-1,245	-2,906				2,773	1,555											1,528	-1,351
c) other (to be detailed)	192,959	140,413		192,959	140,413				-34,116	14,456											158,843	154,869
Translation differences - STH	11,201			11,201					-36,883												-25,682	
Revaluation of property	167,572			167,572																	167,572	
Other changes - adjustments	270	630		270	630					8,000											270	8,630
Translation differences on Terna Part IPO	-6,274	94,942		-6,274	94,942																-6,274	94,942
Translation differences: other	20,190	44,841		20,190	44,841				2,767	6,456											22,957	51,297
Equity instruments																						
Treasury shares																						
Net income (loss) for the period	2,160,267	253,606		2,160,267	253,606	-1,705,267	-57,606	-651,000											1,660,609	379,883	1,660,609	379,883
Shareholders' equity	**13,293,816**	**2,499,529**		**13,293,816**	**2,499,529**		**-2,527**	**-651,000**	**276,503**	**-904**	**425**	**1,065**			**-1,800**			**507**	**1,660,609**	**379,883**	**14,775,060**	**2,681,046**

(*) unaudited pro-forma data

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

CASH FLOW STATEMENT (indirect method)

(thousands of euros)

A. OPERATING ACTIVITIES	31/12/2007 (*)
1. Operations	**2,905,785**
- Net income for the year (+/-)	2,040,492
- Gains (losses) on financial assets held for trading and on financial assets recognised at fair value (-/+)	-9,441
-Gains (losses) on hedging activities (-/+)	54,199
-Net impairment adjustments (+/-)	9,696
- Net value adjustments to property, plant and equipment and intangible assets (+/-)	311,909
- Net provisions and other costs/revenues (+/-)	18,209
-Unpaid taxes and duties (+)	344,029
- Writedowns/writebacks of equity investments (+/-)	155,379
- Other adjustments (+/-)	-18,687
2. Cash generated by/used in financial assets	**-3,131,085**
- Financial assets held for trading	-200,950
- Financial assets available for sale	-3,223
- Loans to banks: demand	-43,838
- Loans to banks: other	-192,546
- Loans to customers	-2,678,926
- Other assets	-11,602
3. Cash generated by/used in financial liabilities	14,580,751
- Due to banks: other	60,203
- Due to customers	6,583,333
- Securities issued	8,033,070
- Financial liabilities held for trading	218,687
- Other liabilities	-314,542
Cash generated by/used in operating activities	14,355,451
B. INVESTING ACTIVITIES	
1. Cash generated by	**154,492**
- Dividends from equity investments	100,657
- Sale of property plant and equipment	42,749
- Sale of intangible assets	11,086
2. Cash used in	**-772,091**
- Purchase of equity investments	-8,123
- Purchase of property, plant and equipment	-667,756
- Purchase of intangible assets	-72,910
- Purchase of business units	-23,302
Cash generated by/used in investing activities	-617,599
C. FINANCING ACTIVITIES	
- Issue/purchase of capital instruments	1,521
- Dividend distribution and other allocations	-655,200
Net cash generated by/used in financing activities	**-653,679**
NET CASH GENERATED/USED DURING THE YEAR	13,084,173

RECONCILIATION

Cash and cash equivalents at beginning of year	**78,550,973**
Total cash generated/used during the year	13,084,173
Cash and cash equivalents at end of year	**91,635,146**

(*) The changes reported in the cash flow statement were calculated on the basis of unaudited pro-forma data at 31 December 2006

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

COMPARATIVE STATEMENTS

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Assets	31/12/2007	31/12/2006 (*)	Change (+/-)	%
10.	Cash and cash equivalents	91,407,823	78,622,580	12,785,243	16.3%
20.	Financial assets held for trading	353,727	136,529	217,198	159.1%
40.	Financial assets available for sale	15,355,285	15,320,238	35,047	0.2%
60.	Loans to banks	4,129,471	3,666,231	463,240	12.6%
70.	Loans to customers	79,896,625	78,033,162	1,863,463	2.4%
	of which securing covered bonds	*17,679,918*	*19,118,126*	*(1,438,208)*	*-7.5%*
80.	Hedging derivatives	828,581	104,154	724,427	695.5%
100.	Equity investments	3,863,170	4,112,552	(249,382)	-6.1%
120.	Property, plant and equipment	7,954,950	7,562,947	392,003	5.2%
130.	Intangible assets	782,873	742,106	40,767	5.5%
	of which: - goodwill	*521,165*	*521,165*	-	0.0%
140.	Tax assets	1,047,598	719,670	327,928	45.6%
	a) current	*548,616*	*318,478*	*230,138*	*72.3%*
	b) deferred	*498,982*	*401,192*	*97,790*	*24.4%*
160.	Other assets	70,390	60,615	9,775	16.1%
	Total assets	**205,690,493**	**189,080,784**	**16,609,709**	**8.8%**

(*) unaudited pro-forma data

(thousands of euros)

CONSOLIDATED BALANCE SHEET

	Liabilities and shareholders' equity	31/12/2007	31/12/2006 (*)	Change (+/-)	%
10.	Due to banks	2,264,941	2,335,494	(70,553)	-3.0%
20.	Due to customers	87,617,083	81,033,750	6,583,333	8.1%
	of which amounts to be disbursed on loans securing covered bonds	*2,004,619*	*2,909,458*	(904,839)	-31.1%
30.	Securities issued	92,010,517	84,013,548	7,996,969	9.5%
	of which covered bonds	*7,900,926*	*7,852,807*	48,119	0.6%
40.	Financial liabilities held for trading	362,886	137,392	225,494	164.1%
60.	Hedging derivatives	954,247	663,676	290,571	43.8%
70.	Adjustment of financial liabilities hedged generically (+/-)	(528,637)	(319,044)	(209,593)	65.7%
80.	Tax liabilities	2,291,682	2,836,092	(544,410)	-19.2%
	a) current	*517,971*	*653,367*	(135,396)	-20.7%
	b) deferred	*1,773,711*	*2,182,725*	(409,014)	-18.7%
100.	Other liabilities	3,036,366	2,359,701	676,665	28.7%
110.	Staff severance pay	*74,569*	*86,143*	(11,574)	-13.4%
120.	Provisions	150,733	140,687	10,046	7.1%
	a) pensions and similar commitments	-	*9*	(9)	-100.0%
	b) other provisions	*150,733*	*140,678*	10,055	7.1%
140.	Valuation reserves	6,726,977	6,472,717	254,260	3.9%
170.	Reserves	2,887,049	1,160,832	1,726,217	148.7%
180.	Share premium reserve	425	-	425	n.s.
190.	Share capital	3,500,000	3,500,000	-	n.s.
210.	Minority interests (+/-)	2,681,046	2,499,529	181,517	7.3%
220.	Net income for the period (+/-)	1,660,609	2,160,267	(499,658)	-23.1%
	Total liabilities and shareholders' equity	**205,690,493**	**189,080,784**	**16,609,709**	**8.78%**

(*) unaudited pro-forma data

(thousand of euros)

CONSOLIDATED INCOME STATEMENT

		31/12/2007	31/12/2006 (*)	Change (+/-)	%
10.	Interest income and similar revenues	7,171,345	5,656,181	1,515,164	26.8%
20.	Interest expense and similar charges	(5,085,818)	(3,994,152)	(1,091,666)	27.3%
30.	**Net interest income**	**2,085,527**	**1,662,029**	**423,498**	**25.5%**
40.	Commission income	5,056	11,493	(6,437)	-56.0%
50.	Commission expense	(760,890)	(732,850)	(28,040)	3.8%
60.	**Net commission income**	**(755,834)**	**(721,357)**	**(34,477)**	**4.8%**
70.	Dividends and similar revenues	810,908	907,199	(96,291)	-10.6%
80.	Net gain (loss) on trading activities	16,892	244,817	(227,925)	-93.1%
90.	Net gain (loss) on hedging activities	(54,200)	9,323	(63,523)	-681.4%
100.	Gains (losses) on disposal or repurchase of:	20,138	200,398	(180,260)	-90.0%
	a) loans	*20,138*	*200,398*	(180,260)	-90.0%
120.	**Gross income**	***2,123,431***	***2,302,409***	**(178,978)**	**-7.8%**
130.	Net impairment adjustments of:	(9,696)	(34,526)	24,830	-71.9%
	a) loans	*(9,696)*	*(34,526)*	24,830	-71.9%
140.	**Financial income (expense), net**	**2,113,735**	**2,267,883**	**(154,148)**	**-6.8%**
180.	Administrative expenses:	(481,654)	(492,719)	11,065	-2.2%
	a) staff costs	(277,722)	(284,966)	7,244	-2.5%
	b) other administrative expenses	(203,932)	(207,753)	3,821	-1.8%
190.	Net provisions	(8,664)	4,510	(13,174)	-292.1%
200.	Net adjustments of property, plant and equipment	(284,538)	(256,241)	(28,297)	11.0%
210.	Net adjustments of intangible assets	(28,957)	(24,026)	(4,931)	20.5%
220.	Other operating income (costs)	1,398,998	1,312,819	86,179	6.6%
230.	**Operating costs**	**595,185**	**544,343**	**50,842**	**9.3%**
240.	Gains (losses) on equity investments	(153,731)	312,231	(465,962)	-149.2%
270.	Gains (losses) on disposal of investments	627	70,034	(69,407)	-99.1%
280.	**Income (loss) before tax from continuing operations**	**2,555,816**	**3,194,491**	**(638,675)**	**-20.0%**
290.	Income tax for the period on continuing operations	(515,324)	(780,618)	265,294	-34.0%
300.	**Income (loss) after tax on continuing**	**2,040,492**	**2,413,873**	**(373,381)**	**-15.5%**
320.	**Net income for the period**	**2,040,492**	**2,413,873**	**(373,381)**	**-15.5%**
330.	Net income (loss) pertaining to minority interests	379,883	253,606	126,277	49.8%
340.	**Net income (loss) pertaining to parent company**	**1,660,609**	**2,160,267**	**(499,658)**	**-23.1%**

(*) unaudited pro-forma data

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The CDP Group consolidated financial statements, drawn up for the first time for this year, have been prepared in accordance with the regulations of the Bank of Italy, which are currently set out in its circular concerning banking and financial service supervision of 22 December 2005 as updated, 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 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 Community.

Legislative Decree 38 of 20 February 2006 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 consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the statement of changes in consolidated equity, and these notes to the consolidated financial statements, as well as the directors' report on operations.

The financial statements present a clear, true, and accurate 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

In accordance with the regulations issued by the Bank of Italy, the consolidated financial statements and the related notes are expressed in thousands of euros.

Accounts with zero balances for 2007 have been excluded. In the income statement, revenues are indicated without sign, while costs are shown as negative numbers (in parentheses).

The figures in 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.

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 sole purpose of enabling a more complete comparison of the figures for the year, a pro-forma income statement and balance sheet at 31 December 2006 have been prepared. These figures, which are used in the tables of the notes to the accounts that report changes during the year, were produced by reconstructing the performance and financial position of the CDP Group that would have been reported if consolidated financial statements had been prepared at 31 December 2006.

CDP SEGREGATED ASSETS

CDP holds the covered bond segregated asset pool.

This is not a segregated asset pool as defined by the Italian Civil Code, but rather a separation related to certain CDP assets (loans to local authorities) for which CDP has established guarantees/liens on the cash flows for the holders of the covered bonds issued, which enables the bond itself to have a higher rating that that of the issuer.

The separation concerns the flows related to the portfolio of loans that constitute the collateral of the related bond issue.

The assets are in the accounts with an "of which" indication on the financial statements, and the transaction is described in the notes to the financial statements under Part B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET.

AUDITING OF THE FINANCIAL STATEMENTS

The CDP financial statements have been submitted to KPMG S.p.A. for audit in execution of the shareholder resolution of April 2007, which engaged this firm to audit the financial statements and accounts for the period 2007-2010.

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 as of 31 December 2007 and with the Bank of Italy circular of 22 December 2005, which established 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.

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.

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.
The following table reports the companies included in the scope of consolidation.

1. EQUITY INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONSOLIDATED PROPORTIONATELY)

Name	Registered office	Type of relationship (1)	Equity investment		% share of votes (2)
			Investor	% holding	
A. Companies					
A.1 Consolidated on a line-by-line basis					
1. Terna S.p.A.	Rome	2	CDP	29.99%	29.99%
2. Terna Participacoes SA	Rio de Janeiro (Brazil)	1	Terna S.p.A.	66.00%	66.00%
3. RTL Spa	Rome	1	Terna S.p.A.	100.00%	100.00%
4. inTERNAtional S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
5. TSN SA	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	100.00%	100.00%
6. Novatrans Energia Spa	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	100.00%	100.00%
7. Lovina Participacoes Ltda	NA	1	Terna Participacoes SA	99.99%	99.99%
8. ETAU - Empresa de Transmissao do Alto Uruguai SA	Rio de Janeiro (Brazil)	1	Terna Participacoes SA	52.58%	52.58%

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 Art. 26.1 of Legislative Decree 87/92
6= Unitary management pursuant to Art. 26.2 of Legislative Decree 87/92
7 = Joint control
(2) Actual percentage of votes in ordinary shareholders' meeting.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2007, 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.

SECTION 4 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

CDP

As regards the call on the financial commitments of CDP S.p.A. as a subscriber of the investment funds Fondo PPP Italia, Fondo Abitare Sociale 1 and Fondo F2i, in the first few months of 2008 the following payments were made: i) €150 thousand to Fondo PPP Italia, ii) about €1 million to Fondo F2i.

In February 2008 CDP S.p.A. completed a bond issued under the EMTN Programme in the amount of €250 million. The issue will be repaid at maturity, which is scheduled for the fifth year following the issue.

TERNA GROUP

On 31 January 2008, Terna presented its business plan for 2008 - 2012, as approved by the board of directors of the company.

The 2008 – 2012 plan of the Terna Group is based on four main lines of action:

- developing the National Transmission Network (NTN): an investment plan totalling more than €3.1 billion for 2008 – 2012, an increase of €400 million compared with the previous plan. Development investments represent 80% of total investments and rise from €2.2 billion to €2.5 billion;
- increasing margins and controlling costs, especially rationalising costs in respect of regulated operations in Italy. Over the period of the plan, the total costs of the Italy business unit will be reduced by about €50 million on a like-for-like basis compared with 2006. The gross operating margin is forecast to rise from 71% to 75% by the end of the period covered by the plan thanks to a gradual increase in revenues;
- ensuring excellence in the safety of the electricity system and the reliability of the NTN, in line with the instructions of the regulatory authorities and international best practices;
- Brazil: creating value through operating efficiencies, linked in part to the recent acquisitions.

SECTION 5 – OTHER ISSUES

In 2007 CDP declared that it exercised *de facto* control over Terna and, therefore, in conformity with IAS 27 has prepared consolidated financial statements for 2007.

A.2 – THE MAIN FINANCIAL STATEMENT ACCOUNTS

The 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. 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. 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 balance sheet 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 adjusted in the event of losses in value.
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 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 the fair value measurement of the trading portfolio are shown 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

Available-for-sale financial assets (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. In cases in which 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. Initial recognition is done on 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.
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 the delivery of such instruments, are measured at cost.

Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.

Subsequent measurement is done at fair value based on the official prices as of the balance sheet date if the financial instruments 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.

Available-for-sale financial assets are subject to impairment tests to determine whether there is objective evidence of impairment. Where an available-for-sale security is impaired, the cumulative, unrealized 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 concerning 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.

Where the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, the writeback is recognised in the income statement for loans or debt securities and in an equity reserve in the case of equity instruments. The amount of 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 are retained, the asset remains on the balance sheet even if official title has been transferred.

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 initially recognised at the disbursement date or, in the case of debt securities, at the settlement date.

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 of the CDP Group are largely loans that have been granted in accordance with public law with administrative acts and so are quite different from the loans granted by banks that 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 detailed 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'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 contract. 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 the IFRSs.

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 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.
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. In view of the lack of time series of loss data on loans, as well as the creditworthiness of the CDP Group's leading borrowers, no general writedowns of the portfolio are recorded.
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 180-days past due, are also subject to individual valuation.
"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes receivables from Italian post offices and variation margins with clearing bodies for derivative 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 (as the reserve requirement).

6 - HEDGING TRANSACTIONS

According to the IASs, 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 position 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%.

Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the balance sheet 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 subject to significant influence (IAS 28) other than financial

assets held for trading (item 20) and financial assets at fair value through profit or loss (item 30) in accordance with IAS 28 and IAS 31.
Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing dependent 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. Minority interests are recognised as financial assets available for sale (item 40) and are treated as described above.
Equity investments are initially recognised at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.
Equity investments recognised under item 100 "Equity investments" that are not consolidated on a line-by-line basis over which the parent company exercises joint control or a significant influence are accounted for using the equity method.
Where there is evidence that the value of an equity investment may 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 and persistent. Impairment losses on investments listed on active markets, and unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant, which for investments in listed companies is when the market price is more than 20% lower than the carrying amount for nine months out of the year.

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 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 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. 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.
"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 and other intangibles governed by IAS 38. They include assets held under finance leases.
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. 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.

11– CURRENT AND DEFERRED TAXATION

Income tax and the regional tax on business activities are recognised on an accruals basis using a realistic estimate of the tax liability for the year under applicable tax law. In particular, we have taken account of the changes introduced with Legislative Decree 38/2005, which governs the tax effects resulting from the application of the international accounting standards, so as to maintain the tax burden essentially the same as that of the financial statements prepared under Italian GAAP (i.e. the principle of neutrality), as well as to conserve the principle of taxable income coming through the income statement by ensuring the fiscal materiality of components that, under the international accounting standards, are allocated directly to equity.

Deferred tax items regard the recognition of the effects of possible 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 timing differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible timing differences" are those that will give rise to deductible amounts in the future.

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 shareholders' equity, they are recognised in shareholders' 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 balance sheet 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.

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, 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.

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 asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the subscription 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 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 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 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 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 exchange rate in prevailing on the date of the transaction.

Assets and liabilities denominated in foreign currencies or indexed to foreign currencies, as well as financial assets with funding denominated in or indexed to foreign currencies, are translated at the spot exchange rates prevailing at the end of the period.

Costs and revenues in foreign currencies are recognised at the spot exchange rate prevailing at the time of the transactions.

The effects of this measurement are recognised in the income statement in the period in which they emerge.

Positive and negative foreign exchange differences related to financial assets and liabilities denominated in a foreign currency, other than those that are recognised at fair value or those that are subject to fair value or cash flow hedging and their related hedging instruments, are recognised under "Net gain (loss) on trading activities" (item 80).

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 of each consolidated foreign company are prepared using the functional currency of the economy in which each company operates.

In these financial statements, all transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are subsequently adjusted at the exchange rate prevailing at the balance sheet date and any foreign exchange gains or losses are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies and carried at cost are translated using the exchange rate prevailing at the time of initial recognition of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and carried out fair value are translated using the exchange rate prevailing at the date such fair value is determined.

17 - OTHER INFORMATION

CASH AND CASH EQUIVALENTS (ITEM 10 OF ASSETS)

Liquid assets are recognised at fair value.

Liquidity is composed of cash on hand at the company and the balances on the current accounts held with the Central State Treasury.

The balance is increased for accrued interest that has not yet been settled on these current accounts. Interest accrues semi-annually at a floating rate determined (pursuant to the decree of the Minister for the Economy and Finance of 5 December 2003) on the basis of the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

STAFF SEVERANCE PAY

The liability in respect of employee benefits to be paid at the time of or subsequent to termination of the employment relationship 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 recognised over the period in which the entitlement accrues. The liability is estimated by independent actuaries.

It should also be noted that the provision for staff severance pay (*trattamento di fine rapporto* – TFR) for employees of the parent company is minor given that CDP employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR for the parent company 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 in accordance with the applicable legislation.

Therefore, the effects of the application of IAS 19 with regard to the parent company's share of TFR are not significant and so the related liability continues to be reported in an amount based on statutory requirements (Article 2120 of the Civil Code).

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.

CONTRACT WORK IN PROGRESS

When the profit or loss of a contract can be reliably estimated, the related contract costs and revenues are recognized 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 recognized 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 recognize 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 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 recognized 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, the volatility of the security 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.

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 recognized under non-current assets are, for plants already in operation before 31 December 2002, recognized under other liabilities and taken to the income statement over the depreciation period of the related assets. From 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 recognized on the basis of the following specific criteria:

- revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognized with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognized to the extent of recoverable costs.

More specifically, revenues from fees for the use of the NTN 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 recognized for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: composition

The following table summarises liquidity at 31 December 2007, including interest accrued and not yet credited on amounts deposited in interest-bearing accounts.

(thousands of euros)

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
a) Cash	91,407,673		150	91,407,823
b) Free deposits with central banks				
Total	**91,407,673**		**150**	**91,407,823**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group		Insurance undertakings		Other entities		31/12/2007
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	
A On-balance-sheet assets							
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							
5. Impaired assets							
6. Assets assigned but not derecognized							
Total (A)							
B Derivatives							
1. Financial derivatives:		**353,727**					**353,727**
1.1 trading		353,727					353,727
1.2 associated with fair value option							
1.3 other							
2. Credit derivatives							
2.1 trading							
2.2 associated with fair value option							
2.3 other							
Total (B)		**353,727**					**353,727**
Total (A+B)		**353,727**					**353,727**

The financial derivatives set out in the table regard options purchased to hedge the embedded option component of indexed bonds. This option component was separated from the host instrument (indexed bonds) and was classified among financial liabilities held for trading.

2.2 Financial assets held for trading: composition by debtor/issuer

(thousand of euros)

2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. ON-BALANCE-SHEET FINANCIAL ASSETS				
1. Debt securities				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other issuers				
2. Equity securities				
a) Banks				
b) Other issuers:				
- insurance undertakings				
- financial companies				
- non-financial companies				
- other				
3. Units in collective investment undertakings				
4. Loans				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
5. Impaired assets				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
6. Assets assigned but not derecognized				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
Total A				
B. DERIVATIVES				
a) Banks	353,727			353,727
b) Customers				
Total B	**353,727**			**353,727**
Total (A+B)	**353,727**			**353,727**

2.3 Financial assets held for trading: derivatives

(thousands of euros)

2.3.1 OF WHICH: BANKING GROUP

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2007
A) Listed						
1. Financial derivatives:						
• with exchange of principal						
- options purchased						
- other derivatives						
• without exchange of principal						
- options purchased						
- other derivatives						
2. Credit derivatives:						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives:			**353,727**			**353,727**
• with exchange of principal						
- options purchased						
- other derivatives						
• without exchange of principal						
- options purchased			353,727			353,727
- other derivatives						
2. Credit derivatives:						
• with exchange of principal						
• without exchange of principal						
Total B			**353,727**			**353,727**
Total (A+B)			**353,727**			**353,727**

SECTION 4 – FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	Banking group		Insurance undertakings		Other entities		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	**201,853**	**10,175**					**201,853**	**10,175**
1.1 Structured securities								
1.2 Other debt securities	201,853	10,175					201,853	10,175
2. Equity securities	**15,132,166**	**9,763**					**15,132,166**	**9,763**
2.1 Recognised at fair value	15,132,166						15,132,166	
2.2 Recognised at cost		9,763						9,763
3. Units in collective investment undertakings		**1,328**						**1,328**
4. Loans								
5. Impaired assets								
6. Assets assigned but not derecognized								
Total	**15,334,019**	**21,266**					**15,334,019**	**21,266**

4.2 Financial assets available for sale: composition by debtor/issuer

(thousands of euros)

4.2 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY BORROWER/ISSUER

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Debt securities	**212,028**			**212,028**
a) Governments and central banks				
b) Other government agencies	10,175			10,175
c) Banks				
d) Other issuers	201,853			201,853
2. Equity securities	**15,141,929**			**15,141,929**
a) Banks	2,066			2,066
b) Other issuers	15,139,863			15,139,863
- insurance undertakings				
- financial companies	7,650			7,650
- non financial companies	15,132,213			15,132,213
- other				
3. Units in collective investment undertakings	**1,328**			**1,328**
4. Loans				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
5. Impaired assets				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
6. Assets assigned but not derecognized				
a) Governments and central banks				
b) Other government agencies				
c) Banks				
d) Other				
Total	**15,355,285**			**15,355,285**

4.5 Financial assets available for sale other than those assigned and not derecognized and impaired assets: annual change

(thousands of euros)

4.5.1 OF WHICH: BANKING GROUP

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance (*)	**214,692**	**15,105,593**			**15,320,285**
B. Increases	**3,861**	**209,659**	**1,328**		**214,848**
B1. Purchases		3,343	1,328		4,671
B2. Fair value gains		200,809			200,809
B3. Writebacks					
- recognised through income statement					
- recognised through equity					
B4. Transfers from other portfolios		5,507			5,507
B5. Other changes	3,861				3,861
C. Decreases	**6,525**	**173,323**			**179,848**
C1. Sales		1,199			1,199
C2. Redemptions	1,142				1,142
C3. Fair value losses	2,416	172,124			174,540
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	2,967				2,967
D. Closing balance	**212,028**	**15,141,929**	**1,328**		**15,355,285**

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 6 – LOANS TO BANKS – ITEM 60

6.1 Loans to banks: composition by type

(thousands of euros)

6.1.1 OF WHICH: BANKING GROUP

	31/12/2007
A. Claims on central banks	**3,057,031**
1. Fixed-term deposits	
2. Reserve requirement	3,057,031
3. Repurchase agreements	
4. Other	
B. Loans to banks	**827,681**
1. Current accounts and free deposits	228,995
2. Fixed-term deposits	129,355
3. Other financing	469,331
3.1 repurchase agreements	
3.2 finance leases	
3.3 other	469,331
4. Debt securities	
4.1 structured	
4.2 other debt securities	
5. Impaired assets	
6. Assets assigned but not derecognized	
Total (book value)	**3,884,712**
Total (fair value)	**3,415,381**

(thousands of euros)

6.1.3 OF WHICH: OTHER ENTITIES

	31/12/2007
A. Claims on central banks	
1. Fixed-term deposits	
2. Reserve requirement	
3. Repurchase agreements	
4. Other	
B. Loans to banks	**244,759**
1. Current accounts and free deposits	203,445
2. Fixed-term deposits	41,314
3. Other financing	
3.1 repurchase agreements	
3.2 finance leases	
3.3 other	
4. Debt securities	
4.1 structured	
4.2 other debt securities	
5. Impaired assets	
6. Assets assigned but not derecognized	
Total (book value)	**244,759**
Total (fair value)	**244,759**

6.2 Loans to banks: assets hedges specifically

(thousands of euros)

6.2.1 OF WHICH: BANKING GROUP

	31/12/2007
1. Loans with specific fair value hedges:	**60,061**
a) interest rate risk	60,061
b) exchange rate risk	
c) credit risk	
d) multiple risks	
2. Loans with specific cash flow hedges:	**-**
a) interest rate risk	
b) exchange rate risk	
c) other	
Total	**60,061**

SECTION 7 – LOANS TO CUSTOMERS – ITEM 70

7.1 Loans to customers: composition by type

The following tables report loans to customers of the parent company and other entities broken down by technical form.

Loans to customers of the parent company regard lending operations under the Separate Account and Ordinary Account of CDP and include bonds issued by municipal and regional governments.

(thousands of euros)

7.1.1 OF WHICH: BANKING GROUP

	31/12/2007
1. Current accounts	36
2. Repurchase agreements	
3. Loans	76,880,021
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	
5. Finance leases	
6. Factoring	
7. Other	805,970
8. Debt securities	557,670
8.1 structured	
8.2 other debt securities	557,670
9. Impaired assets	110,222
10. Assets assigned but not derecognized	
Total (book value)	**78,353,919**
Total (fair value)	**77,773,408**

Loans also include €17,679.9 million pledged as collateral for covered bonds, as described in the section Assets pledged as collateral for own debts.

(thousands of euros)

7.1.3 OF WHICH: OTHER ENTITIES

	31/12/2007
1. Current accounts	
2. Repurchase agreements	
3. Loans	
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	
5. Finance leases	
6. Factoring	
7. Other	1,542,706
8. Debt securities	
8.1 structured	
8.2 other debt securities	
9. Impaired assets	
10. Assets assigned but not derecognized	
Total (book value)	**1,542,706**
Total (fair value)	**1,542,706**

7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

7.2.1 OF WHICH: BANKING GROUP

	31/12/2007
1. Debt securities:	**557,670**
a) Governments	
b) Other government agencies	514,861
c) Other issuers	42,810
- non-financial companies	
- financial companies	42,810
- insurance undertakings	
- other	
2. Loans to:	**77,735,277**
a) Governments	32,566,716
b) Other government agencies	39,559,274
c) Other	5,609,288
- non-financial companies	5,394,340
- financial companies	184,747
- insurance undertakings	
- other	30,200
3. Impaired assets:	**60,971**
a) Governments	
b) Other government agencies	49,247
c) Other	11,724
- non-financial companies	10,998
- financial companies	
- insurance undertakings	
- other	726
4. Assets assigned but not derecognized:	
a) Governments	
b) Other government agencies	
c) Other	
- non-financial companies	
- financial companies	
- insurance undertakings	
- other	
Total	**78,353,919**

(thousands of euros)

7.2.3 OF WHICH: OTHER ENTITIES

	31/12/2007
1. Debt securities:	
a) Governments	
b) Other government agencies	
c) Other issuers	
- non-financial companies	
- financial companies	
- insurance undertakings	
- other	
2. Loans to:	**1,542,706**
a) Governments	
b) Other government agencies	
c) Other	1,542,706
- non-financial companies	
- financial companies	
- insurance undertakings	
- other	1,542,706
3. Impaired assets:	
a) Governments	
b) Other government agencies	
c) Other	
- non-financial companies	
- financial companies	
- insurance undertakings	
- other	
4. Assets assigned but not derecognized:	
a) Governments	
b) Other government agencies	
c) Other	
- non-financial companies	
- financial companies	
- insurance undertakings	
- other	
Total	**1,542,706**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

7.3.1 OF WHICH: BANKING GROUP

	31/12/2007
1. Loans with specific fair value hedges:	**13,632,954**
a) interest rate risk	13,632,954
b) exchange rate risk	
c) credit risk	
d) multiple risks	
2. Loans with specific cash flow hedges:	-
a) interest rate risk	
b) exchange rate risk	
c) other	
Total	**13,632,954**

SECTION 8 – HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: composition by type of contract and underlying

(thousands of euros)

8.1.1 OF WHICH: BANKING GROUP

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- purchased options						
- other derivatives						
• without exchange of principal						
- purchased options						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**828,581**					**828,581**
• with exchange of principal						
- purchased options						
- other derivatives						
• without exchange of principal	828,581					828,581
- purchased options						
- other derivatives	828,581					828,581
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**828,581**					**828,581**
Total (A+B) 2007	**828,581**					**828,581**

8.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

8.2.1 OF WHICH: BANKING GROUP

	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks			
1. Available-for-sale financial assets 2. Loans 3. Held-to-maturity financial assets 4. Portfolio	826,439							
Total assets	**826,439**							
1. Financial liabilities	2,142							
2. Portfolio								
Total liabilities	**2,142**							

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

(thousands of euros)

10.1 EQUITY INVESTMENTS IN JOINT VENTURES (ACCOUNTED FOR WITH EQUITY METHOD) AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

Name	Registered office	Type of relationship	Equity investment		% of votes
			Investor	% holding	
B. Companies					
1. ETAU - Empresa de Transmissão do Alto Uruguai S.A	Sao Paulo (Brazil)	Joint control	Terna Partecipacoes	52.58%	52.58%
2. Cesi Spa	Milan	Significant influence	Terna Spa	24.36%	24.36%
3. Poste Italiane S.p.A.	Rome	Significant influence	CDP	35.00%	35.00%
4. ST Holding N.V.	Amsterdam	Significant influence	CDP	30.00%	30.00%
5. Galaxy S.àr.l.	Luxembourg	Significant influence	CDP	40.00%	40.00%
6. Europrogetti & Finanza S.p.A.	Rome	Significant influence	CDP	31.80%	31.80%
7. Tunnel di Genova	Genoa	Significant influence	CDP	33.33%	33.33%

10.2 Equity investments in joint ventures and in companies subject to significant influence: accounting data

(thousands of euros)

10.2 EQUITY INVESTMENTS IN JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: ACCOUNTING DATA

Name	Total assets	Total revenues	Net income (loss)	Shareholders' equity	Carrying amount	Fair value
A. Companies accounted for with equity method						
A.1 under joint control						
1. ETAU - Empresa de Transmissão do Alto Uruguai S.A	49,570	8,908	2,687	14,509	23,302	23,302
A.2 under significant influence						
1. Cesi Spa	122,932	70,399	4,257	30,563	7,457	7,457
2. Poste Italiane S.p.A. (1)	77,713,382	17,281,163	675,664	2,498,352	2,861,133	n.a.
3. ST Holding N.V.	689,136	25	(32,973)	689,086	949,204	949,204
4. Galaxy S.àr.l. (2)	35,383	5,121	115	21,959	19,947	n.a.
5. Europrogetti & Finanza S.p.A. (2)	47,294	10,540	3,147	9,830	2,125	n.a.
6. Tunnel di Genova (2)	4,833	34	(47)	323	-	n.a.

(1) Figures from consolidated financial statements at 31/12/06
(2) Figures from financial statements at 31/12/06

10.3 Equity investments: change for the year

(thousands of euros)

10.3 EQUITY INVESTMENTS: CHANGE FOR THE YEAR

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. Opening balance (*)	**4,106,175**		**6,377**	**4,112,552**
B. Increases	**290,850**		**24,383**	**315,233**
B.1 Purchases	8,123		23,302	31,425
B.2 Writebacks				
B.3 Revaluations	282,727			282,727
B.4 Other changes			1,081	1,081
C. Decreases	**564,615**			**564,615**
C.1 Sales				
C.2 Writedowns	559,062			559,062
C.3 Other changes	5,553			5,553
D. Closing balance	**3,832,410**		**30,760**	**3,863,170**
E. Total revaluations				
F. Total writedowns	**560,213**			**560,213**

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 12 – PROPERTY, PLANT AND EQUIPMENT – ITEM 120

12.1 Property, plant and equipment: composition of assets measured at cost

(thousands of euros)

12.1 PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. Operating assets				
1.1 owned	**208,205**		**7,746,745**	**7,954,950**
a) land	117,406		27,167	144,573
b) buildings	74,237		476,256	550,493
c) movables	3,093		1,304	4,397
d) electrical plant	5,396		4,333	9,729
e) other	8,073		7,237,684	7,245,757
1.2 acquired under finance leases				
a) land				
b) buildings				
c) movables				
d) electrical plant				
Total A	**208,205**		**7,746,745**	**7,954,950**
B. Investment property				
2.1 owned				
a) land				
b) buildings				
2.2 acquired under finance leases				
a) land				
b) buildings				
Total B				
Total (A+B)	**208,205**		**7,746,745**	**7,954,950**

12.3 Operating property, plant and equipment: changes for the year

(thousands of euros)

12.3.1 OF WHICH: BANKING GROUP

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance (*)	**117,406**	**80,898**	**8,826**	**15,981**	**19,590**	**242,702**
A.1 Total net writedowns		(5,701)	(7,026)	(10,512)	(11,149)	(34,389)
A.2 Opening net balance (*)	**117,406**	**75,197**	**1,800**	**5,468**	**8,441**	**208,312**
B. Increases		**1,494**	**1,832**	**1,607**	**1,117**	**6,050**
B.1 Purchases			1,832	1,607	1,117	4,556
B.2 Capitalised improvement costs		1,494				1,494
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						
B.8 Business combinations						
C. Decreases		**2,454**	**539**	**1,679**	**1,485**	**6,157**
C.1 Sales					4	4
C.2 Depreciation		2,454	539	1,679	1,481	6,153
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) discontinuing operations						
C.7 Other changes						
D. Closing net balance	**117,406**	**74,237**	**3,093**	**5,396**	**8,073**	**208,205**
D.1 Total net writedowns		(8,155)	(7,271)	(11,225)	(12,584)	(39,236)
D.2 Closing gross balance	**117,406**	**82,392**	**10,364**	**16,621**	**20,657**	**247,441**
E. Measurement at cost						

(*) Refers to unaudited pro-forma data at 31 December 2006

(thousand of euros)

12.3.3 OF WHICH: OTHER ENTITIES

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance (*)	**25,219**	**618,347**	**1,506**	**17,743**	**10,788,024**	**11,450,839**
A.1 Total net writedowns		(227,983)	(362)	(11,837)	(3,856,024)	(4,096,206)
A.2 Opening net balance (*)	**25,219**	**390,364**	**1,144**	**5,906**	**6,932,000**	**7,354,633**
B. Increases	**1,959**	**102,143**	**616**		**612,206**	**716,924**
B.1 Purchases	1,777	85,903	616		498,933	587,230
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	12	1,292			54,023	55,327
B.6 Transfers from investment property						
B.7 Other changes	170	14,947			59,250	74,367
B.8 Business combinations						
C. Decreases	**12**	**16,250**	**457**	**1,572**	**306,522**	**324,812**
C.1 Sales		38			2,611	2,648
C.2 Depreciation		16,054	457	1,572	258,820	276,903
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	10	130			5,237	5,378
C.6 Transfers to						
a) investment property						
b) discontinuing operations						
C.7 Other changes	2	29			39,854	39,884
D. Closing net balance	**27,167**	**476,257**	**1,303**	**4,334**	**7,237,684**	**7,746,745**
D.1 Total net writedowns		(244,233)	(819)	(13,409)	(4,117,446)	(4,375,907)
D.2 Closing gross balance	**27,167**	**720,490**	**2,122**	**17,743**	**11,355,130**	**12,122,652**
E. Measurement at cost						

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 13 – INTANGIBLE ASSETS – ITEM 130

13.1 Intangible assets: composition by category

(thousands of euros)

13.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Banking group		Insurance undertakings		Other entities		31/12/2007	
	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill						**521,165**		**521,165**
A.1.1 pertaining to group						521,165		521,165
A.1.2 minority interests								
A.2 Other intangible assets	**5,469**				**256,239**		**261,708**	
A.2.1 Assets carried at cost	5,469				256,239		261,708	
a) internally-generated intangible assets					22,904		22,904	
b) other assets	5,469				233,334		238,803	
A.2.2 Assets recognised at fair value:								
a) internally-generated intangible assets								
b) other assets								
Total	**5,469**				**256,239**	**521,165**	**261,708**	**521,165**

13.2 Intangible assets: change for the year

(thousand of euros)

13.2.1 OF WHICH: BANKING GROUP

	Goodwill	Other internally-generated intangible assets		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening gross balance (*)				**6,898**		**6,898**
A.1 Total net writedowns				(2,187)		(2,187)
A.2 Opening net balance (*)				**4,711**		**4,711**
B. Increases				**2,181**		**2,181**
B.1 Purchases				2,181		2,181
B.2 Increases in internally generated intangible assets						
B.3 Writebacks						
B.4 Fair value gains						
- equity						
- income statement						
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases				**1,423**		**1,423**
C.1 Sales						
C.2 Writedowns						
- Amortisation				1,423		1,423
- Impairment						
+ equity						
+ income statement						
C.3 Fair value losses						
- equity						
- income statement						
C.4 Transfer to discontinuing operations						
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Closing net balance				**5,469**		**5,469**
D.1 Total net writedowns				(3,610)		(3,610)
E. Closing gross balance				**9,079**		**9,079**
F. Measurement at cost						

(*) Refers to unaudited pro-forma data at 31 December 2006

(thousand of euros)

13.2.3 OF WHICH: OTHER ENTITIES

	Goodwill	Other internally-generated intangible assets		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening gross balance (*)	**478,459**	**53,582**		**250,788**		**782,829**
A.1 Total net writedowns		(38,913)		(6,520)		(45,433)
A.2 Opening net balance (*)	**478,459**	**14,669**		**244,268**		**737,396**
B. Increases	**42,706**	**26,012**		**9,910**		**78,628**
B.1 Purchases	31,200	14,918		9,910		56,028
B.2 Increases in internally generated intangible assets						
B.3 Writebacks						
B.4 Fair value gains						
- equity						
- income statement						
B.5 Positive exchange rate differences	7,906					7,906
B.6 Other changes	3,600	11,094				14,694
C. Decreases		**17,776**		**20,844**		**38,620**
C.1 Sales						
C.2 Writedowns		17,776		9,759		27,535
- Amortisation		17,776		9,759		27,535
- Impairment						
+ equity						
+ income statement						
C.3 Fair value losses						
- equity						
- income statement						
C.4 Transfer to discontinuing operations						
C.5 Negative exchange rate differences						
C.6 Other changes				11,085		11,085
D. Closing net balance	**521,165**	**22,905**		**233,334**		**777,404**
D.1 Total net writedowns		(56,689)		(16,279)		(72,968)
E. Closing gross balance	**521,165**	**79,594**		**249,613**		**850,372**
F. Measurement at cost						

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 14 – TAX ASSETS AND LIABILITIES – ITEM 140 OF ASSETS AND ITEM 80 OF LIABILITIES

14.1 Deferred tax assets: composition

(thousands of euros)

14.1 DEFERRED TAX ASSETS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
Provisions for liabilities and contingencies	1,609		15,840	17,449
Depreciation and amortisation	3,603			3,603
Financial instruments	312,677			312,677
Provision for impaired loans			1,889	1,889
Severance pay and other staff costs			29,865	29,865
Financial income and expenses - Brazil			117,574	117,574
RTT contribution			704	704
Payables	7,395			7,395
Securities holdings	807			807
Other	112		6,907	7,019
Total	**326,203**		**172,779**	**498,982**

14.2 Deferred tax liabilities: composition

(thousands of euros)

14.2 DEFERRED TAX LIABILITIES: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
Land holdings			3,467	3,467
Equity investments	92,139			92,139
Depreciation and amortisation	52		399,074	399,126
Financial instruments	277,048		1,923	278,971
Provision for impaired loans	269,735			269,735
Employee benefits			1,403	1,403
Acquisition of new companies			3,659	3,659
Revaluation of plant and machinery			720,449	720,449
Other	4,762			4,762
Total	**643,736**		**1,129,975**	**1,773,711**

14.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

14.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Opening balance (*)	**245,730**		**153,390**	**399,120**
2. Increases	**121,153**		**33,134**	**154,287**
2.1 Deferred tax assets recognised during the year	121,153		33,134	154,287
a) in respect of previous periods				
b) due to changes in accounting policies				
c) writebacks				
d) other	121,153		33,134	154,287
2.2 New taxes or increases in tax rates				
2.3 Other increases				
3. Decreases	**41,487**		**23,582**	**65,069**
3.1 Deferred tax assets derecognised during the year	3,995		18,355	22,350
a) reversals	3,995		18,355	22,350
b) writedowns for supervening non-recoverability				
c) due to change in accounting policies				
3.2 Reduction in tax rates	37,492		5,227	42,719
3.3 Other decreases				
4. Closing balance	**325,396**		**162,942**	**488,338**

(*) Refers to unaudited pro-forma data at 31 December 2006

14.4 Changes in deferred tax liabilities (recognised in income statement)

(thousands of euros)

14.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Opening balance (*)	**464,451**		**1,362,587**	**1,827,038**
2. Increases	**167,650**		**6,791**	**174,441**
2.1 Deferred tax liabilities recognised during the year	167,030		5,389	172,419
a) in respect of previous periods				
b) due to changes in accounting policies				
c) other	167,030		5,389	172,419
2.2 New taxes or increases in tax rates				
2.3 Other increases	620		1,403	2,023
3. Decreases	**80,943**		**248,079**	**329,022**
3.1 Deferred tax liabilities derecognised during the year	7,231		42,398	49,629
a) reversals	7,231		42,398	49,629
b) due to change in accounting policies				
c) other				
3.2 Reduction in tax rates	73,712		205,682	279,394
3.3 Other decreases				
4. Closing balance	**551,158**		**1,121,299**	**1,672,457**

(*) Refers to unaudited pro-forma data at 31 December 2006

14.5 Changes in deferred tax assets (recognised in shareholders' equity)

(thousands of euros)

14.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN SHAREHOLDERS' EQUITY)

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Opening balance (*)	**28**		**2,045**	**2,073**
2. Increases	**800**		**10,045**	**10,845**
2.1 Deferred tax assets recognised during the year	783		874	1,657
a) in respect of previous periods				
b) due to changes in accounting policies				
c) other	783		874	1,657
2.2 New taxes or increases in tax rates	17			17
2.3 Other increases			9,171	9,171
3. Decreases	**21**		**2,252**	**2,273**
3.1 Deferred tax assets derecognised during the year			2,252	2,252
a) reversals			2,045	2,045
b) writedowns for supervening non-recoverability				
c) due to changes in accounting policies			208	208
3.2 Reduction in tax rates	21			21
3.3 Other decreases				
4. Closing balance	**807**		**9,837**	**10,644**

(*) Refers to unaudited pro-forma data at 31 December 2006

14.6 Changes in deferred tax liabilities (recognised in shareholders’ equity)

(thousands of euros)

14.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN SHAREHOLDER'S EQUITY)

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Opening balance (*)	**350,750**		**4,938**	**355,688**
2. Increases	**3,767**		**5,210**	**8,977**
2.1 Deferred tax liabilities recognised during the year				
a) in respect of previous periods				
b) due to changes in accounting policies				
c) other				
2.2 New taxes or increases in tax rates				
2.3 Other increases	3,767		5,210	8,977
3. Decreases	**261,939**		**1,471**	**263,410**
3.1 Deferred tax liabilities derecognised during the year	9,712		1,263	10,975
a) reversals			1,263	1,263
b) due to change in accounting policies				
c) other	9,712			9,712
3.2 Reduction in tax rates				
3.3 Other decreases	252,227		208	252,435
4. Closing balance	**92,578**		**8,677**	**101,255**

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 16 – OTHER ASSETS – ITEM 160

16.1 Other assets: composition

(thousands of euros)

16.1 OTHER ASSETS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Items being processed				
2. Receivables from Min. Univ. and Research	626			626
3. Receivables from MEF	3,116			3,116
4. Receivables from MIT	87			87
5. Trade receivables			11,800	11,800
6. Advances to personnel			6,533	6,533
7. Receivables from Poste Italiane S.p.A.	23,782			23,782
8. Other	5,861		18,585	24,446
Total	**33,472**		**36,918**	**70,390**

The item reports assets not otherwise classified under the previous items.

LIABILITIES

SECTION 1 – DUE TO BANKS – ITEM 10

1.1 Due to banks: composition by type

(thousands of euros)

1.1 DUE TO BANKS: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Due to central banks	**318,341**		**-**	**318,341**
2. Due to banks	**944,802**		**1,001,798**	**1,946,600**
2.1 Current accounts and demand deposits	4,002			4,002
2.2 Fixed-term deposits	410,275			410,275
2.3 Borrowings	515,002		1,001,798	1,516,800
2.3.1 finance leases				
2.3.2 other	515,002		1,001,798	1,516,800
2.4 Liabilities in respect of commitments to repurchase own equity instruments				
2.5 Liabilities in respect of assets assigned but not derecognized				
2.5.1 repurchase agreements				
2.5.2 other				
2.6 Other payables	15,523			15,523
Total	**1,263,143**		**1,001,798**	**2,264,941**
Fair value	**1,263,143**		**1,001,798**	**2,264,941**

SECTION 2 – DUE TO CUSTOMERS – ITEM 20

2.1 Due to customers: composition by type

(thousands of euros)

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Current accounts and demand deposits	76,282,114			76,282,114
2. Fixed-term deposits				
3. Third-party funds under administration				
4. Borrowings				
4.1 finance leases				
4.2 other				
5. Liabilities in respect of commitments to repurchase own equity instruments				
6. Liabilities in respect of assets assigned but not derecognized				
6.1 repurchase agreements				
6.2 other				
7. Other payables	11,334,969			11,334,969
Total	**87,617,083**			**87,617,083**
Fair value	**87,617,083**			**87,617,083**

SECTION 3 –SECURITIES ISSUED – ITEM 30

3.1 Securities issued: composition by type

(thousands of euros)

3.1 SECURITIES ISSUED: COMPOSITION BY TYPE

	Banking group		Insurance undertakings		Other entities		31/12/2007	
	carrying amount	fair value	carrying amount	fair value	carrying amount	fair value	carrying amount	fair value
A. Listed	**7,900,926**	**7,902,397**			**1,855,937**	**1,855,937**	**9,756,863**	**9,758,334**
1. bonds	7,900,926	7,902,397			1,855,937	1,855,937	9,756,863	9,758,334
1.1 structured								
1.2 other	7,900,926	7,902,397			1,855,937	1,855,937	9,756,863	9,758,334
2. other								
2.1 structured								
2.2 other								
B. Unlisted	**82,253,654**	**80,605,457**					**82,253,654**	**80,605,457**
1. bonds	1,291,538	1,291,538					1,291,538	1,291,538
1.1 structured								
1.2 other	1,291,538	1,291,538					1,291,538	1,291,538
2. other	80,962,116	79,313,919					80,962,116	79,313,919
2.1 structured	4,504,760	4,354,090					4,504,760	4,354,090
2.2 other	76,457,356	74,959,829					76,457,356	74,959,829
Total	**90,154,580**	**88,507,854**			**1,855,937**	**1,855,937**	**92,010,517**	**90,363,791**

3.3 Securities issued: securities hedged specifically

(thousands of euros)

3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

	31/12/2007
1. Securities covered by specific fair value hedges	**10,184,437**
a) interest rate risk	10,122,911
b) exchange rate risk	
c) multiple risks	61,526
2. Liabilities covered by specific cash flow hedges	
a) interest rate risk	
b) exchange rate risk	
c) other	

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	Banking group				Insurance undertakings				Other entities				31/12/2007			
	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *
		L	UL			L	UL			L	UL			L	UL	
A. On-balance-sheet liabilities																
1. Due to banks																
2. Due to customers																
3. Debt securities																
3.1 Bonds																
3.1.1 structured																
3.1.2 other bonds																
3.2 Other securities																
3.2.1 structured																
3.2.2 other																
Total A																
B. Derivatives																
1. Financial derivatives			**362,441**								**445**				**362,886**	
1.1 trading											445				445	
1.2 associated with fair value option																
1.3 other			362,441												362,441	
2. Credit derivatives																
2.1 trading																
2.2 associated with fair value option																
2.3 other																
Total B			**362,441**								**445**				**362,886**	
Total (A+B)			**362,441**								**445**				**362,886**	

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
L = Listed
UL = Unlisted

4.4 Financial liabilities held for trading: derivatives

(thousands of euros)

4.4.1 OF WHICH: BANKING GROUP

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2007
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives			**362,441**			**362,441**
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal			362,441			362,441
- options written			362,441			362,441
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B			**362,441**			**362,441**
Total (A+B)			**362,441**			**362,441**

(thousands of euros)

4.4.3 OF WHICH: OTHER ENTITIES

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2007
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**445**					**445**
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal	445					445
- options written						
- other derivatives	445					445
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**445**					**445**
Total (A+B)	**445**					**445**

4.5 On-balance-sheet liabilities (excluding technical overdrafts) held for trading: change for the year

(thousands of euros)

4.5 ON-BALANCE SHEET FINANCIAL LIABILITIES (EXCLUDING TECHNICAL OVERDRAFTS) HELD FOR TRADING: CHANGE FOR THE YEAR

	Due to banks	Due to customers	Securities issued	Total
A. Opening balance (*)				
B. Increases			**446**	
B1. New borrowing				
B2. Sales				
B3. Increases in fair value				
B4. Other changes			446	
C Decreases				
C1. Sales				
C2. Repayments				
C3. Decreases in fair value				
C4. Other changes				
D. Closing balance			**446**	

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 6 – HEDGING DERIVATIVES – ITEM 60

6.1 Hedging derivatives: composition by type of contract and underlying

(thousands of euros)

6.1.1 OF WHICH: BANKING GROUP

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**895,008**	**1,251**				**896,259**
• with exchange of principal		1,251				1,251
- options written						
- other derivatives		1,251				1,251
• without exchange of principal	895,008					895,008
- options written						
- other derivatives	895,008					895,008
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**895,008**	**1,251**				**896,259**
Total (A+B) 2007	**895,008**	**1,251**				**896,259**

(thousands of euros)

6.1.3 OF WHICH: OTHER ENTITIES

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**57,988**					**57,988**
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal	57,988					57,988
- options written						
- other derivatives	57,988					57,988
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**57,988**					**57,988**
Total (A+B) 2007	**57,988**					**57,988**

6.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

6.2.1 OF WHICH: BANKING GROUP

	Fair value						Cash flow	
	specific					generic	specific	generic
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks			
1. Available-for-sale financial assets								
2. Loans	32,166							
3. Held-to-maturity financial assets								
4. Portfolio								
Total assets	**32,166**							
1. Financial liabilities	325,261						1,251	
2. Portfolio						537,581		
Total liabilities	**325,261**					**537,581**	**1,251**	

(thousands of euros)

6.2.3 OF WHICH: OTHER ENTITIES

	Fair value						Cash flow	
	specific					generic	specific	generic
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity financial assets								
4. Portfolio								
Total assets								
1. Financial liabilities	57,988							
2. Portfolio								
Total liabilities	**57,988**							

SECTION 7 – VALUE ADJUSTMENTS OF LIABILITIES COVERED BY MACRO-HEDGES – ITEM 70

7.1 Value adjustments of hedged liabilities: composition by hedged portfolio

(thousands of euros)

7.1 VALUE ADJUSTMENTS OF HEDGED LIABILITIES

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Positive adjustments of financial liabilities	528,637			528,637
2. Negative adjustment of financial liabilities				
Total	**528,637**			**528,637**

7.2 Liabilities covered by macro-hedges against interest rate risk: composition

This item contains recognition of the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk.

SECTION 8 – TAX LIABILITIES – ITEM 80

For information concerning this item, refer to Section 14 of "Assets".

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: composition

(thousands of euros)

10.1 OTHER LIABILITIES: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Items being processed	2,639			2,639
2. Amounts due to employees	1,386		30,691	32,077
3. Charges for postal funding service	656,862			656,862
4. Tax payables	165,481			165,481
5. Due to Bank of Italy				
6. Trade payables			1,780,117	1,780,117
7. Other	16,056		383,134	399,190
Total	**842,424**		**2,193,942**	**3,036,366**

The item reports liabilities not otherwise classified under the previous items.

SECTION 11 – STAFF SEVERANCE PAY – ITEM 110

11.1 Staff severance pay: change for the year

(thousands of euros)

11.1 STAFF SEVERANCE PAY: CHANGE FOR THE YEAR

	Banking group	Insurance undertakings	Other entities	Total
A. Opening balance (*)	**726**		**85,417**	**86,143**
B. Increases	**630**		**4,886**	**5,516**
B.1 Provision for the year	630		1,928	2,558
B.2 Other increases	-		2,958	2,958
C. Decreases	**618**		**16,472**	**17,090**
C.1 Severance payments	45		16,472	16,517
C.2 Other decreases	573			573
D. Closing balance	**738**		**73,831**	**74,569**

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 12 – PROVISIONS – ITEM 120

12.1 Provisions: composition

(thousands of euros)

12.1 PROVISIONS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1 Company pension plans				
2. Other provisions	1,884		148,849	150,733
2.1 legal disputes	1,884		16,333	18,217
2.2 staff costs			110,263	110,263
2.3 other			22,254	22,254
Total	**1,884**		**148,849**	**150,733**

12.2 Provisions: change for the year

(thousands of euros)

12.2 PROVISIONS: CHANGE FOR THE YEAR

	Banking group		Insurance undertakings		Other entities		Total	
	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions
A. Opening balance (*)		**904**			**9**	**139,775**	**9**	**140,679**
B. Increases		**1,097**				**33,807**		**34,904**
B.1 Provision for the year		1,053				31,260		32,313
B.2 Changes due to passage of time		16						16
B.3 Changes due to changes in discount rate		28						28
B.4 Other increases						2,547		2,547
C. Decreases		**117**			**9**	**24,733**	**9**	**24,850**
C.1 Use during the year		44			9	24,733	9	24,777
C.2 Changes due the changes in discount rate								
C.3 Other decreases		73						73
D. Closing balance		**1,884**			**-**	**148,849**	**-**	**150,733**

(*) Refers to unaudited pro-forma data at 31 December 2006

12.4 Provisions – other provisions

The composition of other provisions of the Group are reported below.

(thousands of euros)

12.4 PROVISIONS - OTHER

	31/12/2007
2. Other provisions	**150,734**
2.1 legal disputes	18,217
2.2 staff costs	110,263
early retirement	10,459
loyalty bonus	5,746
electricity discount	51,600
other	42,458
2.3 other	22,254

SECTION 15 – GROUP SHAREHOLDERS' EQUITY – ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group shareholders' equity: composition

(thousands of euros)

15.1 GROUP SHAREHOLDERS' EQUITY: COMPOSITION

	31/12/2007
1. Share capital	3,500,000
2. Share premium reserve	425
3. Reserves	2,887,049
4. Treasury shares	
a) parent company	
b) subsidiaries	
5. Valuation reserves	6,726,977
6. Equity instruments	
7. Net income (loss) for the year pertaining to the Group	1,660,609
Total	**14,775,060**

15.2 "Share capital" and "Treasury shares": composition

The share capital of €3,500,000,000 is fully paid up and is composed of 245,000,000 ordinary shares and 105,000,000 preference shares with a par value of €10 each.

For information on the treatment of preference shares, please see the separate financial statements of CDP S.p.A.

The parent company does not hold treasury shares.

15.3 Share capital – Number of shares: change for the year

15.3 SHARE CAPITAL - NUMBER OF SHARES OF PARENT COMPANY: CHANGE FOR THE YEAR

	Ordinary	Other
A. Shares at start of year (*)	245,000,000	105,000,000
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**245,000,000**	**105,000,000**
B. Increases		
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		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**245,000,000**	**105,000,000**
D.1 Treasury shares (+)		
D.2 Shares at end of the year	245,000,000	105,000,000
- fully paid	245,000,000	105,000,000
- partly paid		

(*) Refers to unaudited pro-forma data at 31 December 2006

15.5 Income reserves: additional information

(thousands of euros)

15.5 INCOME RESERVES: ADDITIONAL INFORMATION

	31/12/2007
Income reserves	**2,887,049**
Legal reserve	163,466
Other	2,723,583

15.6 Valuation reserves: composition

(thousands of euros)

15.6 VALUATION RESERVE: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Financial assets available for sale	6,566,605			6,566,605
2. Property, plant and equipment	167,572			167,572
3. Intangible assets				
4. Hedging of foreign investments				
5. Cash flow hedges	2,107		(578)	1,529
6. Exchange rate differences	(25,682)		16,953	(8,729)
7. Non-current assets included in discontinuing operations				
8. Special revaluation laws				
Total	**6,710,602**		**16,375**	**6,726,977**

15.7 Valuation reserves: change for the year

(thousands of euros)

15.7.1 OF WHICH: BANKING GROUP

	Financial assets available for sale	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non-current assets included in discontinuing operations	Special revaluation laws
A. Opening balance (*)	**6,281,002**	**167,572**			**-**	**11,201**		
B. Increases								
B1. Fair value gains	200,809				2,107			
B2. Other changes	259,333							
C. Decreases								
C1. Fair value losses	(174,540)							
C2. Other changes						(36,883)		
D. Closing balance	**6,566,605**	**167,572**			**2,107**	**(25,682)**		

(*) Refers to unaudited pro-forma data at 31 December 2006

(thousands of euros)

15.7.3 OF WHICH: OTHER ENTITIES

	Financial assets available for sale	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non-current assets included in discontinuing operations	Special revaluation laws
A. Opening balance (*)					**(1,245)**	**14,187**		
B. Increases								
B1. Fair value gains								
B2. Other changes						2,766		
C. Decreases								
C1. Fair value losses								
C2. Other changes					(667)			
D. Closing balance					**(578)**	**16,953**		

(*) Refers to unaudited pro-forma data at 31 December 2006

15.8 Valuation reserves for financial assets available for sale: composition

(thousands of euros)

15.8 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

	Banking group		Insurance undertakings		Other entities		31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(1,691)						(1,691)
2. Equity securities	6,568,296						6,568,296	
3. Units in collective investment undertakings								
4. Loans								
Total	**6,568,296**	**(1,691)**					**6,568,296**	**(1,691)**

15.9 Valuation reserves for financial assets available for sale: change for the year

(thousands of euros)

15.9.1 OF WHICH: BANKING GROUP

	Debt securities	Equity securities	Units in collective investment undertakings	Loans
1. Opening balance (*)	**(55)**	**6,281,057**		
2. Increases	**780**	**459,362**		
2.1 Fair value gains		200,809		
2.2 Reversal to income statement of negative reserves				
- for impairment				
- for realization				
2.3 Other changes	780	258,553		
3. Decreases	**2,416**	**172,124**		
3.1 Fair value losses	2,416	172,124		
3.2 Reversal to income statement of positive reserves: due to realization				
3.3 Other changes				
4. Closing balance	**(1,691)**	**6,568,296**		

(*) Refers to unaudited pro-forma data at 31 December 2006

SECTION 16 – MINORITY INTERESTS – ITEM 220

16.1 Minority interests: composition

(thousands of euros)

16.1 MINORITY INTERESTS: COMPOSITIONS

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Share capital			308,074	308,074
2. Share premium reserve			991	991
3. Reserves			1,838,580	1,838,580
4. Treasury shares				
a) parent company				
b) subsidiaries				
5. Valuation reserves			153,518	153,518
6. Equity instruments				
7. Net income (loss) for the year pertaining to minority interests			379,883	379,883
Total			**2,681,046**	**2,681,046**

16.2 Valuation reserve: composition

(thousands of euros)

16.2 VALUATION RESERVE: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Financial assets available for sale				
2. Property, plant and equipment				
3. Intangible assets				
4. Hedging of foreign investments				
5. Cash flow hedges			(1,351)	(1,351)
6. Exchange rate differences			154,869	154,869
7. Non-current assets included in discontinuing operations				
8. Special revaluation laws				
Total			**153,518**	**153,518**

16.5 Valuation reserve: change for the year

(thousands of euros)

16.5.3 OF WHICH OTHER ENTITIES

	Financial assets available for sale	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non-current assets included in discontinuing operations	Special revaluation laws
A. Opening balance (*)					**(2,906)**	**140,414**		
B. Increases								
B1. Fair value gains								
B2. Other changes					1,555	14,456		
C. Decreases								
C1. Fair value losses								
C2. Other changes								
D. Closing balance					**(1,351)**	**154,869**		**-**

(*) Refers to unaudited pro-forma data at 31 December 2006

OTHER INFORMATION

1. Guarantees issued and commitments

(thousands of euros)

1. GUARANTEES ISSUED AND COMMITMENTS

	Banking group	Insurance undertakings	Other entities	31/12/2007
1) Financial guarantees issued			242,700	242,700
a) Banks			242,700	242,700
b) Customers				
2) Commercial guarantees issued				
a) Banks				
b) Customers				
3) Irrevocable commitments to disburse funds	7,300,334			7,300,334
a) Banks				
i) certain use				
ii) uncertain use				
b) Customers	7,300,334			7,300,334
i) certain use	7,300,334			7,300,334
ii) uncertain use				
4) Commitments underlying credit derivatives: sales of protection				
5) Assets pledged as collateral for third-party debts				
6) Other commitments	265,028			265,028
Total	**7,565,362**		**242,700**	**7,808,062**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

Portfolio	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Financial assets held for trading				
2. Financial assets recognised at fair value				
3. Financial assets available for sale				
4. Financial assets held to maturity				
5. Loans to banks				
6. Loans to customers	17,679,918			17,679,918
7. Property, plant and equipment				

During the year CDP continued to issue bonds secured by a diversified portfolio of receivables in respect of loans with repayment charged to local authorities and regional governments (covered bonds). The list of pledged loans (the segregated portfolio) is deposited with the Rome Company Register and is updated with each new issue and whenever CDP modifies its composition by way of a directive of the General Manger or a resolution of the Board of Directors.

CDP's balance sheet reports the separately the amount of loans pledged as collateral for the issuance of covered bonds (included among loans to customers) and the corresponding residual amount to be disbursed (included among loans to customers).

The covered bond programme was implemented on the basis of Article 5.18 of the transformation decree, pursuant to which CDP may pledge its property and rights as security for the rights of the holders of the securities it issues. The same decree also requires that a separate set of the accounting ledgers and records mandated by Articles 2214 et seq. of the Civil Code be kept for the segregated portfolio.

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)

1.1.1 OF WHICH: BANKING GROUP

	Performing financial assets		Impaired financial assets	Other assets	31/12/2007
	Debt securities	Loans			
1 Financial assets held for trading					
2 Financial assets available for sale	8,959				**8,959**
3 Financial assets held to maturity					
4 Loans to banks				122,755	**122,755**
5 Loans to customers	21,632	3,761,649	14,916		**3,798,197**
6 Financial assets recognised at fair value					
7 Hedging derivatives					
8 Financial assets assigned but not derecognized					
9 Other assets				3,214,286	**3,214,286**
Total	**30,591**	**3,761,649**	**14,916**	**3,337,041**	**7,144,197**

(thousands of euros)

1.1.3 OF WHICH: OTHER ENTITIES

	Performing financial assets		Impaired financial assets	Other assets	31/12/2007
	Debt securities	Loans			
1 Financial assets held for trading					
2 Financial assets available for sale					
3 Financial assets held to maturity					
4 Loans to banks		2,037			**2,037**
5 Loans to customers					
6 Financial assets recognised at fair value					
7 Hedging derivatives					
8 Financial assets assigned but not derecognized					
9 Other assets				25,111	**25,111**
Total		**2,037**		**25,111**	**27,148**

1.4 Interest expense and similar charges: composition

(thousands of euros)

1.4.1 OF WHICH: BANKING GROUP

	Debt	Securities	Other liabilities	31/12/2007
1 Due to banks	21,738			21,738
2 Due to customers	1,670,827			1,670,827
3 Securities issued		3,100,766		3,100,766
4 Financial liabilities held for trading			592	592
5 Financial liabilities at fair value				
6 Financial liabilities in respect of assets assigned but not derecognized				
7 Other liabilities				
8 Hedging derivatives			143,909	143,909
Total	**1,692,566**	**3,100,766**	**144,501**	**4,937,833**

(thousands of euros)

1.4.3 OF WHICH: OTHER ENTITIES

	Debt	Securities	Other liabilities	31/12/2007
1 Due to banks	76,590			76,590
2 Due to customers				
3 Securities issued		67,522		67,522
4 Financial liabilities held for trading				
5 Financial liabilities at fair value				
6 Financial liabilities in respect of assets assigned but not derecognized				
7 Other liabilities			3,873	3,873
8 Hedging derivatives				
Total	**76,590**	**67,522**	**3,873**	**147,985**

1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

1.5 INTEREST EXPENSE AND SIMILAR CHARGES: DIFFERENCES ON HEDGING TRANSACTIONS

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. Positive differences on:				
A.1 Specific fair value hedges of assets	662,496			662,496
A.2 Specific fair value hedges of liabilities	294,997			294,997
A.3 Generic hedges of interest rate risk	256,930			256,930
A.4 Specific cash flow hedges of assets				
A.5 Specific cash flow hedges of liabilities				
A.6 Generic cash flow hedges				
Total positive differences (A)	**1,214,423**			**1,214,423**
B. Negatives differences on:				
B.1 Specific fair value hedges of assets	725,370			725,370
B.2 Specific fair value hedges of liabilities	361,189			361,189
B.3 Generic hedges of interest rate risk	270,473			270,473
B.4 Specific cash flow hedges of assets				
B.5 Specific cash flow hedges of liabilities	1,300			1,300
B.6 Generic cash flow hedges				
Total negative differences (B)	**1,358,332**			**1,358,332**
C. Balance (A-B)	**(143,909)**			**(143,909)**

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: composition

(thousands of euros)

2.1.1 OF WHICH: BANKING GROUP

	31/12/2007
a) guarantees issued	
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	
8. advisory services	
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 securitizations	
f) services for factoring transactions	
g) tax collection services	
h) other	5,056
Total	**5,056**

2.3 Commission expense: composition

(thousands of euros)

2.3.1 OF WHICH: BANKING GROUP

	31/12/2007
a) guarantees received	
b) credit derivatives	
c) management and intermediation services:	
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	759,552
6. off-premises distribution of securities, products and services	
d) collection and payment services	210
e) other services	
Total	**759,762**

(thousands of euros)

2.3.3 OF WHICH: OTHER ENTITIES

	31/12/2007
a) guarantees received	
b) credit derivatives	
c) management and intermediation services:	
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	
6. off-premises distribution of securities, products and services	
d) collection and payment services	1,061
e) other services	67
Total	**1,128**

SECTION 3 – DIVIDENDS AND SIMILAR REVENUES - ITEM 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	Banking group		Insurance undertakings		Other entities		31/12/2007	
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings	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	810,908						810,908	
C Financial assets recognised at fair value								
D Equity investments								
Total	**810,908**						**810,908**	

SECTION 4 – NET GAIN (LOSS) ON TRADING ACTIVITIES - ITEM 80

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

4.1.1 OF WHICH: BANKING GROUP

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Other					
3. Other financial assets and liabilities: exchange rate differences					
4. Derivatives	**18,914**		**9,473**		**9,441**
4.1 Financial derivatives	18,914		9,473		9,441
- on debt securities and interest rates					
- on equity securities and equity indices	18,914		9,473		9,441
- on foreign currencies and gold					
- other					
4.2 Credit derivatives					
Total	**18,914**		**9,473**		**9,441**

(thousands of euros)

4.1.3 OF WHICH: OTHER ENTITIES

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Other					
3. Other financial assets and liabilities: exchange rate differences	**943**	**6,103**			**7,046**
4. Derivatives		**405**			**405**
4.1 Financial derivatives		405			405
- on debt securities and interest rates					
- on equity securities and equity indices					
- on foreign currencies and gold					
- other		405			405
4.2 Credit derivatives					
Total	**943**	**6,508**			**7,451**

SECTION 5 – NET GAIN (LOSS) ON HEDGING ACTIVITIES - ITEM 90

5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. Income on:				
A.1 Fair value hedges	850,524		1,569	852,093
A.2 Hedged financial assets (fair value)	20,347			20,347
A.3 Hedged financial liabilities (fair value)	284,559		69,515	354,074
A.4 Cash flow hedges				
A.5 Assets and liabilities in foreign currencies	3,063			3,063
Total income on hedging activities (A)	**1,158,493**		**71,084**	**1,229,577**
B. Expense on:				
B.1 Fair value hedges	382,954		70,120	453,074
B.2 Hedged financial assets (fair value)	826,209			826,209
B.3 Hedged financial liabilities (fair value)	1,431			1,431
B.4 Cash flow hedges				
B.5 Assets and liabilities in foreign currencies	3,063			3,063
Total expense on hedging activities (B)	**1,213,657**		**70,120**	**1,283,777**
C. Net gain (loss) on hedging activities (A-B)	**(55,164)**		**964**	**(54,200)**

Item A.3 of income regarding hedged financial liabilities of the banking group reflects the change in the method used to estimate redemptions of postal savings bonds, which had an impact of €51,575 thousand. The hedging ratio on postal savings bonds in any case qualified the hedges as effective, in line with IAS 39.

SECTION 6 – GAINS (LOSSES) ON DISPOSAL OR REPURCHASE – ITEM 100

6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

6.1 GAINS (LOSSES) ON DISPOSAL OR REPURCHASE: COMPOSITION

	Banking group			Insurance undertakings			Other entities			31/12/2007		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets												
1. Loans to banks												
2. Loans to customers	20,138		20,138							20,138		20,138
3. Financial assets available for sale												
3.1 Debt securities												
3.2 Equity securities												
3.3 Units in collective investment undertakings												
3.4 Loans												
4. Financial assets held to maturity												
Total assets	**20,138**		**20,138**							**20,138**		**20,138**
Financial liabilities												
1. Due to banks												
2. Due to customers												
3. Securities in issue												
Total liabilities												

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

8.1.1 OF WHICH: BANKING GROUP

	Writedowns			Writebacks				31/12/2007
	Specific		Portfolio	Specific		Portfolio		
	Writeoffs	Other		Interest	Other writebacks	Interest	Other writebacks	
A. Loan to banks								
B. Loan to customers		9,696						9,696
C. Total								**9,696**

SECTION 11 – GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 150

11.1 Staff costs: composition

(thousands of euros)

11.1 STAFF COSTS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1) Employees	**37,610**		**237,562**	**275,172**
a) wages and salaries	27,667		175,596	203,263
b) social security contributions	113		50,873	50,986
c) severance pay				
d) pensions	7,466		3,939	11,405
e) allocation to staff severance pay provision	630		5,201	5,831
f) allocation to provision for pensions and similar liabilities				
- defined contribution				
- defined benefit				
g) payments to external pension funds				
- defined contribution	607			607
- defined benefit				
h) costs in respect of agreements to make payments in own equity instruments				
i) other employee benefits	1,127		1,953	3,080
2) Other personnel	**175**			**175**
3) Board of Directors	**821**		**1,554**	**2,375**
Total	**38,606**		**239,116**	**277,722**

11.2 Average number of employees by category

11.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	Banking group	Insurance undertakings	Other entities	31/12/2007
Employees	**391**		**3,578**	**3,969**
a) Senior management	30		73	103
b) Middle management	113		453	566
of which grade 3 and 4	113		453	566
c) Other employees	248		3,052	3,300
Other personnel	**4**		**-**	**4**

11.4 Other employee benefits

(thousands of euros)

11.4 OTHER EMPLOYEE BENEFITS

	Banking group	Insurance undertakings	Other entities	31/12/2007
Lunch vouchers	464			464
Staff health insurance	663			663
Total	**1,127**			**1,127**

11.5 Other administrative expenses: composition

(thousands of euros)

11.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
IT costs (licences, maintenance and consulting)	8,366		8,185	16,551
Property expenses	3,629		9,847	13,476
Leased land and buildings	61			61
Owned land and buildings	3,568		9,847	13,415
- maintenance of owned land and buildings	*2,387*		*1,360*	3,747
- operating expenses	*1,181*		*8,487*	9,668
Utilities	1,601		4,799	6,400
General expenses	6,439		103,615	110,054
- consumables and other	*1,000*		*16,703*	17,703
- services	*5,439*		*86,912*	92,351
Entertainment and marketing	328		5,559	5,887
Professional and insurance expenses	4,505		17,933	22,438
Professional and service costs for personnel	1,142		8,697	9,839
Corporate bodies other than BoD	395		2,721	3,116
Indirect taxes and duties	1,169		15,003	16,172
Total	**27,574**		**176,358**	**203,932**

The following table reports the fees paid for auditing and non-audit services.

thousands of euros

FEES FOR AUDITING AND NON-AUDIT SERVICES

	Service provider	Client	Fees for the year
Auditing and financial statements	KPMG S.p.A.	CDP S.p.A.	187.2
Certification	KPMG S.p.A.	CDP S.p.A.	135.0
Auditing and financial statements	KPMG S.p.A.	Terna Group	423.5
Certification	KPMG S.p.A.	Terna Group	196.7
Total			**942.4**

SECTION 12 – PROVISIONS (NET) – ITEM 190

12.1 Provisions (net): composition

(thousands of euros)

12.1 PROVISIONS (NET): COMPOSITION

	31/12/2007
Litigation	6,068
Other	
Staff costs	2,596
Total	**8,664**

SECTION 13 – NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT – ITEM 200

13.1. Net adjustments of property, plant and equipment: composition

(thousands of euros)

13.1.1 OF WHICH: BANKING GROUP

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment	51,256			51,256
A.1 owned	51,256			51,256
- operating assets	51,256			51,256
- investment property				
A.2 acquired under finance leases				
- operating assets				
- investment property				
Total	**51,256**			**51,256**

(thousands of euros)

13.1.3 OF WHICH: OTHER ENTITIES

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment	231,697	1,585		233,282
A.1 owned	231,697	1,585		233,282
- operating assets	231,697	1,585		233,282
- investment property				
A.2 acquired under finance leases				
- operating assets				
- investment property				
Total	**231,697**	**1,585**		**233,282**

SECTION 14 – NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 210

14.1 Net adjustments of intangible assets: composition

(thousands of euros)

14.1.1 OF WHICH: BANKING GROUP

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets	5,577			5,577
A.1 Owned	5,577			5,577
- generated internally by the Bank				
- other	5,577			5,577
A.2 Acquired under finance leases				
Total	**5,577**			**5,577**

(thousands of euros)

14.1.3 OF WHICH: OTHER ENTITIES

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets	23,380			23,380
A.1 Owned	23,380			23,380
- internally generated	17,514			17,514
- other	5,866			5,866
A.2 Acquired under finance leases				
Total	**23,380**			**23,380**

SECTION 15 – OTHER OPERATING COSTS AND INCOME– ITEM 220

15.1 Other operating costs: composition

(thousands of euros)

15.1 OTHER OPERATING COSTS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
Operating costs in respect of supply chain	434			434
Other				
Total	**434**			**434**

15.2 Other operating income: composition

(thousands of euros)

15.2 OTHER OPERATING INCOME: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
Income from adjustment of liability items	795			795
Income for corporate offices paid to employees	388			388
Sundry reimbursements	408			408
Reimbursement of expenses incurred for Min. Univ. and Research agreement	392			392
Other	31		1,397,418	1,397,449
Total	**2,014**		**1,397,418**	**1,399,432**

Income for other entities includes €1,211 million in respect of network usage fees.

SECTION 16 – GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 240

16.1 Gains (losses) on equity investments: composition

(thousands of euros)

16.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Joint ventures				
A. Gains				
1. Revaluations				
2. Gains on disposals				
3. Writebacks				
4. Other increases				
B. Losses				
1. Writedowns				
2. Impairments				
3. Losses on disposals				
4. Other decreases				
Net gain (loss)				
2. Companies under significant influence				
A. Gains				
1. Revaluations	361,081		1,081	362,162
2. Gains on disposals				
3. Writebacks				
4. Other increases				
B. Losses				
1. Writedowns	8,572			8,572
2. Impairments	507,321			507,321
3. Losses on disposals				
4. Other decreases				
Net gain (loss)	**(154,812)**		**1,081**	**(153,731)**
Total	**(154,812)**		**1,081**	**(153,731)**

SECTION 19 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 270

19.1 Gains (losses) on disposal of investments – Item 270

(thousands of euros)

19.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
A. Land and buildings			156	156
- Gains on disposal			174	174
- Losses on disposal			(18)	(18)
B. Other assets	3		468	471
- Gains on disposal	4		1,116	1,120
- Losses on disposal	(1)		(648)	(649)
Net gain (loss)	**3**		**624**	**627**

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)

20.1 INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS: COMPOSITION

	Banking group	Insurance undertakings	Other entities	31/12/2007
1. Current taxes (-)	(489,850)		(276,663)	(766,513)
2. Change in current taxes from previous periods (+/-)	3,512		3,806	7,318
3. Reduction of current taxes for the year (+)			71	71
4. Change in deferred tax assets (+/-)	79,666		9,552	89,218
5. Change in deferred tax liabilities (+/-)	(86,707)		241,288	154,581
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(493,379)		(21,945)	(515,324)

SECTION 22 – NET INCOME (LOSS) PERTAINING TO MINORITY INTERESTS – ITEM 330

22.1 Breakdown of item 30 “Net income (loss) pertaining to minority interests”

Net income pertaining to minority interests amounts to €379,883 thousand.

SECTION 24 – EARNINGS PER SHARE

24.1 Average number of ordinary shares on a diluted basis

24.1 AVERAGE NUMBER OF SHARES ON A DILUTED BASIS

Calculation of earnings per share (euros)	
Consolidated net income (numerator)	1,599,709,195
Number of shares (denominator)	245,000,000
Earnings per share	6.53

The average number of ordinary shares in 2007 was 245,000,000.

PART D – SEGMENT INFORMATION

For segment information, please see the financial statements of CDP S.p.A. and the Terna Group.

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Organisational aspects and guidelines for risk management

The guidelines governing the risk management policies of the banking group are summarised in the Risk Management Rules prepared by the Risk Management department in March 2005 and revised in February 2006:

- 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 Rules define:

- the scope of application of the Rules;
- the governance of the Rules within the banking group;
- the evaluation metrics (measurement and mapping of risks);
- the system of limits;
- the risk control processes;
- reporting;
- management of the parent company's proprietary information systems.

The approval, issue and revision of the Risk Management Rules are the responsibility of the Board of Directors, acting on a proposal of the General Manager.

The Risk Management department is responsible for controlling actual and prospective exposures to market, credit, liquidity and operational risks as well as enforcing compliance with the limits approved by the Board of Directors.

SECTION 1 – THE RISKS OF THE BANKING GROUP

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

Credit risk arises primarily in relation to lending activity and on a secondary level in derivatives operations for hedging purposes on financial markets (in the form of counterparty risk).

2. Credit risk management policies

2.1 Organisational aspects

The Credit department primarily focuses on preliminary assessments of applications, while Risk Management is responsible for monitoring overall developments in the risk level of the loan portfolio with a view to identifying any necessary corrective actions to optimise the risk/return profile.

2.2 Management, measurement and control systems

As part of its lending policies, the parent company adopts a system for lending to regional and local governments, under which each loan is allocated to a uniform risk category. In order to define the level of risk associated with individual authorities appropriately, the quantitative parameters used by the system differ in relation to the type of authority and its size.

The lending system makes it possible to identify cases in which a more extensive assessment of the borrower's creditworthiness is necessary, using qualitative as well as quantitative criteria.

At the end of 2006 an initial version of CDP's proprietary portfolio credit risk calculation model was developed. In 2007 the model, now further developed and tested, began to be used.

The model is a multi-factor actuarial model that:

- uses different probabilities of default for different rating grades and maturities and different recovery amounts for different guarantees;
- operates with a long-term perspective;
- manages exposures that vary over time;
- manages the dependence structure;
- calculates the risk contribution of the various obligors;
- manages both uniform and diverse portfolios;
- manages idiosyncratic factors in portfolios that are not fully diversified.

Risk Management regularly monitors the limits for counterparty risk in derivatives transactions for hedging purposes.

As well as a minimum rating requirement for counterparties, the system also establishes absolute and relative limits based on the gross nominal amounts of transactions and net exposures (current and potential).

The exposures are calculated on the basis of net replacement cost plus add-ons.

2.3 Credit risk mitigation techniques

A review was undertaken of the main techniques used to mitigate the credit risk associated with lending: normal guarantee requirements, mainly in operations under the Ordinary Account, were supplemented with the option of adding contractual clauses requiring borrowers to comply with financial covenants that enable parent company to monitor credit risk more closely over the life of an operation.

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, with the exception of one contract based on the 1992 ISDA agreement.
Eight Credit Support Annexes were signed in order to mitigate credit risk, with the periodic exchange of collateral. The arrangement is based on the standard format recommended by ISDA.

The credit risk mitigation techniques adopted by CDP were of fundamental importance in the difficult conditions affecting the entire banking and financial sector over the course of 2007.

2.4 Impaired assets

In 2006 the banking group stepped up its monitoring and administration of problem loans in order to optimise it operational processes for recovering bad debts or substandard loans.
In particular, the process for managing problem positions is supported by a constantly updated database on the status of borrowers. Each month summary reports are generated for senior management and the units involved in controlling credit quality that specify the type of loans involved and the aging of the past due amounts.

The banking group's approach to writedowns is essentially based on analytical analyses of counterparties in financial difficulty that are behind on their loan repayments.
The decision to adopt such an approach is justified by the absence of time series on bad debts, owing to the type of customer (public entities) in traditional lending activity.
The main credit events monitored in analysing the financial soundness of counterparties and the consequent valuation of the 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 financing and any remaining amounts to be disbursed are frozen.
The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery. In order to ensure that such events are reflected promptly, the information on borrowers is monitored periodically and developments in out-of-court arrangements and the various stages of court proceedings are tracked constantly.

The identification of past due positions (over 180 days), restructured loans and substandard loans is carried out on the basis of supervisory instructions using prudent materiality thresholds.
Positions are classified as substandard when at least three semiannual payments are past due (for loans) or repayment is in arrears by more than 12 months (for advances).
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 EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

(thousands of euros)

A.1.1 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUE)

	Banking group						Other entities		Total
	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading						353,727			353,727
2. Financial assets available for sale						15,355,285			15,355,285
3. Financial assets held to maturity									
4. Loans to banks						3,884,712		244,759	4,129,471
5. Loans to customers	2,767	11,702		46,502		78,292,948		1,542,706	79,896,625
6. Financial assets designated at fair value									
7. Financial assets being divested									
8. Hedging derivatives						828,581			828,581
Total at 31/12/2007	**2,767**	**11,702**		**46,502**		**98,715,253**		**1,787,465**	**100,563,689**

(thousands of euros)

A.1.2 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group								
1. Financial assets held for trading					353,727		353,727	353,727
2. Financial assets available for sale					15,355,285		15,355,285	15,355,285
3. Financial assets held to maturity								
4. Loans to banks					3,884,712		3,884,712	3,884,712
5. Loans to customers	111,517	(50,546)		60,971	78,292,948		78,292,948	78,353,919
6. Financial assets designated at fair value								
7. Financial assets being divested								
8. Hedging derivatives					828,581		828,581	828,581
Total A	**111,517**	**(50,546)**		**60,971**	**98,715,253**		**98,715,253**	**98,776,224**
B. Other consolidated entities								
1. Financial assets held for trading								
2. Financial assets available for sale								
3. Financial assets held to maturity								
4. Loans to banks					244,759		244,759	244,759
5. Loans to customers	13,795	(13,795)		-	1,542,706		1,542,706	1,542,706
6. Financial assets designated at fair value								
7. Financial assets being divested								
8. Hedging derivatives								
Total B	**13,795**	**(13,795)**		**-**	**1,787,465**		**1,787,465**	**1,787,465**
Total at 31/12/2007	**125,312**	**(64,341)**		**60,971**	**100,502,718**		**100,502,718**	**100,563,689**

(thousands of euros)

A.1.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURE TO BANKS: GROSS AND NET VALUES

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
A.1 Banking group				
a) Bad debts				
b) Substandard loans				
c) Restructured positions				
d) Past due positions				
e) Country risk				
f) Other assets	3,886,778			3,886,778
Total A.1	**3,886,778**			**3,886,778**
A.2 Other entities				
a) Impaired				
b) Other	244,759			244,759
Total A.2	**244,759**			**244,759**
Total A	**4,131,537**			**4,131,537**
B. OFF-BALANCE-SHEET EXPOSURES				
B.1 Banking group				
a) Impaired				
b) Other	1,000,507			1,000,507
Total B.1	**1,000,507**			**1,000,507**
B.2 Other entities				
a) Impaired				
b) Other				
Total B.2				
Total B	**1,000,507**			**1,000,507**

(thousands of euros)

A.1.6 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
A.1 Banking group				
a) Bad debts	29,169	(26,402)		2,767
b) Substandard loans	35,845	(24,144)		11,702
c) Restructured positions				
d) Past due positions	46,502			46,502
e) Country risk				
f) Other assets	93,646,120			93,646,120
Total A.1	**93,757,637**	**(50,546)**		**93,707,091**
A.2 Other entities				
a) Impaired	13,795	(13,795)		-
b) Other	1,542,706			1,542,706
Total A.2	**1,556,502**	**(13,795)**		**1,542,706**
Total A				
B. OFF-BALANCE-SHEET EXPOSURES				
B.1 Banking group				
a) Impaired	3,442			3,442
b) Other	7,712,893			7,712,893
Total B.1	**7,716,335**	**-**		**7,716,335**
B.2 Other entities				
a) Impaired				
b) Other				
Total B.2				
Total B	**7,716,335**			**7,716,335**

(thousands of euros)

A.1.7 ON-BALANCE-SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS EXPOSED TO COUNTRY RISK

	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk
A. Opening gross exposure (*)	**70,107**	**76,816**		**29,671**	
- of which: exposures assigned but not derecognized					
B. Increases	**6,372**	**47,124**		**44,155**	
B.1. from performing loans				38,567	
B.2 transfers from other categories of impaired positions	4,594	46,985		1,671	
B.3 other increases	1,778	140		3,917	
C. Decreases	**(47,310)**	**(88,095)**		**(27,323)**	
C.1. to performing loans	(425)	(55,113)		(27,194)	
C.2. writeoffs					
C.3. collections	(30)				
C.4. assignments					
C.5. transfers to other categories of impaired positions	(46,855)	(6,265)		(129)	
C.6. other decreases		(26,717)			
D. Closing gross exposure	**29,169**	**35,845**		**46,502**	
- of which: exposures assigned but not derecognized					

(*) Refers to unaudited pro-forma data at 31 December 2006

(thousands of euros)

A.1.8 ON-BALANCE-SHEET EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS

	Bad debts	Substandard loans	Restructured position	Past due positions	Country risk
A. Total opening adjustments (*)	**38,832**	**2,018**			
- of which: exposures assigned but not derecognized					
B. Increases	**3,297**	**23,939**			
B.1 writedowns	1,799	8,359			
B.2 transfers from other categories of impaired positions	1,518	15,580			
B.3 other increases					
C. Decreases	**(15,727)**	**(1,813)**			
C.1 writebacks from valuations	(117)	(295)			
C. 2writebacks from valuations	(30)				
C.3 writeoffs					
C.4 transfers to other categories of impaired positions	(15,580)	(1,518)			
C.5 other decreases					
D. Total closing adjustments	**26,402**	**24,144**			
- which: exposures assigned but not derecognized					

(*) Refers to unaudited pro-forma data at 31 December 2006

A.2 CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL RATINGS

(thousands of euros)

A.2.1 DISTRIBUTION OF ON-BALANCE-SHEET EXPOSURES AND OFF-BALANCE-SHEET EXPOSURE BY EXTERNAL RATING GRADES

	External rating grades						Not rated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. On-balance-sheet exposures	**47,682,174**	**18,730,370**	**182,403**			**43,128**	**30,955,795**	**97,593,869**
B. Derivatives	**1,038,666**	**143,641**					**-**	**1,182,307**
B.1 Financial derivatives	1,038,666	143,641					-	1,182,307
B.2 Credit derivatives								
C. Guarantees issued								
D. Commitments to disburse funds	**1,622,906**	**1,484,080**	**11,031**				**4,416,517**	**7,534,535**
Total	**50,343,746**	**20,358,091**	**193,433**	**-**	**-**	**43,128**	**35,372,312**	**106,310,711**

A.3 DISTRIBUTION OF SECURED EXPOSURES BY TYPE OF GUARANTEE

(thousands of euros)

A.3.1 SECURED ON-BALANCE-SHEET EXPOSURES TO BANKS AND CUSTOMERS

	Value of exposure	Collateral			Unsecured guarantees								Total 31/12/2007
					Credit derivatives				Guarantees				
		Land and buildings	Securities	Other assets	Governments	Other government agencies	Banks	Other	Governments	Other government agencies	Banks	Other	
1. Secured exposures to banks													
1.1 fully secured													
1.2 partially secured													
2. Secured exposures to customers													
2.1 fully secured	696,939	46,669	53,841							76,011		502,824	**679,345**
2.2 partially secured	72,033,758	26,132		10,894,929									**10,921,061**

(thousands of euros)

A.3.2 SECURED OFF-BALANCE-SHEET EXPOSURES TO BANKS AND CUSTOMERS

	Value of exposure	Collateral			Unsecured guarantees								Total 31/12/2007
					Credit derivatives				Guarantees				
		Land and buildings	Securities	Other assets	Governments	Other government agencies	Banks	Other	Governments	Other government agencies	Banks	Other	
1. Secured exposures to banks													
1.1 fully secured													
1.2 partially secured													
2. Secured exposures to customers													
2.1 fully secured	459,955	7,513	204,765							84,000		163,677	**459,955**
2.2 partially secured													

(thousands of euros)

A.3.3 IMPAIRED SECURED ON-BALANCE-SHEET EXPOSURES TO BANKS AND CUSTOMERS

	Value of exposure	Amount secured	Guarantees (fair value)																	Total	Excess fair value of guarantees
			Collateral			Unsecured guarantees															
						Credit derivatives							Guarantees								
			Land and buildings	Securities	Other assets	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other		
1. Secured exposures to banks																					
1.1. more than 150%																					
1.2. from 100% to 150%																					
1.3. from 50% and 100%																					
1.4. up to 50%																					
2. Secured exposures to customers																					
2.1. more than 150%																					
2.2. from 100% to 150%																					
2.3. from 50% and 100%	726	719			719															**719**	**-**
2.4. up to 50%	46,893	4,947			4,947															**4,947**	**-**

B. DISTRIBUTION AND CONCENTRATION OF LENDING

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY SECTOR

(thousands of euros)

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY SECTOR

	Governments and central banks				Other government agencies				Financial companies			
	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures												
A.1 Bad debts					3,376	(1,334)		2,041				
A.2 Substandard loans					24,090	(23,386)		704				
A.3 Restructured positions												
A.4 Past due positions					46,502			46,502				
A.5 Other	32,575,337			32,575,337	40,084,310			40,084,310	438,388			438,388
Total A	**32,575,337**			**32,575,337**	**40,158,278**	**(24,720)**		**40,133,557**	**438,388**			**438,388**
B. Off-balance-sheet exposures												
B.1 Bad debts												
B.2 Substandard loans												
B.3 Other impaired assets					3,442			3,442				
B.4 Other	904,139			904,139	4,596,843			4,596,843	446,828			446,828
Total B	**904,139**			**904,139**	**4,600,285**			**4,600,285**	**446,828**			**446,828**
Total (A+B) at 31/12/2007	**33,479,476**			**33,479,476**	**44,758,563**	**(24,720)**		**44,733,842**	**885,216**			**885,216**

(thousands of euros)

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY SECTOR

	Insurance undertakings				Non-financial companies				Other			
	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures												
A.1 Bad debts					24,967	(24,967)			827	(101)		726
A.2 Substandard loans					11,756	(758)		10,998				
A.3 Restructured positions												
A.4 Past due positions												
A.5 Other					20,526,506			20,526,506	1,564,284			21,578
Total A					**20,563,229**	**(25,725)**		**20,537,504**	**1,565,111**	**(101)**		**22,305**
B. Off-balance-sheet exposures												
B.1 Bad debts												
B.2 Substandard loans												
B.3 Other impaired assets												
B.4 Other					1,765,083			1,765,083				
Total B					**1,765,083**			**1,765,083**				
Total (A+B) at 31/12/2007					**22,328,312**	**(25,725)**		**22,302,587**	**1,565,111**	**(101)**		**22,305**

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

(thousands of euros)

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

	Italy		Other European countries		Americas		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts	29,169	2,767								
A.2 Substandard loans	35,845	11,702								
A.3 Restructured positions										
A.4 Past due positions	46,502	46,502								
A.5 Other	93,637,498	93,637,498	8,622	8,622						
Total A	**93,749,015**	**93,698,469**	**8,622**	**8,622**						
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets	3,442	3,442								
B.4 Other	7,452,237	7,452,237	258,803	258,803	1,854	1,854				
Total B	**7,455,679**	**7,455,679**	**258,803**	**258,803**	**1,854**	**1,854**				
Total (A+B) at 31/12/2007	**101,204,694**	**101,154,148**	**267,425**	**267,425**	**1,854**	**1,854**				

B.4 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

(thousands of euros)

B.4 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

	Italy		Other European countries		Americas		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	3,779,629	3,779,629	107,149	107,149						
Total A	**3,779,629**	**3,779,629**	**107,149**	**107,149**						
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	57,461	57,461	943,046	943,046						
Total B	**57,461**	**57,461**	**943,046**	**943,046**						
Total (A+B) at 31/12/2007	**3,837,090**	**3,837,090**	**1,050,195**	**1,050,195**						

C. SECURITISATIONS AND ASSET DISPOSALS

C.1 SECURITISATIONS

QUALITATIVE DISCLOSURES

At the end of 2002, the parent company 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;
2. departments of the state, the regions, the autonomous provinces or local authorities;
3. AEM Elettricità S.p.A.;
4. Acea Distribuzione S.p.A. (portfolio extinguished at the end of 2005);
5. TAV S.p.A.;
6. Poste Italiane S.p.A.

A receivable was created with the assignment of the portfolios to the special purpose vehicle "CPG – Società di cartolarizzazione a r.l." owing to the fact that the price paid was less than the nominal value of the claims.
The amount of the receivables from CPG regards the deferred price that CDP will receive for the assigned portfolios. The price is determined by the difference between the positive and negative income components of the securitized portfolio.
The amount of payables to CPG regards the portfolios for which CDP continues to collect instalments on the securitised loans. By agreement, these sums are settled at the start of the following year.

As regard the obligations of the parent company, which are defined in the assignment contract, under which the parent company has made certain representations and guarantees to CPG, taking on specified costs, expenses and liabilities associated with the portfolios, please note that the operation and the flows linked to all the securitised portfolios are proceeding regularly.
The loans underlying the transaction were fully derecognised, since the parent company 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.

As regards securitizations conducted by third parties, the parent company holds a bond issued by the INPS - S.C.C.I. S.p.A. securitisation vehicle.

QUANTITATIVE DISCLOSURES

(thousands of euros)

C.1.1 EXPOSURES IN RESPECT OF SECURITIZATIONS BY QUALITY OF SECURITIZED ASSETS

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:					**184,672**	**184,672**												
a) impaired																		
b) other					184,672	184,672												
B. With third-party underlying assets:	**201,853**	**201,853**																
a) impaired																		
b) other	201,853	201,853																

(thousands of euros)

C.1.2 EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A. Fully derecognised																		
A.1 CPG - Società di																		
cartolarizzazione a r.l.					184,672	-												
- Long-term loans																		
B. Partially derecognised																		
B.1 name of securitisation 1																		
- type of asset																		
B.2 name of securitisation 2																		
- type of asset																		
B.3 name of securitisation ..																		
- type of asset																		
C. Not derecognised																		
C.1 name of securitisation 1																		
- type of asset																		
C.2 name of securitisation 2																		
- type of asset																		
C.3 name of securitisation ..																		
- type of asset																		

(thousands of euros)

C.1.3 EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A.1 - S.C.C.I																		
- Pension receivables	201,853																	

(thousands of euros)

C.1.4 EXPOSURES IN RESPECT OF SECURITIZATIONS BY PORTFOLIO OF FINANCIAL ASSETS AND TYPE

	Financial assets held for trading	Financial assets recognised at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2007
1. On-balance-sheet exposures					**386,525**	**386,525**
- senior					201,853	201,853
- mezzanine						
- junior					184,672	184,672
2. Off-balance-sheet exposures						
- senior						
- mezzanine						
- junior						

(thousands of euros)

C.1.7 SERVICER ACTIVITIES - COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY VEHICLE

	Securitized 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.	2,394	794,521		291,858						

1.2 – MARKET RISKS

1.2.1 INTEREST RATE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

The group did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk

<u>General aspects</u>

Interest rate risk, i.e. the banking group's exposures to adverse changes in interest rates, is mainly associated with the maturity mismatch between fixed-rate assets and liabilities (rate revision risk and yield curve risk) and the embedded option element in loans on the asset side and postal savings bonds on the liability side.

The parent company has also adopted fair value for "structural" exposures, subject (on the asset side) both to renegotiations/restructurings that repeatedly measure fair value and fair value hedging transactions (for which hedge accounting is used).

The Risk Management Rules establish that interest rate risk management strategy is to protect net interest income both at long term (in the form of net present value - NPV) and at short term. Emphasis was placed on the enterprise's economic value, i.e. stabilising the present value of margins over the long term. This strategy was pursued with policies intended to reduce the net exposure (exploiting natural hedges) using VaR and PV01 as indicators. The strategy was implemented with a constant focus on net interest income, given the exposure limits approved by the Board of Directors and expressed in terms of VaR.

The quantification of the effects on net interest income of different rate scenarios and varying developments in balance-sheet aggregates are a key element for transforming this focus into a quantitative target to safeguard with risk limits.
This requires a dynamic ALM system that can reconcile accrual and fair value approaches to define increasingly explicit objectives for stabilising net interest income in the short and medium term that can be reconciled with the long-term objectives.
Hence the impetus to implement a dynamic ALM system (DALM). DALM makes it possible to simulate the impact of alternative scenarios for (a) balance-sheet aggregates, (b) market variables and (c) ALM policies on future net interest income and future sensitivities and fair values.
DALM currently makes it possible to improve the management of interest rate risk of the structural portfolio in at least two ways:

- it provides a forward-looking vision of future developments in risk metrics based on a fair value approach such as VaR and PV01 and makes it possible to assess the intertemporal consistency of hedging policies for the forecast scenario and alternative scenarios;
- it makes it possible to estimate the impact of different hedging policies on net interest income in the various scenarios at the same time.

Managing and controlling interest rate risk

ALM policy, which in the past was addressed by the ALM Committee, is now examined in the Coordination Committee.
The Coordination Committee is an advisory body and, with regard to controlling interest-rate risk, is responsible for verifying the consistency of the operational Asset Liability Management strategies and the guidelines established by the Board of Directors.
At a minimum, the Committee is composed of the following officers:

- the General Manager

the heads of the following divisions and departments:

- Finance
- Public Investments
- Development Policies Management and Support
- Infrastructure and Strategic Projects
- Credit
- Legal and Corporate Affairs
- Planning and Control
- Risk Management.

The Board of Directors of the parent company has delegated to the General Manager the power to establish the amount of risk that can be assumed in terms of VaR, setting a ceiling.

These limits are reviewed by the Board in relation to operational developments and on the basis of a recommendation of the General Manager, and in any case on a quarterly basis.

Measurement and monitoring of interest rate risk is carried out by the Risk Management department.

Within the system of delegated authority defined and approved by the Board of Directors, operational responsibility for managing interest rate risk (and all market risks) lies with the Finance division.

Measuring interest rate risk

Market standard methodologies implemented within CDP's proprietary system are used to monitor interest rate risk:

- Value-at-Risk (VaR) over a ten business day holding period (calculated daily);
- sensitivity to market variables (calculated daily);
- results of market variable stress tests (calculated quarterly).

VaR is calculated using a "filtered" historical simulation methodology using daily observations, with full revaluation on 750 scenarios, which is also effective with non-linear exposures. In historical simulation, correlations are implicit in the multivariate time series of risk factors, As full revaluation is used, no simplifying assumptions are needed for risk mapping.

Measurement covers all financial asset and liability classes with a duration of more than one year and a significant minimum aggregate amount.

The fair value model for postal savings bonds captures the risk of early redemption, combining derivatives pricing techniques (for non-arbitrage) with an econometrics approach based on CDP's information resources.

The VaR calculation method uses a 99% confidence interval with a 1-day holding period, while a scaling method is used to obtain the 10-day value.

With specific reference to interest rates, the following indicators are estimated to obtain the sensitivity metrics:

- Delta, or the first derivative of the market value of the position with respect to the zero-coupon yield curve;

- Gamma, or the second derivative of the market value of the position with respect to the zero-coupon yield curve;
- Vega, as a measure of sensitivity to a parallel shift in the volatility structure of interest rates.

In order to assess the impact of significant perturbations in market parameters, a stress testing system has been developed, using a grid of specified scenarios for classes of risk drivers. In particular:
- a parallel shift in the zero-coupon yield curve (+/- 200 b.p.)
- a change in the slope of the zero-coupon curve (+/- 100 b.p.)
- a shift in the level of the ATM volatility surface of the swaptions market, to an extent consistent with the perturbations applied to the zero-coupon yield curve in the parallel shift test.

Limits

The Rules set two VaR limits, one for the banking book, the other for the trading book.
The limit for the banking book is interpreted within the scope of the ALM approach described above.

Reporting

VaR and sensitivity reporting is conducted on a daily basis and is transmitted to the members of the Coordination Committee, which normally meets weekly.
The Board of Directors of the parent company receives a quarterly report on the same variables on the occasion of its review of limits. The report also contains the outcome of the stress testing.

B. Fair value hedges

The strategy underlying fair value hedging can be summarised as follows:
- the Ordinary Account is hedged against interest rate risk at the origination stage;
- in view of the discussion in the section “General aspects” in section A above, hedging programmes seek to reduce interest rate risk measures of the banking book.

As regards the liability side of the Ordinary Account, structured floating-rate issues were hedged with swaps transforming them into 6-month euribor plus a spread.
On the asset side of the Ordinary Account, fixed-rate loans were hedged with IRSs in which CDP pays fixed and receives floating. The IRSs are amortising.
All the hedges under the Ordinary Account are micro fair value hedges. In the case of issues, the hedges are specific to the issue; for loans, some cases regard hedges of a uniform aggregate of loans.

Issues of fixed-rate covered bonds in euros under the Separate Account were systematically transformed into floating rates using IRSs. In this case the hedges were specific micro fair value hedges.

In 2005, with a negative exposure to a reduction in rates, CDP undertook a programme of hedging interest rate risk on a portfolio of postal savings bonds (fair value hedges of a portfolio of financial liabilities exposed to changes in interest rates). The programme was implemented using roller-coaster IRSs in which CDP receives fixed and pays 12-month euribor plus a spread.

At the start of 2006, following the renegotiation of 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 uniform portfolios of fixed-rate loans charged to the state.
The programme was implemented using amortising IRSs in which CDP pays fixed and receives 6-month euribor plus a spread.

In 2007, part of new fixed-rate lending was hedged, together with transactions regarding existing fixed-rate loans.

C. Cash flow hedges

At 31 December 2007, the only open cash flow hedge regarded the issue of a fixed-rate covered bond in yen, which was hedged with a cross currency swap to counter the uncertainty concerning cash flows due to possible exchange rate variations. The hedge converts the original exposure into a fixed rate in euros.

QUANTITATIVE DISCLOSURES

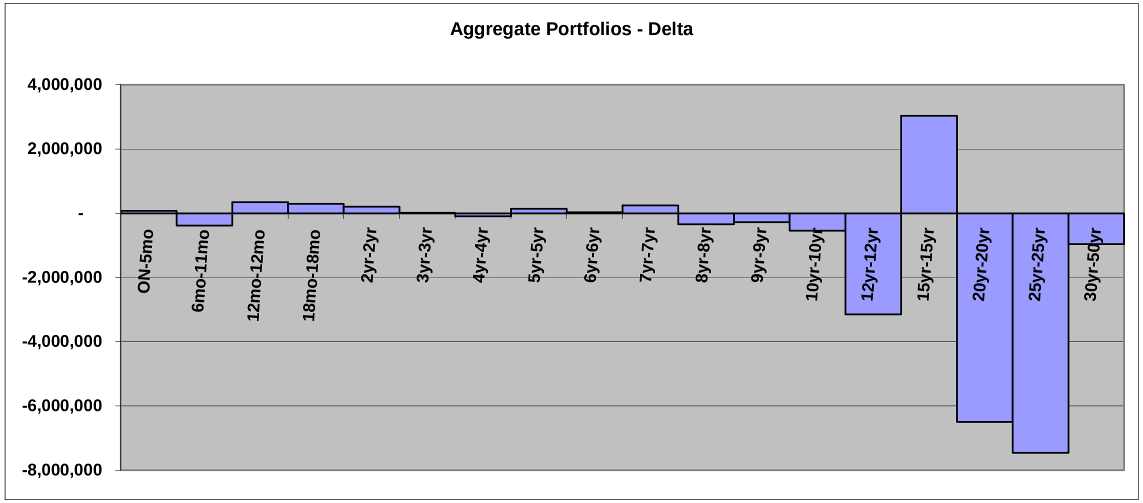
As discussed above, CDP has implemented a DALM system that simulates the impact of alternative scenarios.

CDP keeps the exposure to interest rate risk within VaR limits that are reviewed periodically by the Board of Directors using PV01 as an additional indicator in a fair value and NPV approach and exploiting natural hedges for structural positions.
The following figure shows an analysis of the interest rate sensitivity of CDP's banking book.

Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2007

Maturity ladder	PV01
ON-5mo	75,051
6mo-11mo	- 384,202
12mo-12mo	343,659
18mo-18mo	294,741
2yr-2yr	204,113
3yr-3yr	16,717
4yr-4yr	- 93,929
5yr-5yr	139,789
6yr-6yr	33,050
7yr-7yr	244,745
8yr-8yr	- 343,363
9yr-9yr	- 275,752
10yr-10yr	- 540,796
12yr-12yr	- 3,151,194
15yr-15yr	3,031,775
20yr-20yr	- 6,496,140
25yr-25yr	- 7,456,002
30yr-50yr	- 964,848
Total	- 15,322,584



1.2.3 PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

The Group did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.4 PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of price risk

The components of equity risk associated with large listed equity investments regard adverse movements in stock prices. This could produce a significant decrease in their value, with a potentially adverse impact on the balance sheet and/or income statement.
An additional source of price risk is the indexation of indexed postal savings bonds and the new Premia bond, which have different maturities and payoff mechanisms, to the Dow Jones Euro Stoxx 50 index. In 2007, in parallel with the introduction of the Premia bond, the maturity of ordinary savings indexed bonds was reduced from seven to five years.

CDP uses an innovative approach to protect its portfolio against the equity risk in respect of listed equity investments (both in associates and other companies).
The monitoring tools include VaR calculated using the same methodology as that applied to interest rate risk.

B. Hedging price risk

The price risk associated with issues of indexed savings bonds and the new Premia series is systematically hedged using options that match those embedded in the bonds.
The notional acquired for each issue is determined on the basis of the proprietary redemption model.

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. BANKING BOOK: ON-BALANCE-SHEET EXPOSURES IN EQUITY SECURITIES AND UNITS OF COLLECTIVE INVESTMENT UNDERTAKINGS

	Book value	
	Listed	**Unlisted**
A. Equity securities	**15,132,165**	**9,716**
A.1 Shares	15,132,165	9,716
A.2 Innovative capital instruments		
A.3 Other equities		
B. Units in collective investment undertakings		**1,328**
B.1 Italian		1,328
- harmonized open		
- non harmonized open		
- closed		1,328
- restricted		
- speculative		
B.2 Other EU		
- harmonized		
- non harmonized open		
- non harmonized closed		
B.2 Non-EU		
- open		
- closed		
Total	**15,132,165**	**11,044**

1.2.5 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of exchange rate risk

In 2007 CDP did not conduct a significant volume of business in foreign currency, with the exception of the issued of the fixed-rate covered bond in yen.

B. Hedging exchange rate risk

The exchange rate risk in respect of the fixed-rate covered bond in yen referred to in the previous section was hedged with a cross currency swap. This essentially transformed the exposure in yen into euros.

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities			**60,632**			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities			60,632			
C.4 Other financial liabilities						
D. Financial derivatives			**60,632**			
- Options			-			
- long positions						
- short positions						
- Other derivatives			60,632			
- long positions			60,632			
- short positions						
Total assets			**60,632**			
Total liabilities			**60,632**			
Difference (+/-)			**-**			

1.2.6 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.2 Banking book: end-period and average notional values

(thousands of euros)

A.2.1 HEDGING

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement										
2. Interest rate swap		34,484,908								34,484,908
3. Domestic currency swap										
4. Currency i.r.s.						60,632				60,632
5. Basis swap		450,000								450,000
6. Equity index swaps										
7. Real index swaps										
8. Futures										
9. Cap options										
- purchased										
- written										
10. Floor options										
- purchased										
- written										
11. Other options										
- purchased										
- plain vanilla										
- exotic										
- written										
- plain vanilla										
- exotic										
12. Forward contracts										
- purchases										
- sales										
- foreign currency vs foreign currency										
13. Other derivatives contracts										
Total		**34,934,908**				**60,632**				**34,995,540**
Average values		**29,977,062**				**30,316**				**30,007,378**

(thousands of euros)

A.2.2 OTHER DERIVATIVES

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2007	
	Listed	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**	**Listed**	**Unlisted**
1. Forward rate agreement										
2. Interest rate swap										
3. Domestic currency swap										
4. Currency i.r.s.										
5. Basis swap										
6. Equity index swaps										
7. Real index swaps										
8. Futures										
9. Cap options										
- purchased										
- written										
10. Floor options										
- purchased										
- written										
11. Other options										
- purchased				9,336,663						9,336,663
- plain vanilla				9,336,663						9,336,663
- exotic										
- written				10,057,758						10,057,758
- plain vanilla				10,057,758						10,057,758
- exotic										
12. Forward contracts										
- purchases										
- sales										
- foreign currency vs foreign currency										
13. Other derivatives contracts										
Total				**19,394,421**						**19,394,421**

(thousands of euros)

A.3 FINANCIAL DERIVATIVES: PURCHASES AND SALES OF UNDERLYINGS

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other assets		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Supervisory trading book:										
1. Transactions with exchange of principal										
- purchases										
- sales										
- foreign currency vs foreign currency										
2. Transactions without exchange of principal										
- purchases										
- sales										
- foreign currency vs foreign currency										
B. Banking:										
B.1 Hedging										
1. Transactions with exchange of principal						60,632				60,632
- purchases						60,632				60,632
- sales										
- foreign currency vs foreign currency										
2. Transactions without exchange of principal		34,334,907								34,334,907
- purchases		15,403,831								15,403,831
- sales		18,931,076								18,931,076
- foreign currency vs foreign currency										
B.2 Other derivatives										
1. Transactions with exchange of principal										
- purchases										
- sales										
- foreign currency vs foreign currency										
2. Transactions without exchange of principal						19,394,421				19,394,421
- purchases						9,336,663				9,336,663
- sales						10,057,758				10,057,758
- foreign currency vs foreign currency										

(thousands of euros)

A.4 OVER-THE-COUNTER FINANCIAL DERIVATIVES: POSITIVE FAIR VALUE- COUNTERPARTY RISK

	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross netted	Future exposure
A. Supervisory trading book														
A.1 Governments and central banks														
A.2 Government agencies														
A.3 Banks														
A.4 Financial companies														
A.5 Insurance undertakings														
A.6 Non-financial companies														
A.7 Other														
Total A at 31/12/2007														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		646,856	167,292			353,727	539,364						261,537	605,397
B.4 Financial companies		181,724	51,824										78,180	76,569
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other														
Total B at 31/12/2007		**828,580**	**219,116**			**353,727**	**539,364**						**339,717**	**681,966**

(thousands of euros)

A.5 OVER-THE-COUNTER FINANCIAL DERIVATIVES: NEGATIVE FAIR VALUE - FINANCIAL RISK

	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross netted	Future exposure
A. Supervisory trading book														
A.1 Governments and central banks														
A.2 Government agencies														
A.3 Banks														
A.4 Financial companies														
A.5 Insurance undertakings														
A.6 Non-financial companies														
A.7 Other														
Total A at 31/12/2007														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		(679,684)	170,235					(1,250)	3,032				(243,907)	274,526
B.4 Financial companies		(215,325)	46,544										(89,640)	21,798
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other				(362,441)		593,737								
Total A at 31/12/2007		**(895,009)**	**216,779**	**(362,441)**		**593,737**		**(1,250)**	**3,032**				**(333,547)**	**296,324**

(thousands of euros)

A.6 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	To 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
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. Banking book				
B.1 Financial derivatives on debt securities and interest rates	1,148,392	8,066,579	25,440,866	34,655,837
B.2 Financial derivatives on equity securities and equity indices		9,707,200	9,687,221	19,394,421
B.3 Financial derivatives on exchange rates and gold			60,632	60,632
B.4 Financial derivatives on other assets				
Total at 31/12/2007	**1,148,392**	**17,773,779**	**35,188,719**	**54,110,890**

1.3 LIQUIDITY RISK

QUALITATIVE DISCLOSURES

General aspects, management and measurement of liquidity risk

In managing liquidity risk, the banking group benefits from the mitigating effect of the state guarantee on postal savings and the stable and large surplus liquid assets. Considering the nature of postal savings, it is nevertheless a priority to hold sufficient liquidity to cover possible temporary surges in redemptions. To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the Risk Management department.

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY - CURRENCY: 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
On-balance-sheet assets									
A.1 Government securities									
A.2 Listed debt securities				3,853			1,190	203,145	3,912
A.3 Other debt securities						9,882	2,512	42,032	500,000
A.4 Units in collective investment undertakings									1,328
A.5 Loans									
- banks	-	-	-	-	-	7,124	7,202	60,573	394,370
- customers	142,426	871,602	2,040	14,000	18,385	1,435,735	1,727,844	13,140,614	60,424,056
On-balance-sheet liabilities									
B.1 Deposits									
- banks	264,706	730,967				947		15,523	251,000
- customers	87,617,083								
B.2 Debt securities				151,334	1,265	12,504	40,559	5,783,084	3,467,710
B.3 Other liabilities	80,962,116				842,133				
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions									
- short positions				2,194					63,695
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions	7,534,535								
- short positions									

(thousands of euros)

1.2 DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY - CURRENCY: YEN

	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
On-balance-sheet assets									
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 Units in collective investment undertakings									
A.5 Loans									
- banks									
- customers									
On-balance-sheet liabilities									
B.1 Deposits									
- banks									
- customers									
B.2 Debt securities				894					60,631
B.3 Other liabilities									
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions				894					60,631
- short positions									
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

(thousands of euros)

2. SECTORAL DISTRIBUTION OF FINANCIAL LIABILITIES

	Governments and central banks	Other government agencies	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Due to customers	4,679,238	6,273,937	119,903	530	215,783	76,327,692
2. Securities issued	373	22,628			49,282	90,082,297
3. Financial liabilities held for trading						362,441
4. Financial liabilities recognised at fair value						
Total at 31/12/2007	**4,679,611**	**6,296,565**	**119,903**	**530**	**265,065**	**166,772,430**

(thousands of euros)

3. GEOGRAPHICAL DISTRIBUTION OF FINANCIAL LIABILITIES

	Italy	Other European countries	Americas	Asia	Rest of world
1. Due to customers	87,495,926	105,791	12,530	377	2,459
2. Due to banks	465,309	797,834			
3. Securities issued	80,924,405	9,226,840	2,657	123	555
4. Financial liabilities held for trading	362,441				
5. Financial liabilities recognised at fair value					
Total at 31/12/2007	**169,248,081**	**10,130,465**	**15,187**	**500**	**3,014**

1.4 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

General aspects, management and measurement of operational risks

CDP has taken measures to mitigate operational risks in specific areas of its business, although it has not implemented systems for tracking events that could generate operating losses.

In both its derivatives transactions and traditional funding and lending business CDP is exposed to model risk, i.e. the possibility that the model used to quantify the market risks associated with the execution of transactions is inappropriate. This risk has a number of sources:

- input data (market, identification information, position), which could be inaccurate;
- estimation of the parameters underlying historical data;
- model choice;
- implementation in source code.

CDP has adopted a number of solutions to reduce the impact of model risk:

- ensuring an adequate "gestation" period for the architecture for acquiring identification information and position data;
- periodic integrity checks with the departments/divisions providing the data;
- redundant providers and control algorithms for market data;
- use of alternative models;
- independent control of model using external experts;
- extensive testing;

- detailed documentation of processes, models and codes.

As regards pending litigation, at 31 December 2007 the overall number of disputes, and the related contingent liabilities and their potential impact on the CDP accounts, was immaterial in both absolute and relative terms.

SECTION 3 – THE RISKS OF OTHER ENTITIES

QUALITATIVE DISCLOSURES

The risk management policies adopted by Terna are intended to identify and analyse the risks to which the company is exposed, to establish appropriate limits and controls and to monitor risks and compliance with such limits. These policies and the related systems are reviewed regularly to ensure they reflect any changes in market conditions and the company's operations.

Liquidity risk

Considering that there is normally a negative difference between the interest rate on invested funds and the interest rate paid on debt, financial optimization activities were geared towards minimizing the liquidity position in line with the company's operational needs.
Liquidity risk is the risk that Terna might have difficulty in performing the obligations associated with financial liabilities and the operational cycle. Liquidity risk management ensures that financial needs are adequately covered through sufficient credit lines and appropriate of any surplus liquidity. At 31 December 2007 Terna had €1,733 million in credit lines, entirely undrawn at the reporting date (€750 million of which fall due in 2011). This amount is sufficient to finance the debt falling due discussed in the section on long-term loans.

Exchange rate risk

In order to lower exchange rate risk, Terna uses forward contracts and foreign currency options so as to hedge cash flows in currencies other than the euro. Items that could generate exchange rate risk for Terna S.p.A. regard cash flows from Brazil in respect of the repatriation of capital and/or payments of dividends and interest. The advisability of carrying out specific hedging operations is analysed on a case-by-case basis. Generally, Terna hedges exchange rate risk through the sale or purchase of foreign currencies using forward contracts or options. Foreign currency options give Terna the right or obligation to buy or sell specified amounts of foreign currency at a specific exchange rate at the end of a specific period of time. Normally, both forward contracts and options mature within 12 months. Such contracts have a notional amount and maturity date that are lower than or equal to that of the underlying financial liability, or the expected cash flow, so that any change in the fair value and/or expected cash flows deriving from a possible appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or expected cash flows of the underlying position.

Inflation risk

As regards inflation rate risk, the rate established by the regulators for Terna's services is set at a level to enable coverage of recognised costs for the sector. Such cost components are updated on a yearly basis to take account of inflation. On 23 October 2007, the company used an inflation-linked bond issue to obtain an effective hedge of net income for the year. Any decrease in expected revenues due to a decrease in the inflation rate would be offset by lower financial expense.

Interest rate risk

In conducting its operations, Terna is exposed to the risk of fluctuations in interest rates. The main source of interest rate risk relates to the components of net financial debt and the of related hedging positions in derivatives that generate financial expense.
Terna's borrowing strategy is focus on the use of long-term debt instruments that reflect the useful life of company assets. The interest rate risk hedging policy seeks to reconcile these choices with the regulatory framework, which every four years establishes the cost of debt under the formula used to determine remuneration of the regulatory asset base (RAB) remuneration.
Accordingly, the hedging instruments used, at various maturity dates, include derivatives that transform fixed rates into floating rates and vice-versa. In order to reduce the amount of financial debt exposed to changes in interest rates and ensure a better temporal correlation between the average cost of the debt and the regulatory rate used in the WACC formula, plain vanilla derivatives such as interest rate swaps and interest rate collars have been used.
Interest rate swaps are used to reduce the amount of debt exposed to fluctuations in interest rates and to reduce the volatility of the cost of the debt. With an interest rate swap, Terna agrees with a counterparty to exchange at specific intervals the floating-rate cash flows on a specified notional against the fixed-rate (agreed between the parties) cash flows, or vice-versa. Interest rate collars are used to reduce the impact of interest rate volatility on the cost of the debt and are considered appropriate in times of uncertainty on future developments in interest rates.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument should change in response to changes in financial market conditions. Risk management must be conducted with the objective of maximizing financial income and minimizing the related risk by selecting counterparties and instruments compatible with the company's risk management policy. Speculating on rates is not part of the company's mission. Terna S.p.A. aims to adopt a dynamic approach in managing financial risk. This approach is characterised by risk aversion, aiming at minimizing risk through continuous monitoring of financial markets in order to plan hedging transactions in favourable market conditions. The dynamic approach makes it possible to optimise existing hedges if changes in market conditions or in the hedged items make the hedges unsuitable or too expensive. The concept of hedging transaction is not so much linked to the qualification of the derivative as a hedging instrument, but rather to the objective of total or partial coverage of the hedged item from interest rate risk. In any case, as a policy fixed-rate debt must be over 50% of the total.

Terna normally uses derivatives that do not require payment of a premium. All derivative contracts have a notional amount and maturity date that is lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected cash flows of the contracts is offset by a corresponding change in the fair value and/or expected cash flows of the underlying position. Fair value of financial derivatives reflects the estimated amount that Terna would have to pay or receive in order to settle the contracts at the balance sheet date. Fair value is measured with reference to official prices for instruments traded on regulated markets. The fair value of instruments that are not listed on regulated markets is determined by means of appropriate valuation techniques for each category of financial instrument, using market data (such as interest rates, exchange rates, volatility) at the balance sheet date and discounting projected cash flows on the basis of the yield curve at the reference date.

QUANTITATIVE DISCLOSURES

Exchange rate risk

The following table reports Terna S.p.A.'s exposure to exchange rate risk at 31 December 2007:

	euro mln	R$ mln
Trade receivables		
Secured bank loans		
Interest on equity	2.6	6.9
Trade payables		
Gross balance-sheet exposure	2.6	6.9
Estimated forecast sales		
Estimated forecast purchases		
Gross exposure	2.6	6.9
Forward exchange rate agreements		
Net exposure	**2.6**	**6.9**

Interest rate risk

The following table reports the financial instruments subscribed by Terna, classified as fixed or floating rate:

millions of euros	Book value		Change
	31.12.07	31.12.06	
Fixed-rate financial instruments			
- assets	12.6	0.7	11.8
- liabilities	1,840.4	1,412.8	427.6
Floating-rate financial instruments			
- assets	130.6	26.9	103.7
- liabilities	611.3	620.5	-9.2
Total	**2,308.7**	**2,005.7**	**302.9**

PART G – BUSINESS COMBINATIONS

SECTION 1 – OPERATIONS CARRIED OUT DURING THE YEAR

ACQUISITIONS IN ITALY

During the year, the group, through Terna, continued the process of unifying the National Transmission Network provided for under Law 290/2003 on the reorganisation of the electricity sectors and the subsequent Prime Minister's Order of 11 May 2004. In particular, on 28 June 2007 R.T.L. – Rete Trasmissione Locale SpA, a wholly-owned subsidiary of Terna SpA, completed the acquisition from Iride Energia S.p.A., a IRIDE Group company, with effect from 30 June 2007, of all of AEM Trasporto Energia S.r.l. and the 220 kV electricity substation of Moncalieri (Turin), which is part of the NTN, as envisaged in the contract signed in April 2007 and following approval of the transaction by the antitrust authority. The company, which changed its name to "Rete Trasmissione Torino" (RTT Srl), owns 5 stations and more than 200 km of 220 kV and 132 kV transmission lines, part above ground and part buried cable, that link the hydroelectric plants of Valle Orco and the co-generation plants of Moncalieri and Vallette to the transformer station in the metropolitan area.

Share capital, entirely held by RTL, is equal to €23,990 thousand, represented by 23,990,000 ordinary shares with a par value of €1.00 each.

The following table reports the assets and liabilities of the company at the acquisition date:

(thousands of euros)

Non-current assets	**25,093.20**
Property, plant and equipment	24,580.60
Deferred tax assets	496
Other non-current assets	16.6
Current assets	**5,624.50**
Trade receivables	2,443.40
Cash and cash equivalents	2,834.40
Other current assets	346.7
TOTAL ASSETS	**30,717.70**
Non-current liabilities	**1,464.40**
Staff severance pay and other employee provisions	291.8
Provisions	32.8
Defferred tax liabilities	1,139.80
Current liabilities	**1,342.20**
Trade payables	1,228.40
Other current liabilities	113.8
TOTAL LIABILITIES	**2,806.60**
Net identifiable assets and liabilities	**27,911.10**
Goodwill from acquisition*	10,609.40
Price**	**38,520.50**
Cash and cash equivalents	-2,834.40
Net cash outflow	**35,686.10**

* The allocation of the difference between the purchase cost of RTT and the fair value of the assets and liabilities at the acquisition date will be carried out on the basis of the findings of a specific appraisal by independent experts.

** Net of the incentive for the unification of the NTN pursuant to Resolution no. 73/06 of the Authority for Electricity and Gas, equal to €313.8 thousand for RTT.

On 18 December 2007, with effect from 31 December 2007, RTT S.r.l. was merged into RTL S.p.A. in accordance with the merger plan approved by the shareholders of RTL S.p.A. and RTT S.r.l. on 12 October based on the financial statements as at 30 June 2007. The merger entailed the cancellation of all shares in the absorbed company in accordance with the procedures defined in the merger plan and, therefore, without increasing the capital of the

surviving company and without any share exchange or cash adjustment payment. The accounting and tax effects of the merger of RTT are retroactive to 1 July 2007.
In addition, the process of allocating the excess cost paid for the acquisition of RTM1 and RTM2 was completed. The different determination, in the amount of €41.4 million, of the values for goodwill and deferred tax liabilities was reflected in these financial statements in the comparative figures at 31 December 2006. For more information, see notes 14 – "Goodwill" and 27 – "Tax liabilities, including deferred" in the financial statements of Terna.

ACQUISITIONS IN BRAZIL

During the year the group continued its expansion in Brazil through its subsidiaries. More specifically, on 21 August 2007, Terna Participações, through its subsidiary TSN - Transmissora Sudeste Nordeste S.A., completed the acquisition, with effect from 30 November 2007, of the entire share capital of Goiana Transmissora de Energia S.A. - GTESA and Paraiso Açu per Transmissora de Energia S.A. – PATESA from Hot Line Construções Elétricas Ltda. The companies were merged into TSN as from the acquisition date.
GTESA and PATESA hold concessions to a total of 186 km of 230 kV lines.
To finance the acquisition, TSN carried out a capital increase, entirely subscribed by Terna Participações, for R$ 93.0 million through the issue of 2,000,000.00 of redeemable preference shares.
The following table reports the assets and liabilities of the companies at the acquisition date:

	R$	*euro/000*
Non-current assets	**52,415,159.88**	**19,962.89**
Property, plant and equipment	48,168,637.98	18,345.55
Deferred tax assets	4,246,521.90	1,617.33
Current assets	**9,327,269.55**	**3,552.39**
Inventories	330,179.78	125.75
Trade receivables	1,729,720.70	658.78
Cash and cash equivalents	7,156,658.15	2,725.69
Other current assets	110,710.92	42.17
TOTAL ASSETS	**61,742,429.43**	**23,515.28**
Non-current liabilities	**32,008,278.35**	**12,190.70**
Long-term loans	19,518,508.05	7,433.84
Other non-current liabilities	12,489,770.30	4,756.87
Current liabilities	**4,156,857.29**	**1,583.18**
Current portion of long-term loans	3,589,387.46	1,367.06
Trade payables	62,114.83	23.66
Income tax payables	93,412.98	35.58
Other current liabilities	411,942.02	156.89
TOTAL LIABILITIES	**36,165,135.64**	**13,773.89**
Net identifiable assets and liabilities	**25,577,293.79**	**9,741.39**
Goodwill from acquisition*	67,234,627.81	25,607.05
Price	**92,811,921.60**	**35,348.44**

* The allocation of the difference between the purchase cost of Gtesa and Patesa and the fair value of the assets and liabilities at the acquisition date will be carried out on the basis of the findings of a specific appraisal by independent experts.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management – banking group

For information on the compensation of directors and management, please see the corresponding section of the separate financial statements of CDP S.p.A.

2. Information on transactions with related parties – banking group

For information on transactions with related parties, please see the corresponding section of the separate financial statements of CDP S.p.A.

3. Information on the compensation of directors and management – other entities

For information on the compensation of directors and management, please see the corresponding section of the financial statements of the Terna Group.

4. Information on transactions with related parties – other entities

For information on transactions with related parties, please see the corresponding section of the financial statements of the Terna Group.

PART I – SHARE-BASED PAYMENTS

A. QUALITATIVE DISCLOSURES

1. Description of share-based payment schemes

Stock option plans - Terna SpA

On 21 December 2005, the board of directors of Terna SpA, acting on the basis of the proposals submitted by Terna's remuneration committee, approved the adoption of a stock option plan for 2006 whose beneficiaries are Terna Group executives in positions with the greatest impact on the achievement of the group's strategic goals.
The plan is intended to give the Terna Group – in line with international practice and Italy's major listed companies – an instrument to provide incentives for and enhance the loyalty of management, creating a team spirit among key executives and providing an ongoing stimulus towards value creation, thereby aligning the interests of shareholders and management.

Stock option plans - Terna Participações SA

On 14 December 2006 the board of directors of Terna Participações SA, acting on the basis of the authorisation of the extraordinary shareholders' meeting of 5 October 2006, approved the adoption of the first stock option plan for three Terna Participações SA managers.

B. QUANTITATIVE DISCLOSURES

The status of the Terna SpA stock option plan at 31 December 2007 was as follows:

	2006 plan
In circulation at start of year	9,992,000
Not exercised during year	9,513,400
Exercised during year	478,600
In circulation at end of year	6,994,400
Exercisable at end of year	2,519,000

The weighted average price of the shares at the exercise date was:

€2.812 at 25 May 2007;
€2.848 at 31 May 2007;
€2.486 at 30 July 2007.

The residual vesting period of the options at 31 December 2007 and their fair value were as follows:

Options granted (at 21 December 2005)	*End of vesting period*	*Fair value* at grant date (euros)*
2,997,600	2008	0.121
3,996,800	2009	0.115
6,994,400		
* probability factor set at 100%		

The options granted under the Terna Participações SA stock option plan numbered 114,430 at 31 December 2007:

In circulation at start of year	163,472
Not exercised during year	114,430
Exercised during year	49,042
In circulation at end of year	114,430
Exercisable at end of year	49,042

ANNEXES

ANNEX 1

RESTATEMENT OF 2006 INDIVIDUAL FINANCIAL STATEMENTS

In 2007 it was determined that CDP S.p.A. exercised *de facto* control over Terna S.p.A, of which it holds 29.99%, on the basis of a number of factors, including the ability of CDP to exercise a dominant influence in the shareholders' meetings of that company held since the date of the acquisition.

In the individual financial statements at 31 December 2006, the equity investment in Terna had been accounted for using the equity method and the excess cost of the acquisition with respect to the share of equity had been allocated to goodwill, as CDP was not required to prepared consolidated financial statements.

Following the determination of *de facto* control, which was reported to CONSOB in April 2007, it became necessary to prepare consolidated financial statements and, on the basis of the provisions of IFRS 3, to review the allocation of the excess cost to goodwill.

IFRS 3 establishes that the acquirer shall allocate, at the acquisition date, the cost of a business combination to the assets acquired and the liabilities and contingent liabilities assumed. This process is known as purchase price allocation.

The application of the equity method should produce, for the company adopting it, the same effects on net income and equity as would be produced by the line-by-line consolidation of the investment.

The purchase price allocation process conducted in 2007 produced greater values for plant and machinery and for the concessions held by Terna, for which, in line with the IASs, depreciation and amortisation were calculated as from the acquisition date of the equity investment.

Consequently, for the individual financial statements for 2006, the value of the equity investment in Terna was restated retrospectively, in line with IAS 8, taking account of the impact on the net income of Terna of both the depreciation and amortisation of the difference in the values and the related deferred taxation.

The effects on the balance sheet and income statement for 2006 are reported below:

BALANCE SHEET

(in euros)

	Assets	31/12/2006	31/12/2006 Restated	Difference
10.	Cash and cash equivalents	78,622,451,330	78,622,451,330	
20.	Financial assets held for trading	135,870,808	135,870,808	
40.	Financial assets available for sale	15,320,237,987	15,320,237,987	
60.	Loans to banks	3,465,309,210	3,465,309,210	
70.	Loans to customers	76,849,708,099	76,849,708,099	
	of which securing covered bonds	*19,118,126,232*	*19,118,126,232*	
80.	Hedging derivatives	91,266,701	91,266,701	
100.	Equity investments	5,417,505,207	5,406,099,684	(11,405,523)
110.	Property, plant and equipment	208,312,922	208,312,922	
120.	Intangible assets	4,710,635	4,710,635	
	of which:		-	
	- goodwill	-	-	
130.	Tax assets	556,200,838	556,200,838	
	a) current	*310,442,816*	*310,442,816*	
	b) deferred	*245,758,022*	*245,758,022*	
150.	Other assets	20,785,527	20,785,527	
	Total assets	**180,692,359,264**	**180,680,953,742**	**(11,405,523)**

BALANCE SHEET

(in euros)

	Liabilities and shareholders' equity	31/12/2006	31/12/2006 Restated	Difference
10.	Due to banks	1,248,753,618	1,248,753,618	
20.	Due to customers	81,033,749,912	81,033,749,912	
	of which amounts to be disbursed on loans securing covered bonds	*2,909,458,028*	*2,909,458,028*	
30.	Securities issued	82,595,438,688	82,595,438,688	
	of which covered bonds	*7,852,806,566*	*7,852,806,566*	
40.	Financial liabilities held for trading	137,391,641	137,391,641	
60.	Hedging derivatives	657,294,199	657,294,199	
70.	Adjustment of financial liabilities hedged generically (+/-)	(319,043,740)	(319,043,740)	
80.	Tax liabilities	1,344,880,592	1,344,880,592	
	a) current	*529,680,000*	*529,680,000*	
	b) deferred	*815,200,592*	*815,200,592*	
100.	Other liabilities	708,419,680	708,419,680	
110.	Staff severance pay	725,849	725,849	
120.	Provisions	903,670	903,670	
	a) pension and similar commitments	-	-	
	b) other provisions	*903,670*	*903,670*	
130.	Valuation reserves	6,459,775,615	6,459,775,615	
160.	Reserves	1,271,408,234	1,269,127,129	(2,281,105)
180.	Share capital	3,500,000,000	3,500,000,000	
200.	Net income for the period (+/-)	2,052,661,308	2,043,536,890	(9,124,418)
	Total liabilities and shareholders' equity	**180,692,359,264**	**180,680,953,742**	**(11,405,523)**

INCOME STATEMENT

(in euros)

		31/12/2006	31/12/2006 Restated	Difference
10.	Interest income and similar revenues	5,641,560,984	5,641,560,984	
20.	Interest expense and similar charges	(3,861,166,776)	(3,861,166,776)	
30.	**Net interest income**	**1,780,394,208**	**1,780,394,208**	
40.	Commission income	11,492,748	11,492,748	
50.	Commission expense	(725,207,033)	(725,207,033)	
60.	**Net commission income**	**(713,714,285)**	**(713,714,285)**	
70.	Dividends and similar revenues	907,199,204	907,199,204	
80.	Net gain (loss) on trading activities	230,664,877	230,664,877	
90.	Net gain (loss) on hedging activities	(1,456,124)	(1,456,124)	
100.	Gains (losses) on disposal or repurchase of:	200,397,839	200,397,839	
	a) loans	*200,397,839*	*200,397,839*	
120.	**Gross income**	**2,403,485,719**	**2,403,485,719**	
130.	Net impairment adjustments of:	(34,525,558)	(34,525,558)	
	a) loans	*(34,525,558)*	*(34,525,558)*	
140.	**Financial income (expense), net**	**2,368,960,161**	**2,368,960,161**	
150.	Administrative expenses:	(68,102,667)	(68,102,667)	
	a) staff costs	(40,095,419)	(40,095,419)	
	b) other administrative expenses	(28,007,248)	(28,007,248)	
160.	Net provisions	8,925,630	8,925,630	
170.	Net adjustments of property, plant and equipment	(5,108,088)	(5,108,088)	
180.	Net adjustments of intangible assets	(1,329,200)	(1,329,200)	
190.	Other operating income (costs)	1,370,017	1,370,017	
200.	**Operating costs**	**(64,244,308)**	**(64,244,308)**	
210.	Gains (losses) on equity investments	312,230,620	303,106,202	(9,124,418)
240.	Gains (losses) on disposal of investments	(1,665)	(1,665)	
250.	**Income (loss) before tax from continuing operations**	**2,616,944,808**	**2,607,820,390**	
260.	Income tax for the period on continuing operations	(564,283,500)	(564,283,500)	
270.	**Income (loss) after tax on continuing operations**	**2,052,661,308**	**2,043,536,890**	
290.	**Net income (loss) for the period**	**2,052,661,308**	**2,043,536,890**	(9,124,418)