CASSA DEPOSITI E PRESTITI
SOCIETÀ PER AZIONI

REPORT AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2005

2005 Financial Statements

Cassa depositi e prestiti società per azioni

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

Board of Directors

Salvatore Rebecchini	*Chairman*	
Luigi Roth	*Deputy Chairman*	
Luigi Fausti	*Director*	
Gianluca Galletti	*Director*	
Ettore Gotti Tedeschi	*Director*	
Vittorio Grilli	*Director*	*
Nunzio Guglielmino	*Director*	
Mario Sarcinelli	*Director*	
Luisa Torchia	*Director*	

Supplementary members for administration of Separate Account
(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/03)

State Accountant General	*Director*	**
Director General of the Treasury	*Director*	***
Donato Robilotta	*Director*	****
Sergio Vedovato	*Director*	****
Lucio D'Ubaldo	*Director*	****

* Prime Minister’s Decree of 29 July 2005

** Edoardo Grisolia, non-permanent delegate of the State Accountant General

*** Maria Cannata , delegate of the Director General of the Treasury

**** Appointed with Ministerial Decree of 20 April 2005

Preference Shareholders Support Committee

Mario Nuzzo	*Chairman*
Silvano Antonini Canterin	*Member*
Teresio Barioglio	*Member*
Pier Giuseppe Dolcini	*Member*
Gianmaria Galimberti	*Member*
Amedeo Grilli	*Member*
Francesco Lorenzetti	*Member*
Stefano Marchettini	*Member*
Davide Tinelli	*Member*

Steering Committee

Giuseppe Mussari	*Chairman*
Carlo Colaiacovo	*Member*
Adriano Giannola	*Member*
Antonio Miglio	*Member*
Giuliano Segre	*Member*
Riccardo Triglia	*Member*
Dario Scannapieco	*Member*
Giuseppe Maresca	*Member*
Antonino Turicchi	*Member*

General Manager

Antonino Turicchi

Board of Auditors

Alberto Sabatini	*Chairman*
Paolo Asso	*Auditor*
Mario Basili	*Auditor*
Piergiorgio Benvenuti	*Auditor*
Antonio Finotti	*Auditor*
Ignazio Cardone	*Alternate*
Biagio Mazzotta	*Alternate*

Parliamentary Supervisory Committee

Carmine Santo Patarino	*Chairman*
Antonio Vicini	*Deputy Chairman*
Filoreto D'Agostino	*Secretary for Confidential Matters*
Mario Alberto Taborelli	*Parliamentary member*
Francesco Saverio Romano	*Parliamentary member*
Antonio Potenza	*Parliamentary member*
Antonio Domenico Pasinato	*Parliamentary member*
Cesarino Monti	*Parliamentary member*
Salvatore Meleleo	*Parliamentary member*
Mario Egidio Schinaia	*Non-parliamentary member*
Giancarlo Coraggio	*Non-parliamentary member*
Furio Pasqualucci	*Non-parliamentary member*

Judge of the State Audit Court

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

Francesco De Filippis

Independent auditors

KPMG S.p.A.

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Shareholders,

Last year was one of excellence for your company, with earnings and asset growth surpassing expectations, thanks in part to a number of non-recurring economic events. It was also a year in which we consolidated the transformation undertaken in 2004 with regard to organisation, instruments and human resources, allowing us to develop Cassa Depositi e Prestiti's great potential in the market. In a dynamic and uncertain environment, CDP was able to take full advantage of regulatory and economic developments, confirming its role as the key partner in expanding public investment and the infrastructure of our country.

The stock of loans outstanding grew by nearly 9% on the previous year. Considerable attention was focused on the local authorities' need to rationalise their borrowing. To this end, two separate initiatives to renegotiate/restructure loans were carried out, with the participation of more than three thousand municipalities and provinces. The positive impact of these programmes and the completion of non-recurring lending operations enabled CDP to achieve an exceptional level of new lending, at more than €15 billion.

The portfolio of our products was extended with the introduction of the "Flexible Loan", a targeted, effective response to the needs of our customers.

During the year, the new business of lending for major works and infrastructure under the Ordinary Account began. In collaboration with the banking system, loans totalling €841 million were agreed. A range of loans were directed towards "Public-Private Partnerships", selected with the cooperation of the banking foundations among CDP's shareholders.

The substantial rise in lending did not erode the high quality of CDP's assets, which continue to show virtually no bad debts.

Last year also saw a significant increase in funding through the postal system, with an increase in new funding through passbook savings accounts and postal savings bonds of 9% and 46% respectively. The range of postal savings instruments was enhanced with the restructuring of the index-linked savings bond, the introduction of the 18-month savings bond and, at the start of 2006, the launch of postal savings bonds indexed to Italian inflation.

CDP also entered the bond market in 2005. Two issues of covered bonds were carried out through the Separate Account, totalling €4 billion, on very competitive terms in view of the quality of the loans securing the operation. Under the Ordinary Account, the Euro Medium Term Notes (EMTN) programme was begun, raising €400 million with Community institutions.

In September 2005, in line with our mission to sustain the development of infrastructure in Italy, CDP completed the acquisition of 29.99% of Terna S.p.A., the company that owns more than 90% of the electricity transmission and dispatching infrastructure in the country.

Last year we strengthened our organisational structure, completing the formation of our management team and reviewing the main business processes. Lending procedures were overhauled and are now based on private-law contracts. New procedures for setting lending and borrowing rates were established that permit more rapid adjustment to market developments.

Two new business units were created: the Development Policies Management and Support Division and the Infrastructure and Strategic Projects Division.

Considerable effort was devoted to refining CDP's risk monitoring and management process, focusing on hedging interest rate risk through interest rate swaps with leading financial counterparties.

In the year ahead CDP will join the regulatory harmonisation process undertaken by the EU countries by preparing its accounts in line with the IASs/IFRSs issued by the International Accounting Standards Board and endorsed by the European Commission. This effort got under way last year with a number of planning initiatives aimed at training personnel in the necessary technical skills and in adjusting accounting systems.

In this rapidly changing environment, considerable attention was paid to governing the evolution of internal processes to ensure compliance with the provisions of Legislative Decree 231/2001 concerning corporate criminal activity. Following preparatory work, in January 2006 CDP approved the code of ethics and conduct, the general internal control principles for operating processes exposed to the risk of criminal activity, the principles of conduct to adopt in relations with government and a system of sanctions for violations of the CDP compliance model.

An examination of performance in 2005 shows a slight decline in net interest income, which amounted to about €1,698 million. The decrease was more than offset by the substantial but non-recurring rise in dividends received in the year following the decision of an associated company to pay dividends on a half-yearly basis as from 2005, which resulted in the disbursement of dividends covering a period of a year and a half.

Income before provisions and taxes rose from €1,221 million in 2004 to €1,854 million last year. In this context, CDP continued its policy of gradually and steadily increasing the company's capital endowment, allocating €550 million to the provision for general banking risks, equivalent to the accrual made in the previous year, while at the same time approving the distribution of a dividend of €2.286 per share.

Net income for the year came to about €928 million, marking a return on equity of more than 21%, sharply up on 2004.

CDP is fully aware of the new challenges that await us in enhancing and strengthening the company to the benefit of all of our stakeholders and in performing effectively the important role we are charged with in the Italian economic system.

Major new goals can only be achieved with the support of our shareholders and the members of our corporate bodies, whom I thank for the invaluable cooperation and confidence they demonstrated during the year.

The flattering results attained last year would not have been possible without the systematic, constant efforts of all those who work for us. I would therefore like to express my great appreciation to all of our staff for the professionalism and devotion with which they worked over the course of the year, enabling us to undertake a major restructuring while ensuring the continuity of ongoing operations and the high efficiency of our institution.

Salvatore Rebecchini

REPORT

ON

OPERATIONS

(PERIOD ENDING 31 DECEMBER 2005)

CONTENTS OF THE REPORT ON OPERATIONS

Reclassified financial statements

RECLASSIFIED BALANCE SHEET

RECLASSIFIED INCOME STATEMENT

KEY INDICATORS

(thousands of euros)

RECLASSIFIED BALANCE SHEET

	31/12/2005	31/12/2004
ASSETS		
Cash and balances with central banks	62,466,564	39,362,804
Loans	57,683,077	52,124,174
- loans to banks	3,627,835	1,964,711
- loans to customers	54,055,242	50,159,463
Trading securities	1,371,748	2,028,297
Non-current assets	13,951,855	12,470,421
- investment securities	-	-
- equity investments	13,746,866	12,457,795
- intangible assets	4,215	808
- tangible assets	200,773	11,818
Other assets	2,527,030	1,567,123
TOTAL ASSETS	**138,000,274**	**107,552,820**

	31/12/2005	31/12/2004
LIABILITIES		
Debt and payables	129,284,712	100,616,873
- due to banks	857,705	309,411
- due to customers	124,027,007	100,307,462
- debt securities in issue	4,400,000	-
Third-party funds under administration	55,197	-
Provisions	512,503	393,829
- provision for taxes and duties	498,837	386,137
- provision for staff severance pay	396	59
- provision for liabilities and contingencies	13,269	7,633
- provision for pensions	-	-
Other liabilities	2,392,762	2,160,981
Shareholders' equity and provision for general banking risks	5,755,101	4,381,137
TOTAL LIABILITIES	**138,000,274**	**107,552,820**

(thousands of euros)

RECLASSIFIED INCOME STATEMENT

	31/12/2005	31/12/2004
NET INTEREST INCOME	**1,697,867**	**1,755,544**
Net commissions and other net revenues from intermediation	-670,165	-680,216
Income (loss) on financial transactions and dividends on shares	-5,345	-94
Dividends on equity investments	925,558	207,372
TOTAL REVENUES	**1,947,915**	**1,282,607**
General and administrative expenses	-62,874	-55,554
- staff costs	-34,021	-33,481
- other administrative expenses	-28,446	-21,746
- indirect taxes and duties	-406	-327
Other net revenues	748	429
GROSS OPERATING MARGIN	**1,885,790**	**1,227,483**
Depreciation and amortisation of tangible and intangible assets	-8,844	-2,119
NET OPERATING MARGIN	**1,876,946**	**1,225,364**
Provisions and net writedowns of loans and financial assets	-13,948	-3,952
- provisions for liabilities and contingencies	-6,807	-1,300
- net writedowns of loans and provisions for guarantees and commitments	-2,026	-2,652
- net writedowns of financial assets	-5,115	-
INCOME ON ORDINARY OPERATIONS	**1,862,997**	**1,221,412**
Net extraordinary income (expense)	-9,284	-258
INCOME BEFORE TAXES AND CHANGE IN PROVISION FOR GENERAL BANKING RISKS	**1,853,714**	**1,221,154**
Income taxes for the period	-376,072	-385,613
Change in provision for general banking risks	-550,000	-550,000
NET INCOME	**927,642**	**285,541**
% of shareholders' equity	21.17%	8.05%

(millions of euros)

MAIN INDICATORS

	31/12/2005	31/12/2004
BALANCE SHEET DATA		
Total assets	138,000	107,553
Loans to customers (excluding bad debts)	54,055	50,159
Securities	1,372	2,028
Equity investments	13,741	12,448
Direct funding	128,427	100,307
Shareholders' equity (including provision for general banking risks)	5,755	4,381
PERFORMANCE DATA		
Net interest income	1,698	1,756
Dividends	926	207
Net commissions and other net revenues from intermediation	-676	-680
Total revenues	1,948	1,283
Gross operating margin	1,886	1,227
Provisions and net writedowns of loans and financial assets	-14	-4
Income (loss) on ordinary operations	1,863	1,221
Net income	928	286
PERFORMANCE RATIOS (%)		
Spread on interest-bearing assets - liabilities	1.5%	2.2%
Cost / income ratio	3.6%	4.5%
ROE	21.2%	8.1%
RISK RATIOS		
Gross bad debts / Gross loans to customers	0.012%	0.009%
Net writedowns / Net loans to customers	0.004%	0.005%
OPERATING STRUCTURE		
No. of employees	426	435

1. INTRODUCTION

1.1 CDP's ROLE AND MISSION

Cassa Depositi e Prestiti (CDP) S.p.A. is the result of the transformation of the CDP 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 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 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, 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 activities), a decree establishing the criteria for determining which equity investments CDP may make. The decree makes reference to CDP'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. Accordingly, the

CDP 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 corporate purpose (instrumental equity investments);
- is interdependent with CDP's corporate purpose (related equity investments);
- is complementary to CDP'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, given its characteristics.

All of the activities established by the new regulatory framework in which CDP now operates must be conducted such that they ensure an adequate return on investment for the shareholders (bearing in mind the "preferential dividend" to be paid to the holders of preferred shares) and preserve the financial stability of the organisation over the long term.

CDP's mission has been 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, while ensuring adequate value creation for its shareholders and all other stakeholders.

The Business Plan also defines the organisation of the business areas resulting from CDP'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 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 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 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 had completed the procedures to implement organisational and accounting separation, having obtained the opinion of the Bank of Italy as required and submitted the definitive criteria to the MEF. As such, the organisational and accounting separation takes effect from the 2005 financial year. The results for 2004, on the other hand, are entirely attributable to the Separate Account, given that Article 8(2) of the decree of the Minister for the Economy and Finance of 5 December 2003 provided that the funding of infrastructure would not start until the final separation criteria had been implemented.

CDP'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 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 government 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 envisage:

- the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP'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 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 in effect as of 31 December 2005, the Public Investments and Development Policies Management & Support Divisions fall under the Separate Account, while the Infrastructure & Strategic Projects Division falls 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 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. At the same time, during 2005, there were no transactions between the two Accounts, as the lending activities for each were financed by independent sources of funding.

1.3 OPERATION OF THE SEPARATE ACCOUNT

The MEF decree of 6 October 2004 established, among other things, the criteria for determining the terms and conditions of lending and funding under the Separate Account. In essence, the decree provided CDP with operational autonomy in setting these conditions in order to ensure greater flexibility and correspondence to market conditions. As these are services of general economic interest, however, the MEF established a number of general guidelines for pricing.

With regard to lending to government, CDP prepared new operating procedures, implemented in January 2005, for the granting of specific-purpose loans. These new procedures envisage the elimination of the public-law nature of lending based on administrative instruments in favour of loans based on private-law contracts. Relations between CDP and borrowers have also been made more flexible, with loan approvals no longer being bound by the schedule of Board meetings, as a system of delegated decision-making powers has been established through which the operating units of CDP can directly approve certain types of lending. Interest rates on specific-purpose loans are now set weekly rather than monthly, thereby ensuring closer consistency with market conditions for borrowers.

On the basis of the provisions of the MEF decree of 6 October 2004, CDP has also broadened its range of products in order to adapt them to the needs of its customers. First, ordinary loans have been joined by flexible specific-purpose loans, which are a medium to long-term financing instrument with a number of innovations with respect to ordinary loans, such as a longer pre-repayment grace period in order to provide the borrower with greater flexibility in managing the debt. CDP has also designed other new products for specific purposes or parties, such as those envisaged by the Prime Minister's Decree 3464 of 29 September 2005 and Law 71 of 29 April 2005.

During 2005, CDP also provided borrowers with the option of renegotiating, or extinguishing and then refinancing, loans granted with two programmes for local authorities and one programme for regional governments, based on the conditions set out in their respective informational documentation. Also of particular importance was the renegotiation of loans with repayment charged to the state pursuant to Article 1.71 of Law 311 of 30 December 2004 and Article 2 of Decree Law 250 of 5 December 2005, a process which was completed in December 2005. As part of the transaction, CDP renegotiated its own portfolio of receivables from the state, with a total residual debt of about €30 billion, standardising the contractual duration of the loans at 30 years from 1 January 2006 and bringing their interest rates into line with the market yield of Italian Treasury bonds (BTPs).

Despite the extent of the changes made during the year, the volume of business for the Separate Account, and the granting of loans to public entities in particular, showed no signs of slowing and in fact reached record levels for the CDP, even before its transformation. However, it must be emphasised that this was in part the result of the renegotiation activities mentioned above and the granting of loans of a “non-recurring” nature. Indeed, tight budget constraints have prompted local authorities to manage their existing debt more actively, rather than applying for new financing.

Within the scope of the Separate Account, development of activities for the new Development Policy Management and Support Division also began. The new unit’s responsibilities include, in particular, the management of the Revolving Fund to support enterprises and investment in research, which was established by Article 1.354 of Law 311 of 30 December 2004. This new fund will make CDP, as well as the banking system in general, one of the key players in handling incentives for enterprises and research, with the CDP working together with other banks and financial institutions in financing investment or other initiatives specified by the law on subsidised terms. In line with the private-law nature of the organisation, the law also established forms of state compensation to CDP for the difference between the subsidised interest rate and the terms normally applied for loans under the Separate Account. In 2005, a number of preparatory activities for the launch of the fund were completed, with the first loans expected to be granted in 2006.

With regard to funding within the Separate Account, following the MEF decree of 6 October 2004, CDP implemented new procedures for establishing the terms and conditions for postal savings. The new procedures led, at the beginning of 2005, to the issue of new series of postal savings bonds on a monthly basis, made possible by the significant reduction in the time between when new rates are set and their entry into force. For passbook accounts, the new legislation allowed for the conditions applied to be modified in a timely manner throughout the year in order to respond to the changing market conditions.

Based on the provisions of Article 2 of the ministerial decree of 6 October 2004, CDP further enhanced its range of postal savings products with the issue of a new 18-month interest-bearing bond and by redefining the characteristics of the existing indexed savings bond in order to diversify the range of maturities available. Both products were well received by investors and reached the funding targets established as part of the agreement between CDP and Poste Italiane S.p.A.

The diversification of the company’s various forms of funding also led to the structuring of a programme of covered bond issues backed by an earmarked set of loans to local governments. During the year, two such issues were completed for a total of €4 billion, which made CDP the first Italian financial intermediary to issue covered bonds and, at the same time, a significant issuer in the international capital market.

1.4 OPERATION OF THE ORDINARY ACCOUNT

Financial year 2005 was the first year of operations for the new Ordinary Account, which includes the lending activities for public service infrastructure. Full operations therefore began at the Infrastructure and Strategic Projects, the unit responsible for these new lending activities, and the related support structures were also set up. CDP has also turned to Infrastrutture S.p.A. for commercial support in the origination of certain transactions, and a number of loans were channelled through this subsidiary.

During the year, the Board of Directors approved loans to Ordinary Account counterparties amounting to more than €1 billion, with initiatives focusing primarily on local public transportation, waste management, electricity distribution, and road infrastructure. The types of loan involved ranged from ordinary medium/long-term loans to structured loans within the scope of project finance operations. A number of loans were also the result of close collaborations with banks and other, primarily Italian, financial intermediaries.

On the funding side, CDP structured and launched a Euro Medium Term Notes (EMTN) programme to support Ordinary Account lending. During the year, a total of €500 million were raised from bond issues as part of this programme and from EU institutions.

Under the Ordinary Account, CDP independently establishes the terms and conditions of funding and lending, like any other private financial intermediary.

2. THE GENERAL MACROECONOMIC SITUATION

2.1 THE MACROECONOMIC FRAMEWORK

In 2005, the economies of the euro-area countries posted GDP growth of 1.3%. This performance saw stronger growth in the second half of the year, although at a lower level than that recorded for the world economy as a whole.

The positive developments for the euro area significantly affected by the year-on-year change in domestic demand. This factor contributed about 0.6 points to GDP growth, buoyed by both by gross fixed investment (+2.1%) and by private and public consumption (+1.3% each), despite the increases seen in energy prices.

World GDP grew by an average of about 5%, confirming the acceleration, albeit to a lesser extent than in the recent past, of the economies of China (+9.9%), India (+8%), Eastern Europe (+5.1%) and Latin America (+4.2%), as well as the growth in the economies of the US (+3.5%) and Japan (+2.7%).

The rise in oil prices (+42%) continued to characterise developments in the prices of raw materials, although the decline at the end of 2005 facilitated a contraction in world inflation, bringing it back into line with the average levels of the last two years. Euro-area exports performed encouragingly (+3.8%), particularly exports to non-EU countries, which were aided by growth in manufacturing, above all in the second half of the year. The construction and service industries also improved significantly, with construction reaching levels posted in 2000, largely thanks to the recovery for the industry in Germany following a decade of crisis.

Geo-political tensions and uncertainty – attributable to the crisis in Iran, strains between Russia and the Ukraine, and rising oil prices – pose a threat to economic performance internationally in the short and medium term.

After performing positively in the first half of the year, the Italian economy posted virtually no growth in GDP for the year as a whole, held back by the decline in gross fixed investment (-0.6%) and net foreign demand (-0.3%). Their impact was only partly offset by consumption, especially government (+1.2%), and changes in inventories

(+0.1%). The weakness of the industrial sector also persisted, reflecting lower competitiveness on domestic and foreign markets.

In 2005, consumer prices rose by an average of 1.9%, down from the 2.2% of 2004.

The deficit on the current account of the balance of payments in 2005 increased by 39% on the previous year, going from €12,027 million to €19,824 million, as a result of the unfavourable change in the merchandise balance (€7,925 million) and the balance on services (€831 million).

In 2005, direct investment, both foreign and domestic, posted net outflows totalling €20,461 million (compared with €1,971 million in 2004), while foreign and domestic portfolio investment recorded net inflows of €46,527 million, compared with €26,447 million in 2004. The improvement is due to the increase of about €92 billion in foreign purchases of Italian debt instruments, which was partially offset by an increase of about €64 billion in Italian investment in foreign shares and debt instruments and a decrease of about €8 billion in foreign investment in shares.

2.2 THE FINANCIAL MARKET AND RATES

Last year was characterised by rather contrasting trends. Until the end of September, euro-area bond rates seemed to be heading increasingly lower, despite the rise in the price of oil from $45 a barrel at the beginning of the year to more than $60. In October, however, a number of concerned statements from the ECB were sufficient to prompt a sudden reversal of course. Nonetheless, the rise in rates was not uniform, with maturities at 2 to 3 years posting markedly higher increases than all other points on the yield curve.

By contrast, the year for the US bond market was largely uneventful, despite the fact that the Federal Reserve raised its target for the federal funds rate from 2.25% at the beginning of 2005 to 4.25% by December.

The dollar's recovery against all other currencies brought the performance of the US fixed-income market to the top ranks, but also those of other countries whose government securities are denominated in or linked to the dollar (Brazil, Argentina, Australia and New Zealand).

Despite the constant increase in the price of oil and the effect of the hurricanes on US GDP, the US economy was able to expand to such an extent that the Federal Reserve gradually raised rates in an uninterrupted series of increases, with eight in 2005 alone (the last of which was on 13 December), bringing the fed funds rate to 4.25%. This careful, restrictive monetary stance was the key factor in the strengthening of the dollar.

As for monetary policy in the euro area, in December, after a year in which it maintained an accommodating stance, the European Central Bank (ECB) decided to raise the rate on main refinancing operations by 0.25%, bringing it to 2.25%.

Also in December, European equity markets rose by 3.53% to reach new highs for the year and close 2005 with a gain of 22.2% over the previous year. The signs of recovery in the euro-area economy and the good corporate performance in the last months of the year led analysts to raise their earnings estimates for 2006. Abundant liquidity and low interest rates also helped foster equity market growth.

2.3 THE PUBLIC FINANCES

According to the Bank of Italy's March 2006 estimates, in 2005 general government net borrowing in the euro area came to 2.5% of GDP, down from the 2.8% of 2004. In the euro area, the ratio of public debt to GDP increased from the 70.0% of 2004 to 70.7% in 2005.

In Italy in 2005, the deficit-to-GDP ratio increased to reach 4.1% (3.4% of 2004). The rise reflects both the contraction in economic growth and the significantly smaller-than-expected impact of budget adjustments. For 2006, in line with the plan to bring the deficit back to within the parameters of the new Stability and Growth Pact, the target for general government net borrowing is an estimated 3.5% of GDP. The ratio of public debt to GDP was 106.4%, an increase of 2.6 points over 2004 (103.8%), bringing an end to the improvements posted in recent years.

At 31 December 2005, local authority debt accounted for 5.8% of total general government debt, up slightly on 2004 (5.3%). In absolute terms, the component of public debt attributable to local authorities rose from €76.02 billion in 2004 to €87.18 billion in 2005 (+14.7%).

While confirming the central importance of loans issued by monetary financial institutions (MFIs) and by CDP (65.3% of total debt, compared with 68.3% in 2004), the breakdown of the debt of local authorities by financial instrument shows an increase in bond issues (equal to 31.7% of all debt, compared with the 28.2% of 2004). At the same date, securitisations carried out by local authorities, which, according to Eurostat criteria, are to be considered as loans, accounted for 3.1% of total debt (versus 3.6% in 2004). In absolute terms, of the total liabilities of €56.91 billion of local authorities in respect of loans (+9.7% over 2004), 59.2% came from MFIs (61.7% in 2004) and 40.8% from CDP (38.3% in 2004). In 2005, the volume of bonds issued by local authorities reached €27.61 billion (+28.9% over 2004), 50.1% of which issued by regional governments (62.3% in 2004), 49.3% by provinces and municipalities (37.5% in 2004), and 0.6% by other local entities (0.31% in 2004).

The regulatory framework within which local governments operated in 2005 was significantly different from that in 2004 as a result of Law 311 of 30 December 2004 (the 2005 Finance Act). In confirming the participation of regional and local governments in the achievement of the public finance objectives for the period 2005-2007, the law tightened the budgetary constraints on these entities even further. The measure shifted the domestic Stability Pact objective from the financial balance to total spending, which now includes both current spending and capital expenditure.

With Law 88 of 31 May 2004 containing urgent measures concerning local governments, a number of exceptions to the general Stability Pact provisions were introduced. Specifically, for 2005, the law envisages that the limits established by the Stability Pact would not apply to the smallest local authorities (i.e. municipalities with populations of up to 5,000 inhabitants and mountain communities or other municipal unions with populations of up to 50,000 inhabitants) and excludes from the total amount of spending subject to the Stability Pact limitations all expenditure related to the functions transferred from the regions to local authorities as of 1 January 2004, within the limits of the corresponding funds transfers granted by the regions, as well as capital expenditure for initiatives co-financed by the European Union.

In line with the objective of controlling the operational stability of local governments, the 2005 Finance Act placed limits on borrowing by local authorities, reducing the ceiling on interest expenditure from 25% of the first three budget titles to 12%. Local authorities that, at 1 January 2005, exceeded this ceiling must reduce their interest expenditure to within the 12% limit by 2013.

2.4 FINANCING FOR PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

During 2005, with the establishment of the Infrastructure and Strategic Projects business unit, Cassa Depositi e Prestiti S.p.A. began operations in a field with significant development potential, that of public-private partnerships (PPPs).

Indeed, in 2005 in Italy, growth continued in the realisation of infrastructure projects with joint public-private funding. A total of 1,699 initiatives (+15% over 2004) were undertaken, with an overall value of about €16.9 billion (+26%). In terms of business volumes, the share of PPP tenders (net of pre-selections pursuant to Article 37-*bis*) within the total market for public-works tenders reached 28%, compared with the 15% of 2004. In 2005, project finance operations proposed in accordance with Article 37-*bis* of Law 109/94 totalled 625 (+1.6% on 2004), with an aggregate value of about €5.8 billion (-17.5%), of which €2.1 billion in the transport sector.

In 2005, project finance initiatives that passed the initial selection process and proceeded to the restricted tender phase (Article 37-*quater* of Law 109/94) numbered 125, 111 of which initiated by municipalities, with a total value of €2.8 billion.

During the same year, 183 tenders (-18% from 2004) were held for concessions (pursuant to Article 19.2 of Law 109/94), 72 of which in the Italian northwest, with a total value of some €2.2 billion (+22% over 2004).

In 2005, 506 initiatives with other concession procedures were undertaken (+53% on 2004), with a total value of €4.2 billion (compared with the €225 million of 2004), a large part of which was related to the reorganisation of public networks, notably the water system in Italy's southern regions.
Other approaches to involving private capital in infrastructure works accounted for 260 initiatives (+20%), 182 of which for urban fixtures and routine maintenance of urban parks and green areas.

3. CASSA DEPOSITIE PRESTITI

3.1 ORGANISATION

In 2005, CDP continued the process of organisational renovation and development, which began following its transformation into a joint-stock company. This included:

- continuing to develop the organisational structure;
- designing new processes;
- analysing and implementing corporate projects.

3.1.1 The development of the organisational structure

The launch of new businesses, as well as the development of the "traditional" business, made it necessary to gradually adapt CDP's organisational structure.

A new division, Development Policies Management and Support, was established for the purpose of managing the funds and other means of supporting the economy and public finance as defined by specific legislation, as well as to provide specialised assistance to local government agencies.

At the same time, the missions and scope of the divisions and areas within the original organisational structure, such as the Infrastructure and Strategic Projects Division and the Credit Department, were better focused in order to enable them to launch their specific activities.

3.1.2 The design of new processes

In designing company processes, the emphasis was placed primarily on developing the model of operations for the divisions (the organisational units with responsibility over financial performance), such as Finance and Public Investments, as well as for certain areas (organisational units that play a support role), such as Procurement & Logistics, Credit, and Human Resources.

3.1.3 The analysis and implementation of corporate projects

In 2005, a number of complex inter-company projects were carried out, including:

- the design and implementation of supply chain procedures supported by an enterprise resource planning system;
- a feasibility study for the implementation of a corporate document management system;
- support for the analysis of the current status of the system of corporate controls designed to prevent corporate crime and crimes against the public administration, and the definition of a compliance model (pursuant to Legislative Decree 231/01);
- support for the assessment of the organisational impact of the application of the new International Accounting Standards (IAS project);
- support for the definition of the master plan for the implementation of the new accounting and reporting system.

3.1.4 The organisation chart

CDP's organisation chart currently consists of:

4 *Divisions*

- Finance
- Public Investments
- Development Policies Management and Support
- Infrastructure and Strategic Projects

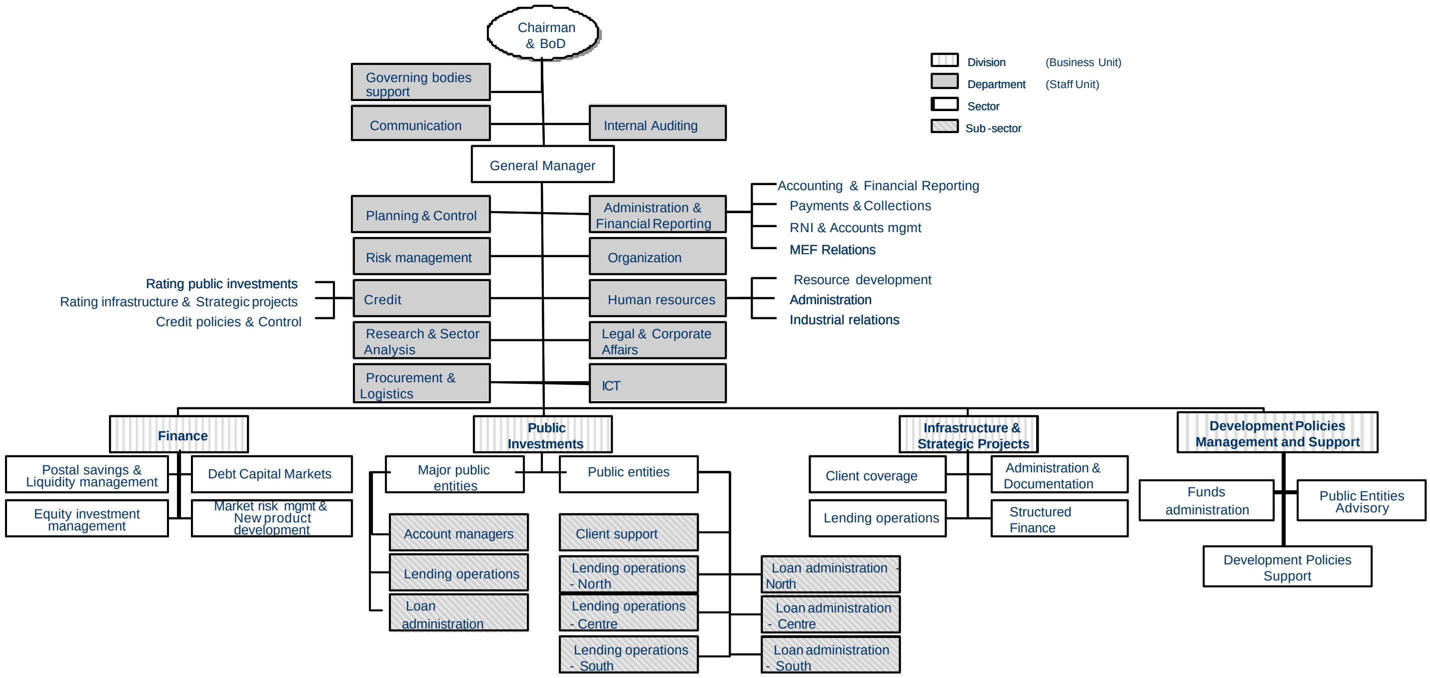
10 *Departments* reporting directly to top management:

- Planning & Control
- Administration & Financial Reporting
- Risk Management
- Organization
- Credit
- Human Resources
- Research and Sector Analysis
- Legal and Corporate Affairs
- Procurement and Logistics
- Information & Communication Technology

3 *Departments* reporting directly to the Chairman and Board of Directors:

- Internal Auditing
- Governing Bodies Support
- Communication

Organizational structure



3.2 PERSONNEL

3.2.1 The workforce

The transformation of Cassa Depositi e Prestiti into a joint-stock company involved a gradual, yet radical, transformation not only of the organisational structure, but also of the skills needed by the businesses that the company's new mission requires.

Corporate functions have been designed and developed that the "old" CDP had no need for, and it was therefore necessary to hire new personnel with the skills needed to launch these new businesses. These areas also include personnel who already worked for the organisation and who had the basic knowledge, motivation, and potential to be a part of the new team.

Even the existing organisational units have undergone a profound transformation in order to manage activities CDP previously performed in accordance with rules and procedures typical of government, but to do so now on the basis of standards and procedures that are more suited to the new context.

As such, during the year, a far-reaching plan for staff renewal was also implemented. This led to 50 new hires, primarily with lending experience and with the managerial and specialist skills needed for the new CDP operations, and 63 people left the organisation because they had either reached retirement age or chose to remain in the public administration, or because they opted to take part in a specific early retirement plan.

As of 31 December 2005, CDP had 426 employees, including 32 executives, 126 middle managers, and 268 office staff. The average age is 48.5 years, and university graduates account for 33% of the total staff.

3.2.2 Management and training

In 2005, a personnel assessment system was introduced, as well as a system of management by objectives.
Personnel training totalled 2,840 hours and involved 53% of employees.

3.2.3 Industrial relations

In January 2005, the company's first national collective bargaining agreement (CCNL) was signed for office personnel and middle management. The agreement made it possible to maintain existing employment terms while containing labour costs and adapting the organisation to the new private-law context.

The terms of the CCNL led to a restructuring of the classification and compensation systems, which are now essentially similar to others in the banking industry. The agreement expressly established that future salary increases are to take place using the same growth parameters (rates and timing) that are to be used by the Italian Banking Association (ABI) upon renewal of the collective bargaining agreements.

The work week was also adapted to that of the banking industry, going from 36 hours a week to 37 and extending afternoons worked to four from just two.

In essence, the new CCNL made it possible to both maintain the existing conditions for the former public employees, as envisaged by the transformation law, and to adapt the labour costs of new hires to those in the banking industry.

In the fourth quarter of 2005, in implementation of contractual agreements, negotiations began on the company's supplemental labour agreement.

The second half of 2005 also saw the implementation of the early retirement plan for former public employees in the professional and middle management categories and who either qualified for retirement or who were no less than 60 years old. In 2005 and 2006, the initiative let to the early retirement of 63 CDP employees.

For executives hired after the transformation, the legal and wage conditions set out in the banking industry bargaining agreement were applied, while senior management from the public sector maintained their existing public sector agreement for executives until the end of 2005.

In January 2006, a trade union agreement was reached that calls for the CCNL for senior management in the banking industry to be applied for all CDP executives.

3.3 THE INTERNAL CONTROL SYSTEM

CDP S.p.A. has developed an internal control system consisting of a set of rules, procedures, and organisational structures designed to detect, measure, monitor, and control the risks associated with the company's activities.

In 2005, the Internal Auditing Department was involved in conducting the audits required by the annual plan approved by the CDP Board of Directors on 26 January 2005, as well as in refining a qualitative method for conducting preliminary analyses of the risks inherent in corporate processes, in line with the strategic objectives set out in the 2005-2009 Business Plan. Based on this methodology, the four-year plan for this area's activities was prepared and submitted to the Board of Directors for approval in January 2006.

The audits performed led to the identification of a number of areas for improvement in the management of the processes analysed, as well as a series of recommended actions to be taken by the management involved.

The observations on the appropriateness of the system of controls that emerged from the audits conducted during the year were also periodically reported to the company's governance and control bodies.

In addition to systematic and professional monitoring to ensure the proper functioning of the company's overall internal control system, the Internal Auditing Department also continued to provide support to the Supervisory Body established in 2004 in accordance with Legislative Decree 231/2001.

During the year, the work of the Supervisory Body was focused on the proper configuration of the various control activities. Furthermore, beginning in July, a project was started in order to define the compliance system (the "organisational, management and control model") required by Legislative Decree 231/01.

This project resulted in:

- the full mapping of the sensitive processes and activities in terms of corporate crime and crimes against the public administration and the identification of the function heads involved;
- an assessment of the status of the risk controls in place, pursuant to the provisions of the legislative decree;
- the preparation of the document setting out CDP's compliance model, as well as the new code of ethics, both of which were approved by the Board of Directors in January 2006.

3.4 INFORMATION SYSTEMS

The modernisation of information systems continued in 2005, with the objective of adapting them to the following needs:

- to reduce processing and response times;
- to increase the availability and reliability of critical applications;
- to increase logical and physical security;
- to rationalise the support architecture to make it more efficient;
- to reduce operating costs.

The execution of the first part of the project (the second phase is scheduled for 2006) also led to the implementation of the following applications: the front office system for the Finance Division; the data warehouse for postal savings; and the creation of a web application for the management of the renegotiation of financing, which took place in the second half of 2005.

The CDP enterprise resource planning (ERP) system's functions were also extended with the installation and parameterisation of the following modules: management control, supplier and customer accounting, and asset accounting.

The project, which took place from July to October 2005, made it possible to integrate the general accounting system with the planning and control system, as well as to plan and allocate costs according to the new organisational structure and to ensure the traceability, visibility, and governance of costs.

3.5 COMMUNICATION STRATEGY

During 2005, communication and marketing initiatives were focused primarily on disseminating the results achieved by the company during its first year of operation and on promoting the new products and services provided to the company's customers.

These communication efforts underscored CDP's image as a solid, reliable partner, thanks to the company's history, its mission, and its shareholder structure. The introduction of the new logo also provided a further impulse to the development of this image.

The slogan *"CDP partner per lo sviluppo"* ("CDP – a partner in development") was the key message of the company's participation in the many institutional events, such as the 22nd annual meeting of ANCI (the association of Italian municipalities), the 5th edition of EuroPA, an event for local authorities, the 5th national conference of small municipalities, the national meeting of local authority accountants, the 14th edition of H2Obiettivo 2000, and the 3rd Covered Bond Euromoney Conference, as well as scientific seminars organised by CDP and other institutions.

Furthermore, in order to provide as much assistance as possible and to create opportunities to discuss issues related to the management of the finances of local authorities and initiatives to renegotiate financing offered in May and November 2005, 22 regional and provincial conferences were organised, with the participation of more than 1,000 representatives of many government entities.

Information was also disseminated in a systematic manner through press releases and periodic meetings with sector operators, academics and journalists, as well as through the wide range of information available on the company's Internet site (www.cassaddpp.it).

In 2005, the site attracted a total of 300,725 hits for a daily average of 824.

The online information service "InCDP", available 24 hours a day, attracted a total of 222,657 hits.

The loan restructuring in November was the first interactive transaction to be carried out by CDP and saw 55% of the eligible local authorities access the site directly.

Last year also saw the completion of the feasibility study regarding the design of an internet/intranet portal with new graphics and a new organisation of the content in order to create a web-based system that is able to provide users with up-to-date content and interactive tools.

3.6 RATE POLICY

CDP's rate policy for 2005 was established under a more advanced regulatory framework than the one in place prior to the company's transformation. In line with the decree of the Minister for the Economy and Finance of 6 October 2004, rates on the asset and liability instruments under the Separate Account were adjusted to market conditions more quickly and flexibly, within the scope of the guidelines established for this purpose. The range of products was also broadened, both in terms of maturities and financial characteristics. In 2005, operations also began for the assets and liabilities under the Ordinary Account.

As regards Separate Account assets, beginning in February 2005, the interest rates for fixed-rate ordinary specific-purpose loans and increases for variable-rate ordinary specific-purpose loans were updated weekly, in accordance with the provisions of the ministerial decree and, in any event, at lower rates than the maximums defined by law for loans to local authorities with repayment charged to the state. The method adopted involved defining a vector of spreads based on the maturity of the loan and levels observed in the reference market. For variable-rate ordinary loans with "Italian-style" amortisation plans (constant principal / declining interest payments), this vector was then applied as an increase over the arithmetic average of the 6-month Euribor rate observed one month prior to the start of the reference interest period. For fixed-rate ordinary loans with constant-payment amortisation plans, the rates were based on a pre-set algorithm used to calculate benchmark market rates financially equivalent to the 6-month Euribor rate adapted to the loan maturity, taking account of the different structure of the principal and interest payments compared with the variable-rate loans and using the official rate fixings for deposits and interest rate swaps. An increase based on the maturity and the spread vector was then applied to these benchmark rates.

New types of financing were introduced and asset restructurings were also conducted in the Separate Account in 2005.

Specifically:

- in November, a flexible loan was introduced, which calls for a usage and pre-repayment grace period of 1 to 6 years and a repayment period of 4 to 28 years, with variable interest rates which can then be converted to fixed rate at the request of the borrower. The rates applied, which are also updated weekly together with the other conditions, are based on a matrix of single spreads (based on the length of the grace period and amortisation), as well as on the need for financial equivalence with the conditions applied to ordinary loans;

- also in November, a fixed-rate loan without a pre-repayment grace period and with a pseudo-French amortization structure (constant-payments), based on commitment limits of 15 years, was also introduced, designed for financing granted on the basis of special laws with repayment charged to the state. Here, too, the rates are calculated weekly using a method similar to that of the fixed-rate ordinary loans while taking account of the credit risk of the Italian Republic;
- at various times throughout the year, other forms of financing with different characteristics were also made available to certain categories of public entities or purposes. The related financial conditions were determined in a manner consistent with those of the ordinary loans and other financing with periodic rate fixings, taking account of the particular category concerned and the purpose for which the loan is being granted;
- during the year, four asset restructuring transactions were conducted within the Separate Account (two for loans to local authorities, one for loans to regional governments, and one for loans charged to the state). With these transactions, the loans granted when interest rates were higher were realigned to current market conditions, while maintaining the value of the positions for CDP, within the scope of the provisions of the MEF decree of 20 June 2003 and in compliance with the principle of financial appropriateness as defined by Article 41.2 of Law 448 of 28 December 2001 (2002 Finance Act);
- in 2005, for the Separate Account, CDP subscribed a portion of three bond issues of local or regional governments on the primary market with a total face value of €350 million. These transactions took place at market terms and conditions for the given local or regional authority concerned.

On the asset side of the Ordinary Account, the rate policy applied is in line with that of the reference market and takes account of the financial structure of the transaction, as well as the type of borrower and the borrower's credit rating and the characteristics of the project to be financed, and is compatible with the cost of the related funds, which was raised through the EMTN programme described below.

On the liabilities side of the Separate Account, 2005 saw the start of covered bond issues, joining postal savings, the traditional source of funding.

With regard to postal savings, which traditionally includes interest-bearing postal savings bonds and passbook savings accounts, 2005 was a turning point in terms of the frequency with which the conditions offered to investors were updated. Specifically, beginning in February 2005, the rates on postal savings bonds were updated on a monthly basis, in line with the related market. The rates applied on passbook savings accounts were also updated more frequently, in step with the evolution of short-term market rates. Specifically, passbook rates were updated three times in the last quarter of the year on the basis of developments in short-term rates. The greater flexibility and timeliness in the updates to these conditions made it possible to offer savers products that were always in line with the market. Along with this increased flexibility, postal savings bonds were also involved in two other important innovations:

- in May, indexed bonds received a new financial structure, which raised the maximum premium upon maturity – which is linked to the DJ Euro Stoxx 50 index – from 10% to 18% of the face value. This feature made the product – which targets investors wanting to invest in equity markets with greater security – more competitive with other structured bonds for the retail market;
- in September, a new 18-month bond was launched, an innovation for postal savings bonds, which are traditionally issued with much longer maturities. With this product, CDP is targeting savers who want to invest their money without having to forego the opportunities that the market has to offer.

In 2005, 12 series of ordinary 20-year bonds (from series B3 to B14) were issued, as were 12 series of indexed seven-year bonds (from series BB3 to BC8) and four 18-month bonds (from series 18A to 18D).

The following tables show the rates applied to postal savings products.

ANNUAL GROSS INTEREST RATES ON POSTAL PASSBOOK SAVINGS ACCOUNTS - 2005

	Ordinary passbooks	Special passbooks for minors
from 1 January to 31 March	1.15%	1.40%
from 1 April to 9 October	1.20%	1.45%
from 10 October to 9 November	1.25%	1.50%
from 10 November to 9 December	1.30%	1.55%
from 10 December to 31 December	1.40%	1.65%

YIELD AT MATURITY OF POSTAL SAVINGS BONDS - 2005

	Ordinary bonds (20 years)	Indexed bonds (7 years)(*)	18-month bonds (1.5 years)
from 1 January to 31 January	3.42%	2.10%	-
from 1 February to 28 February	3.16%	1.93%	-
from 1 March to 31 March	3.27%	2.02%	-
from 1 April to 30 April	3.27%	2.02%	-
from 1 May to 31 May	3.02%	1.75%(**)	-
from 1 June to 30 June	2.84%	1.53%	-
from 1 July to 31 July	2.61%	1.41%	-
from 1 August to 31 August	2.68%	1.48%	-
from 1 September to 30 September	2.56%	1.48%	1.82%(***)
from 1 October to 31 October	2.56%	1.48%	1.82%
from 1 November to 30 November	2.80%	1.76%	2.07%
from 1 December to 31 December	2.80%	1.84%	2.22%

(*) The yield on indexed postal savings bonds is net of any indexing premium paid at maturity.
(**) The issue of indexed bonds in May was carried out from 15 to 31 May. The maximum premium at maturity for this issue was increased from 10% to 18% of the face value of the bond.
(***) The first issue of 18-month bonds was carried out from 4 to 30 September.

The rates offered for the CDP covered bonds (see table below) were established based on market conditions and in line with comparable securities, while taking account of differentiation factors such as the weighting of credit risk (20%), the credit rating of the issuer's country, and the diversification of the related portfolio (100% Italian public entities).

GROSS ANNUAL INTEREST RATES ON COVERED BONDS - 2005

	Issue date	Face value	Structure	Annual coupon	Effective yield (at issue)
Covered bond maturing 31 July 2010	24/03/2005	€1,000,000,000	Bullet, fixed-rate	3.25%	3.259%
Covered bond maturing 31 January 2013	20/10/2005	€3,000,000,000	Bullet, fixed-rate	3.00%	3.177%

With regard to the funding activities for the Ordinary Account, 2005 saw the first issues under the Euro Medium Term Notes (EMTN) programme. The rates offered on the series of notes issued under this programme reflect the limited volumes issued and the nature of structured products for private placement with institutional investors using a reverse enquiry mechanism.

GROSS INTEREST RATES ON ISSUES UNDER EMTN PROGRAMME - 2005

	Issue date	Face value	Structure	Minimum coupon	Maximum coupon
EMTN maturing 30 September 2020	30/09/2005	€100.000.000	CMS	2,00%	7,00%
EMTN maturing 26 October 2015	26/10/2005	€100.000.000	Floater Capped	0,30%	4,75%
EMTN maturing 30 November 2015	30/11/2005	€200.000.000	CMS	2,00%	7,00%

3.7 STATE OF IMPLEMENTATION OF THE PROVISIONS OF LEGISLATIVE DECREE 196 OF 27 JUNE 2003

In 2005, CDP S.p.A. progressively implemented the legislation introduced by the consolidated privacy act (Legislative Decree 196 of 27 June 2003).

First and foremost, this included the definition of updates to be made to the Security Policy Document, which was approved by the Board of Directors on 30 June 2004.

At the same time, a process was begun to review internal procedures in order to adapt them to the security standards defined by the aforementioned legislation.

In particular, the required measures regarding authentication credentials (length of password, initial password changes, deactivation of unused credentials) are being implemented, as are the measures concerning the formalisation of specific procedures (data backups at least weekly, review of authentication profiles at least annually, activation of electronic means of protecting personal data).

Steps were also taken to implement the provisions of Article 9 of the technical procedures annex to the consolidated text, which require that workstations and electronic devices shall not be left unattended and accessible by the users. With service order no. 13 of 28 June 2005, the rules for the use of CDP S.p.A. information technology resources were issued for this purpose.

Within the scope of the provisions of Legislative Decree 196/03, procedures were established for the identification of “data processors” (as defined for the purposes of handling personal data) and to formalise the authorised scope of data handling.

Procedures have also been implemented to introduce a training programme for data processors regarding the data risks, preventive measures, and general rules and regulations regarding personal data protection.

Finally, CDP has identified the files for sensitive data for which the specific control measures required by the privacy law (access control and identification of parties that have access to the files) are to be introduced.

RESULTS OF CASSA DEPOSITI E PRESTITI

4. FINANCIAL POSITION

In order to facilitate understanding of our results, the analysis of CDP's financial position has been conducted using schedules reclassified on the basis of operational criteria, in line with the schedules that precede the descriptive section of the report on operations.

4.1 ASSETS

The assets of CDP can be grouped into the following aggregates:

(thousands of euros)

ASSETS	31/12/2005	31/12/2004	Change
Cash and balances with central banks	62,466,564	39,362,804	58.7%
Loans	57,683,077	52,124,174	10.7%
Trading securities	1,371,748	2,028,297	-32.4%
Non-current assets	13,951,855	12,470,421	11.9%
Other assets	2,527,030	1,567,123	61.3%
Total assets	**138,000,274**	**107,552,820**	**28.3%**

Total assets increased by €30,447 million, a rise of 28.3% over 31 December 2004.

The result is attributable to the increase of €23,104 million (+58.7%) in liquidity on the treasury accounts, which went from the €39,363 million of 31 December 2004 to €62,467 million at 31 December 2005, as well as the increase of €5,565 million (+10.7%) in receivables.

The increase in liquidity is due primarily to the increase in funding. The rise was substantially attributable to the refinancing, with postal savings products issued by CDP, of the maturing postal savings bonds that had been transferred from CDP to the MEF on the basis of the decree of the Minister for the Economy and Finance of 5 December 2003.

In 2005, net postal savings funding totalled €21.1 billion, of which €16.4 billion in respect of postal savings bonds (about €1.9 billion attributable to the new 18-month bonds), and the remaining €4.7 billion related to the increase in passbook savings accounts.

Apart from postal savings, bond issues contributed to a further €4.4 billion in liquidity for the year.

4.1.1 Financial assets

The financial assets (loans) of CDP break down into the following categories:

(thousands of euros)

LOANS

	31/12/2005	31/12/2004	Change
Loans to banks	3,627,835	1,964,711	84.6%
Loans to customers	54,055,242	50,159,463	7.8%
Total loans	**57,683,077**	**52,124,174**	**10.7%**

The increase of €1,663 million in loans to banks is due to the greater level of repurchase operations (in the amount of €1,222 million) and the loan granted to the associated company Istituto per il Credito Sportivo (in the amount of €425 million).

Loans to customers increased by 7.8%, or €3,896 million, due in part to the launch of the Ordinary Account, but also, and above all, to the success of the renegotiation operation in June 2005, which also involved loans belonging to the MEF portfolio. The effects of the second renegotiation (in December 2005), on the other hand, can be seen in the off-balance-sheet commitments because, although contractual formalities were concluded in 2005, the operation is to take effect as from 1 January 2006.

This should therefore be taken into account when analysing the increase (of €6 billion, net of disbursements during the year) in these commitments (see table below), which reflects the volume of loans granted but not yet disbursed. Only when they are actually disbursed, in compliance with the Bank of Italy's instructions on presentation, will they be posted to "Loans to customers".

(thousands of euros)

GUARANTEES AND COMMITMENTS

	31/12/2005	31/12/2004	Change
Guarantees issued	-	-	0.0%
Commitments	17,379,480	11,388,204	52.6%
Total guarantees and commitments	**17,379,480**	**11,388,204**	**52.6%**

4.1.1.1 Developments in Separate Account lending

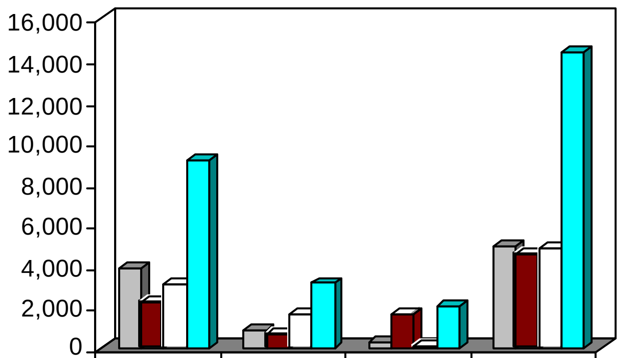
A) COMPOSITION AND CHANGES IN LOANS GRANTED

In 2005, for the Separate Account, CDP S.p.A. played an even more decisive role as the key actor in public investment policy in a context of increasingly strict limitations being imposed upon the regional and local authorities by national budget legislation.

During the year, significant innovations concerning CDP's financing procedures were introduced with Circular no. 1255 in January 2005. The following were of particular note: the introduction of contract formats to govern lending relations, which replace the administrative measures; the weekly calculation of interest rates, which makes it possible to adapt the product offerings to market trends; and the approval of loans on a daily and weekly basis, in addition to monthly.

CDP also offered local and regional authorities the option of renegotiating existing loans in order to reduce debt servicing charges and to use these resources for new projects. With these transactions, contracts were signed which transformed about €4,892 million into new CDP loans (€3,115 million of which effective as of 1 January 2006). Together with the €9,455 million in new loans granted during the year, the overall total comes to €14,347 million in financing.

millions of euros



	Local authorities	Regions and Aut. Provinces	Other entities	Total
North	3,853	829	283	4,965
Center	2,182	689	1,672	4,543
South	3,101	1,626	113	4,839
Italy	9,136	3,143	2,068	14,347

Local authorities account for 64% (or €9,136 million) of the loans for the year, with the regions accounting for 22% of the total (€3,143 million). The remaining loans, in the amount of about €2 billion, involved public service operators (for loans with repayment charged to the local authorities or the national government), port authorities, universities, and other public entities and public-law organisations.

Looking at the loans to local authorities net of restructurings, the majority of new financing involved municipalities that are not the capitals of their respective provinces. Local authorities used these funds primarily for road projects and rapid mass transit services in accordance with specific laws, as well as for the construction or purchase of properties for public offices and for the maintenance or construction of new schools.

Again in 2005, CDP worked to promote the joint management of municipal functions and services and confirmed the incentives of the previous year, which call for a reduction of 0.15% annually on the interest rate applied by CDP on fixed-rate loans.

(millions of euros)

CDP S.P.A. LENDING TO LOCAL AUTHORITIES - 2005 (NET OF RESTRUCTURING)

Public and social building	736
School and university building	821
Sports, recreational and lodging facilities	445
Roads and transport	1,975
Water projects	91
Sanitation projects	242
Energy projects	104
Other public works	314
Loans for sundry projects	312
Total investments	**5,040**
Liabilities	160
Total	**5,200**

(millions of euros)

CDP S.P.A. LENDING TO LOCAL AUTHORITIES - 2005 (NET OF RESTRUCTURING)

	North	Centre	South	Total
Provinces	280	179	359	818
Provincial capitals	735	161	684	1,580
Other municipalities	1,234	477	1,047	2,397
Other local authorities	25	8	12	44
Total	**2,273**	**825**	**2,102**	**5,200**

Financing based on special laws (about €3,842 million) went mainly to transportation and road projects (Law 211/92 et seq. – rapid transit; Article 31 of Law 144/99 – national road safety plan; Law 122/89 – parking; etc.), school and university construction, (Laws 23/96 and 388/00), and sports facilities (Law 65/87). Other public-interest projects included the loans granted pursuant to Law 443/01 (the Infrastructure Framework Law) for strategic public works for national development and financing to the regions for reconstruction projects following natural disasters, which included agriculture (Law 71/05).

At year-end, the stock of outstanding loans reached €65.3 billion.

B) DISBURSEMENTS MADE DURING THE YEAR

Last year, loan disbursements came to €6,034 million, of which €2,576 million to local authorities.

(millions of euros)

DISBURSEMENTS OF CDP S.P.A. LOANS - 2005

	North	Centre	South	Total
Local authorities	1,127	496	953	2,576
Regions and autonomous provinces	531	86	1,841	2,457
Other bodies	220	710	71	1,001
Total	**1,878**	**1,291**	**2,864**	**6,034**

The following table shows amounts of loans granted that are still to be disbursed at 31 December 2005. Such loans are normally disbursed in relation to the state of progress made on their respective projects.

(millions of euros)

AMOUNTS TO DISBURSE AT 31 DECEMBER 2005 ON LOANS GRANTED

	Total
Local authorities	10,624
Regions and autonomous provinces	1,889
Other bodies	2,494
Total	**15,007**

C) SPECIFIC FUNDS

In 2005, in order to support government bodies in planning public works, CDP granted €16 million in advances from the Revolving Fund for Project Development and disbursed funds totalling €17 million. The main beneficiaries of the advances were smaller local governments in the South.

REVOLVING FUND FOR PROJECT DEVELOPMENT (LAW. 549/1995 ART. 1)

ADVANCES GRANTED IN 2005 *(thousands of euros)*

	North	Centre	South	Total
Provinces	878	-	1,800	2,678
Provincial capitals	2,122	2,617	661	5,400
Other municipalities	1,657	483	6,099	8,239
Other local authorities	-	-	-	-
Other bodies	60	-	-	60
Total	**4,717**	**3,100**	**8,560**	**16,378**

Finally, pursuant to the provisions of Article 3 of Law 43/1978, CDP again paid instalments of loans to balance the budgets of local authorities in 1977 to the banks involved, making disbursements of €5 million.

Of particular significance among the specific-purpose funds, although not yet active in 2005, is the Revolving Fund to support research investment by businesses as envisaged by Article 1, paragraphs 354 to 361, of Law 311 of 30 December 2004. This tool is a part of the broader reform of public incentives for business and replaces a portion of the grant with a subsidised loan, drawing on CDP funding. Under the mechanism, the banking system, after evaluating the creditworthiness of the initiatives, makes loans on market terms alongside the incentives. The Fund has a total of €6 billion in resources, €3.7 billion of which have already been assigned by the Inter-Ministerial Committee for Economic Planning.

4.1.1.2 Developments in Ordinary Account lending

Last year was the first for the Ordinary Account, working through the Infrastructure and Strategic Projects business unit. The start of operations involved CDP taking on financing commitments with a new customer segment characterised by different loan types and returns.

During the year, lending commitments were authorised for a total of some €1.4 billion, which were followed, during the same period, by the execution of €840.9 million in loan contracts and €551.4 million in disbursements (net of repayments).

Of the total authorised, non-binding preliminary financing commitments, in the form of underwriting letters, were also signed for a further €257.0 million. These are expected to be converted into definitive financing agreements in the first few months of 2006.

With regard to disbursements, given that they are typically connected with the actual progress of the related projects, they tend to be distributed over a number of years, with fees paid to the lender for commissions on amount committed but not yet used. This characteristic, along with the typically long-term nature of the loans, results in Ordinary Account loans authorised and signed being recognised gradually over multiple financial years.

Commitments and disbursements for 2005 concerned the following industry segments: road infrastructure using the so-called “general contractor” approach; local public transportation, both road and rail (including the first public-private partnership in this sector in Italy); waste management and energy-from-waste facilities; electricity distribution; and specialised hospital construction. Also reaching the latter stages of development is the structuring of financing transactions for projects in district heating and integrated water system management, which are expected to be completed in the first half of 2006.

4.1.2 Non-current assets

The CDP's non-current assets break down as follows:

(thousands of euros)

NON-CURRENT ASSETS

	31/12/2005	31/12/2004	Change
Tangible assets	200,773	11,818	1598.8%
Intangible assets	4,215	808	421.9%
Equity investments	13,746,866	12,457,795	10.3%
Total non-current assets	**13,951,855**	**12,470,421**	**11.9%**

NON-CURRENT TANGIBLE ASSETS

Non-current tangible assets, net of depreciation, increased from the previous year by about €189 million, as shown in the table below, broken down by type of asset.

(thousands of euros)

TANGIBLE ASSETS

	Opening net value	Increases 2005	Depreciation 2005	Change
Land and buildings, reconstruction, restoration and transformation of buildings	5,717	191,097	-5,935	3238.6%
Sundry equipment and instrumentation	51	3	-19	-32.4%
Heating and conditioning plant	1,622	815	-335	29.6%
Alarm systems and photographic and television recording plant	699	149	-158	-1.3%
Telephone and telecommunications plant	259	1,219	-253	373.3%
Other plant	584	457	-178	47.7%
Furniture and furnishings	1,621	510	-311	12.3%
Hardware and electronic office machinery	1,248	2,939	-1,042	152.0%
Other tangible assets	17	13	-15	-14.4%
Total	**11,818**	**197,201**	**-8,247**	**1598.8%**

The most significant figure is the increase of €190.4 million in properties used in operations as a result of revaluations made as permitted by the 2006 Finance Act.

In that regard, in compliance with the provisions regarding revaluation contained in Law 342/2000, as referred to in Article 1.469 of the 2006 Finance Act, the Board of Directors selected the market value of the properties as the reference value for the revaluation. The market value was determined by external appraisers specialised in corporate properties.

This value is deemed to correspond to the actual value attributable to CDP's land and buildings; therefore, the revaluation was performed on the basis of this number. From an accounting point of view, the method adopted involved revaluing the historic cost of all CDP properties used in operations directly, in compliance with the provisions of the aforementioned legislation.

In accordance with such legislation, a specific deferred-taxation revaluation reserve was also established, net of the related capital gains tax.

Finally, significant investments were also made during the year in order to upgrade and expand information systems.

INTANGIBLE ASSETS

Intangible assets include:

(thousands of euros)

INTANGIBLE ASSETS

	Purchases 2005	Purchases 2004	Change
Intellectual property usage rights	22	-	
Licences, trademarks and similar rights	4,802	203	2264.9%
Intangible assets under development and advances	-	616	-100.0%
Total	**4,824**	**819**	**489.2%**

Intangible assets under development in 2004 were capitalised under licences, trademarks and similar rights.

NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are composed entirely of shares in companies in which CDP has a significant holding (at least 20% of share capital or 10% for listed companies):

(thousands of euros)

EQUITY INVESTMENTS

	31/12/2005		31/12/2004	
	% holding	**Book value**	**% holding**	**Book value**
A. Listed companies				
1. Eni S.p.A.	10,00%	5.315.829	10,00%	5.315.829
2. Enel S.p.A.	10,25%	3.156.467	10,28%	3.156.467
3. Terna S.p.A.	29,99%	1.315.200	0,00%	-
B. Unlisted companies				
1. Poste Italiane S.p.A.	35,00%	2.518.744	35,00%	2.518.744
2. ST Holding N.V.	30,00%	1.421.107	30,40%	1.442.121
3. Infrastrutture S.p.A. (*)	100,00%	5.880	100,00%	10.000
4. Sinloc S.p.A.	20,00%	9.292	20,00%	9.292
5. Europrogetti & Finanza S.p.A. (*)	31,80%	2.112	31,80%	3.107
6. Istituto per il Credito Sportivo	21,62%	2.066	21,62%	2.066
7. Tunnel di Genoa S.p.A.	33,33%	170	33,33%	170

(*) holding written down at 31/12/2005

The composition of CDP's portfolio of equity investments changed in 2005 following the acquisition of a 29.99% stake in Terna S.p.A.

The only subsidiary is the wholly-owned company Infrastrutture S.p.A. (ISPA). Pursuant to Law 266 of 23 December 2005 (the 2006 Finance Act), ISPA was merged into CDP effective as of 1 January 2006.

Dividends recognised from equity investments for 2005 came to €925.7 million, related primarily to the shares held in Eni S.p.A. and Enel S.p.A. It should also be noted that the dividends received by CDP were positively influenced by the decision of Eni S.p.A. and Enel S.p.A. to implement a semi-annual dividend distribution policy, based on which an interim dividend for 2005 was paid in the amount of some €180 million. Enel S.p.A. had also adopted this policy in 2004, and in 2005 an interim dividend was paid in the amount of €119 million.

4.1.2.1 The securities portfolio

On 31 December 2005, the total par value of the securities portfolio was €1,362 million (compared with the carrying amount of €1,372 million), €799 million of which in respect of two short-term Italian Treasury credit certificates (CCTs) with a maximum maturity of December 2006, which are recognised under current assets.

The remaining €563 million breaks down as follows:

- €200 million for an asset-backed security (ABS) maturing July 2011, constituting an investment of liquidity;
- €350 million for three securities issued by local authorities with maximum maturities of November 2035;
- €13 million for a security guaranteed by a local authority with a maturity of December 2015, constituting an investment of liquidity.

4.1.2.2 CDP subsidiaries (ISPA)

At 31 December 2005, Infrastrutture S.p.A. (ISPA), a financial company entered in the special list maintained by the Bank of Italy referred to in Article 107 of Legislative Decree 385 of 1 September 1993 (the 1993 Banking Law), was a wholly owned subsidiary of CDP.

Effective as of 1 January 2006, pursuant to Law 266 of 23 December 2005 (the 2006 Finance Act), ISPA was merged into CDP, which then assumed control of all property, rights, and assets and liabilities of Infrastrutture S.p.A., including the segregated assets, and continuing in all related legal relationships, litigation. Following the merger of ISPA, in accordance with the provisions of the 2006 Finance Act, CDP's articles of association were not amended.

At 31 December 2005, ISPA showed a decrease in shareholders' equity compared with the carrying value of the investment following the net loss of €3,361,381 for the year and the losses of previous years. Accordingly, equity at the time of the merger totalled €5,879,796.

4.1.2.3 Associated companies

At 1 January 2005, CDP's portfolio of equity investments included primarily the minority stakes in Enel S.p.A., Eni S.p.A., and Poste Italiane S.p.A., which were acquired 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.

In September 2005, CDP purchased from Enel S.p.A. a 29.99% stake in Terna S.p.A., which operates in the electricity transmission and dispatch sector. The investment in Terna falls within CDP's corporate mission to invest in infrastructure that is functional to Italian national growth and development, and has a limited risk profile because of industry regulation, as well as a stable and predictable dividend yield over time.

The activities of each associate are described below:

Eni S.p.A.

Eni is an integrated energy company operating in the oil and natural gas industry, power generation, engineering and construction, and the petrochemical industry. The organisation is known for the excellence of its skill base and its strong international market position. Its three primary businesses are: exploration & production, gas & power, and refining & marketing.
Eni's shares are listed on the Milan stock exchange and the New York Stock Exchange.

Enel S.p.A.

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. These businesses are handled by the following divisions: Generation and Energy Management; Sales; Networks and Infrastructure; and International.
The company's shares are listed on the Milan stock exchange and the New York Stock Exchange.

Poste Italiane S.p.A.

This company 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 in the provision of payment services, financial products (including products on behalf of CDP: postal passbook savings accounts and postal savings bonds).

STMicroelectronics Holding N.V. (STH)

STH holds an equity investment of 10.3% in the Italian-French company STMicroelectronics N.V., which is active in the research and manufacture of semiconductors and advanced technologies.
STMicroelectronics N.V. an independent global manufacturer of semiconductors and is a leader in semiconductor solutions for the full range of microelectronic applications, from development to delivery. The company 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.

STMicroelectronics N.V. shares are traded on the Milan stock exchange, the New York Stock Exchange, and Euronext Paris.

Terna S.p.A.

Terna Rete Elettrica Nazionale S.p.A. is responsible for the transmission and dispatch of electricity in Italy using the high and very-high voltage networks throughout the country. It is also the primary owner of the nation's electricity transmission grid (RTN), owning more than 90% of the electricity infrastructure, which are currently comprised of 39,000 km of power lines. Since it was established in October 2005, Terna's main line of business has been operating, maintaining, and developing the portion of the RTN that it owns. As of 1 November 2005, in compliance with the provisions of the Prime Minister's Decree of 11 May 2004, Terna received the business unit of the Italian Independent System Operator (ISO) comprising electricity transmission and dispatch operations and the activities of planning and developing the RTN. Terna also provides services related to its skills in the design, construction, operation, and maintenance of high and very-high voltage electricity infrastructure, as well as services related to the development of its own assets in the telecommunications industry.
The company's shares are traded on the Milan stock exchange.

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 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 and other government bodies, with a focus on projects for urban regeneration and socio-economic development.

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.
The preliminary financial statements for 2005 showed a net loss of €1.3 million, which would result in a reduction in the company's equity to below the carrying amount of the investment. Accordingly, it has been deemed appropriate to write down the carrying amount of the investment in order to bring it in line with the probable value of the company's equity (equal to €2,111,859).

Istituto per il Credito Sportivo (ICS)

ICS, which was reformed with Presidential Decree 453 of 20 October 2000, is a public economic entity subject to the provisions of the 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 414) expanded the scope of ICS's activity to include financing for cultural initiatives, as well.

Tunnel di Genova S.p.A.

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.

4.1.3 Transactions with related parties

Relations with related parties are summarised in the following table:

(thousands of euros)

RELATED-PARTY TRANSACTIONS

	Subsidiaries	Associated companies	Other investees	MEF	Total
Receivables	36,093	1,810,502	425,000	92,945,474	**95,217,069**
Payables	71	790,386	-	57,311	**847,768**
Costs	327	672,047	-	82,511	**754,884**
Revenues	673	986,763	229	3,749,312	**4,736,976**

Transactions with related parties are conducted on an arm's length basis.

The following tables summarise the transactions by type of counterparty.

4.1.3.1 Transactions with subsidiaries

Relations with subsidiaries are related solely to Infrastrutture S.p.A.

(thousands of euros)

TRANSACTIONS WITH SUBSIDIARIES

		Infrastrutture S.p.A.
Receivables		**36,093**
- loans	36,025	
- other receivables	68	
Payables		**71**
- other payables	71	
Costs		**327**
- seconded personnel	327	
Revenues		**673**
- interest on loans	354	
- fees for services	319	

Revenues from charges for services are a part of the agreement regarding the provision of services and use of infrastructure in favour of ISPA.

4.1.3.2 Transactions with associates

Most of these transactions involve Poste Italiane S.p.A. in relation to the services received in managing postal savings and loans granted by CDP.

(thousands of euros)

TRANSACTIONS WITH ASSOCIATED COMPANIES

		Poste Italiane S.p.A.
Receivables		**1,810,459**
- amounts to be settled	447,754	
- postal savings adjustments	-164	
- loans	1,339,869	
- other receivables	23,000	
Payables		**790,386**
- payables for services	790,386	
Costs		**672,047**
- commission expense 2005	1,158,874	
- deferrals on 2005 agreement	-486,827	
Revenues		**61,405**
- interest on loans	61,391	
- interest on current acct.	0	

Economic relations with other associates are limited exclusively to dividend income, as shown below.

(thousands of euros)

TRANSACTIONS WITH OTHER INVESTEES

	Enel S.p.A.	Eni S.p.A.	Terna S.p.A.	ST Holding N.V.	Sinloc S.p.A.
Receivables	-	-	-	-	-
Payables	-	-	-	-	-
Costs	-	-	-	-	-
Revenues	**345,140**	**540,390**	**30,000**	**9,768**	**74**
- 2004 dividends	225,910	360,260		-	74
- advance on 2005 dividends	119,230	180,130	30,000	9,768	-

4.1.3.3 Transactions with the Ministry for the Economy and Finance

(thousands of euros)

TRANSACTIONS WITH PARENT

		MEF
Receivables		**92,945,474**
- current account balances	62,466,554	
- loans to customers	30,194,256	
- amounts to be settled	263,101	
- other receivables	3,853	
- other assets	17,709	
Payables		**57,311**
- third-party funds under administration	55,197	
- other payables	2,114	
Costs		**82,511**
- seconded personnel	272	
- interest expense on loans	82,239	
Revenues		**3,749,312**
- interest on current accts.	1,376,843	
- interest on loans	2,359,486	
- penalty for early repayment of loans	12,983	

The most significant amounts regard the treasury service and the granting of loans to the MEF.

Please note that that in 2005 the renegotiation of loans by CDP also involved the loans owned by the MEF, which therefore moved from the MEF portfolio to that of CDP. This generated a financial liability to the MEF, which was settled during the year, in the amount of €1,248 million.

For the current year, the figures do not include revenues from the agreement in effect with the MEF for services that CDP provides the ministry in managing the loans and postal savings it owns, since at the balance-sheet date the amount could not yet be determined.

4.2 LIABILITIES

The liabilities of CDP can be grouped into the following aggregates:

(thousands of euros)

LIABILITIES

	31/12/2005	31/12/2004	Change
Debt and payables	129,284,712	100,616,873	28.5%
Other liabilities	2,447,959	2,160,981	13.3%
Provisions	512,503	393,829	30.1%
Shareholders' equity and provision for general banking risks	5,755,101	4,381,137	31.4%
Total liabilities	**138,000,274**	**107,552,820**	**28.3%**

4.2.1 Current liabilities

Current liabilities break down as follows:

(thousands of euros)

DEBT AND PAYABLES

	31/12/2005	31/12/2004	Change
Due to banks	857,705	309,411	177.2%
Due to customers	124,027,007	100,307,462	23.6%
Debt securities in issue	4,400,000	0	
Total debt and payables	**129,284,712**	**100,616,873**	**28.5%**

Amounts due to banks increased as a result of interest-rate swaps in 2005 (€254 million); the amounts due to the Bank of Italy for direct-debit transactions unsettled at 30 December 2005 (€169 million), prepayment of which was received from the Bank of Italy; and funding through borrowing from the European Investment Bank (EIB) for the Ordinary Account (€100 million).

The CDP’s demand liabilities with customers consist of postal savings products placed by Poste Italiane S.p.A. throughout the country. The value of postal passbook savings accounts at 31 December 2004 amounted to €65,403 million, while postal savings bonds came to €58,019 million.

Liabilities for securities are related to the covered bond issues (€4 billion) and the EMTN programme (€400 million).

4.2.2 Other liabilities (*Third-party funds under administration*)

Other liabilities break down as follows:

(thousands of euros)

OTHER LIABILITIES

	31/12/2005	31/12/2004	Change
Other liabilities	2,320,019	2,159,011	7.5%
Accrued expenses and deferred income	72,743	1,970	3593.3%
Third-party funds under administration	55,197	0	
Total other liabilities	**2,447,959**	**2,160,981**	**13.3%**

"Third-party funds under administration" are related to funds received from the state that are still to be disbursed as of 31 December 2005, related to the approval and disbursement of grants for the purchase or lease of low environmental impact vehicles. This initiative, which was established with Article 17 of Law 166/2002 and is governed by a decree of the Minister for the Environment dated 24 May 2004, involved a state budget appropriation in the amount of €30 million each year from 2002 to 2004. As of the end of the year, out of the €56.4 million in payments received from the Ministry for the Economy and Finance, loans in the amount of €22.9 million have been approved, with €1.2 million being disbursed. This liability is not interest-bearing.

4.2.3 Provisions

Provisions break down as follows:

(thousands of euros)

PROVISIONS

	31/12/2005	31/12/2004	Change
Provision for taxes and duties	498,837	386,137	29.2%
Provision for staff severance pay	396	59	567.7%
Provision for liabilities and contingencies	13,269	7,633	73.8%
Total provisions	**512,503**	**393,829**	**30.1%**

The provision for taxes and duties is composed exclusively of current and deferred tax liabilities and of the tax due for the revaluation of properties pursuant to paragraph 469 et seq. of Law 266 of 23 December 2005.

The balance of provisions for staff severance pay is minor given that CDP employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. The charge for severance pay is related to employees hired in 2004-2005 under the INPS pension system.

The increase in the provision for other liabilities and contingencies is attributable to the adjustment of the original provision for pending litigation in the amount of €4.4 million, which is used to cover potential liabilities arising out of disputes with employees, as well as to the €3.4 million allocated for future expenses related to employees (early retirement incentives and performance bonuses). The balance of the provision for future expenses as of 31 December 2004 was used during 2005 to the extent of €2.2 million.

4.2.4 The composition of shareholders’ equity

CDP shareholders’ equity at 31 December 2005 breaks down as follows:

(thousands of euros)

SHAREHOLDERS' EQUITY

	31/12/2005	31/12/2004	Change
Share capital	3,500,000	3,500,000	0.0%
Legal reserve	14,291	-	
Revaluation reserve	167,572	-	
Net income for the year	927,642	285,541	224.9%
Provision for general banking risks	1,145,596	595,596	92.3%
Total shareholders' equity	**5,755,101**	**4,381,137**	**31.4%**

5. PERFORMANCE

CDP's performance during the year has been analysed using an income statement reclassified on the basis of operational criteria, in line with the schedules presented earlier. The schedules detail CDP's margins, as follows:

(thousands of euros)

INCOME DATA

	31/12/2005	31/12/2004	Change
Net interest income	1,697,867	1,755,544	-3.3%
Gross income	1,947,915	1,282,607	51.9%
Operating margin	1,876,946	1,225,364	53.2%
INCOME ON ORDINARY OPERATIONS	**1,862,997**	**1,221,412**	**52.5%**
Net extraordinary items	-9,284	-258	
INCOME BEFORE TAXES	**1,853,714**	**1,221,154**	**51.8%**
Taxes and change in provision for general banking risks	-926,072	-935,613	-1.0%
NET INCOME	**927,642**	**285,541**	**224.9%**

5.1 OPERATING PERFORMANCE AND RESULTS

Financial year 2005 is the first financial year for CDP S.p.A. for which historical comparisons are possible. However, it is important to take into account the fact that the previous financial year was actually 20 days longer than the actual calendar year (running from 12 December 2003 to 31 December 2004). Therefore, income statement differences on the order of 5-6% should be considered normal.

It should also be noted that another allocation, of €550 million, was made to the provision for general banking risks in 2005 in order to safeguard the company's financial soundness. This confirms the company's policy of constant, gradual growth in CDP's equity, which, with the accrual recognised in 2005, now exceeds €4.8 billion (net of income for the year).

5.2 Costs

Operating costs break down as follows:

(thousands of euros) (%)

OPERATING COSTS

	31/12/2005		31/12/2004	
General and administrative expenses:	62,874	87.7%	55,554	96.3%
- staff costs	34,021	47.4%	33,481	58.0%
- other administrative expenses	28,446	39.7%	21,638	37.5%
- indirect taxes and duties:	406	0.6%	435	0.8%
Other operating costs	0	0.0%	9	0.0%
Depreciation and amortisation of tangible and intangible assets	8,844	12.3%	2,119	3.7%
Operating costs	**71,718**	**100.0%**	**57,681**	**100.0%**

The items "Other administrative expenses" and "Indirect taxes and duties" in turn break down as follows:

(thousands of euros) (%)

BREAKDOWN OTHER ADMINISTRATIVE EXPENSES AND DIRECT AND INDIRECT TAXES AND DUTIES

	31/12/2005		31/12/2004	
IT expenses (licences, maintenance and consulting)	7,230	25.1%	7,375	33.4%
Property expenses	5,162	17.9%	4,764	21.6%
- leased land and buildings	-	0.0%	-	0.0%
- owned land and buildings	5,162	17.9%	4,764	21.6%
maintenance of owned land and buildings	*3,629*	*12.6%*	*3,053*	*13.8%*
operating expenses	*1,533*	*5.3%*	*1,711*	*7.8%*
Utilities	1,139	3.9%	891	4.0%
General expenses	4,722	16.4%	3,085	14.0%
- consumables and other expenses	766	2.7%	444	2.0%
- services and insurance	3,956	13.7%	2,641	12.0%
Entertainment and marketing expenses	475	1.6%	300	1.4%
Professional and consulting services	6,364	22.1%	3,111	14.1%
Professional, insurance and service costs for personnel	2,041	7.1%	1,168	5.3%
Corporate bodies	1,314	4.6%	945	4.3%
Indirect taxes and duties:	406	1.4%	435	2.0%
Total	**28,853**	**100.0%**	**22,074**	**100.0%**

Consulting is a significant item here, but is to be viewed as normal in view of the costs of the new financial operations managed by CDP regarding the listing and rating of bond issues and related expenses.

Again this year, the most significant item is IT expenses. CDP owns all of its information systems and, in general, does not resort to outsourcing.

IT EXPENSES

	(thousands of euros)	(%)		
	31/12/2005		**31/12/2004**	
Hardware maintenance	1,282	17.7%	1,375	18.6%
Licensed software maintenance and assistance and annual fees	5,087	70.4%	5,462	74.1%
IT consulting services	860	11.9%	538	7.3%
Total	**7,230**	**100.0%**	**7,375**	**100.0%**

PERFORMANCE INDICATORS

6.1 OPERATING PERFORMANCE

CDP ended 31 December 2005 recorded excellent profitability and operating efficiency, with income on ordinary operations of €1,863 million and net income of €928 million.

(% or euros per share)

PERFORMANCE RATIOS

	2005	2004
Net income / Opening shareholders' equity (ROE)	21.2%	8.1%
Net income / Average shareholders' equity (ROAE)	18.3%	7.2%
Income tax / Income before taxes (tax rate)	20.3%	31.6%
Net income / Total average assets (ROAA)	0.8%	0.3%
EPS (euros per share)	2.65	0.82

Return on equity (ROE) reached 21.2%, a significant increase on 2004 despite having made the same accrual to the provision for general banking risks. As a result, earnings per share came to €2.65.

The favourable average tax rate of 20.3% is influenced by the tax treatment of dividends, which account for a significant portion of CDP revenues.

6.2 NET INTEREST INCOME

Net interest income, in the amount of €1,698 million for 2005, fell slightly from the €1,756 million achieved in 2004.

(%)

NET INTEREST INCOME (RECLASSIFIED DATA)

	2005	2004
Interest income / Average interest-bearing assets (excluding equity	3.8%	4.8%
Interest income and dividends / Average interest-bearing assets	4.1%	4.5%
Interest expense / Average interest-bearing liabilities	2.3%	2.6%
Spread	1.5%	2.2%
Net interest income / Average interest-bearing assets	1.4%	2.0%
Interest on loans to customers as percentage of interest income	67.2%	78.8%

This decline was offset by an increase in dividends as a result both of the decision made by Eni S.p.A. to pay dividends on a semi-annual basis beginning in 2005 and the fact that in 2004 CDP did not receive dividends on its investments in Eni S.p.A. and Enel S.p.A. as a result of the provisions of the MEF Decree of 5 December 2003, pursuant to which the shares were transferred with dividend rights as from 1 January 2004.

The steady decline in market interest rates and, consequently, in the interest paid on postal savings meant that the average cost of funding was 2.3%, a decline of 30 basis points from 2004.

However, the reduction in the average yield on assets was greater than the decrease in the average cost of liabilities, which narrowed the spread between the lending and borrowing rates (obtained by reclassifying the balance sheet items) to 1.5 points.

6.3 TOTAL REVENUES

Total revenues reached €1,948 million for the year. An analysis of the breakdown of total revenues shows the increasing weight of dividends and the decreasing impact of commission expense from 2004.

(%)

COMPOSITION OF REVENUES

	2005	2004
Net interest income / Total revenues	87.2%	136.9%
Dividends / Total revenues	47.5%	16.2%
Commission expense / Postal funding	0.6%	0.8%

Specifically, the percentage of commission expense paid to Poste Italiane S.p.A. for the management of postal savings fell from 0.8% to 0.6%, which is measured based on the average stock of debt.

6.4 OPERATING EFFICIENCY

The cost-to-income ratio shows that 3.6% of total revenues is absorbed by operating costs. This indicator fell further during 2005 due primarily to a greater increase in revenues relative to the increase in costs.

(thousands of euros or %)

OPERATING EFFICIENCY

	2005	2004
Loans to customers / No. of employees	122,021	113,227
Total revenues/No. of employees	4,530	2,895
Income on ordinary operations / No. of employees	4,333	2,757
Operating expenses/No. of employees	146	125
Staff costs / No. of employees	79	76
Cost/income ratio	3.6%	4.5%
Cost / income ratio (including cost of postal funding)	28.4%	37.6%

Even reclassifying commissions on postal savings services among operating costs, the cost-to-income ratio remains well below 30%, underscoring CDP's considerable efficiency with respect to market benchmarks.

Among operating costs, the average cost per employee (close to €80 thousand) reflects the high average age of employees and their relatively senior career placements, as well as the need following the organisation's transformation to establish new business units and recruit the necessary professional staff.

6.5 CAPITAL STRUCTURE

Postal savings funding in 2005 exceeded the disbursements made on the asset side, leading to a further increase in the liquidity held by CDP.

(%)

CAPITAL STRUCTURE

	31/12/2005	31/12/2004
Loans to customers / Total assets	39.2%	46.6%
Loans to customers / Due to customers	43.6%	50.0%
Equity investments/Shareholders' equity	2.4	2.8
Gross bad debts / Gross loans to customers	0.012%	0.009%
Net bad debts / Net loans to customers	nil	nil
Net writedowns/ Net loans to customers	0.004%	0.005%

The plan to strengthen capital through prudent provisions related to the portfolio of investments held continued during the year, resulting in a significant decline in the ratio of equity investments to shareholders' equity.

CDP's loans portfolio continues to be of extremely high quality, with virtually no bad debts or other problem loans.

7. MONITORING RISK

7.1 CDP'S OBJECTIVES AND POLICIES IN MANAGING FINANCIAL RISK AND THE HEDGING POLICY

The Risk Management Department, which has been operational since 1 July 2004, is responsible for measuring and controlling CDP's current and forecast exposure to market risk, credit risk, liquidity risk and operating risk.

The area is also responsible for enforcing the operational limits established by the Board of Directors.

On 9 March 2005, the Board approved the Risk Management Rules, which establish the guidelines for risk management strategy. In conjunction with the preparation of these rules, the Risk Management Department also fully documented the existing system of risk measurement.
More specifically, the rules prepared by CDP's Risk Management Department define:
- evaluation metrics (risk measurement and mapping);
- the system of limits;
- the risk control processes;
- the guidelines for operations;
- reporting;
- management of CDP's proprietary information systems.

Following approval of the Risk Management Rules, the Asset & Liability Management (ALM) Committee envisaged in the company rules was established. The Risk Manager is the committee's secretary and is responsible for its organisation.

7.2 RISK EXPOSURE

The risks faced by CDP can be classified into three traditional categories:

- financial risks (market and liquidity);
- credit risks;
- operating risks.

a) Financial risks (market and liquidity)

The financial risks arising in respect of CDP's core business are, above all, interest rate risk and liquidity risk. This is due to the differences in the volumes by maturity of assets and liabilities.

The equity risks inherent in ownership of major equity investments are linked to the performance of the shares of those companies. In adverse market circumstances, this could lead to a significant decrease in the value of those investments, with a potentially adverse impact on the balance sheet and income statement.

Additional risks are related to the issue of postal savings bonds indexed to the Euro Stoxx 50 (equity risk) and the granting of inflation-indexed loans.

At the very outset of 2005, the risk measurement system made it possible to identify CDP's significant exposure to a fall in interest rates. The strong growth in the issue of ordinary postal savings bonds was the main factor in the exposure to this risk, along with the protracted decline in interest rates. As described in greater detail below, CDP has implemented specific hedging policies to reduce the exposure to interest rate risk.

b) Credit risk

Credit risk is generated primarily by CDP's lending activities – for both the Separate Account and the Ordinary Account – and, secondarily, by its derivatives activities on the capital market (specifically, counterparty risk).

The negative effects associated with lending activities have, to date, been extremely low, given the quality of the loan portfolio.

CDP measures the capital requirement for overall credit risk using the standard methodology set out in the Bank of Italy's supervisory instructions for banks.

c) Operating risks

The development of a system to measure operating risks will follow the design and implementation of a system for calculating credit risk on lending business, based on a structural model and framed within a portfolio approach.

7.3 MEASUREMENT METHODS

Given the need to adopt a treasury and risk management system, CDP has chosen to develop a risk measurement system internally, complete with all the relevant features, and to select, based on the company's needs, the most widely used system among Italian banks for treasury and back office functions. This shortened the time needed to roll out the proprietary risk measurement system and to prepare the Risk Measurement Rules compared with the implementation of the treasury and back office system.

In the first quarter of 2005, the system for measuring market risk became fully operational. Although in constant evolution, the system is able to model the most significant part of CDP's risks and to automatically perform many of the activities throughout the entire measurement process.

At the end of September 2005, CDP completed the installation and configuration of the front office portion of the Murex system for over-the-counter (OTC) derivatives managed by the system without significant amounts of proprietary development. In the fourth quarter of 2005, CDP's proprietary model for evaluating ordinary postal savings bonds was integrated into Murex.

CDP now calculates various types of market risk metrics, which are provided in specific reports:

- 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).

These metrics are calculated for the entire balance sheet (trading and investment portfolios, including items that are highly sensitive to interest rates and other market variables). The scope of the VaR and sensitivity analyses lead to a different order of magnitude from that normally encountered when applying this metric to the trading portfolio alone.
VaR is calculated using a “filtered” historical simulation methodology, which is more effective than a simple historical simulation in that it efficiently uses information on current volatility. The calculation assumes a 10 business day holding period and a 99% confidence level.

For liquidity risk, given the nature of postal funding, it nonetheless remains a priority for CDP to hold sufficient liquidity to cover any temporary peaks in redemptions. To that end, the company has set a specific floor for the stock of liquid assets, which is monitored by the Risk Management Department.

7.4 HEDGING POLICIES

Given the increasing exposure to a decline in interest rates seen throughout the first half of 2005, Cassa Depositi e Prestiti implemented policies for hedging the interest rate risk associated with our funding instruments.

The introduction of 18-month postal savings bonds in September 2005 has also contributed to stabilising exposure to interest rate risk. In addition to diversifying our product range, this instrument absorbs a portion of the short-term investment which previously went to ordinary savings bonds. The replacement of a portion of ordinary savings bonds with a specific short-term product (which is therefore relatively insensitive to interest rates) has reduced exposure to interest rate risk.

The programme for hedging ordinary postal savings bonds was introduced in November 2005 in view of a renegotiation of loans with repayment charged to the state under the Separate Account. This transaction, effective at the start of 2006, led to a significant increase in the residual maturity of the loan portfolio charged to the state.

During 2005, CDP continued to hedge the equity risk in respect of the fixed-term bonds indexed to the Euro Stoxx 50.

8. THE INVESTMENT STRATEGY FOR FINANCIAL RESOURCES

In 2005, the methods for investing the treasury deposits of the Separate Account, the balance of which is generally determined in relation to the need to maintain liquidity to back demand liabilities through the postal savings system, were made more flexible. This process began when the Board of Directors, at its meeting of 25 November 2004, authorised the investment of up to 10% of liquid assets in short-term instruments (less than 18 months) bearing the credit risk rating of the Republic of Italy, and from financial institutions with a rating of at least A+ and with maturities of no greater than 30 days for no more than 50% of the total funds invested. In 2005, in order to diversify financial instruments and achieve higher yields, the process continued when the Board, in its meetings of 25 May and 14 December 2005, authorised the use of the following investment instruments in addition to CCTs and repurchase agreements (repos) backed by Italian government securities:

- securities issued or backed by local authorities and purchased on the secondary market, with a maximum amount per issuer of €100 million, a maturity of no more than 30 years, fixed or variable rate, bullet or amortising;
- asset-backed securities (ABSs) listed on a regulated market, with a rating of no less than that of the Republic of Italy, and for which receivables from government agencies or receipts on the disposal of public assets are used for redemption.

At 30 December 2005, there was a balanced investment in the categories above for a total of just over €4 billion (equal to 7% of the balance of treasury deposits with the Ministry for the Economy and Finance) as follows:

- €3,182 billion in repos with closure of positions of no later than 31 January 2006;
- €799 million in CCTs maturing no later than December 2006;
- €13 million in securities backed by local authorities maturing no later than December 2015;
- €200 million in ABSs maturing in July 2011.

9. RELATIONS WITH POSTE ITALIANE AND FUNDING STRATEGY

9.1 POSTAL SAVINGS

9.1.1 Postal savings and the transformation of CDP

On 12 December 2003, as part of the transformation of CDP into a joint-stock company, the Ministry for the Economy and Finance transferred to CDP the entire stock of postal passbook savings accounts (€52,858 million) and portion of the stock of the most recently issued postal savings bonds (€25,404 million).

CDP was also charged with managing relations connected with the postal savings bonds transferred under the ownership of the Ministry for the Economy and Finance in conjunction with the transformation.

Management procedures are governed by a specific agreement approved by MEF decree.

Postal savings continue to be the traditional means of raising funds to finance government investment, and is a service of general economic interest.

The funding is conducted by CDP through Poste Italiane S.p.A., which has Italy's most extensive branch network with some 14,000 post offices.

In 2004, postal savings once again posted significant growth, bringing CDP's liability to savers to more than €123 billion, an increase of 24%.

9.1.2 The agreement with Poste Italiane S.p.A.

The agreement with Poste Italiane S.p.A. signed on 27 October 2003 expired on 31 December 2005.

The agreement specifies the criteria for remunerating the placement and handling of administrative and accounting tasks associated with postal savings products, for which Poste Italiane S.p.A. is the sole placement agent.

As regards placement activity, remuneration is linked to the funding carried out by Poste Italiane S.p.A. within a framework of objectives specified within the agreement itself.

As for the administrative and accounting costs, remuneration is based on average outstanding principal for postal savings bonds and average daily stock for passbook savings accounts.

In 2005, CDP and Poste Italiane S.p.A. agreed to modify certain aspects of the agreement with the signing of a supplementary agreement in order to reorganise the mix of funding by product and to establish the placement commission for the new 18-month savings bond available from 5 September 2005.

9.1.3 Postal savings in figures

CDP S.p.A. continues to carry out its funding activity essentially through passbook savings accounts and postal savings bonds.

At 31 December 2004, CDP S.p.A.'s postal funding totalled €99,797 million, which increased by 24% to €123,422 million by the end of 2005.

(millions of euros)

POSTAL SAVINGS

	31/12/2005	31/12/2004	Change
Postal passbook savings accounts	65,403	60,134	9%
Postal savings bonds	58,019	39,664	46%
Total	**123,422**	**99,798**	**24%**

During the year, passbook savings accounts increased by €5,474 million, largely due to the positive trend in net funding (€4,719 million) and, to a lesser extent, to capitalised interest at year-end, which contributed €755 million.

Registered passbook savings accounts remain the predominant type of account, representing 99% of the total (up 8.8% in 2005), while bearer passbooks are still only a marginal component, with a year-end balance, including capitalised interest, of €567 million.

(millions of euros)

PASSBOOK SAVINGS ACCOUNTS

	31/12/2004	Net funding	Interest 01/01/2005-31/12/2005	Withholdings	31/12/2005
Registered passbooks	59,568	4,723	748	202	64,837
Bearer passbooks	566	-4	7	2	567
Total	**60,134**	**4,719**	**755**	**204**	**65,403**

The table below summarises the components of the closing balance in registered passbooks as of 31 December 2005 and highlights the amounts of net funding and interest accrued during the year.

Of particular significance is the more than 48% increase in the stock of passbooks for minors, which confirms the validity of a product that specifically targets this particular savings segment.

(millions of euros)

REGISTERED PASSBOOK ACCOUNTS - STOCK

	31/12/2004	Net funding	Interest 01/01/2005-31/12/2005	Withholdings	31/12/2005
Ordinary	57,292	4,409	717	194	62,224
Time deposits	18	-4	0	0	14
Young people	591	277	10	3	876
Judicial	1,667	41	20	5	1,723
Total	**59,568**	**4,723**	**748**	**202**	**64,837**

The table below shows that ordinary bearer passbooks have posted negative net funding, with the ending balance being slightly higher solely as a result of capitalised interest at year end.

Time-deposits on bearer passbooks remain insignificant, and their balance is unchanged for the year.

(millions of euros)

BEARER PASSBOOK ACCOUNTS - STOCK

	31/12/2004	Net funding	Interest 01/01/2005-31/12/2005	Withholdings	31/12/2005
Ordinary	564	-4	7	2	565
Time deposits	2	0	0	0	2
Total	**566**	**-4**	**7**	**2**	**567**

The volume of deposits and withdrawals were also especially large, particularly those for ordinary registered passbook accounts, which account for more than 93% of transactions and related funding.

(millions of euros)

REGISTERED PASSBOOK ACCOUNTS - NET FUNDING

	Deposits	Withdrawals	Net funding
Ordinary	39,629	35,220	4,409
Time deposits	0	4	-4
Young people	396	119	277
Judicial	871	830	41
Total	**40,896**	**36,173**	**4,723**

Flows into and out of bearer passbooks were much smaller.

(millions of euros)

BEARER PASSBOOK ACCOUNTS - NET FUNDING

	Deposits	Withdrawals	Net funding
Ordinary	216	220	-4
Time deposits	0	0	0
Total	**216**	**220**	**-4**

Postal savings bonds increased by about €18,355 million overall. This growth was mainly attributable to the large volume of new subscriptions, fostered by the substantial redemption of maturing fixed-term bonds belonging to the MEF. To a lesser extent, the growth was also a result of the capitalisation of interest for the year.

(millions of euros)

POSTAL SAVINGS BONDS - CDP STOCK

	31/12/2004	Net funding	Interest	31/12/2005
20-year bonds	35,016	13,713	1,702	50,431
Fixed-term bonds	4,110	-155	180	4,135
Indexed bonds	539	1,008	19	1,565
18-month bonds	0	1,881	7	1,888
Total	**39,664**	**16,447**	**1,908**	**58,019**

The performance of postal savings bonds confirms the preference of investors for the traditional 20-year savings bonds (with subscriptions of €17,512 million).

Nonetheless, the increase in seven-year indexed bonds, following the financial restructuring which took place in May, making this product more attractive, was also particularly significant, reaching subscriptions of €1,104 million (compared with the €341 million of 2004).

Finally, in September, the 18-month savings bond was introduced, filling the gap at this particular maturity, and was very well received by investors, posting subscriptions of €1,943 million.
Savings bond redemptions came to €3,799 million for 20-year instruments, €155 million for fixed-term bonds (issues of which ceased in 2003), €97 million for indexed bonds, and €62 million for the 18-month bonds.

Overall net funding with CDP postal savings bonds amounted to €16,447 million.

(millions of euros)

POSTAL SAVINGS BONDS - CDP NET FUNDING

	Subscriptions	Redemptions	Net funding
20-year bonds	17,512	3,799	13,713
Fixed-term bonds	0	155	-155
Indexed bonds	1,104	97	1,008
18-month bonds	1,943	62	1,881
Total	**20,560**	**4,113**	**16,447**

MEF postal savings bonds posted redemptions of €19,783 million.

(millions of euros)

POSTAL SAVINGS BONDS

	CDP subscriptions	CDP redemptions	MEF redemptions
20-year bonds	17,512	3,799	3,799
Fixed-term bonds	0	155	15,984
Indexed bonds	1,104	97	0
18-month bonds	1,943	62	0
Total	**20,560**	**4,113**	**19,783**

9.2 OTHER FUNDING INSTRUMENTS

9.2.1 Covered bonds

In 2005, CDP S.p.A. carried out two issues within the scope of the covered bond programme with maturities of 31 July 2010 and 31 January 2013 and total amounts of €1 billion and €3 billion, respectively. Both issues have an annual fixed-rate coupon and principal repayment at maturity. The issues also represent the company's debut as a leading issuer on the international capital markets.

The assets used to back the issues, established pursuant to Article 5.18 of Decree Law 269/2003, and the debt covered by these assets are shown separately in the CDP financial statements.

9.2.2 E.M.T.N. Programme

During the last four months of 2005, CDP issued medium-term structured securities for a total of €400 million for lending within the Ordinary Account. Specifically, three series of securities were issued at par and with repayment at maturity. The first two issues amounted €100 million each, with the third amounting to €200 million.

9.2.3 EIB credit line

In December 2005, CDP S.p.A. obtained €100 million in financing from the European Investment Bank (EIB) out of the €430 million credit line granted to the company in July 2005 in order to finance infrastructure projects as part of the Ordinary Account.

10. RELATIONS WITH THE MEF

10.1 RELATIONS WITH THE CENTRAL STATE TREASURY

CDP S.p.A. has an interest-bearing current account, no. 29814 denominated *"Cassa DP SPA – Gestione Separata"*, with the Central State Treasury on which it deposits its liquidity.

Pursuant to Article 6.2 of the decree of the Minister for the Economy and Finance of 5 December 2003, interest on the funds is paid half-yearly at a floating six-month rate equal to the simple arithmetic average of the gross yield on six-month treasury bills and the monthly Rendistato index.

The same rate was also paid until 31 December 2005 on balances on current account no. 29813, denominated *"CDP S.P.A. – Gestione Separata – aumento capitale ISPA"*, also opened with the Central State Treasury in order to fund future capital increases by the subsidiary Infrastrutture S.p.A. (ISPA). As of 1 January 2006, following the merger of ISPA into Cassa Depositi e Prestiti S.p.A. (pursuant to Article 1.79 et seq. of Law 266 of 23 December 2005), this account was closed and the balance was transferred to account no. 29814.

In order to use the treasury and disbursement services performed by the Bank of Italy, thereby ensuring prompt payments, CDP S.p.A. continues to use the non-interest-bearing current account no. 29815 denominated *"CDP S.p.A. – pagamenti"*.

10.2 AGREEMENTS WITH THE MEF

The agreement regarding the transfer to the MEF of the deposit services provided by CDP prior to its transformation was defined and fully carried out in 2004. Nonetheless, CDP S.p.A. continues to perform residual transmissions of requests to return deposits that continue to arrive, as well as to provide consulting services to assist the MEF offices involved.

Last year also saw the signing of the agreement called for by MEF decree of 5 December 2003 that defines the manner in which postal savings bonds in the series transferred to the MEF pursuant to Article 3.4(c) of this decree are to be managed. More specifically, the agreement establishes:

- that postal savings relationships shall be managed under the current rules, without excluding the possibility that CDP S.p.A., acting in agreement with the MEF, could adopt new operational procedures;
- procedures for registering accounting items and providing the MEF with forecasting data;
- the timetable and procedures for handling the financial flows associated with the redemption of postal savings bonds.

This agreement was finalised by ministerial decree on 20 September 2005.

The agreement regarding the management of loans and other relationships transferred pursuant to Article 3.4, letters a), b), e), g), h) and i), of the aforementioned MEF decree is still to be finalised. The main points concern:

- operational guidelines allowing CDP to adopt, under certain conditions, innovative procedures for managing loans and other relationships, as well as to renegotiate terms and conditions;
- a survey of administrative activities and the definition of the main operational procedures;
- the setting of a commission, calculated on the basis of the operating costs incurred by CDP for managing these activities.

10.3 ADMINISTRATIVE SERVICES PROVIDED TO THE MEF

During the year, CDP S.p.A. continued to conduct the activities of disbursing, collecting, and recording the assets and liabilities transferred to the MEF pursuant to the MEF decree of 5 December 2003.

On the asset side, one of the most important activities is managing the loans and other financing granted by Cassa Depositi e Prestiti and transferred to the MEF, the residual debt of which came to €32,955 million as at 31 December 2005.

The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €109,962 million.

Pursuant to the decree, CDP continues to handle a number of activities related to specific legislative provisions, most of which are financed with state funds.

The funds appropriated for these activities are deposited in non-interest-bearing treasury accounts held in the name of the MEF, although CDP S.p.A. is authorised to use them for the purposes envisaged in the laws establishing the programmes.

Major programmes include the following: residential building, which had funds amounting to €4,377 million at 31 December 2005; the natural gas infrastructure programme for the South, which had resources totalling €416 million; and resources for territorial agreements and area contracts, which came to €521 million.

11. SIGNIFICANT POST-PERIOD EVENTS

As regards significant events occurring after the end of the year that need to be reflected in the financial statements, there are no situations that were already in existence at 31 December 2005, but which emerged only following the close of the period, that would require a restatement of the values reported for assets and liabilities in the balance sheet.

However, the following developments, while not reflected in changes in the financial statements, should nonetheless be adequately reported, in that they could modify the conditions prevailing at 31 December 2005 and are of sufficient importance that supplementary information is required in order to properly analyse the information presented in this report.

11.1 MERGER OF INFRASTRUTTURE S.P.A.

Effective as of 1 January 2006, based on Article 1.79 of Law 266 of 23 December 2005, Infrastrutture S.p.A. was merged into CDP, which then assumed control of all property, rights, and legal relations of Infrastrutture S.p.A., including litigation.

All obligations associated with the merger were fulfilled, as expressly required by Article 1.83 of Law 266 of 23 December 2005, with the publication of this law in the *Gazzetta Ufficiale*. The law also establishes that CDP's articles of incorporation are to remain unchanged.

CDP is to now continue only those Infrastrutture S.p.A. activities related to the financing of the high-speed / high-capacity system through the segregated assets in accordance with the procedures defined by Article 78 of Law 289/2002. In line with the presentation of past financial statements for Infrastrutture S.p.A., CDP shall continue to keep separate accounting records for these segregated assets.

The year-end financial statements for Infrastrutture S.p.A. and the segregated assets were approved on their own by the company's Board of Directors on 23 December 2005. Accordingly, the subsidiary is shown in the CDP financial statements solely under equity investments in group companies.

11.2 NEW EMPLOYMENT CONTRACT FOR SENIOR MANAGEMENT

On 11 January 2006, CDP signed an agreement with the trade unions for the transition of CDP executives to the Italian national collective bargaining agreement (CCNL) for senior management of banking, financial and related organisations.

This agreement made it possible to align the contractual position of the executives hired after the transformation, and therefore already covered by the CCNL, with those of the senior management working for the organisation prior to its transformation.

11.3 APPEAL RELATED TO THE ACQUISITION OF AN EQUITY INVESTMENT IN TERNA S.P.A.

On 8 February 2006, the Lazio Regional Administrative Court denied CDP's appeal of the measure passed by the Italian Competition Authority for the conditional authorisation to purchase a 29.99% stake in Terna S.p.A.

The Competition Authority authorised this transaction on 4 August 2005, subject to the following conditions:

- the sale by CDP, beginning on 1 July 2007 and over the subsequent 24 months, of its equity investment in Enel S.p.A.;
- CDP's adoption, for the transition period and until the above condition is met, of the following undertakings: (i) approval by the Terna board of directors, within six months of the unification of ownership and management of the Italian national transmission network, of a resolution defining the procedures for defining the role of the so-called "Advisory Committee" ("*Comitato di Consultazione*") pursuant to Article 1 of the Prime Minister's Decree of 11 May 2004; (ii) appointment, assuming a board of directors comprised of 10 members, of at least 6 independent members of the 7 allowed CDP on the Terna board of directors, in order to ensure neutral and unbiased management without discriminating against users or categories of users (with such proportion to be maintained regardless of the number of members on the Terna board).

CDP will await the publication of the full ruling before deciding how to proceed.

11.4 COVERED-BOND ISSUE

On 15 February 2006, CDP completed a third issue within the covered-bond programme. The series issued, with a total face value of €2 billion, matures in July 2009, with an annual fixed coupon of 3% and redemption of principal at maturity.

11.5 NEW SAVINGS BOND INDEXED TO ITALIAN INFLATION

In February 2006, CDP launched the issue of a new 10-year savings bond, the yield on which is tied to the inflation index for households of workers and office employees, as published by ISTAT.

This new product is part of the gradual expansion of the range of postal savings products and is in line with CDP's mission to be the leading organisation to provide savings products with moderate risk profiles.

12. OUTLOOK FOR 2006

For CDP, 2006 is expected to be a year of consolidation both internally and in the marketplace, following a 2005 which saw the completion of fundamental changes in terms of the products offered, of customer relations and the organisational structure, and in human resources, which will lead to further development in 2006.

As such, we expect to see an acceleration in the growth of the main balance sheet aggregates, particularly in loans to customers and in funding. The areas with the highest rates of growth will be the financing activities of the Infrastructure & Strategic Projects and Development Policies Management & Support Divisions, as well as funding from postal savings.

As for the profit outlook, in 2006, of particular significance will be the effects of the renegotiation of loans to the state and local and regional authorities which took place in 2005 and will have an overall positive effect on profitability over the medium to long term, but will also result in a contraction in net interest income over the short term. The results for 2006 may also be influenced by the transition to the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), the effects of which will be assessed with the restatement of the financial statements as of 1 January 2005 as part of first-time adoption.

TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS (IFRS/IAS)

On 26 November 2004, in implementation of the authority granted by Law 306 of 31 October 2003, the Council of Ministers approved a legislative decree containing the options envisaged by Article 5 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding the application of international accounting standards by companies whose securities are traded on a regulated market of any Member State of the European Union, as well as by companies whose securities are widely held by they public, by banks and other supervised financial institutions, and by insurance companies. Based on this decree, CDP is required to prepare financial statements in accordance with the IFRSs beginning the financial year beginning in calendar year 2006, with the option of also applying such standards for the financial year beginning in 2005.

CDP elected not to adopt IFRSs for financial year 2005, but, at the end of March 2005, began a project for the transition to IFRSs with a gap analysis, which led to the identification and assessment of the significant effects for CDP of the application of these standards, not just from an accounting point of view, but also as regards operational and managerial issues. As the same time, IAS/IFRS training programmes began throughout the company.

In the autumn of 2005, the second stage of the project began, which included:

- resolution of the issues encountered during the gap analysis;
- identification and mapping of the significant accounting and operational events for the purposes of IFRS application;
- evaluation of information system needs;
- initiatives regarding administrative and accounting processes.

At the end of 2005, work began on updating systems in order to meet the needs of these standards, as part of a broader, more ambitious plan to allow for the production and management of information in a more unified, complete manner in accordance with the needs not only of the accounting area, but the other areas that need to use such information, as well. At the same time, we are taking steps both to revise and adapt existing operating processes and to implement new ones.

Sometime following June 2006, we expect to have an initial assessment of the impact that the IFRSs will have on the CDP balance sheet and income statement, which will be followed by the preparation of the transition statements as at 1 January 2005 and the comparative statements as at 31 December 2005.

13. PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

In submitting the financial statements for 2005, consisting of the balance sheet, the income statement, and the notes to the financial statements, as well as the annexed schedules and the report on operations, for examination and approval by the shareholders, the Board of Directors also proposes the following allocation of net income for the period, which totals €927,642,024.07.

In conformity with the provisions of Article 30 of the Bylaws, we first deduct the amount to be allocated to the legal reserve and quantify the amount due as a preferential dividend on the preference shares.

This amount has been calculated by applying a rate of 3%, increased by the annual change in the consumer price index, which was 2.0% (for an overall rate of 5.0%), to the par value of the preference shares; therefore, the preferential dividend totals €52,500,000,00. After the distribution of these preferential dividends, we recommend that €81 million be allocated to retained earnings, with the remainder being distributed as preferential and ordinary dividends, as shown below.

ALLOCATION OF NET INCOME FOR THE YEAR	*(euros)*	*(%)*
Net income	927,642,024	100.0%
Legal reserve	46,542,024	5.0%
Income available for distribution	881,100,000	95.0%
Income attributable to preference shares	52,500,000	30.0%
Income attributable to ordinary shares (*)	122,500,000	70.0%
Residual income available for distribution	**706,100,000**	**100.0%**
Net income for the year allocated to reserves	81,000,000	
Additional allocation to preference shares	187,530,000	30.0%
Additional allocation to ordinary shares	437,570,000	70.0%

(*) up to preference yield (5.0%) attributed to preference shares (Art. 30 Bylaws)

For greater clarity, the following table summarises the proposed distribution of dividends:

Summary of distribution of dividends

	(euros)	(%)
Preference shares	240,030,000	30.0%
Ordinary shares	560,070,000	70.0%
Total dividends	**800,100,000**	**100.0%**
DIVIDEND PER SHARE	**2.286**	
DIVIDEND YIELD ON PAR VALUE		**22.86%**
EARNINGS YIELD ON PAR VALUE		**26.50%**

Should the financial statements and the proposed dividends be approved by the shareholders, shareholders' equity of CDP S.p.A. as at the approval date will be as follows:

SHAREHOLDERS' EQUITY

	(thousands of euros)
Share capital	3,500,000
Legal reserve	60,833
Revaluation reserve	167,572
Net income for the year allocated to reserves	81,000
Provision for general banking risks	1,145,596
Total	**4,955,001**

Rome, 26 April 2006

The Chairman

Salvatore Rebecchini

REPORT OF THE

BOARD OF AUDITORS

Shareholders,

In the course of the financial year ending 31 December 2005 we carried out our statutory supervisory activity in accordance with the standards recommended by the National Councils of the Italian accounting profession, taking account of the recommendations of the CONSOB in its communications, to the extent compatible with the status of CDP S.p.A., and in particular Communication no. 1025564 of 6 April 2001 and subsequent updates.

We preface our remarks as follows:

A) the financial statements regard the second financial year following the transformation of CDP into a joint-stock company, which, compared with the first year, which ran from 12 December 2003 to 31 December 2004, corresponds to the 2005 calendar year. The comparison of the figures for 2004 and 2005 does not take account of this difference, which could give rise to disparities;

B) the balancing off of the existing accounts, the determination of the exact balances and the related accuracy of the imputation of the accounts was performed by KPMG in the performance of its monitoring of the accounts pursuant to Article 2409 *ter* of the Italian Civil Code;

C) for the year in question, CDP did not elect the option envisaged by the Legislative Decree 38 of 28 February 2005 concerning the preparation of the financial statements in accordance with international accounting standards. It did begin the transition to IASs/IFRSs, performing the gap analysis that in 2006 will lead to the preparation of the financial statements in accordance with those standards;

D) in the course of its examination, the Board of Auditors also took account of the Business Plan for 2005-2009 approved by the Board of Directors on 22 June 2005;

E) for the first time, the financial statements include the activity of the Ordinary Account, which although its cash flows are segregated from those of the Separate Account, as borne out by the absence of internal transactions, contributes to the formation of a single set of accounts.

The separation of these two accounts pursuant to Article 16, paragraphs 5 and 6, of the MEF Decree of 6 October 2004, involves the preparation of separate accounting statements for the sole use of the MEF and the Bank of Italy. At the end of the year, shared costs incurred by the Separate Account are computed and reimbursed on a pro-rate basis by the Ordinary Account.

Following these preparatory remarks, we report that the Board of Auditors:

- participated in the Shareholders' Meetings, as well as all meetings of the Board of Directors held during the year, and received periodic information from the Directors on the activities carried out and the most significant operations conducted by the company and its subsidiary;
- continued our monitoring of the activities undertaken by CDP S.p.A. to achieve the objectives of the Business Plan, which were directed at attaining adequate profitability and capital strength through the organizational changes described by the Board of Directors in the report on operations. In addition to attending the meetings of the Board of Directors, our monitoring activity also included specific examinations, periodic meetings with the Chairman and the General Manager, information gathering with the heads of the main company departments, as well as the exchange of data and information with the independent auditors, KPMG, whose audit records we examined;
- monitored the operation of the internal control and administrative/accounting systems with a view to assessing their appropriateness to company needs, as well as their reliability in representing operational facts and events;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining specific

information from the independent auditors for this purpose.

In addition, with reference to the CONSOB communication and subsequent updates cited earlier, we report the following information:

1. The most significant economic, financial and capital operations undertaken by the company were conducted in conformity with applicable law and the company Bylaws. In particular:

a) for the Separate Account, the issue of covered bonds amounting to €4 billion;

b) for the Ordinary Account, the issue of bonds on the international market under the EMTN programme amounting to €400 million and the EIB loan of €100 million. The operations under the Ordinary Account regard the sectors of road infrastructure, local public transport (rail and road), electricity generation from waste, electricity distribution and specialised hospital construction. Applications regarding projects for district heating and integrated water services are being processed;

c) for the acquisition of the investment in TERNA S.p.A., the Competition Authority authorised the transaction subject to compliance with a number of conditions, the most important of which is the requirement for CDP S.p.A. to dispose of its 10.2% holding in ENEL S.p.A. within 24 months as from 1 July 2007.

   CDP S.p.A. filed an appeal of the ruling to the Regional Administrative Court of Lazio, which rejected the petition on 8 February 2006.

   CDP S.p.A. will therefore be required to comply with the ruling by the specified deadline.

   In any event, we found that none of the operations indicated above were manifestly imprudent, risky or otherwise prejudicial to the integrity of the company's capital.

2. No atypical or unusual transactions were conducted with third parties, related parties or group companies.

   The report on operations and the notes to the financial statements, which accompany the financial statements themselves, describe the main transactions conducted with third parties, outlining their characteristics and their economic impact. We also noted the existence of appropriate operating procedures for ensuring that commercial transactions are conducted on market terms and conditions and that they are reported in full to the Board of Directors.

3. The information provided by the Directors in their report on operations is felt to be adequate.
4. The report of the independent auditors, KPMG, who were also engaged to certify the financial statements (certification was issued on 10 April 2006) pursuant to Article 2409 *ter* of the Civil Code, which the Board of Auditors examined, did not contain any qualifications or exceptions, although it did report the revaluation of assets carried out pursuant to Law 266/2005.
5. The Board of Auditors received no complaints pursuant to Article 2408 of the Civil Code.
6. The Board of Auditors received no reports or complaints of alleged irregularities.
7. No other engagements were awarded to KPMG in 2005 other than those reported in points B) and 4 above.
8. During the period, no engagements were awarded to persons with ongoing relationships with KPMG.
9. During 2005 the Board of Auditors was not asked to give its consent pursuant to Article 136 of Legislative Decree 385/1993 (the 1993 Banking Law).
10. In 2005 there were a total of 14 meetings of Board of Directors, all of which were attended by the Board of Auditors, and 1 Shareholders' Meeting, at which the Board of Auditors was also present. The Board of Auditors held 22 meetings. All the meetings were attended by the judge assigned by the State Audit Court, who participated actively with comments that were always much appreciated by the Board.
11. We have no comments on compliance with the principles of good administration, which appear to have been respected at all times.
12. In 2005, in line with the 2005-2009 Business Plan approved on 22 June of that year, the organizational structure of the CDP S.p.A. was expanded with the creation of the Development Policies Management and Support Division and the Infrastructure and Strategic Projects Division and the restructuring of the organization chart, which is now composed of 4 divisions, 10 areas reporting directly to top management and 3 areas reporting directly to the Chairman and

the Board of Directors. The creation of the new structure also involved the designation of new corporate functions, which were filled with sector professionals recruited externally.

Specifically, in 2005 63 persons left the company and 50 were hired, reducing the work force to 426 people, of which 32 executives, 126 middle managers and 268 office staff. More than 50% of staff attended company training courses.

13. A number of changes were made to the agreement with Poste Italiane S.p.A during the year, with the signing of a new supplementary agreement that in addition to changes in fees also provides for the restructuring of funding instruments and a review of placement fees for the 18-month bond.

An agreement was also reached with the MEF to define the procedures for managing the series of postal savings bonds transferred to the ministry. This produced an increase in net postal funding, which led to an expansion of more than 28% in the liquidity recognised in the balance sheet.

14. In line with the supervisory instructions issued by the Bank of Italy, the internal control system is organized into three main structures:

- line controls, which are entrusted to operational management;
- risk management, which are assigned to the Risk Management Department and Credit Department;
- controls on the proper operation of procedures. These are entrusted to Internal Auditing, which also provides support to the Supervisory Body envisaged by Legislative Decree 231/01, with which the Board of Auditors had specific meetings to examine the organizational compliance safeguards provided for by the decree and subsequently approved by the Board of Directors of Cassa Depositi e Prestiti S.p.A..

15. Although the administrative and accounting system could be enhanced - and improvements and additions are already being assessed by the competent CDP units, especially as regards IT systems, all of which are owned by CDP S.p.A., with no recourse to outsourcing- in the light of the statements made by KPMG in this regard the system appears sufficiently reliable in representing company operations.

16. We have no comments to make on the appropriateness of reporting flows made by the ISPA subsidiary to CDP to ensure prompt performance of statutory reporting requirements. As reported, as from 1 January 2006, pursuant to the 2006 Finance Act, ISPA was merged with CDP S.p.A., which assumed all of its property, rights and legal relationships.
17. No significant matters emerged during the course of the periodic exchanges of information between the Board of Auditors and the independent auditing firm that would require comment here.
18. As it is not listed on an exchange, the company has not applied the Corporate Governance Code for listed companies.
19. The excellent results achieved in 2005, culminating in an increase of 224.9% in net income with respect to the already good performance posted in 2004, were significantly influenced by the extraordinary inflow of dividends from associated companies, which boosted total revenues substantially and is unlikely to be repeated in the future.
20. We also note that the considerable liquidity reported at year-end is in line with the role played by CDP S.p.A., as indicated in Article 5.7 of Decree Law 269 of 30 September 2003, which in any case guarantees that CDP earns a positive spread on the available funds.
21. The accrual to the provision for general banking risks was analogous to that posted in 2004, with a consequent strengthening of the company’s capital position.
22. The company also carried out a revaluation of its property holdings, following an appraisal conducted by an external company, in the amount of about €190.4 million before tax, pursuant to Article 1. 469 et seq. and in compliance with Article 11 of Law 342/2000, Article 6 of Ministerial Decree 162/01 and Article 1 of Ministerial Decree 86/02.
23. Shareholders’ equity was further increased by the revaluation reserve of €167.6 million, as well as allocations to other reserves totalling €81.0 million.

We affirm that, within the scope of our functions, our supervisory activities did not reveal any omissions, censurable facts or irregularities that would need to be reported to the shareholders and, therefore, there are no impediments to approving the financial statements for the 2004 financial year together with the report on operations submitted by the Board of Directors.

Rome, 10 April 2006

THE BOARD OF AUDITORS

REPORT OF THE
INDEPENDENT AUDITORS

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

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

Report of the auditors in accordance with article 2409-ter of the Italian Civil Code

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

1 We have audited the financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2005. These financial statements are the responsibility of the company's management. 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 generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of a subsidiary and an associated company, representing 39% and 4% of the captions "investments" and "total assets", respectively, rests with other auditors.

3 Reference should be made to the report dated 10 May 2005 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

4 In our opinion, the financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2005 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the company.

Cassa Depositi e Prestiti S.p.A.
Report of the auditors
31 December 2005

5 In the financial statements at 31 December 2005, the company has revaluated its assets pursuant to Law no. 266/2005. The effects of the revaluation on the carrying amount of tangible fixed assets, the provision for taxation and shareholders' equity at 31 December 2005 are disclosed in the notes the to the financial statements.

Rome, 10 April 2006

KPMG S.p.A.

(Signed on the original)

Giuseppe Scimone
Director of Audit

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FINANCIAL STATEMENTS

AT 31 DECEMBER 2005

FINANCIAL STATEMENTS

BALANCE SHEET

GUARANTEES AND COMMITMENTS

INCOME STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2005

The financial statements at 31 December 2005 have been prepared in conformity with the applicable regulations and are composed of:

- **BALANCE SHEET;**
- **INCOME STATEMENT;**
- **NOTES TO THE FINANCIAL STATEMENTS.**

Schedules presenting a comparison with the balance sheet, guarantees and commitments and the income statement at 31 December 2004 have also been prepared.
Last year was the first year for which it is possible to effect a comparison of historic data, especially as regards the income statement. Nevertheless, it is necessary to bear in mind that the previous financial year was 20 days longer than the calendar year (running from 12 December 2003 to 31 December 2004), meaning that differences on the order of 5-6% should be considered normal.

The notes to the financial statements are composed of:

INTRODUCTION	- General information
PART A	- Significant accounting policies
PART B	- Information on the balance sheet
PART C	- Information on the income statement
PART D	- Other information

The following documents, which are an integral part of the notes to the financial statements, are contained in the annexes:

- **CASH FLOW STATEMENT;**
- **CHANGES IN SHAREHOLDERS' EQUITY;**
- **LIST OF EQUITY INVESTMENTS.**

FINANCIAL STATEMENTS

AT 31 DECEMBER 2005

Balance sheet, guarantees and commitments, income statement

(euros)

BALANCE SHEET

ASSETS	31/12/2005	31/12/2004
10 Cash and balances with central banks and post offices	**62,466,564,146**	**39,362,804,367**
30 Loans to banks:	**3,627,834,855**	**1,964,711,246**
a) repayable on demand	979,560	244,633
b) other	3,626,855,295	1,964,466,613
40 Loans to customers	**54,055,242,274**	**50,159,463,097**
of which securing covered bonds	*15,466,462,238*	-
of which:		
- loans financed with third-party funds under administration	4,669,649	15,915,408
50 Bonds and other debt securities:	**1,371,747,750**	**2,028,296,840**
a) public issuers	1,171,747,750	2,028,296,840
c) financial institutions	200,000,000	-
70 Equity investments	**13,740,986,487**	**12,447,795,061**
80 Equity investments in Group companies	**5,879,796**	**10,000,000**
90 Intangible assets	**4,215,301**	**807,681**
100 Tangible assets	**200,773,131**	**11,818,489**
130 Other assets	**1,429,742,844**	**1,188,535,543**
140 Accrued income and prepaid expenses:	**1,097,287,264**	**378,587,654**
a) accrued income	85,258,382	15,515,935
b) prepaid expenses	1,012,028,882	363,071,719
Total assets	**138,000,273,848**	**107,552,819,978**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(euros)

BALANCE SHEET

LIABILITIES	31/12/2005	31/12/2004
10 Due to banks:	**857,704,794**	**309,411,458**
a) repayable on demand	49,830,666	22
b) term or notice	807,874,127	309,411,436
20 Due to customers:	**124,027,006,778**	**100,307,461,646**
a) repayable on demand	123,422,179,639	99,797,575,577
b) term or notice	604,827,139	509,886,069
30 Debt securities in issue	**4,400,000,000**	**-**
of which covered bonds	*4,000,000,000*	-
40 Third-party funds under administration	**55,197,058**	**-**
50 Other liabilities	**2,320,018,965**	**2,159,011,182**
60 Accrued expenses and deferred income:	**72,742,551**	**1,969,572**
a) accrued expenses	37,365,055	1,968,649
b) deferred income	35,377,496	923
70 Staff severance pay provision	**396,468**	**59,377**
80 Provisions for liabilities and contingencies:	**512,106,434**	**393,769,970**
b) provision for taxes and duties	498,837,171	386,136,948
c) other	13,269,264	7,633,022
100 Provision for general banking risks	**1,145,595,589**	**595,595,589**
120 Share capital	**3,500,000,000**	**3,500,000,000**
140 Reserves	**14,291,184**	**-**
150 Revaluation reserve	**167,572,002**	**-**
170 Income (loss) for the period	**927,642,024**	**285,541,184**
Total liabilities	**138,000,273,848**	**107,552,819,978**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(euros)

GUARANTEES AND COMMITMENTS

	31/12/2005	31/12/2004
20 Commitments	**17,379,480,077**	**11,388,204,294**
Total guarantees and commitments	**17,379,480,077**	**11,388,204,294**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(euros)

INCOME STATEMENT

		31/12/2005	31/12/2004
10	**Interest income and similar revenues**	**5,114,962,381**	**4,496,812,841**
	of which:		
	- on loans to customers	3,435,361,111	3,544,346,354
	- on debt securities	48,888,094	2,366,078
20	**Interest expense and similar charges**	**-3,417,095,449**	**-2,741,269,085**
	of which:		
	- on amounts due to customers	-2,950,519,263	-2,580,702,743
30	**Dividends and other income:**	**925,557,777**	**207,372,458**
	b) equity investments	925,557,777	207,372,458
40	**Commission income**	**1,930,851**	**-**
50	**Commission expense**	**-672,095,545**	**-680,215,694**
60	**Income (loss) on financial transactions**	**-5,345,246**	**-93,750**
70	**Other operating income**	**748,431**	**438,383**
80	**General and administrative expenses:**	**-62,873,526**	**-55,553,225**
	a) staff costs	-34,020,834	-33,480,714
	of which:		
	- wages and salaries	-24,990,142	-24,736,899
	- social security contributions	-8,543,015	-8,522,107
	- staff severance pay	-319,909	-59,377
	b) other administrative expenses	-28,852,691	-22,072,511
90	**Amortisation and depreciation of intangible and tangible assets**	**-8,843,972**	**-2,118,672**
100	**Provisions for liabilities and contingencies**	**-6,806,655**	**-1,300,000**
110	**Other operating expenses**	**-98**	**-8,932**
120	**Writedowns of loans and provisions for guarantees and commitments**	**-2,026,243**	**-2,651,925**
150	**Value adjustments of financial assets**	**-5,115,345**	**-**
170	**Income (loss) on ordinary operations**	**1,862,997,362**	**1,221,412,399**
180	**Extraordinary income**	**1,693,126**	**7,420,120**
190	**Extraordinary expense**	**-10,976,721**	**-7,678,505**
200	**Income (loss) on extraordinary items**	**-9,283,595**	**-258,385**
210	**Change in provision for general banking risks**	**-550,000,000**	**-550,000,000**
220	**Income taxes for the period**	**-376,071,743**	**-385,612,830**
	of which:		
	a) current taxes	-309,259,880	-290,426,000
	b) deferred tax assets	4,203,752	524,118
	c) deferred tax liabilities	-71,015,615	-95,710,948
230	**Income (loss) for the period**	**927,642,024**	**285,541,184**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

COMPARATIVE SCHEDULES

(thousands of euros)

BALANCE SHEET

ASSETS	31/12/2005	31/12/2004	Change (+/-)	Change %
10 Cash and balances with central banks and post offices	**62,466,564**	**39,362,804**	**23,103,760**	**+58.7**
30 Loans to banks:	**3,627,835**	**1,964,711**	**1,663,124**	**+84.6**
a) repayable on demand	980	245	735	+300.4
b) other	3,626,855	1,964,467	1,662,389	+84.6
40 Loans to customers	**54,055,242**	**50,159,463**	**3,895,779**	**+7.8**
of which:				
- loans financed with third-party funds under administration	4,670	15,915	-11,246	-70.7
50 Bonds and other debt securities:	**1,371,748**	**2,028,297**	**-656,549**	**-32.4**
a) public issuers	1,171,748	2,028,297	-856,549	-42.2
b) banks	-	-	-	-
of which: own securities	-	-	-	-
c) financial institutions	200,000	-	200,000	
of which: own securities	-	-	-	-
d) other issuers	-	-	-	-
70 Equity investments	**13,740,986**	**12,447,795**	**1,293,191**	**+10.4**
80 Equity investments in Group companies	**5,880**	**10,000**	**-4,120**	**-41.2**
90 Intangible assets	**4,215**	**808**	**3,408**	**+421.9**
of which:				
- formation expense	-	-	-	-
- goodwill	-	-	-	-
100 Tangible assets	**200,773**	**11,818**	**188,955**	
130 Other assets	**1,429,743**	**1,188,536**	**241,207**	**+20.3**
140 Accrued income and prepaid expenses:	**1,097,287**	**378,588**	**718,700**	**+189.8**
a) accrued income	85,258	15,516	69,742	+449.5
b) prepaid expenses	1,012,029	363,072	648,957	+178.7
of which:				
- discount on issue of securities	-	-	-	-
Total assets	**138,000,274**	**107,552,820**	**30,447,454**	**+28.3**

(thousands of euros)

BALANCE SHEET

LIABILITIES	31/12/2005	31/12/2004	Change (+/-)	%
10 Due to banks:	**857,705**	**309,411**	**548,293**	**+177.2**
a) repayable on demand	49,831	0	49,831	
b) term or notice	807,874	309,411	498,463	+161.1
20 Due to customers:	**124,027,007**	**100,307,462**	**23,719,545**	**+23.6**
a) repayable on demand	123,422,180	99,797,576	23,624,604	+23.7
b) term or notice	604,827	509,886	94,941	+18.6
30 Debt securities in issue	**4,400,000**	**-**	4,400,000	
40 Third-party funds under administration	**55,197**	**-**	55,197	
50 Other liabilities	**2,320,019**	**2,159,011**	**161,008**	**+7.5**
60 Accrued expenses and deferred income:	**72,743**	**1,970**	**70,773**	
a) accrued expenses	37,365	1,969	35,396	
b) deferred income	35,377	1	35,377	
70 Staff severance pay provision	**396**	**59**	**337**	**+567.7**
80 Provisions for liabilities and contingencies:	**512,106**	**393,770**	**118,336**	**+30.1**
b) provision for taxes and duties	498,837	386,137	112,700	+29.2
c) other	13,269	7,633	5,636	+73.8
100 Provision for general banking risks	**1,145,596**	**595,596**	**550,000**	**+92.3**
120 Share capital	**3,500,000**	**3,500,000**	**-**	**-**
140 Reserves	**14,291**	**-**	**14,291**	
150 Revaluation reserve	**167,572**	**-**	**167,572**	
170 Income (loss) for the period	**927,642**	**285,541**	**642,101**	**+224.9**
Total liabilities	**138,000,274**	**107,552,820**	**30,447,454**	**+28.3**

(thousands of euros)

GUARANTEES AND COMMITMENTS

	31/12/2005	31/12/2004	Change (+/-)	Change %
20 Commitments	**17,379,480**	**11,388,204**	**5,991,276**	**+52.6**
of which:				
- repurchase agreements	-	-	-	-
Total guarantees and commitments	**17,379,480**	**11,388,204**	**5,991,276**	**+52.6**

(thousands of euros)

INCOME STATEMENT

	31/12/2005	31/12/2004	Change (+/-)	Change %
10 Interest income and similar revenues	**5,114,962**	**4,496,813**	**618,150**	**+13.7**
of which:				
- on loans to customers	3,435,361	3,544,346	-108,985	-3.1
- on debt securities	48,888	2,366	46,522	
20 Interest expense and similar charges	**-3,417,095**	**-2,741,269**	**-675,826**	**+24.7**
of which:				
- on amounts due to customers	-2,950,519	-2,580,703	-369,817	+14.3
30 Dividends and other income:	**925,558**	**207,372**	**718,185**	**+346.3**
b) equity investments	925,558	207,372	718,185	+346.3
40 Commission income	**1,931**	**-**	**1,931**	
50 Commission expense	**-672,096**	**-680,216**	**8,120**	**-1.2**
60 Income (loss) on financial transactions	**-5,345**	**-94**	**-5,251**	
70 Other operating income	**748**	**438**	**310**	**+70.7**
80 General and administrative expenses:	**-62,874**	**-55,553**	**-7,320**	**+13.2**
a) staff costs	-34,021	-33,481	-540	+1.6
of which:				
- wages and salaries	-24,990	-24,737	-253	+1.0
- social security contributions	-8,543	-8,522	-21	+0.2
- staff severance pay	-320	-59	-261	+438.8
b) other administrative expenses	-28,853	-22,073	-6,780	+30.7
90 Amortisation and depreciation of intangible and tangible assets	**-8,844**	**-2,119**	**-6,725**	**+317.4**
100 Provisions for liabilities and contingencies	**-6,807**	**-1,300**	**-5,507**	**+423.6**
110 Other operating expenses	**-0**	**-9**	**9**	**-98.9**
120 Writedowns of loans and provisions for guarantees and commitments	**-2,026**	**-2,652**	**626**	**-23.6**
150 Value adjustments of financial assets	**-5,115**	**-**	**-5,115**	
170 Income (loss) on ordinary operations	**1,862,997**	**1,221,412**	**641,585**	**+52.5**
180 Extraordinary income	**1,693**	**7,420**	**-5,727**	**-77.2**
190 Extraordinary expense	**-10,977**	**-7,679**	**-3,298**	**+43.0**
200 Income (loss) on extraordinary items	**-9,284**	**-258**	**-9,025**	
210 Change in provision for general banking risks	**-550,000**	**-550,000**	**-**	**-**
220 Income taxes for the period	**-376,072**	**-385,613**	**9,541**	**-2.5**
of which:				
a) current taxes	-309,260	-290,426	-18,834	+6.5
b) deferred tax assets	4,204	524	3,680	+702.1
c) deferred tax liabilities	-71,016	-95,711	24,695	-25.8
230 Income (loss) for the period	**927,642**	**285,541**	**642,101**	**+224.9**

NOTES TO THE FINANCIAL STATEMENTS

(FINANCIAL STATEMENTS AT 31 DECEMBER 2005)

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of CDP S.p.A. have been prepared on the basis of the provisions of Legislative Decree 87 of 27 January 1992, issued in transposition of Directive 86/635/EEC, as well as the directive of the Bank of Italy concerning "Banking and financial supervision" of 30 July 1992 and subsequent updates regarding "The financial statements of banks – presentation and rules for preparation".
For matters not governed by special legislation, reference has been made to the provisions of the Italian Civil Code, taking account of national accounting standards and the changes introduced with the reform of company law, as well as the measures of the Italian Accounting Board (*Organismo italiano di contabilità* - O.I.C.), which is charged with issuing and revising national accounting standards and assisting legislators in drafting legislation on accounting matters, in particular the transposition of international accounting standards. Where national accounting standards do not address a matter, account has been taken, where applicable, of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).
The financial statement are composed of the balance sheet, the income statement and these notes to the financial statements, supplemented by the Board of Directors' report on operations.
The financial statements are based on the corresponding company accounts, which fully reflect the operations conducted during the year.
As regards information on the activity of the company, significant post-period events and relations with the MEF, subsidiaries, related companies and affiliates, please consult the report on operations.

ELIMINATION OF TAX DISTORTIONS

In application of the reform of company law implemented with Legislative Decree 6/2003, no writedowns or provisions were made solely for the purposes of applying tax regulations, which had previously been permitted under the provisions of the third paragraph of Article 15 of Legislative Decree 87/1992, which was repealed by Legislative Decree 37/2004.
Any writedowns or provisions of a fiscal nature are therefore directly charged to income in tax returns in section EC, denominated "form for the deduction of additional negative components".

PRESENTATION OF DATA

In conformity with the regulations issued by the Bank of Italy, the financial statements are expressed in thousands of euros.

The amounts associated with items, subitems and "of which" items in the schedules of the notes to the financial statements have been rounded to the nearest thousand euros. The rounded amount of items is the sum of the rounded amounts of the subitems.

COMPARISONS AND DISCLOSURE

The notes to the financial statements, as illustrated in detail below, report all of the information required by law as well as any other information felt necessary to provide a true and fair view of the company's situation.

The compulsory tables and details requested by the Bank of Italy are separately identified with the numbering established by the Bank, i.e. according to the part and section present in Appendix A of the Bank's Supervisory Instructions.

ANNEXES

In order to provide adequate information to readers and in compliance with the accounting standards establishing that they are an integral part of the reporting documents, the following documentation has been included in the annexes:

- Cash flow statement;
- Changes in shareholders' equity;
- List of equity investments.

AUDITORS

The financial statements of CDP have been audited by the independent auditors KPMG S.p.A. in implementation of the shareholders' resolution of 23 March 2004, with which CDP engaged KPMG to audit and monitor the accounts for the period from 2004 to 2006.

CONSOLIDATED FINANCIAL STATEMENTS

Although CDP has a wholly-owned subsidiary (Infrastrutture S.p.A.), we have elected to exercise the option envisaged by Article 29 of Legislative Decree 87/1992 to not prepare consolidated financial statements, since the assets of Infrastrutture S.p.A. are insignificant for the purposes of obtaining a true and fair view of the financial and economic situation of CDP. The subsidiary's assets total €44,513,768, and as such constitute 0.03% of CDP's total assets.

The other equity investments, albeit significant (with direct or indirect holdings of more than 20%), do not give the company a majority of share capital or permit it to exercise a dominant influence.

PART A – SIGNIFICANT ACCOUNTING POLICIES

SECTION 1 – DESCRIPTION OF ACCOUNTING POLICIES

This section describes the accounting policies adopted in preparing the financial statements of CDP S.p.A.

The company has prepared its financial statements in compliance with the provisions of law, supplementing and interpreting them with generally accepted accounting principles used in Italy.

The accounting policies and measurement criteria are the same as those adopted the previous year, with the exception of the revaluation of the company's land and buildings.

Specifically, CDP elected to exercise the option to revalue company real estate carried in the 2004 financial statements, pursuant to Article 1, paragraphs 469-476 of Law 266/2005 (the 2006 Finance Act). The operation involved an increase in the company's assets, as described in Section 4 of the notes, and the recognition of the balance of the revaluation in a specific revaluation reserve, net of the associated capital gains tax.

1. Loans, guarantees and commitments

LOANS

Loans to customers and banks are recognised in the amount actually disbursed. Loans and other financing are posted at the outstanding principal amount. The amounts recognised include contractual and default interest computed and settled at 31 December 2005.

Loans, including principal outstanding and principal and interest fallen due and not yet collected, are carried at their estimated realisable value as determined in relation to the solvency of the borrower. Estimated realisable value is determined by deducting the amount of expected losses from the nominal amount of the loan at the end of the period. The original value is restored in subsequent periods if the reasons for the impairment cease to obtain.

Interest accrued and not settled by 31 December 2005 is taken to the income statement as a contra-item to loans.

Loans to customers are not adjusted for interest accruals and deferrals. In determining their estimated realisable value, account is taken both of the solvency of borrowers and any difficulties that the sector in which they operate may be facing. Conditions in the country of residence are not considered since, to date, loans have been made only to Italian borrowers. Loss estimates are therefore based on analytical assessment of positions that display an explicit risk of default and are not supplemented by any assessment of country risk.

The estimated realisable value of loans is determined in relation to the solvency of the borrower. Loans are classified as follows:

- *Performing loans*, which are valued on the basis of the normal risk using CDP's historical statistical method;
- *Substandard loans* (i.e. loans to borrowers "in temporary situations of objective difficulty that it is felt can be resolved within an appropriate period of time, regardless of the presence of any personal or real guarantees that may have been pledged". As defined in the Bank of Italy's instructions, loans are classified as substandard after three unpaid semi-annual instalments or the unpaid amount is equal to at least 20% of the total exposure, excluding claims in respect of default interest);
- *Bad debts* (i.e. loans to borrowers who are insolvent or in a comparable situation, including exposures to municipalities and provincial governments in a state of bankruptcy for the amount involved in the relevant liquidation procedure) are valued analytically, taking account of the situation of each borrower and the presence of any guarantees;
- *Loans past due or credit lines overdrawn for more than 180 days* (loans other than bad debts, substandard loans or restructured loans that at the balance sheet date are more than 180 days past due) are valued analytically, taking account of the solvency of the borrower and historical loss rates on similar positions;
- *Loans to countries at risk*, currently not present in CDP's portfolio, are loans to residents of countries having difficulty servicing their debts (they will be valued using the analytical methodologies envisaged by the Bank of Italy and the Italian Banking Association (ABI) in relation to the country of the borrower).

Default interest accrued during the period and associated with problem positions is eliminated from the income statement as it is prudentially considered to be entirely unrecoverable unless demonstrated otherwise.

Claims in respect of securities repurchase agreements with an obligation for the transferee to resell the securities forward are carried as lending operations and therefore the amounts disbursed are posted as *loans*.

The calculation of such income and expense takes account of the difference between the spot and forward prices and the income produced by the assets during the period of the operation.

Income from lending operations, represented by coupons on securities and the difference between the spot and forwards prices of the assets, is recognised on an accruals basis under interest income.

GUARANTEES AND COMMITMENTS

Commitments to disburse funds undertaken with customers are posted at the contractual amount. The item also includes financing (loans, advances and credit lines in the maximum amount available) to customers that has been granted but not yet disbursed.

Commitments also include commitments to disburse funds of uncertain use granted under “letters of intent”.

The specific credit risk associated with guarantees and commitments is assessed using the same criteria as those adopted for valuing loans. The resulting loss estimates are posted under “Provisions for liabilities and contingencies – other provisions”.

2. Securities and off-balance-sheet transactions (other than on foreign currencies)

2.1 Investment securities

Investment securities are those that CDP intends to hold on a long-term basis. They are carried at cost, as determined by the "average daily cost" method, as adjusted by the accrued portion of any issue discount or trading discount, with the latter being calculated as the difference between the purchase price and the redemption price, net of the issue discount not yet accrued.

Investment securities are written down in the event of a lasting deterioration in the solvency of the issuer or the capacity of the country of residence to service debt. Investment securities may also be written down to take account of market developments, pursuant to Article 18.1 of Legislative Decree 87/1992. The original value is restored if the reasons for the impairment cease to obtain.

The CDP's financial statements for 2005 show no securities of this kind.

2.2 Trading securities

Trading securities are those that CDP holds for trading or treasury purposes. They are recognised at cost, as determined by the "average daily cost" method, as adjusted by the accrued portion of any issue discount.

They are valued at the lesser of cost and market value as given by the official closing price for the last trading day of the period.
Changes in valuations of trading securities are recognised under item 60 "Income (loss) on financial transactions".
Writedowns are written back if the reasons for the impairment cease to obtain.

3. Equity investments

Equity investments are rights, whether represented by securities or not, in respect of the equity of other enterprises with which the company intends to maintain a lasting relationship for the purpose of developing the investee's business or in any event associated with investments.

Equity investments are recognised at purchase cost increased by any incidental expenses. The cost value is written down to take account of any lasting impairments, taking account of decreases in equity. The cost value is reinstated if the reasons for the writedown no longer obtain.

For the equity investments in Enel, Eni and Poste Italiane, cost is represented by the transfer value established in the decree of the Minister for the Economy and Finance of 5 December 2003 on the basis of a sworn expert appraisal.

Dividends from directly controlled subsidiaries are recognised on an accruals basis, on the condition that the boards of directors of the subsidiaries approve the proposed allocation of earnings to submit to their respective shareholders' meetings before the approval of the draft financial statements by the Board of Directors of CDP.

4. Foreign currency assets and liabilities (including off-balance-sheet transactions)

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 exchange rate prevailing at the time of the transactions.

The results of currency translations are taken to the income statement.

5. Tangible assets

Non-current tangible assets are recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.

The carrying value represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the residual useful economic lives of the assets.

New assets are depreciated as from the period in which they enter service.

Assets whose use or nature classifies them as capital goods are depreciated on a straight line basis in relation to their residual 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 if the reasons for the impairment 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.

"Tangible 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.

6. Intangible assets

Intangible assets are recognised at purchase or development costs including incidental expenses and are amortised over their estimated useful lives.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets.

Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case the costs are amortised over a period of no more than five years. In the year in which the software is completed, the costs incurred and not yet amortised are imputed to the asset and the cost is amortised over five years.

"Intangible assets under development and advances" include advances or costs incurred for intangible assets that have not yet been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, amortisation is suspended.

7. Other items

CASH AND CASH EQUIVALENTS (ITEM 10 OF ASSETS)

Liquid assets are recognised at nominal 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 value of the item is increased by interest accrued but not yet settled on such 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.

ACCRUALS AND DEFERRALS (ITEM 140 OF ASSETS – ITEM 60 OF LIABILITIES)

These items reflect portions of expenses and income spread over two or more years whose amount varies with time. They increase (accruals) and decrease (deferrals) items of the income statement and are used to ensure compliance with the accruals principle in order to correlate expenses incurred and revenues earned.

The items are therefore determined on an accruals basis, taking account of the terms and interest rates of individual operations.

Their amount is posted separately in the balance sheet, as CDP has not elected to increase or decrease the asset and liability accounts to which they refer.

AMOUNTS DUE TO CUSTOMERS

Amounts due to customers represented by postal passbook savings accounts are carried at nominal value.

Postal savings bonds are posted at nominal value, which is equal to the subscription price, increased by interest accrued at the time of subscription as calculated by the effective interest rate at maturity.

AMOUNTS DUE TO BANKS AND THIRD-PARTY FUNDS UNDER ADMINISTRATION

Amounts due to banks and third-party funds in administration are carried at nominal value.

DEBT SECURITIES IN ISSUE

Debt securities in issue are carried at face value.

The remainder of issue discounts on bonds issued below par is recognised under prepaid expenses. The remainder of issue premiums on bonds issued above par is recognised under deferred income.

PROVISIONS FOR LIABILITIES AND CONTINGENCIES

Provisions for liabilities and contingencies are intended to cover specific losses, charges or liabilities that are likely or certain to be incurred but, as of the balance-sheet date, are uncertain as to the amount or the date on which they will arise. The provisions do not adjust asset values.
The provisions do not exceed the amount needed to cover the risks for which they were established.
Allocations reflect the best possible estimate of liabilities and contingencies on the basis of available information.

Provision for taxes and duties

The provision for taxes and duties includes corporate income tax (IRES), the regional tax on productive activities (IRAP), the capital gains tax on the revaluation of corporate assets and deferred tax items.

Income tax and regional tax on productive activities are recognised on an accruals basis using a realistic estimate of the tax liability for the year under applicable tax law.

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 temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.

Deferred tax 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 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 as a contra-item to shareholders' equity.

PROVISION FOR GENERAL BANKING RISKS

The provision for general banking risk is intended to cover general business risk and is therefore considered as equity. Any net change in the year is taken to the income statement.

DERIVATIVES

Derivatives transactions carried out for hedging purposes are value in line with the hedged assets and liabilities.

Derivatives transactions carried out for trading purpose are carried at market value if listed and the lesser of cost and market value if unlisted.

Premiums paid for options to hedge interest rate risk are posted under other assets and taken to the income statement in line with the hedged assets and liabilities.

STAFF SEVERANCE PAY PROVISION

The provision covers the entire entitlement accrued by employees at the end of the financial year, in conformity with the provisions of law (Article 2120 of the Civil Code) and applicable employment contracts.

PART B – INFORMATION ON THE BALANCE SHEET

CASH AND BALANCES WITH CENTRAL BANKS AND POST OFFICES

The liquid assets of CDP S.p.A. are mainly held the treasury current accounts it has at the Bank of Italy:

- the interest-bearing current account no. 29813 denominated "*CDP SPA-gestione separata-aumento capitale ISPA*" contains funds needed for future capital increases at Infrastrutture S.p.A. At end-2005 the balance on the account was €3,332,964,417.
- the interest-bearing account no. 29814 denominated "*Cassa DP SPA-gestione separata*" holds all liquid balances associated with the operations conducted by CDP in its activities under the Separate account. At end-2005 the balance on the account was €57,839,200,840.
- the non-interest-bearing current account no. 29815 denominated "*CDP SPA-pagamenti*" is used to deposit funds in respect of payment instructions issued by CDP to extinguish liabilities with the provincial state treasury sections of the Bank of Italy. At end-2005 the balance on the account was €541,855,317.

As envisaged by Article 6.1 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest on the two interest-bearing treasury accounts at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bonds and the monthly level of the Rendistato index.

Interest accrued on accounts nos. 29813 and 29814 in the second half of 2005 and not yet paid amounted to €44,291,393.81 and €708,241,553.38 respectively

In order to operate on the National Interbank Network and the SWIFT network, CDP uses an non-interest-bearing settlement account held at the Bank of Italy. The balance on the account is monitored daily to optimise the yields on the amounts that pass through the account. At year-end the balance on the account was nil.

The following table summarises liquidity at 31 December 2005, including interest accrued and not yet credited on amounts deposited in interest-bearing accounts.

(thousands of euros)

CASH AND BALANCES WITH CENTRAL BANKS AND POST OFFICES (CAPTION 10)

	31/12/2005	31/12/2004	Change (+/-)	%
a) Cash on hand	11	23	-13	-54.3
b) Current accounts with Central State Treasury	62,466,553	39,297,329	23,169,224	+59.0
– acct. no. 29813	3,377,256	3,286,862	90,394	+2.8
– acct. no. 29814	58,547,442	34,820,218	23,727,224	+68.1
– acct. no. 29815	541,855	1,190,249	-648,393	-54.5
c) Balances with central banks	-	65,453	-65,453	-100.0
Total	**62,466,564**	**39,362,805**	**23,103,758**	**+58.7**

SECTION 1 - LOANS

At year-end the loans posted under assets break down as follows:

(thousands of euros)

LOANS

	31/12/2005	31/12/2004	Change (+/-)	%
30. Loans to banks	3,627,835	1,964,711	1,663,124	+84.6
40. Loans to customers	54,055,242	50,159,463	3,895,779	+7.8
Total	**57,683,077**	**52,124,174**	**5,558,903**	**+10.7**

1.1 Breakdown of item 30 "Loans to banks"

Loans to banks are mainly accounted for by repurchase transactions, loans and derivatives contracts.

(thousands of euros)

LOANS TO BANKS

	31/12/2005	31/12/2004	Change (+/-)	%
– repurchase agreements	3,182,832	1,960,974	1,221,858	+62.3
– loans	425,000	-	425,000	
– receivables in respect of differences on IRS	19,023	3,492	15,531	+444.7
– bank accounts	980	245	735	+300.4
Total	**3,627,835**	**1,964,711**	**1,663,124**	**+84.6**

The derivatives transactions consist of interest rate swaps to hedge fixed-rate loans and funding. The receivable posted at the end of the year was paid in full in January 2006.

(thousands of euros)

BREAKDOWN OF ITEM 30 "LOANS TO BANKS" (TABLE 1.1 B.1.)

	31/12/2005	31/12/2004	Change (+/-)	Change %
a) claims on central banks	-	-	-	-
b) bills eligible for refinancing with central banks	-	-	-	-
c) repurchase agreements	3,182,832	1,960,974	1,221,858	+62.3
d) securities lending	-	-	-	-
Total	**3,182,832**	**1,960,974**	**1,221,858**	**+62.3**

The balance on bank current accounts amounted to about €979.5 million and include interest accrued but not yet credited.

1.2 Status of loans to banks

At the end of the year, loans to banks showed no problem positions (bad debts, substandard loans, restructured loans, past due loans and unsecured loans to countries at risk).

(thousands of euros)

STATUS OF LOANS TO BANKS (TABLE 1.2 B.I.)

	31/12/2005			31/12/2004		
	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
A. Impaired loans	-	-	-	-	-	-
A.1. Bad debts	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-
A.3. Restructured loans	-	-	-	-	-	-
A.4. Past due loans	-	-	-	-	-	-
A.5. Unsecured loans to countries at risk	-	-	-	-	-	-
B. Performing loans	**3,627,835**	**-**	**3,627,835**	**1,964,711**	**-**	**1,964,711**
Total loans to banks	**3,627,835**	**-**	**3,627,835**	**1,964,711**	**-**	**1,964,711**

1.5 Breakdown of item 40 “Loans to customers”

Loans to customers regards lending operations under the Separate Account and Ordinary Account of CDP. They are posted in the amount disbursed at 31 December 2005. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

LOANS TO CUSTOMERS (item 40)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Loans	53,903,222	49,993,030	3,910,192	+7.8
Advances	158,345	170,731	-12,386	-7.3
Loan-loss provision	-6,325	-4,299	-2,026	+47.1
Total	**54,055,242**	**50,159,462**	**3,895,779**	**+7.8**

The item "Loans" reports the outstanding amount, equal to €53,903.2 million, of loans granted and actually disbursed to customers for the purposes set out in Decree Law 269 of 30 September 2003.

On the basis of the quality of the borrowers, the guarantees securing such loans and the regular payment of instalments, as well as the experience of CDP in this area, writedowns of loans to customers regard three positions, amounting to €6.3 million.

The types of specific-purpose loans granted by CDP S.p.A. under the Separate account include:

a) **ordinary specific-purpose loans**, with normal maturity of between 5 and 30 years, with disbursements made on the basis of the stage of completion of the investment. Repayment normally begins on 1 January of the year following the date the loan is approved. During the pre-repayment grace period, the borrower pays interest on amounts disbursed (simple capitalisation) at the rate for the loan. During amortisation, CDP pays floating-rate interest at average Euribor on amounts not yet disbursed. Ordinary loans are divided in the following categories:

- **fixed-rate loans**, which envisage equal semi-annual post-paid instalments, with interest rates varying as a function of the term of the loan;
- **floating-rate loans,** which envisage a constant principal component and interest tied to 6-month Euribor and varying as a function of the term of the loan;
- **fixed-rate loans with option for partial early repayment at par,** which allow borrowers, at the cost of a higher interest rate, to prepay part of the loan with no penalty at the date and in the amount established at the time the loan is granted;
- **inflation-indexed loans,** granted as part of the restructuring of loans to local authorities in 2005. Instalments (principal and interest) are indexed using a coefficient linked to Italian inflation.

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.

"Loans" also includes financing granted under the Ordinary Account of the CDP for works, plant, networks and other assets intended for the provision of public services and reclamation projects.

The item "Advances" primarily includes claims on the Revolving Fund for Project Development referred to in Article 1 of Law 549 of 28 December 1995, as amended.

It also includes the claim on the MEF in respect of advances made by CDP S.p.A. to banks for loans they granted to cover the budget deficits of local authorities pursuant to Article 3 of Law 43 of 27 February 1978. These funds are advanced by CDP and repaid by the MEF, including interest, normally by the end of the same year they are disbursed.

Loans also include €15,466.5 million pledged as collateral for the covered bonds, as described in section 10.3 (*Assets pledged as collateral for own debts*).

1.6 Secured loans to customers

The CDP normally requires no collateral for loans under the Separate Account.

For loans to local authorities, CDP requests a payment guarantee designated by the treasurer of the authority pursuant to Legislative Decree 267/2000 (consolidated law on local authorities).

For other bodies not covered by the provisions of Legislative Decree 267/2000, CDP normally requires an irrevocable payment instruction issued by the treasurer, which guarantees the timely and full payment of instalments against the revenues of the body.

The following table reports secured loans by CDP S.p.A., which regard the operations of the Ordinary Account.

(thousands of euros)

SECURED LOANS TO CUSTOMERS (table 1.6 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) mortgages	-	-	-	-
b) collateral:	36,025	-	36,025	
1. cash	-	-	-	-
2. securities	36,025	-	36,025	
3. other assets	-	-	-	-
c) guarantees issued by:	76,000	-	76,000	
1. governments	-	-	-	-
2. other public entities	76,000	-	76,000	
3. banks	-	-	-	-
4. other	-	-	-	-
Total	**112,025**	**-**	**112,025**	

1.7 Status of loans to customers

The following table reports any impaired positions among customer loans at the end of the year.

(thousands of euros)

STATUS OF LOANS TO CUSTOMERS (TABLE 1.7 B.I.)

	31/12/2005			31/12/2004		
	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
A. Impaired loans	**19,399**	**6,325**	**13,074**	**4,299**	**4,299**	**-**
A.1. Bad debts	4,374	4,374	-	4,299	4,299	-
A.2. Substandard loans	15,025	1,951	13,074	-	-	-
A.3. Restructured loans	-	-	-	-	-	-
A.4. Past due loans	-	-	-	-	-	-
A.5. Unsecured loans to countries at risk	-	-	-	-	-	-
B. Performing loans	**54,042,169**	**-**	**54,042,169**	**50,159,463**	**-**	**50,159,463**
Total loans to customers	**54,061,567**	**6,325**	**54,055,242**	**50,163,762**	**4,299**	**50,159,463**

1.8 Changes in impaired loans to customers

(thousands of euros)

CHANGES IN IMPAIRED LOANS TO CUSTOMERS (TABLE 1.8 B.I.)

	Bad debts	Substandard loans	Restructured loans	Past due loans	Unsecured loans to countries at risk
A. Opening gross exposure at 31/12/2004	**4,299**	**-**	**-**	**-**	**-**
A.1. of which: default interest	1,726	-	-	-	-
B. Increases	**75**	**15,025**	**-**	**-**	**-**
B.1. from performing loans	75	15,025	-	-	-
B.2. default interest	-	-	-	-	-
B.3. transfers from other categories of impaired loans	-	-	-	-	-
B.4. other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1. to performing loans	-	-	-	-	-
C.2. writeoffs	-	-	-	-	-
C.3. collections	-	-	-	-	-
C.4. assignments	-	-	-	-	-
C.5. transfers to other categories of impaired loans	-	-	-	-	-
C.6. other decreases	-	-	-	-	-
D. Closing gross exposure at 31/12/2005	**4,374**	**15,025**	**-**	**-**	**-**
D.1. of which: default interest	1,744	689	-	-	-

1.9 Changes in total adjustments of loans to customers

(thousands of euros)

CHANGES IN TOTAL ADJUSTMENTS OF LOANS TO CUSTOMERS (TABLE 1.9 B.I.)

	Bad debts	Substandard loans	Restructured loans	Past due loans	Unsecured loans to countries at risk	Performing loans
A. Total opening adjustments at 31/12/2004	**4,299**	**-**	**-**	**-**	**-**	**-**
A.1. of which: default interest	1,726	-	-	-	-	-
B. Increases	**75**	**1,951**	**-**	**-**	**-**	**-**
B.1. writedowns	75	1,951	-	-	-	-
B.1. 1. of which: default interest	18	121	-	-	-	-
B.2. utilization of loan-loss provision	-	-	-	-	-	-
B.3. transfers from other categories of loans	-	-	-	-	-	-
B.4. other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1. writebacks from valuations	-	-	-	-	-	-
C.1. 1. of which: default interest	-	-	-	-	-	-
C.2. writebacks from collections	-	-	-	-	-	-
C.2. 1. of which: default interest	-	-	-	-	-	-
C.3. writeoffs	-	-	-	-	-	-
C.4. transfers to other categories of impaired loans	-	-	-	-	-	-
C.5. other decreases	-	-	-	-	-	-
D. Total closing adjustments at 31/12/2005	**4,374**	**1,951**	**-**	**-**	**-**	**-**
D.1. of which: default interest	1,744	121	-	-	-	-

SECTION 2 - SECURITIES

The CDP's securities portfolio, posted under item 50 of assets, is entirely composed of trading securities held for treasury management purposes.

At end year the portfolio was composed as follows:

(thousands of euros)

SECURITIES

	31/12/2005	31/12/2004	Change (+/-)	Change %
Treasury securities and other securities eligible for refinancing with central banks (item 20):	-	-	-	-
Bonds and other debt securities (item 50)	1,371,748	2,028,297	-656,549	-32.4
Shares and other equity securities (item 60)	-	-	-	
Total	**1,371,748**	**2,028,297**	**-656,549**	**-32.4**
of which:				
- investment securities	-	-	-	
- trading securities	1,371,748	2,028,297	-656,549	-32.4

2.1 Investment securities

At year-end CDP S.p.A. did not hold any investment securities.

2.3 Trading securities

This classification applies both to securities that are held for treasury purposes, and therefore do not represent a long-term investment of the company, as well as securities held for trading purposes.

The item includes government securities (CCTs) posted in the amount of about €799.2 million, about €372.5 million in bonds issued by other public entities and €200 million in bonds issued by financial institutions.

(thousands of euros)

TRADING SECURITIES (table 2.3 B.I.)

	31/12/2005		31/12/2004	
	Book value	**Market value**	**Book value**	**Market value**
1. Debt securities	**1,371,748**	**1,374,786**	**2,028,297**	**2,028,444**
1.1 Government securities	799,220	799,220	2,028,297	2,028,444
- listed	799,220	799,220	2,028,297	2,028,444
- unlisted	-	-	-	-
1.2 Other securities	572,528	575,566	-	-
- listed	200,000	200,025	-	-
- unlisted	372,528	375,541	-	-
2. Equity securities	**-**	**-**	**-**	**-**
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	**1,371,748**	**1,374,786**	**2,028,297**	**2,028,444**

2.4 Changes in trading securities

During the period CCTs were redeemed in the amount of €1,224 million (with a trading loss of about €2.4 million), while bond purchases amounted to about €572.8 million.
Value adjustments mainly regard the writedown of government securities on the basis of the criterion of the lesser between purchase cost and market value as observed on the final trading day of the year (30 December 2005).

(thousands of euros)

CHANGE IN TRADING SECURITIES (table 2.4 B.I.)

	Book value
A. Opening balance	**2,028,297**
B. Increases	**572,797**
B1. Purchases	572,797
B2. Writebacks	-
B3. Transfers from trading portfolio	-
B4. Other changes	-
C. Decreases	**1,229,346**
C.1. Sales	-
C2. Redemptions	1,224,000
C3. Writedowns	2,954
of which:	
- permanent writedowns	-
C4. Transfers to trading portfolio	-
C.5. Other changes	2,392
D. Closing balance	**1,371,748**

SECTION 3 – EQUITY INVESTMENTS

(thousands of euros)

EQUITY INVESTMENTS

	31/12/2005	31/12/2004	Change (+/-)	Change %
70. Equity investments	13,740,986	12,447,795	1,293,191	+10.4
80. Equity investments in Group companies	5,880	10,000	-4,120	-41.2
Total	**13,746,866**	**12,457,795**	**1,289,071**	**+10.3**

3.1 Significant equity investments

The purchase cost of the equity investments transferred at the time CDP was transformed into a joint-stock company (Eni S.p.A. Enel S.p.A. and Poste Italiane S.p.A.) is represented by the appraised value given in the MEF decree of 5 December 2003 as determined in an appraisal carried out by Credit Suisse First Boston (Europe) Limited and Ernst & Young Financial Business Advisors S.p.A.

(thousands of euros)

SIGNIFICANT EQUITY INVESTMENTS (table 3.1 B.I.)

	Registered office	Shareholders' equity (*)	Net income (loss)	% holding	Book value
A: Subsidiaries					
1. Infrastrutture S.p.A.	Rome	5,880	-3,361	100.00%	5,880
B. Companies subject to significant influence					
1. Eni S.p.A. (**)	Rome	33,567,000	7,274,000	10.00%	5,315,829
2. Enel S.p.A. (**)	Rome	19,847,000	692,000	10.25%	3,156,467
3. Poste Italiane S.p.A. (**)	Rome	1,546,486	235,970	35.00%	2,518,744
4. ST Holding N.V.	Amsterdam	2,380,453	492,600	30.00%	1,421,107
5. Terna S.p.A. (**)	Rome	1,819,900	236,000	29.99%	1,315,200
6. Sinloc S.p.A.	Turin	46,902	584	20.00%	9,292
7. Europrogetti & Finanza S.p.A.	Rome	6,641	-1,320	31.80%	2,112
8. Tunnel di Genoa S.p.A.	Genoa	421	-47	33.33%	170

(*) The value of shareholders' equity includes the result for the year and regards the financial statements for 2004, with the exception of Infrastrutture S.p.A. (2005) and Europrogetti & Finanza S.p.A. (provisional 2005).
(**) Shareholders' equity and net income (loss) refer to consolidated financial statements.

(thousands of euros)

OTHER EQUITY INVESTMENTS

	Registered office	Business	% holding	Book value
Istituto per il Credito Sportivo	Rome	Banking	21.62%	2,066

The investment of 21.62% in the Istituto per il Credito Sportivo does not give rise to a significant influence over the investee since it is not reflected in a corresponding proportion of voting rights in the ordinary shareholders' meeting. The Istituto does not have a shareholders' meeting, whose functions are performed by a board of directors, on which CDP is limited by the bylaws to appointing one member out of eight.

(thousands of euros)

EQUITY INVESTMENTS

	Shareholders' equity	% holding	Pro-rata shareholders' equity (*)	Book value
Infrastrutture S.p.A.	5,880	100.00%	5,880	5,880
Eni S.p.A.	33,567,000	10.00%	2,995,149	5,315,829
Enel S.p.A.	19,847,000	10.25%	2,040,272	3,156,467
Poste Italiane S.p.A.	1,546,486	35.00%	541,270	2,518,744
ST Holding N.V.	2,380,453	30.00%	714,051	1,421,107
Terna S.p.A.	1,819,900	29.99%	545,788	1,315,200
Sinloc S.p.A.	46,902	20.00%	9,380	9,292
Europrogetti & Finanza S.p.A.	6,641	31.80%	2,112	2,112
Istituto per il Credito Sportivo	1,158,349	21.62%	250,435	2,066
Tunnel di Genoa S.p.A.	421	33.33%	140	170

(*) The pro-rata shareholders' equity is reported net of dividends collected in 2005 on net income for previous years.

The differences between the pro-rata interest in shareholders' equity and book value are explained as follows:

- Istituto per il Credito Sportivo: the differences regard reserves of retained earnings and equity provisions;

- Eni S.p.A., Enel S.p.A., ST Holding N.V. and Terna S.p.A.: the positive performance of their stocks justifies the higher carrying amount;
- Poste Italiane S.p.A.: the book value of the investment was determined with the appraisal referred to in the MEF decree of 5 December 2003 and confirmed by the results achieved during the year.

3.2 Assets and liabilities with Group companies

Assets and liabilities vis-à-vis the subsidiary mainly regard the receivable in respect of loans disbursed amounting to about €36 million and the payable in respect of reimbursement for the cost of seconded personnel amounting to €71,462.

(thousands of euros)

ASSETS AND LIABILITIES WITH GROUP COMPANIES (table 3.2 B.I.)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
a) Assets:				
1. Loans to banks	-	-	-	-
of which:				
- subordinated	-	-	-	-
2. Loans to financial institutions	36,093	8	36,085	
of which:				
- subordinated	-	-	-	-
3. Loans to other customers	-	-	-	-
of which:				
- subordinated	-	-	-	-
4. Bonds and other debt securities	-	-	-	-
of which:				
- subordinated	-	-	-	-
Total	**36,093**	**8**	**36,085**	
b) Liabilities:				
1. Due to banks	-	-	-	-
2. Due to financial institutions	71	46	25	+53.6
3. Due to other customers	-	-	-	-
4. Debt securities in issue	-	-	-	-
5. Subordinated liabilities	-	-	-	-
Total	**71**	**46**	**25**	**+53.6**
c) Guarantees and commitments				
1. Guarantees issued	-	-	-	-
2. Commitments	-	-	-	-
Total	**-**	**-**	**-**	**-**

3.3 Assets and liabilities with associated companies (other than Group companies)

Assets with non-Group associates regard

- receivables from Poste Italiane S.p.A. in respect of the placement of postal savings products amounting to about €470.6 million and for loans amounting to about €1,340 million;
- receivables from Istituto per il Credito Sportivo of €425 million.

Liabilities are represented exclusively by the payable to Poste Italiane S.p.A. in respect of remuneration for its services in placing postal savings products, which came to €790.4 million.

(thousands of euros)

ASSETS AND LIABILITIES WITH ASSOCIATED COMPANIES (non-Group) (table 3.3 B.I.)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
a) Assets:				
1. Loans to banks	-	-	-	-
of which:				
- subordinated	-	-	-	-
2. Loans to financial institutions	-	-	-	-
of which:				
- subordinated	-	-	-	-
3. Loans to other customers	2,235,502	1,639,327	596,175	+36.4
of which:				
- subordinated	-	-	-	-
4. Bonds and other debt securities	-	-	-	-
of which:				
- subordinated	-	-	-	-
Total	**2,235,502**	**1,639,327**	**596,175**	**+36.4**
b) Liabilities:				
1. Due to banks	-	-	-	-
2. Due to financial institutions	-	-	-	-
3. Due to other customers	790,386	688,627	101,759	+14.8
4. Debt securities in issue	-	-	-	-
5. Subordinated liabilities	-	-	-	-
Total	**790,386**	**688,627**	**101,759**	**+14.8**
c) Guarantees and commitments				
1. Guarantees issued	-	-	-	-
2. Commitments	-	-	-	-
Total	**-**	**-**	**-**	**-**

3.4 Composition of item 70 “Equity investments”

(thousands of euros)

COMPOSITION OF ITEM 70 “EQUITY INVESTMENTS” (table 3.4 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	Change %
a) banks				
1. listed	-	-	-	-
2. unlisted	2,066	2,066	-	-
b) financial institutions				
1. listed	-	-	-	-
2. unlisted	11,403	12,399	-996	-8.0
c) other				
1. listed	9,787,496	8,472,296	1,315,200	+15.5
2. unlisted	3,940,021	3,961,034	-21,013	-0.5
Total	**13,740,986**	**12,447,795**	**1,293,191**	**+10.4**

3.5 Composition of item 80 “Equity investments in Group companies”

(thousands of euros)

COMPOSITION OF ITEM 80 “EQUITY INVESTMENTS IN GROUP COMPANIES” (table 3.5 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	Change %
a) banks				
1. listed	-	-	-	-
2. unlisted	-	-	-	-
b) financial institutions				
1. listed	-	-	-	-
2. unlisted	5,880	10,000	-4,120	-41.2
c) other				
1. listed	-	-	-	-
2. unlisted	-	-	-	-
Total	**5,880**	**10,000**	**-4,120**	**-41.2**

3.6 Changes in equity investments

3.6.1 Equity investments in Group companies

No controlling interests other than the existing 100% holding in Infrastrutture S.p.A. were acquired during the year.

(thousands of euros)

EQUITY INVESTMENTS IN GROUP COMPANIES (table 3.6.1 B.I.)

A. Opening balance	**10,000**
B. Increases	**-**
B.1. Purchases	-
B.2. Writebacks	-
B.3. Revaluations	-
B.4. Other changes	-
C. Decreases	**4,120**
C.1. Sales	-
C.2. Writedowns	**4,120**
of which:	
- permanent writedowns	4,120
C.3. Other changes	-
D. Closing balance	**5,880**
E. Total revaluations	**-**
F. Total writedowns	**4,120**

3.6.2 Other equity investments

(thousands of euros)

OTHER EQUITY INVESTMENTS (table 3.6.2 B.I.)

A. Opening balance	**12,447,795**
B. Increases	**1,315,665**
B.1. Purchases	1,315,200
B.2. Writebacks	-
B.3. Revaluations	-
B.4. Other changes	465
C. Decreases	**22,474**
C.1. Sales	21,479
C2. Writedowns	995
of which:	
- permanent writedowns	995
C.3. Other changes	-
D. Closing balance	**13,740,986**
E. Total revaluations	**-**
F. Total writedowns	**995**

Changes in equity investments are detailed in the following table.

(thousands of euros)

	Opening balance	Purchases and subscriptions	Sales	Writedowns	Gains (losses) on disposals	Closing balance
Equity investments in Group companies (item 80)						
Infrastrutture S.p.A.	10,000	-	-	4,120	-	5,880
Total	**10,000**	**-**	**-**	**4,120**	**-**	**5,880**
Other equity investments (item 70)						
Eni S.p.A.	5,315,829	-	-	-	-	5,315,829
Enel S.p.A.	3,156,467	-	-	-	-	3,156,467
Poste Italiane S.p.A.	2,518,744	-	-	-	-	2,518,744
ST Holding N.V.	1,442,121	-	21,479	-	465	1,421,107
Terna S.p.A.	-	1,315,200	-	-	-	1,315,200
Sinloc S.p.A.	9,292	-	-	-	-	9,292
Europrogetti & Finanza S.p.A.	3,107	-	-	995	-	2,112
Istituto per il Credito Sportivo	2,066	-	-	-	-	2,066
Tunnel di Genoa S.p.A.	170	-	-	-	-	170
Total	**12,447,795**	**1,315,200**	**21,479**	**995**	**465**	**13,740,986**

SECTION 4 – TANGIBLE AND INTANGIBLE ASSETS

Tangible assets (item 100)

Non-current tangible assets include all of the movable and immovable property of Cassa Depositi e Prestitit, net of depreciation, and at year-end break down as follows:

(thousands of euros)

TANGIBLE ASSETS

	31/12/2005	31/12/2004	Change (+/-)	%
Land and buildings				
– instrumental	190,879	5,980	184,899	
- non-instrumental	- -	-	- -	
Furnishings and plant				
- furnishings	1,820	1,330	491	+36.9
– electronic machinery and office equipment	3,145	1,189	1,955	+164.4
– generic and specific plant	4,880	3,317	1,563	+47.1
– other assets	49	2	47	
Total	**200,773**	**11,818**	**188,955**	

Intangible assets (item 90)

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS

	31/12/2005	31/12/2004	Change (+/-)	%
Software for systems in service	4,197	192	4,005	
Software not yet in services	-	616	-616	-100.0
Other deferred costs	18	-	18	
Total	**4,215**	**808**	**3,408**	**+421.9**

4.1 Changes in tangible assets

(thousands of euros)

CHANGES IN TANGIBLE ASSETS (table 4.1 B.I.)

A. Opening balance	**11,819**
B. Increases	**197,201**
B.1. Purchases	6,090
B.2. Writebacks	-
B.3. Revaluations	190,423
B.4. Other changes	689
C. Decreases	**8,247**
C.1. Sales	-
C.2. Writedowns	8,247
a) depreciation	8,247
b) permanent writedowns	-
C.3. Other changes	-
D. Closing balance	**200,773**
E. Total revaluations	190,423
F. Total writedowns	**36,704**
a) depreciation	36,704
b) permanent writedowns	-

CDP elected to exercise the option envisaged in the 2006 Finance Act to revalue the real estate holdings recognised in its 2004 financial statements. The revaluation, which involves the payment of a tax in lieu of IRES and IRAP equal to 12% on the capital gains on depreciable assets, was carried out for all properties used in operations owned by CDP at 31 December 2004.

In compliance with the relevant legislation – specifically, Article 11 of Law 342/2000 and Article 6 of Decree 162/2001 – the ceiling for any revaluation was set at the "market value of the property" as determined by an appraisal conducted by an external firm specialised in real estate appraisals.

The revaluation was recognised in a specific deferred-taxation reserve, net of the related capital gains tax.

The total revaluation came to about €190.4 million. The capital gains tax was calculated at about €22.9 million, with the consequent recognition of a revaluation reserve equal to the difference, or about €167.5 million.

The item "B.4. Other changes" regards increases in the value of premises following extraordinary maintenance.

4.2 Changes in intangible assets

(thousands of euros)

CHANGES IN INTANGIBLE ASSETS (table 4.2 B.I.)	
A. Opening balance	**808**
B. Increases	**4,005**
B.1. Purchases	4,005
B.2. Writebacks	-
B.3. Revaluations	-
B.4. Other changes	-
C. Decreases	**597**
C1. Sales	-
C2. Writedowns	597
a) amortisation	597
b) permanent writedowns	-
C3. Other changes	-
D. Closing balance	**4,215**
E. Total revaluations	**-**
F. Total writedowns	**608**
a) amortisation	608
b) permanent writedowns	-

SECTION 5 – OTHER ASSETS

5.1 Composition of item 130 “Other assets”

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

(thousands of euros)

COMPOSITION OF ITEM 130 “OTHER ASSETS” (table 5.1 B.I.)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
Items being processed	233,220	11,534	221,687	
Tax receivables:	311,330	39,657	271,673	+685.1
– advances on taxes for the year	296,163	39,120	257,043	+657.1
- deferred tax assets	4,728	524	4,204	+802.1
- other receivables	10,439	13	10,426	
Receivables in respect of securitisations	128,654	128,654	-	-
Receivables from the MEF for early repayment of loans	17,709	4,727	12,982	+274.6
Receivables in respect of movements of postal funding to the MEF	-	895,346	-895,346	-100.0
Receivables in respect of movements of postal funding to Poste Italiane	447,590	12,534	435,056	+0.3
Other	291,239	96,083	195,155	+203.1
Total	**1,429,742**	**1,188,535**	**241,208**	**+20.3**

The main items under this heading are:

- amounts in respect of early repayments with effect as from 2006 totalling about €233 million.
- the receivable from tax authorities amounting to about €311.3 million, mainly (€296 million) regarding advance payment of tax for the year;
- the receivable from CPG, a securitization vehicle, amounting to €128.7 million in respect of the deferred purchase price of the securitization of loans carried out in 2002;
- the receivable from Poste Italiane S.p.A., equal to €447.6 million, for net funding paid to post offices by investors in postal savings products but not yet deposited on CDP’s treasury account;

- other items including the receivable from the MEF, amounting to €227.7 million, in respect of loan instalment payments collected on the current account held in the name of the MEF but for which CDP S.p.A. is the effective beneficiary.

5.2 Composition of item 140 "Accrued income and prepaid expenses"

(thousands of euros)

COMPOSITION OF ITEM 140 "ACCRUED INCOME AND PREPAID EXPENSES" (table 5.2 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
Accrued income	85,258	15,516	69,742	+449.5
- income on derivative contracts	66,966	-	66,966	
- interest on loans to customers	1,451	2,456	-1,004	-40.9
- interest on securities	10,878	12,189	-1,311	-10.8
– interest on repurchase agreements	5,963	871	5,092	+584.3
Prepaid expenses	1,012,029	363,071	648,958	+178.7
- charges on derivative contracts	45,648	1,828	43,820	+2396.5
– commissions for placement of securities and loans	966,381	361,243	605,137	+167.5
Total	**1,097,287**	**378,587**	**718,701**	**+189.8**

The item includes the net difference accrued on interest rate swaps amounting to about €67 million, accrued income on outstanding loans totalling €1.5 million, accrued income on CDP's securities portfolio amounting to €10.9 million and accrued income on repurchase transactions of about €6 million.

Prepaid expenses mainly regard commissions paid to Poste Italiane for its placement of postal savings bonds, equal to about €770 million, which will be allocated over future years on the basis of the life of the savings bonds subscribed by investors. The item also includes premiums paid to purchase call spread options to hedge postal savings.

5.3 Adjustments for accrued income and prepaid expenses

No adjustments were made to the asset and liability items to which the accrued income and prepaid expenses refer

SECTION 6 – DEBT AND PAYABLES

(thousands of euros)

DUE TO BANKS (item 10)

	31/12/2005	31/12/2004	Change (+/-)	%
Due to central banks	168,914	113	168,801	
– repurchase agreements and securities lending	-	-	-	-
– other	168,914	113	168,801	
Due to other banks	688,791	309,298	379,493	+122.7
- deposits	-	-	-	-
– repurchase agreements and securities lending	-	-	-	-
- derivative contracts used for hedging	253,972	-	253,972	
- current accounts	49,831	0	49,831	
- other financing	100,000	-	100,000	
- other	284,988	309,298	-24,310	-7.9
Total	**857,705**	**309,411**	**548,293**	**+177.2**

The item "Due to central banks" includes the payable to the Bank of Italy of €169 million for unpaid direct debits falling due at 30 December 2005.

Amounts due to other banks:

- the payable to banks for interest collected on instalments of loans to the state and assigned without recourse in the excess spread assignment carried out by Cassa Depositi e Prestiti before its transformation into a joint-stock company. The amount, equal to about €285 million, was transferred to the banks in the first few days of January 2006;
- payables in respect of differences on interest rate swaps to be settled;
- the payable to the European Investment Bank for loans, equal to €100 million.

(thousands of euros)

DEBT SECURITIES IN ISSUE (item 30)

	31/12/2005	31/12/2004	Change (+/-)	%
Bonds	4,400,000	-	4,400,000	
- covered bonds	4,000,000	-	4,000,000	
- EMTN programme	400,000	-	400,000	
Total	**4,400,000**	**-**	**4,400,000**	

In 2005 CDP issued covered bonds totalling €4 billion and structured bonds under the Euro Medium Term Note programme of €400 million.

The securities issued under the covered bond operation, which are listed on the Luxembourg stock exchange and placed with international institutional investors, bear a top rating (AAA / Aaa / AAA) because they are backed by a portfolio of loans repaid by local authorities and regional governments, as described in section 10.3. As a consequence, they are highly attractive to institutional investors who are required to invest in low risk assets (insurance companies, investment funds, pension funds and banks), which keeps funding costs low.

Last year also saw the start of the Euro Medium Term Notes programme, with issues totalling €3 billion. The securities are listed on the Luxembourg stock exchange, are not secured and bear a rating equal to that of the company (AA / Aa2 / AA-).

During the year, CDP began to disburse the incentives envisaged by Law 166 of 1 August 2002 for the purchase of low environmental impact vehicles.

(thousands of euros)

THIRD-PARTY FUNDS UNDER ADMINISTRATION (item 40)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
Incentives for purchase / leasing of low environmental impact vehicles (Law 166 of 1 August 2002)	55,197	-	55,197	
Total	**55,197**	**-**	**55,197**	

1.2 Breakdown of the item "Due to customers"

(thousands of euros)

DUE TO CUSTOMERS (item 20)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
a) Postal funding	123,422,180	99,797,576	23,624,604	+23.7
– postal passbook savings accounts	65,403,474	60,133,638	5,269,836	+8.8
– postal savings bonds	58,018,706	39,663,938	18,354,768	+46.3
b) Other liabilities	604,827	509,886	94,941	+18.6
Total	**124,027,007**	**100,307,462**	**23,719,545**	**+23.6**

Liabilities with customers mainly regard postal savings products placed by Poste Italiane S.p.A. throughout the country.
The balance at the end of the year refers to the debt to investors in passbook savings accounts and postal savings bonds.

Passbook savings accounts are savings deposit documents in which deposits, withdrawals and interest paid at 31 December of each year are registered. Interest is subject to 27% withholding tax.

Postal savings bonds are registered non-transferable long-term debt securities redeemable upon demand. They are essentially a one-coupon bond incorporating an American put option that gives investors the right to request repayment at a set price at any time during the life of the bond. Interest rates on postal savings bonds have a step-up structure. Interest is settled in a single payment at redemption and is subject to withholding tax in settlement at 12.50%.

Indexed postal savings bonds, first introduced in October 2003, pay an annual fixed rate determined at issue plus a premium at maturity linked to the performance of the Dow Jones Euro Stoxx 50 equity index.

At year-end derivatives transactions (call spread options) carried out to hedge changes in the premium at maturity on indexed postal savings bonds had a nominal value of €1,063.3 million.

In the second half of the year four series of postal savings bonds with a maturity of 18 months were issued.

The main other items due to customers regard:

- liabilities in respect of amounts to be disbursed that have already been fully repaid by the borrowers. This debt amounted to €516.2 million at the end of the year. The explanation of this item is linked to the fact that CDP loans are not disbursed in a single tranche at the time the loan is granted but rather in relation to the submission of status reports on the state of progress of the works being financed;
- liabilities in respect of interest expense on loans to be disbursed. Interest expense amounted to about €83 million at end-2005.

SECTION 7 - PROVISIONS

Provisions include the provision for staff severance pay and the provision for liabilities and contingencies.

(thousands of euros)

PROVISIONS

	31/12/2005	31/12/2004	Change (+/-)	Change %
Provision for staff severance pay (item 70)	396	59	337	+567.7
Provisions for liabilities and contingencies (item 80)	512,106	393,770	118,336	+30.1
– provision for pensions and similar liabilities (item 80.a)	-	-	-	-
– provision for taxes and duties (item 80.b)	498,837	386,137	112,700	+29.2
– other provisions (item 80.c)	13,269	7,633	5,636	+73.8
– provision for guarantees and commitments	-	-	-	-
– provision for other liabilities and contingencies	13,269	7,633	5,636	+73.8
Total	**512,502**	**393,829**	**118,673**	**+30.1**

The provision for staff severance pay amounted to €396 thousand. It regards the entitlement for personnel hired after the transformation of CDP into a joint-stock company.

(thousands of euros)

STAFF SEVERANCE PAY PROVISION (item 70)

Opening balance	**59**
Increases	**381**
- allocations	320
– acquisition of employment contracts	-
- other increases	61
Decreases	**44**
– advances (Law 297/1982)	-
– severance pay	17
– transfers of employment contracts	-
- other decreases	27
Closing balance	**396**

Other increases regard the transfer to CDP of a number of contractual relationships for employees of the ISPA subsidiary, with the consequent transfer of the severance pay liability to CDP.

Other decreases regard the recovery of the INPS share for the Guarantee Fund.

The provision for taxes and duties came to €498.8 million and regards the liability in respect of corporate income tax (IRES) and regional tax on productive activities (IRAP) for the year

and the deferred tax liabilities in respect of taxable income components deducted under tax rules and the capital gains tax on the revaluation of property.
IRES and IRAP are calculated on the basis of a realistic estimate of the liability for the year, as determined in application of current tax regulations.

If the deferred tax items regard developments that directly affect shareholders' equity, they are recognised as a contra-item to shareholders' equity

(thousands of euros)

PROVISION FOR TAXES AND DUTIES (item 80.b)

Opening balance	**386,137**
Increases	**403,126**
– allocations for direct taxes for 2005	309,260
– deferred tax liabilities	71,016
- other increases	22,850
Decreases	**290,426**
– utilization to pay direct taxes	290,426
- other decreases	-
Closing balance	**498,837**

The following table shows the tax effects of deductible and taxable temporary differences at year-end, with an indication of the main categories.

(thousands of euros)

	IRES	IRAP
A. Deductible temporary differences	**4,391**	**337**
Loan writedowns deductible in future years	-	-
Provisions for future charges	2,246	-
Depreciation / amortisation not deductible during year	2,051	326
Writedowns of securities, real estate and equity investments	-	-
Extraordinary expense in respect of early retirement incentives	-	-
Other	94	11
B. Taxable temporary differences	**166,666**	**61**
Accrued dividends	-	-
Capital gains in instalments	-	-
Other	166,666	61
Total	**-162,275**	**266**

The “Other” heading of *Taxable temporary differences* includes liabilities for deferred taxes mainly in respect of the accrual to the loan-loss provision, which is deducted under tax rules, and, to a minor degree, the depreciation charge, which is also deducted under tax rules.

7.3 Composition of subitem 80 c) "Provisions for liabilities and contingencies: other provisions"

(thousands of euros)

COMPOSITION OF ITEM 80. C "PROVISIONS FOR LIABILITIES AND CONTINGENCIES: OTHER PROVISIONS" (table 7.3 B.I.)

Opening balance	**7,634**
Increases	**7,833**
- allocations	6,806
– early retirement incentives	1,027
- other increases	-
Decreases	**2,198**
– utilization for revaluation of guarantee commitments	-
– utilisation for settlement of litigation	-
– utilisation for seniority bonuses, other indemnities and excess provisions	2,198
– utilization for other liabilities	-
– other decreases	-
Closing balance	**13,269**

"Other provisions" regard the provision for pending litigation (€9.8 million) and the provision for contractual commitments with employees (€3.4 million), which covers the costs associated with the company performance bonus and early retirement incentives for employees defined in 2005 and not yet settled.

The decrease in the item regards the use of 2004 provisions for employee-related charges, which was fully used in 2005.

7.4 Changes in deferred tax assets

(thousands of euros)

CHANGES IN DEFERRED TAX ASSETS (table 7.4 B.I.)

1. Opening balance	**524**
2. Increases	**4,683**
2.1 Deferred tax assets arising during the year	4,683
2.2 Other increases	-
3. Decreases	**479**
3.1 Deferred tax assets reversed during the year	479
3.2 Other decreases	-
4. Closing balance	**4,728**

The deductible temporary differences, which gave rise to the deferred tax assets, regard provisions for future charges, unpaid remuneration of directors, depreciation and amortisation charges, entertainment expenses and other negative components deductible in years subsequent to that in which they are recognised in the income statement. The decreases regard temporary differences reversed during the year.

Deferred tax assets – which have been recognised as it is reasonable certain that CDP will have sufficient taxable income to recover them – were calculated on the basis IRES and IRAP rates that will be applicable at the time they will be considered in the determination of taxable income.

7.5 Changes in deferred tax liabilities

(thousands of euros)

CHANGES IN DEFERRED TAX LIABILITIES (table 7.5 B.I.)

Opening balance	**95,711**
2. Increases	**71,016**
2.1 Deferred tax liabilities arising during the year	71,016
2.2 Other increases	-
3. Decreases	**-**
3.1 Deferred tax liabilities reversed during the year	-
3.2 Other decreases	-
4. Closing balance	**166,727**

Deferred tax liabilities regard taxable temporary differences, mainly the allocation to the loan-loss provision deducted in accordance with tax rules and, to a minor degree, the depreciation charge, which is also deducted under tax rules. They have been calculated using the same criterion used in determining deferred tax assets. In this case, the deferred tax liability in respect of the allocation to the loan-loss provision was computed for IRES purposes only.

SECTION 8 – SHARE CAPITAL, RESERVES, PROVISION FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

Share capital, equal to €3,500 million, as determined by the decree of the Minister for the Economy and Finance of 5 December 2003, 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.

At 31 December 2005 the provision for general banking risks amounted to €1,145,595,589.

The revaluation reserve of €167,572,002, posted at item 150 of liabilities, is equal to the revaluation gain net of capital gains tax, pursuant to Law 266/2005.

8.1 Regulatory capital and prudential capital requirements

In the absence of specific measures issued by the Bank of Italy in this area, CDP is subject solely to "informational" supervision.

Accordingly, in 2005, in agreement with the supervisory authorities, CDP did not specify its regulatory capital or the related prudential capital requirements

SECTION 9 – OTHER LIABILITIES

9.1 Composition of item 50 “Other liabilities”

(thousands of euros)

COMPOSITION OF ITEM 50 "OTHER LIABILITIES" (table 9.1 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
Items being processed	777,847	41,977	735,870	
Amounts due to employees	1,211	2,563	-1,353	-52.8
Charges for postal funding service	790,386	688,627	101,760	+14.8
Tax payables	17,945	11,399	6,546	+57.4
Due to Bank of Italy	542,086	1,181,555	-639,469	-54.1
Other	190,544	232,890	-42,347	-18.2
Total	**2,320,019**	**2,159,011**	**161,007**	**+7.5**

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

The main items under this heading are:

- items being processed, equal to €777.8 million, mainly regarding early repayments of loans carried out in 2005 but settled in January 2006;
- the payable to Poste Italiane S.p.A. of €790.4 million in respect of accrued commission expense;
- tax payables totalling €18 million, mainly regarding the tax on interest paid on postal savings bonds and withholdings;
- the liability of about €542 million in respect of payment instructions issued by CDP S.p.A. and executed by the provincial state treasury sections on behalf of CDP. The amounts were reimbursed to the MEF in early 2006 on the basis of the monthly accounts produced by the Bank of Italy, which acts as the Central State Treasurer;
- other items, mainly composed of the debt of €92.7 million vis-à-vis CPG, the securitisation vehicle, for instalments on securitised loans paid by borrowers in 2005 but transferred to CPG the following year. They also include the liability of about €26 million for credit transfers over the National Interbank Network to be settled in 2006, the liability for transaction costs associated with lending in the amount of about €48.4 million and the liability with the MEF, equal to €1.8 million, for the collection and payment service performed by the Bank of Italy.

9.2 Composition of item 60 “Accrued expenses and deferred income”

(thousands of euros)

COMPOSITION OF ITEM 60 “ACCRUED EXPENSES AND DEFERRED INCOME” (table 9.2 l

	31/12/2005	31/12/2004	Change (+/-)	%
Accrued expenses	37,365	1,969	35,396	
- charges on derivative contracts	4,253	1,969	2,284	+116.0
- interest on debt securities	33,025	-	33,025	
– interest on amounts due to banks	87	-	87	
Deferred income	35,377	1	35,377	
- income on derivative contracts	35,377	-	35,377	
- other revenues	-	1	-1	-100.0
Total	**72,742**	**1,970**	**70,773**	

Accrued expenses amounted to €37.4 million and mainly regard interest accruing on bonds.

Deferred income regards up-front payments received on interest rate swaps hedging bond funding.

9.3 Adjustments for accrued expenses and deferred income

No adjustments were made to the asset and liability items to which the accrued expenses and deferred income refer.

SECTION 10 – GUARANTEES AND COMMITMENTS

10.2 Composition of item 20 “Commitments”

(thousands of euros)

COMPOSITION OF ITEM 20 "COMMITMENTS" (table 10.2 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) Commitments to disburse funds - certain utilization	17,173,974	11,388,204	5,785,770	+50.8
b) Commitments to disburse funds - uncertain utilization	205,506	-	205,506	
Total	**17,379,480**	**11,388,204**	**5,991,276**	**+52.6**

Commitments to disburse funds mainly regard loans granted to customers that will be disbursed upon presentation of progress status reports for the project or works being financed.

10.3 Assets pledged as collateral for own debts

During the year CDP began 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.

At 31 December 2005 the amount pledged as collateral came to €16,564,637,535, of which €1,098,175,297 in respect of loans to be disbursed. Note that for the segregated loans, the borrowers have undertaken to repay the amounts lent regardless of their actual disbursement.

(thousands of euros)

ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS

	31/12/2005	31/12/2004	Change (+/-)	%
Loans securing covered bonds				
- loans disbursed	15,466,462	-	15,466,462	
- loans to be disbursed	1,098,175	-	1,098,175	
Total	**16,564,638**	**-**	**16,564,638**	

CDP's balance sheet reports only the amount of the segregated loans actually disbursed, in accordance with Bank of Italy regulations.

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.

10.5 Forward transactions

(thousands of euros)

FORWARD TRANSACTIONS (table 10.5 B.I.)

Category of transaction	Hedging	Trading	Other	Total
1. Purchases/sales:	**-**	**-**	**-**	**-**
1.1 Securities	-	-	-	-
- purchases	-	-	-	-
- sales	-	-	-	-
1.2 Foreign currencies	-	-	-	-
- foreign currency vs. foreign currency	-	-	-	-
- purchases against euros	-	-	-	-
- sales against euros	-	-	-	-
2. Deposits and loans	**-**	**-**	**-**	**-**
- to be disbursed	-	-	-	-
- to be received	-	-	-	-
3. Derivative contracts	**24,476,275**	**-**	**3,067,250**	**27,543,525**
3.1 With exchange of principal	-	-	-	-
a) securities	-	-	-	-
- purchases	-	-	-	-
- sales	-	-	-	-
b) foreign currencies	-	-	-	-
- foreign currency vs. foreign currency	-	-	-	-
- purchases against euros	-	-	-	-
- sales against euros	-	-	-	-
c) other assets	-	-	-	-
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 Without exchange of principal	24,476,275	-	3,067,250	27,543,525
a) foreign currencies	-	-	-	-
- foreign currency vs. foreign currency	-	-	-	-
- purchases against euros	-	-	-	-
- sales against euros	-	-	-	-
b) other assets	24,476,275	-	3,067,250	27,543,525
- purchases	10,083,369	-	1,533,625	11,616,994
- sales	14,392,906	-	1,533,625	15,926,531
	24,476,275	**-**	**3,067,250**	**27,543,525**

Derivatives contracts regard 61 interest rate swaps hedging the interest rate risk on loans and funding and 16 call spread options hedging the equity risk on indexed postal savings bonds.

The call spread options are reported as a combination of a call option purchased and a call option sold.

For derivatives, “Other transactions” includes the implicit options in postal funding instruments.

The basis swaps, equal to €400 million, hedging the interest rate risk on the bonds issued under the EMTN programme are reported under derivatives on which the principal is not exchanged, for both purchases and sales.

At 31 December 2005 the fair value of the hedging call spread options and the swaps was equal to €60.8 million and -313.8 million respectively. The latter is offset by an equivalent gain on the hedged assets/liabilities.

(thousands of euros)

DERIVATIVES BY TYPE (table 10.7 B.I.)

Type/underlying	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets		
	trading	hedging	other	trading	hedging	other	trading	hedging	other	trading	hedging	other
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	21,549,675	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	400,000	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Sold	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Sold	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	2,126,600	3,067,250	-	-	-	-	-	-
- Purchased	-	-	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Sold	-	-	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-

(thousands of euros)

DERIVATIVES PURCHASES AND SALES OF UNDERLYINGS (table 10.8 B.I.)

Type/underlying	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets		
	trading	hedging	other	trading	hedging	other	trading	hedging	other	trading	hedging	other
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign currency vs. foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	22,349,675	-	-	2,126,600	3,067,250	-	-	-	-	-	-
- Purchases	-	9,020,069	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Sales	-	13,329,606	-	-	1,063,300	1,533,625	-	-	-	-	-	-
- Foreign currency vs. foreign currency	-	-	-	-	-	-	-	-	-	-	-	-

(thousands of euros)

OVER-THE-COUNTER DERIVATIVES: COUNTERPARTY RISK (table 10.9 B.I.)

Counterparties/underlyings	Debt securities and interest rates				Equity securities and equity indices				Exchange rates and gold				Other assets			
	Notional value	Positive fair value		Future exposure	Notional value	Positive fair value		Future exposure	Notional value	Positive fair value		Future exposure	Notional value	Positive fair value		Future exposure
		Gross	Offset			Gross	Offset			Gross	Offset			Gross	Offset	
A. TRADING																
A.1 governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. HEDGING																
B.1 governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	21.949.675	91.808	91.808		1.063.300	60.810	60.810	-	-	-	-	-	-	-	-	-
B.4 financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. OTHER																
C.1 governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.3 banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.4 financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.7 other	-	-	-	-	1.533.625	-	-	-	-	-	-	-	-	-	-	-
C.8 of which: embedded derivatives	-	-	-	-	1.533.625	-	-	-	-	-	-	-	-	-	-	-

(thousands of euros)

OVER-THE-COUNTER DERIVATIVES: FINANCIAL RISK (table 10.10 B.I.)

Counterparties/underlyings	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other assets	
	Negative fair value		Negative fair value		Negative fair value		Negative fair value	
	Gross	Offset	Gross	Offset	Gross	Offset	Gross	Offset
A. TRADING								
A.1 governments and central banks	-	-	-	-	-	-	-	-
A.2 public entities	-	-	-	-	-	-	-	-
A.3 banks	-	-	-	-	-	-	-	-
A.4 financial companies	-	-	-	-	-	-	-	-
A.5 insurance companies	-	-	-	-	-	-	-	-
A.6 non-financial companies	-	-	-	-	-	-	-	-
A.7 other	-	-	-	-	-	-	-	-
B. HEDGING								
B.1 governments and central banks	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-
B.3 banks	405,586	405,586	-	-	-	-	-	-
B.4 financial companies	-	-	-	-	-	-	-	-
B.5 insurance companies	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	-	-	-
B.7 other	-	-	-	-	-	-	-	-
C. OTHER								
C.1 governments and central banks	-	-	-	-	-	-	-	-
C.2 public entities	-	-	-	-	-	-	-	-
C.3 banks	-	-	-	-	-	-	-	-
C.4 financial companies	-	-	-	-	-	-	-	-
C.5 insurance companies	-	-	-	-	-	-	-	-
C.6 non-financial companies	-	-	-	-	-	-	-	-
C.7 other	-	-	68.191	68.191	-	-	-	-

SECTION 11 – CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.2 Breakdown of loans to customers by type of borrower

(thousands of euros)

BREAKDOWN OF LOANS TO CUSTOMERS BY TYPE OF BORROWER (table 11.2 B.I.)

	31/12/2005
a) Governments	28,427,555
b) Other public entities	23,418,480
c) Non-financial companies	2,173,183
e) Financial companies	36,025
e) Producer households	-
f) Other	-
Total	**54,055,242**

11.5 Geographical distribution of assets and liabilities

(thousands of euros)

GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES (table 11.5 B.I.)

	Italy	Other EU	Other countries	Total
1. Assets	**59,054,825**	**-**	**-**	**59,054,825**
1.1 Loans to banks	3,627,835	-	-	3,627,835
1.2 Loans to customers	54,055,242	-	-	54,055,242
1.3 Securities	1,371,748	-	-	1,371,748
2. Liabilities	**129,042,218**	**242,494**	**-**	**129,284,712**
2.1 Due to banks	615,211	242,494	-	857,705
2.2 Due to customers	124,027,007	-	-	124,027,007
2.3 Debt securities in issue	4,400,000	-	-	4,400,000
2.4 Other	-	-	-	-
3. Guarantees and commitments	**17,379,480**	**-**	**-**	**17,379,480**

11.6 Distribution of assets and liabilities by residual maturity

(thousands of euros)

DISTRIBUTION OF ASSETS AND LIABILITIES BY RESIDUAL MATURITY (table 11.6 B.I.)

	Specified maturity							Unspecified maturity	Total
	repayable on demand	to 3 months	from 3 months to 12 months	from 1 year to 5 years fixed rate	from 1 year to 5 years floating rate	more than 5 years fixed rate	more than 5 years floating rate		
1. Assets	**980**	**5,532,787**	**18,435,731**	**21,494,063**	**560,864**	**36,426,986**	**671,638**	**30,733**	**83,153,781**
1.1 Treasury securities eligible for refi	-	-	-	-	-	-	-	-	-
1.2 Loans to banks	980	3.201.855	7.708	33.958	-	383.335	-	-	3,627,835
1.3 Loans to customers	-	1.617.217	5.006.027	20.187.858	560.864	26.180.906	471.638	30.733	54,055,242
1.4 Bonds and other debt securities	-	699.042	103.132	12.605	-	356.969	200.000	-	1,371,748
1.5 Off-balance-sheet transactions	-	14.673	13.318.864	1.259.643	-	9.505.776	-	-	24,098,956
2. Liabilities	**123,472,010**	**1,670,030**	**9,682,022**	**7,984,769**	**75,125**	**7,725,641**	**2,606,286**	**-**	**153,215,884**
2.1 Due to banks	49.831	707.874	-	-	-	-	100.000	-	857,705
2.2 Due to customers	123.422.180	-	88.675	-	-	516.152	-	-	124,027,007
2.3 Debt securities in issue	-	-	-	-	-	-	-	-	-
- bonds	-	-	-	1.000.000		3.000.000	400.000		4,400,000
- certificates of deposit	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Subordinated liabilities	-	-	-	-	-	-	-	-	-
2.5 Off-balance-sheet transactions	-	962.156	9.593.347	6.984.769	75.125	4.209.489	2.106.286	-	23,931,172

11.8 Securitisations

At the end of 2002, the Cassa Depositi e Prestiti 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.;
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 "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.
At the end of 2005 the portfolio of claims of Acea Distribuzione S.p.A. was extinguished early.

The presence of income items in the relationship with CPG is correlated with repayments to the vehicle to supplement the flows assigned in the securitization where CDP subsequently renegotiated the loans involved.

As regard the obligations of CDP, which are defined in the assignment contract, under which CDP 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.

As regards securitizations conducted by third parties, in 2005 CDP acquired a bond issued by the INPS - S.C.C.I. S.p.A. securitisation vehicle.
The following table describes the assets on CDP's books in respect of this operation.

(thousands of euros)

TRADING SECURITIES SECURED BY THIRD-PARTY RECEIVABLES (table 11.8.1 B.I.)

Type of security	Underlying assets	Quality of securitised receivables	Gross	Adjustment	Net
a) Senior securities			**200,000**	**-**	**200,000**
	Residential mortgage loans	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Lease receivables	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Credit card debt	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Other	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	200,000	-	200,000
b) Mezzanine securities			**-**	**-**	**-**
	Residential mortgage loans	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Lease receivables	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Credit card debt	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Other	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
c) Junior securities			**-**	**-**	**-**
	Residential mortgage loans	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Lease receivables	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Credit card debt	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
	Other	Bad debts	-	-	-
		Substandard loans	-	-	-
		Other assets	-	-	-
			200,000	**-**	**200,000**

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST

1.1 Composition of item 10 “Interest income and similar revenues”

(thousands of euros)

COMPOSITION OF ITEM 10 “INTEREST INCOME AND SIMILAR REVENUES “ (table 1.1 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) on loans to banks	980	47	934	
of which:				
- on loans to central banks	-	-	-	-
b) on loans to customers	3,435,361	3,544,346	-108,985	-2.9
of which:				
-on loans financed with third-party funds under administration	76	530	-455	-85.7
c) on debt securities	48,888	2,366	46,522	
d) other interest income	1,376,843	917,909	458,933	+50.0
e) positive balance on differences on hedging transactions	252,890	32,144	220,746	+686.7
Total	**5,114,962**	**4,496,812**	**618,151**	**+13.7**

The item reports the remuneration of the activities of CDP with regard to:

- loans to customers: interest income on loans to customers, equal to about €3.4 billion, represents the revenues on CDP lending activities;

- debt securities: interest income on debt securities, equal to about €49 million, mainly regards interest accrued on CCTs and repurchase agreements acquired during the year;

- other interest income: this is primarily composed of interest income on the treasury account no. 29813, totalling €90.4 million, and account no. 29814, equal to about €1.3 billion.

The item also includes positive differences on interest rate hedges with banks, amounting to €252.9 million.

1.2 Composition of item 20 “Interest expense and similar charges”

(thousands of euros)

COMPOSITION OF ITEM 20 "INTEREST EXPENSE AND SIMILAR CHARGES" (table 1.2 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) on amounts due to banks	185	0	185	
b) on amounts due to customers	2,950,519	2,580,703	369,817	+14.3
c) on debt securities	44,513	-	44,513	
of which:				
- certificates of deposit	-	-	-	-
d) on loans with third-party funds under administration	-	-	-	-
e) on subordinated debt	-	-	-	-
f) other interest expense	4,132	2,280	1,852	+81.2
g) negative balance on differences on hedging transactions	417,746	158,286	259,460	+163.9
Total	**3,417,095**	**2,741,269**	**675,826**	**+24.7**

Interest expense on amounts owed to customers regard the remuneration of postal savings products and interest expense on loans being repaid but not yet disbursed by CDP. More specifically, interest on passbook savings accounts totalled €755 million, interest on postal savings bonds came to €1,924 million, charges for the placement of postal products to €78 million and interest on funds to be disbursed to €192 million.

Interest on debt securities in issue totalled €44.5 million and regarded bond issues conducted during the year.

“Other interest expense” mainly regards call spread options on indexed postal savings bonds.

The negative differences on hedges regard interest rate swaps hedging CDP’s fixed-rate loans and funding.

SECTION 2 - COMMISSIONS

2.1 Composition of item 40 “Commission income”

(thousands of euros)

COMPOSITION OF ITEM 40 "COMMISSION INCOME" (table 2.1 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) guarantees received	-	-	-	-
b) credit derivatives	-	-	-	-
c) management, intermediation and advisory services :	-	-	-	-
1. securities trading	-	-	-	-
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) tax collection services	-	-	-	-
g) other services	1,931	-	1,931	
Total	**1,931**	**-**	**1,931**	

CDP earned commission income on lending operations amounting to €1.9 million.

2.3 Composition of item 50 “Commission expense”

(thousands of euros)

COMPOSITION OF ITEM 50 "COMMISSION EXPENSE" (table 2.3 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	%
a) guarantees received	-	-	-	-
b) credit derivatives	-	-	-	-
c) management and intermediation services :	-	-	-	-
1. securities trading	-	-	-	-
2. foreign exchange	-	-	-	-
3. asset management:	-	-	-	-
3.1 own portfolio	-	-	-	-
3.2 third-party portfolio	-	-	-	-
4. securities custody and administration	-	-	-	-
5. securities placement	-	-	-	-
6. off-premises distribution of securities	-	-	-	-
d) collection and payment services	48	3	-45	-1514.9
e) other services	672,047	680,212	-8,165	-1.2
Total	**672,095**	**680,215**	**-8120**	**-1.2**

Commission expense mainly regards the charge for the year, equal to about €672 million, of the remuneration paid to Poste Italiane S.p.A. for managing and placing postal funding products.

SECTION 3 – INCOME (LOSS) ON FINANCIAL TRANSACTIONS

3.1 Composition of item 60 "Income (loss) on financial transactions"

(thousands of euros)

COMPOSITION OF ITEM 60 "INCOME (LOSS) ON FINANCIAL TRANSACTIONS" (table 3.1 B.I.)

		Securities transactions	Foreign exchange transactions	Other
A.1.	Revaluations	-	-	-
A.2.	Writedowns	2,954	-	-
B	Other income/loss	-2,392	1	-
Total		**-5,346**	**1**	**-**
1.	Government securities	-5,077		
2.	Other debt securities	-269		
3.	Equity securities	-		
4.	Derivative contracts on securities	-		

The writedowns of securities, equal to about €3 million, were calculated using the lesser of purchase cost and market value as recorded on the last trading day of the year (30 December 2005).

Securities redeemed during the year posted losses of about €2.4 million.

SECTION 4 – GENERAL AND ADMINISTRATIVE EXPENSES

4.1 Average number of employees

AVERAGE NUMBER OF EMPLOYEES (table 4.1 B.I.)

	31/12/2005	31/12/2004	Change (+/-)	Change %
a) Executives	29	28	1	+3.4
b) 3rd and 4th level supervisors	127	120	7	+5.5
c) Other staff	274	295	-21	-7.7
Total	**430**	**443**	**-13**	**-3.0**

(thousands of euros)

PERSONNEL COSTS (item 80.a)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Wages and salaries	24,990	24,737	253	+1.0
Social security contributions	8,543	8,522	21	+0.2
Staff severance pay	320	59	261	+81.4
- allocation to staff severance pay provision	303	59	244	+80.4
– share of provision accrued and disbursed in the year	17	-	17	
– allocations to supplementary pension schemes	-	-	-	-
Other staff costs	168	162	5	+3.2
Total	**34,021**	**33,480**	**541**	**+1.6**

(thousands of euros)

OTHER ADMINISTRATIVE EXPENSES (item 80.b)

	31/12/2005	31/12/2004	Change (+/-)	Change %
IT costs (licences, maintenance and consulting)	7,230	7,375	-145	-2.0
Property expenses	5,162	4,764	398	+7.7
Leased land and buildings	-	-	-	-
Owned land and buildings	5,162	4,764	398	+7.7
- maintenance of owned land and buildings	*3,629*	*3,053*	576	+15.9
- operating expenses	*1,533*	*1,711*	-178	-11.6
Utilities	1,139	891	248	+21.8
General expenses	4,722	3,085	1,638	+34.7
Consumables and other	766	444	322	+42.0
Services	3,956	2,641	1,316	+33.3
Entertainment and marketing	475	300	175	+36.9
Professional and insurance expenses	6,364	3,111	3,253	+51.1
Professional and service costs for personnel	2,041	1,168	873	+42.8
Corporate bodies	1,314	945	368	+28.0
Indirect taxes and duties	406	435	-28	-7.0
Total	**28,853**	**22,074**	**6,779**	**+23.5**

SECTION 5 – WRITEDOWNS, WRITEBACKS AND PROVISIONS

(thousands of euros)

AMORTISATION AND DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS (item 90)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Amortisation	597	11	586	
amortisation of software for systems in service	594	11	583	
amortisation of other deferred costs	3	-	3	
Depreciation	8,247	2,107	6,140	+291.4
depreciation of land and buildings	5,935	117	5,818	
depreciation of furnishings and plant	1,254	731	523	+71.5
depreciation of other tangible assets	1,058	1,259	-202	-16.0
Total	**8,844**	**2,118**	**6,726**	**+317.6**

5.1 Composition of item 120 "Writedowns of loans and provisions for guarantees and commitments"

(thousands of euros)

WRITEDOWNS OF LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS (item 120)

	31/12/2005	31/12/2004	Change (+/-)	Change %
a) Writedowns of loans	2,026	2,652	-626	-23.6
of which:				
- general writedowns	-	-	-	-
b) Provisions for guarantees and commitments	-	-	-	-
of which:				
- general provisions	-	-	-	-
Total	**2,026**	**2,652**	**-626**	**-23.6**

SECTION 6 – OTHER ITEMS OF THE INCOME STATEMENT

6.1 Composition of item 70 "Other operating income"

(thousands of euros)

OTHER OPERATING INCOME (item 70)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Recovery of costs from customers	-	-	-	-
stamp duty and other taxes	-	-	-	-
legal expense	-	-	-	-
other recovered costs	-	-	-	-
Reimbursements for services to third parties	666	412	254	+61.6
Rental income on leased land and buildings	-	-	-	-
Other income	82	26	56	+215.4
Total	**748**	**438**	**310**	**+70.7**

Other operating income mainly regards income from the provision of services to and use of infrastructure by Infrastrutture S.p.A., as well as income from services provided to the Ministry of Infrastructure and Transport.

6.2 Composition of item 110 "Other operating expenses"

(thousands of euros)

OTHER OPERATING COSTS (item 110)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Instalments on finance leases	-	-	-	-
Other charges	0	9	-9	-98.9
Total	**0**	**9**	**-9**	**-98.9**

6.3 Composition of item 180 "Extraordinary income"

(thousands of euros)

EXTRAORDINARY INCOME (item 180)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Prior-year income:	1,228	7,420	-6,192	-83.4
utilisation of excess provisions	128	2,878	-2,750	-95.5
other	1,100	4,542	-3,442	-75.8
Gain on disposal of :	465	-	465	
financial assets - equity investments	465	-	465	
financial assets - investment securities	-	-	-	-
tangible assets	-	-	-	-
treasury stock in portfolio	-	-	-	-
Total	**1,693**	**7,420**	**-5,727**	**-77.2**

The item includes reductions in liabilities ascertained at year-end as an exceptional component of income and capital gains on disposals of equity investments.

6.4 Composition of item 190 "Extraordinary expense"

(thousands of euros)

EXTRAORDINARY EXPENSE (item 190)

	31/12/2005	31/12/2004	Change (+/-)	Change %
Provisions for early retirement incentives	5,189	898	4,292	+478.1
Other prior-year expenses	5,787	6,781	-994	-14.7
utilisation of excess provisions	-	-	-	-
other	5,787	6,781	-994	-14.7
Losses on disposal of :	-	-	-	-
financial assets - equity investments	-	-	-	-
financial assets - investment securities	-	-	-	-
tangible assets	-	-	-	-
Total	**10,976**	**7,679**	**3,298**	**+43.0**

The item comprises prior-year costs and reductions in assets ascertained at year-end as exceptional components of income. In particular, extraordinary expense of about €5.2 million was recognised in respect of the staff early retirement incentive plan.

6.5 Composition of item 220 “Income taxes for the year”

(thousands of euros)

COMPOSITION OF ITEM 220 "INCOME TAXES FOR THE PERIOD" (table 6.5 B.I.)

			Change	
	31/12/2005	**31/12/2004**	**(+/-)**	**%**
1. Current taxes (-)	-309,260	-290,426	-18,834	+6.5
2. Change in deferred tax assets (+/-)	4,204	524	3,680	+702.1
3. Change in deferred tax liabilities (-/+)	-71,016	-95,711	24,696	-25.8
4. Income taxes for the period (-1 +/- 2 -/+ 3)	-376,072	-385,613	9,541	-2.5

Current taxation regards IRES and IRAP for the year. IRES was reported net of the positive impact of the tax loss registered by Infrastrutture S.p.A., a consequence of the joint application of the consolidated tax mechanisms.

Deferred tax assets were recognised given the reasonable certainty that CDP will earn sufficient taxable income in future years for their recovery. Deferred tax liabilities were recognised in respect of taxable temporary differences.

%

RECONCILIATION OF ORDINARY TAX RATE AND EFFECTIVE TAX RATE

	31/12/2005
ORDINARY IRES RATE	**33.00**
Effect of increases (decreases) with respect to ordinary tax rate:	
Dividends excluded	-22.26
Non-deductible provisions	13.92
Non-deductible costs	0.17
Writedowns of equity investments	0.13
EFFECTIVE IRES RATE	**24.96**

SECTION 7 – OTHER INFORMATION ON THE INCOME STATEMENT

7.1 Geographical distribution of income

(thousands of euros)

GEOGRAPHICAL DISTRIBUTION OF INCOME (table 7.1 B.I.)

	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	5,114,962	-	-	**5,114,962**
Dividends and other income	925,558	-	-	**925,558**
Commission income	1,931	-	-	**1,931**
Income (loss) on financial transactions	-5,345	-	-	**-5,345**
Other operating income	-748	-	-	**-748**
Total	**6,036,357**	**-**	**-**	**6,036,357**

Dividends regard the share of net income attributable to CDP S.p.A. from its equity investments in Eni S.p.A. (€540 million), Enel S.p.A. (€345 million), Terna S.p.A. (€30 million), ST Holding N.V. (€9.8 million), Istituto per il Credito Sportivo (€185,924) and Sinloc S.p.A. (€73,584).

PART D – OTHER INFORMATION

SECTION 1 – DIRECTORS AND STATUTORY AUDITORS

1.1 Remuneration

(thousands of euros)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS (table 1.1 B.I.)

	31/12/2005
a) Directors	740
b) Statutory auditors	112
Total	**852**

(thousands of euros)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

Name	Position		Period in office	End of term (*)	Compensation and bonuses
Board of Directors					
Salvatore Rebecchini	Chairman		01/01/05-31/12/05	2006	240
Luigi Roth	Deputy Chairman		01/01/05-31/12/05	2006	135
Luigi Fausti	Director		01/01/05-31/12/05	2006	35
Gianluca Galletti	Director		01/01/05-31/12/05	2006	35
Ettore Gotti Tedeschi	Director		01/01/05-31/12/05	2006	35
Nunzio Guglielmino	Director		01/01/05-31/12/05	2006	35
Mario Sarcinelli	Director		01/01/05-31/12/05	2006	35
Vittorio Grilli	Director	(1)	29/07/05-31/12/05	2006	(**)
Luisa Torchia	Director		01/01/05-31/12/05	2006	35
Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/2003)					
Edoardo Grisolia	Director	(2)	27/06/05-31/12/05	2006	(**)
Maria Cannata	Director	(3)	01/01/05-31/12/05	2006	(**)
Giuseppe Torchio	Director		01/01/05-19/04/05	2006	18
Francesco Maria Licheri	Director		01/01/05-19/04/05	2006	18
Stefano Caldoro	Director		01/01/05-19/04/05	2006	(***)
Lucio D'Ubaldo	Director	(4)	20/04/05-31/12/05	2006	16
Donato Robilotta	Director	(4)	20/04/05-31/12/05	2006	16
Sergio Vedovato	Director	(4)	20/04/05-31/12/05	2006	16
Board of Auditors					
Alberto Sabatini	Chairman		01/01/05-31/12/05	2006	27
Paolo Asso	Auditor		01/01/05-31/12/05	2006	20
Mario Basili	Auditor		01/01/05-31/12/05	2006	(**)
Piergiorgio Benvenuti	Auditor		01/01/05-31/12/05	2006	20
Antonio Finotti	Auditor		01/01/05-31/12/05	2006	20
Ignazio Cardone	Alternate		01/01/05-31/12/05	2006	-
Biagio Mazzotta	Alternate		01/01/05-31/12/05	2006	-

(*) Date of Shareholders' Meeting called to approve financial statements for the year.

(**) The remuneration is paid to the Ministry for the Economy and Finance.

(***) Waived remuneration.

(1) Prime Minister's Decree of 29 July 2005

(2) Delegate of State Accountant General

(3) Delegate of Director General of the Treasury

(4) Appointed with ministerial decree of 20 April 2005

ANNEXES

CASH FLOW STATEMENT

CHANGES IN SHAREHOLDERS' EQUITY

LIST OF EQUITY INVESTMENTS

Annex 1

CASH FLOW STATEMENT

(thousands of euros)

		31/12/2005	31/12/2004
	Cash flows from operations		
	Net income to allocate	927,642	285,541
	Capital increases	-	-
	Change in revaluation reserve	167,572	-
	Change in provision for general banking risks	550,000	550,000
	Amortisation of intangible assets	597	11
	Depreciation of tangible assets	8,247	2,108
	Writedowns of financial assets	5,115	-
	Writedowns of loans - net	2,026	2,652
	Writedowns of securities and balance on derivatives valuation	2,954	94
	Change in loan-loss provision	-	-
	Change in staff severance pay provision	337	59
	Increase / (decrease) in provision for other liabilities and contingencies	5,636	(2,922)
	Increase / (decrease) in provision for taxes and duties	112,700	386,137
	(Increase) / decrease in accrued income and prepaid expenses	(718,700)	1,789,038
	Increase / (decrease) in accrued expenses and deferred income	70,773	(1,098,143)
A	**Total cash flows from operations**	**1,134,901**	**1,914,575**
	Cash flows from investing activities		
	(Increase) / decrease in securities	653,595	(2,028,388)
	(Increase) / decrease in intangible assets	(4,005)	(10,008)
	(Increase) / decrease in tangible assets	(197,201)	-
	(Increase) / decrease in equity investments	(1,294,187)	(1,442,121)
	(Increase) / decrease loans to banks (excluding demand items)	(1,662,389)	1,306,543
	(Increase) / decrease in loans to customers	(3,897,805)	1,801,030
	(Increase) / decrease in other assets	(338,010)	12,855
B	**Total cash flows from investing activities**	**(6,740,002)**	**(360,089)**
	Cash flows from financing activities (change in liabilities)		
	Increase / (decrease) in amounts due to banks (excluding demand items)	498,463	309,411
	Increase / (decrease) in amounts due to customers	23,719,545	21,918,157
	Increase / (decrease) in debt securities in issue	4,400,000	-
	Increase / (decrease) in third-party funds under administration	55,197	
	Increase / (decrease) in other liabilities	257,810	1,590,215
	Increase / (decrease) in shareholders' equity accounts	-	-
	Dividends distributed	(271,250)	-
C	**Total cash flows from financing activities (change in liabilities)**	**28,659,765**	**23,817,783**
		=	=
	Increase (decrease) in cash, balances and net loans to banks (A + B + C)	**23,054,664**	**25,372,269**
		+	+
	Opening balance - cash, balances and net loans to banks	**39,363,049**	**13,990,780**
		=	=
	Closing balance - cash, balances and net loans to banks	**62,417,713**	**39,363,049**

Annex 2

(thousands of euros)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Extraordinary reserve	Revaluation reserve	Net income for the period	Total	Provision for general banking risks	Total
Shareholders' equity at start of period	3,500,000	-	-	-	285,541	**3,785,541**	595,596	**4,381,137**
Allocation of prior-year net income								
- legal reserve		14,291			-14,291	**-**		**-**
- extraordinary reserve			-			**-**		**-**
- dividends					-271,250	**-271,250**		**-271,250**
Revaluation reserve				167,572		**167,572**		**167,572**
Income (loss) for the year at 31 December 2005					927,642	**927,642**		**927,642**
SHAREHOLDERS' EQUITY AT 31/12/2005	3,500,000	14,291	-	167,572	927,642	**4,609,505**	595,596	**5,205,101**
Change in provision for general banking risks							550,000	**550,000**
SHAREHOLDERS' EQUITY AT 31/12/2005	**3,500,000**	**14,291**	**-**	**167,572**	**927,642**	**4,609,505**	**1,145,596**	**5,755,101**

Annex 3

(thousands of euros)

LIST OF EQUITY INVESTMENTS

	Registered office	% holding	Book value
A. Listed companies			
1. Eni S.p.A.	Rome	10.00%	5,315,829
2. Enel S.p.A.	Rome	10.25%	3,156,467
3. Terna S.p.A.	Rome	29.99%	1,315,200
B. Unlisted companies			
1. Poste Italiane S.p.A.	Rome	35.00%	2,518,744
2. ST Holding N.V.	Amsterdam	30.00%	1,421,107
3. Infrastrutture S.p.A.	Rome	100.00%	5,880
4. Sinloc S.p.A.	Turin	20.00%	9,292
5. Europrogetti & Finanza S.p.A.	Rome	31.80%	2,112
6. Istituto per il Credito Sportivo	Rome	21.62%	2,066
7. Tunnel di Genoa S.p.A.	Genoa	33.33%	170