CASSA DEPOSITI E PRESTITI
SOCIETÀ PER AZIONI

CDP S.p.A.

REPORT AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2007

2007 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

Alfonso Iozzo	*Chairman*
Franco Bassanini	*Deputy Chairman*
Renato Cambursano	*Director*
Francesco Giovannucci	*Director*
Vittorio Grilli	*Director*
Nunzio Guglielmino	*Director*
Gianfranco Imperatori	*Director*
Luisa Torchia	*Director*
Gianfranco Viesti	*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*	*(1)*
Director General of the Treasury	*Director*	*(2)*
Isaia Sales	*Director*	
Francesco Scalia	*Director*	
Giuseppe Pericu	*Director*	

(1) Edoardo Grisolia, non-permanent delegate of the State Accountant General

(2) Maria Cannata , delegate of the Director General of the Treasury

Preference Shareholders Support Committee

Mario Nuzzo	*Chairman*
Teresio Barioglio	*Member*
Pier Giuseppe Dolcini	*Member*
Amedeo Grilli	*Member*
Francesco Lorenzetti	*Member*
Antonio Marotti	*Member*
Massimo Paniccia	*Member*
Marco Parlangeli	*Member*
Stefano Poli	*Member*
Roberto Saro	*Member*
Davide Tinelli	*Member*

Steering Committee

Giuliano Segre	*Chairman*
Carlo Colaiacovo	*Member*
Adriano Giannola	*Member*
Matteo Melley	*Member*
Antonio Miglio	*Member*
Francesco Parlato	*Member*
Antimo Prosperi	*Member*
Giovanni Sabatini	*Member*
Antonino Turicchi	*Member*

General Manager

Antonino Turicchi

Board of Auditors

Alberto Sabatini	*Chairman*
Mario Basili	*Auditor*
Biagio Mazzotta	*Auditor*
Fabio Alberto Roversi Monaco	*Auditor*
Antonello Arru	*Auditor*
Francesco Bilotti	*Alternate*
Gerhard Brandstätter	*Alternate*

Parliamentary Supervisory Committee

Massimo Saverio Ennio Fundarò	*Chairman*
Salvatore Bonadonna	*Deputy Chairman*
Andrea Liotta	*Secretary for Confidential Matters*
Gianpiero Bocci	*Parliamentary member*
Vladimiro Crisafulli	*Parliamentary member*
Carmine Santo Patarino	*Parliamentary member*
Salvatore Adduce	*Parliamentary member*
Luigi Bobba	*Parliamentary member*
Antonio D'Alì	*Parliamentary member*
Salvatore Giacchetti	*Non-parliamentary member*
Gaetano Trotta	*Non-parliamentary member*
Luigi Papiano	*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)

Luigi Mazzillo

Independent auditors

KPMG S.p.A.

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ON

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(YEAR ENDED 31 DECEMBER 2007)

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Reclassified balance sheet

	31/12/2007 (€/mil)	31/12/2006 (€/mil)	Change (%)
ASSETS			
A. Cash and cash equivalents	92,807	79,945	16.1%
B. Loans to customers and banks	78,631	75,096	4.7%
C. Debt securities	208	212	-1.7%
D. Equity investments in associates and shares	19,950	20,381	-2.1%
E. Assets held for trading and hedging derivatives	1,182	227	420.5%
F. Property, plant and equipment and intangible assets	214	213	0.3%
G. Accrued income, prepaid expenses and other non-interest-bearing assets	2,212	3,899	-43.3%
H. Other assets	890	578	54.3%
Total assets	**196,094**	**180,551**	**8.6%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A. Debt and payables	178,213	163,772	8.8%
- due to banks	*698*	*265*	*164.0%*
- due to customers	*10,953*	*10,226*	*7.1%*
- debt securities	*9,314*	*8,741*	*6.6%*
- postal funding	*157,248*	*144,540*	*8.8%*
B. Hedging derivatives and liabilities held for trading	730	476	53.5%
C. Accrued expenses, deferred income and other non-interest-bearing liabilities	822	1,106	-25.7%
D. Other liabilities	842	708	18.9%
E. Provisions for contingencies, taxes and staff severance benefit	1,131	1,339	-15.5%
F. Shareholders' equity	14,356	13,150	9.2%
Total liabilities and shareholders' equity	**196,094**	**180,551**	**8.6%**

Reclassified income statement

	31/12/2007 (€/mil)	31/12/2006 (€/mil)	Change (%)
Interest income and similar revenues	7,144	5,642	27%
of which on loans to customers and banks	*3,798*	*3,390*	12%
Interest expense and similar charges	(4,938)	(3,861)	28%
NET INTEREST INCOME	**2,206**	**1,780**	**23.9%**
Dividends	997	1,037	-4%
Commission income	5	11	-56%
Commission expense	(760)	(725)	5%
of which postal savings management commissions	*(760)*	*(725)*	*5%*
Net gain (loss) on trading activities	9	231	-96%
Net gain (loss) on hedging activities	(55)	(1)	n/s
Gains (losses) on disposal or repurchase of assets and liabilities	20	200	-90%
GROSS INCOME	**2,423**	**2,533**	**-4.3%**
Net impairment adjustments	(10)	(35)	-72%
of which impairment adjustments of loans	(10)	(35)	-72%
NET INCOME FROM FINANCIAL OPERATIONS	**2,414**	**2,499**	**-3.4%**
General and administrative expenses	(66)	(68)	-3%
of which staff costs	*(39)*	*(40)*	*-4%*
Other operating income (expenses)	1	1	1%
OPERATING INCOME	**2,349**	**2,432**	**-3.4%**
Net provisions	(1)	9	n/s
Net adjustments of non-current assets	(8)	(6)	18%
Gains (losses) on equity of investments	(472)	0	n/s
Gains (losses) on disposal of investments	0	(0)	n/s
INCOME (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	**1,869**	**2,434**	**-23.2%**
Income tax	(495)	(558)	-11%
NET INCOME FOR THE PERIOD	**1,374**	**1,876**	**-26.8%**

(millions of euros)

MAIN INDICATORS

	2007	2006
BALANCE SHEET DATA		
Total assets	196,094	180,551
Loans to customers and banks	78,631	75,096
Equity investments in associates and shares	19,950	20,381
Postal funding	157,248	144,540
Other direct funding	20,266	18,967
Shareholders' equity	14,356	13,150
PERFORMANCE DATA		
Net interest income	2,206	1,780
Dividends	997	1,037
Net commissions	(755)	(714)
Other net revenues	(26)	430
Gross income	2,423	2,533
Net writedowns	(10)	(35)
Overheads	(73)	(74)
Operating income	2,349	2,432
Net income	1,374	1,876
PERFORMANCE RATIOS (%)		
Spread on interest-bearing assets - liabilities	1.5%	1.4%
Cost/income ratio	3.0%	3.0%
ROE	10.4%	17.7%
CREDIT RISK RATIOS (%)		
Gross bad debts / Gross loans to customers	0.083%	0.191%
Net writedowns/ Net loans to customers	0.012%	0.045%
OPERATING STRUCTURE		
No. of employees	391	409

1. INTRODUCTION

1.1 CDP S.P.A.'s ROLE AND MISSION

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

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

- financing of any form for the state, regional governments, local authorities, public bodies and public-law entities using repayable funds raised from postal savings bonds and passbook savings accounts and other forms of funding that may benefit from state guarantees;
- financing of works, plant, networks, and other resources intended for the delivery of public services and for improvement projects. To this end, the CDP S.p.A. may raise funds through the issue of securities, borrowing and other financial operations, without state guarantees and precluding demand funding.

Decrees issued by the Minister for the Economy and Finance on 5 December 2003 and 6 October 2004 implemented the decree law and established the assets and liabilities of CDP S.p.A., as well as the criteria for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

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

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

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

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

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

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

- the Public Lending 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 Policy Management and Support business unit, which covers new incentives for enterprises and research;
- the Infrastructure and Major Public Works business unit, responsible for all forms of financing for entities involved in providing public services;
- the Finance business unit, which includes the activities of funding, including postal savings, monitoring investments, and managing liquidity and related investment risks;
- and the corporate centre, which includes all the functions that support the various business units, as well as the functions of governance and control.

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

1.2 ORGANISATIONAL AND ACCOUNTING SEPARATION

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

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

CDP S.p.A.'s implementation of the system of organisational and accounting separation, as envisaged in Decree Law 269/2003, made it first necessary to observe EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP S.p.A. funding, such as postal bonds and passbook savings accounts, benefit from an explicit state guarantee in the event of issuer default. The existence of this guarantee, which is justified, first and foremost, by the social and economic importance of postal savings (which was defined by the MEF decree of 6 October 2004 as a service of general economic interest on the same level as the activities of lending to public entities and public-law bodies under the Separate Account), makes it necessary to distinguish between activities that are not of general economic interest and are, therefore, conducted in competition with other market players. This separation is, in particular, intended to avoid the indiscriminate transfer of resources between the activities that benefit from forms of compensation, such as the state guarantee, and "market" activities.

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

- the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP S.p.A.'s existing organisational units have been re-grouped. The Separate Account includes the units responsible for government financing activity, the management of equity investments, the management of the assets and functions transferred to MEF with CDP S.p.A.'s transformation into a joint-stock company, and the provision of advisory services to government bodies. The Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy and control of the company in the light of the company's unique status;

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

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

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

The contribution of the Separate Account and the Ordinary Account to CDP S.p.A.'s performance is detailed in Part D of the notes to the financial statements (Segment Information).

1.3 OPERATION OF THE SEPARATE ACCOUNT

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

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

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

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

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

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

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

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

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

1.4 OPERATION OF THE ORDINARY ACCOUNT

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

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

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

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

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

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

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

2. THE GENERAL MACROECONOMIC SITUATION

2.1 THE MACROECONOMIC FRAMEWORK

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

In the United States, real GDP growth for the third quarter came to 3.9% on an annualised basis, in line with the previous quarter but much stronger than the first quarter (0.6%). The growth in the third quarter reflected a rise in private consumption (3.0% annualised) and

exports (16.2% annualised). The steady decline in investment reflected the continued steep contraction in investment in residential construction (-20.1% on an annualised basis).
For the full year, however, the U.S. economy grew by just 1.9%, a significant slowdown with respect to 2006 (2.9%), as the real estate crisis persisted, with a negative impact on consumption. The confidence of economic agents showed signs of deteriorating.

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

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

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

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

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

2.2 THE FINANCIAL MARKET AND RATES

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

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

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

The sub-prime crisis brought out a number of critical problems:
- the inadequacy of the ratings assigned to more complex financial products;
- the non-transparent nature of the assets underlying the securities issued;
- valuation difficulties for investors.

In its November meeting, the ECB left its key official rate unchanged at 4.0%. The most recent 25-basis-point increase dates back to June 2007.
During the year, euro interest rates rose significantly all along the yield curve. At the short-term end (1 week – 12 months), the yield curve was particularly affected by tensions in the credit market and the general crisis in liquidity, posting average increases of 77 basis points

since December 2006. For 2-year to 30-year maturities, there was also a general and virtually uniform increase of about 50 basis points since the beginning of the year. However, in the second half of the year, there was a noticeable reversal in this trend with a significant flattening of the yield curve and short-term rates converging on the same levels as long-term rates.

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

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

2.3 PUBLIC FINANCES

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

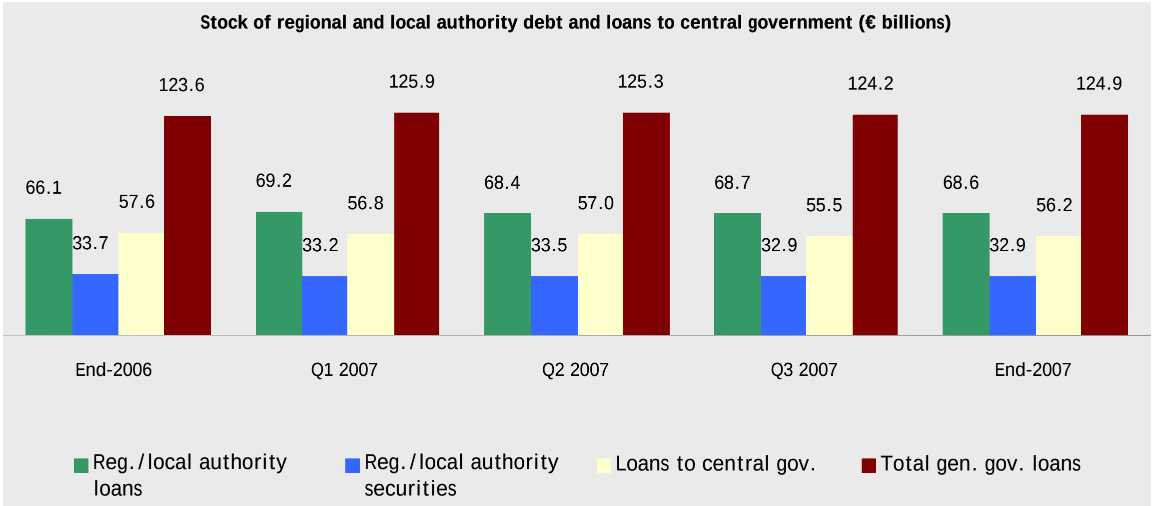
Based on ISTAT data published in February 2008, Italy’s net general government borrowing amounted to 1.9% of GDP, down from the 3.4% in 2006. Data published by the Bank of Italy in March 2008 show a reduction in the ratio of debt to GDP to 104.0%, compared with 106.5% in 2006.

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

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

Total debt for these regional and other local governments therefore reached €111.7 billion, including the securitisation transactions recognised as debt in addition to the bonds and other debt and securities issued.[3]

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



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

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

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

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

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

2.4 FINANCING FOR PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

In 2007, public-private partnerships (PPPs) in their various forms, particularly build and operate concessions, once again attracted a great deal of interest in Italy within both the private and public sectors.

Last year, a total of 367 tenders were held in Italy for build and operate concessions with a total investment of some €5.3 billion. Of this total, 140 tenders (with a total investment of about €4.2 billion) were related to works proposed by a private-sector promoter (Article 37-*bis* of Law 109/94, now Article 153 of Legislative Decree 163/2006) and 227 (with a total investment of about €1.1 billion) were related to works proposed by the contracting authority (Article 19 of Law 109/94, now Article 144 of Legislative Decree 163/2006).

Throughout 2007, works for road infrastructure were predominant. Of these, the most important was the large-scale project for the construction and operation of the regional Broni – Pavia - Mortara motorway, for which CDP provided the Cintra-Merloni Finanziaria business grouping a total of €1.8 billion in support, €1.1 billion of which in investment costs (€932.6 million estimated for the actual works). The contract was awarded by Infrastrutture Lombarde SpA.

Five other large-scale projects were initiated by ANAS, all of which were project financing initiatives, for a total of some €4.1 billion. Four of these projects were for strategic road infrastructure under the Infrastructure Framework Law – the San Vittore-Campobasso section of the Termoli (A14)-S. Vittore (A1) link (€1,460 million), the Caianello-Benevento link (€708 million), the Ragusa-Catania connection (€1,269 million), and the link between the

A14 motorway and the port of Ancona (€472 million) – in addition to the upgrading and management of the tunnel plant for tunnels in the Region of Lombardy (€150 million). For three of the four motorway concessions, CDP assisted Condotte S.p.A. together with other leading national and international financial institutions, while for the port of Ancona link, CDP supported the grouping between the Spanish company Dragados (the leading Spanish contractor and concession operator) and the Italian company Vianini Lavori S.p.A.

In 2007, the greater contribution of major projects was due not only to those under the Infrastructure Framework Law (at 52.6% of the total), but also to projects following ordinary procedures (the remaining 47.4% of the total), such as:

- the energy-from-waste plant (€260.2 million) tendered by Trattamento Rifiuti Metropolitani di Torino (for which CDP participated in the tender for the financing contract, subsequently awarded to BNP Paribas-BNL);
- the new multifunctional pier for the Vado Ligure harbour and operation of the section related to the container terminal (€450 million) tendered by the Savona Port Authority;
- works for the new EUR congress centre (€277.5 million) tendered by Eur SpA;
- the renovation, upgrading and expansion of the buildings of the Brescia hospital complex (€128 million) tendered by the Brescia civil hospital authority.

One of the most important awards was the granting of the concession for Pedemontana Veneta toll road (with financing needs in excess of €2 billion), which was awarded to the business grouping comprised of Autostrade, Autostrada Brescia Padova, Impregilo, CCC, and other leading operators.

It should also be noted that in 2007, in addition to the first stages of the proposals for new build and operate concessions, a number of important project financing transactions reached the financial closing stage.

Some of the most important were the following:

- line 5 of the Milan underground (Astaldi, Ansaldo, Alstom, Torno Internazionale – closing on 21 February 2008, but largely closed in 2007);
- the ATO Goriziano-Iris Acqua integrated water system;
- the Legnano hospital (Techint);
- the Vimercate hospital (Inso and Pessina Costruzioni);
- the Ferrara hospital (Progeste – closing on 18 December 2007);
- the S. Anna hospital in Como (Pirelli RE);
- the new headquarters of the Region of Emilia Romagna in Bologna (CCC, Manutencoop).

CDP signed the financing agreement for the new complex to be erected on the site of the EUR velodrome with Condotte SpA and Condotte Immobiliare. CDP was also awarded the contract, together with Depfa and BNL, to finance the Terni integrated water system and continued the structuring of a project financing initiative for the Minervino Murge wind farm (the Falck Group). In addition, CDP is involved in the preparatory phase for participation in the syndication of a number of the projects mentioned above (line 5 in Milan and the new headquarters of the Region of Emilia Romagna).

3. CASSA DEPOSITI E PRESTITI

3.1 ORGANISATION

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

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

FURTHER DEVELOPMENT OF THE ORGANISATIONAL MODEL

In 2007, the scope of activity of a number of CDP's units were redefined and reorganised in line with development in the overall context in which the company operates.

A. REORGANISATION OF THE ADMINISTRATION AND FINANCIAL REPORTING DEPARTMENT

As part of the projects to strengthen infrastructure that CDP pursued during the year, the revision of the company's accounting and reporting system (the SIRE project) was of particular importance. In order to enable the move to an accounting system that provides for new and more frequent closings, this process also entailed the redesign and reorganisation of the closing and balancing processes involved for these new accounting periods.

Consequently, it was necessary to reorganise the Administration and Financial Reporting department, the unit responsible for processes involved in this project. More specifically, it was necessary to create a new Operations sector within the unit. This new sector provides centralised back-office services for the business units, handles the accounting for all operational events, and gathers all the data needed for the database and for IAS valuations.

In particular, the new organisation of the department is designed to ensure:

- a focus on related activities in order to develop specific know-how and promote the interchangeability of the personnel engaged in the same line of activities;
- a better allocation of the responsibilities assigned to each sector;
- the strengthening of coordination and relations between the various sectors;
- the maximisation of economies of scale and specialisation;

- the segregation of responsibilities among organisational units in accordance with legislative requirements (e.g. the 231 Compliance Model, the manager responsible for preparing financial reports).

B. Reorganisation of the Infrastructure and Strategic Projects (ISP) division

In order to fulfil its mission with increasing efficiency, including its responsibility for financial support and specialist consulting for projects and companies in the area of public-interest and public-utilities works, the ISP division has been reorganised into three segments – Corporate Financing, Project & Infrastructure Financing, and Middle Office – with a parallel redefinition of responsibilities.

C. Completion of the mission assigned to the Banking Supervisor Relations department

In 2006, in compliance with Article 5(6) of the law of the law transforming CDP as concerns supervision and in consideration of the need to directly follow and manage the development and definition of this legislation as it applies to CDP, CDP's organisational model had been supplemented with the creation of the Banking Supervisor Relations department.

The supervisory arrangements have now been defined and, in short, entail the following:

- the obligation for CDP to be subject to the reserve requirement in the same manner as for other credit institutions; and
- the obligation for CDP to provide the Bank of Italy with monthly statistics, as required of other credit institutions.

Accordingly, given that the mission of this department was essentially completed during the year, it is now no longer a part of CDP's organisation chart, and management of any further developments in supervisory regulations as they apply to CDS has been delegated to the individual organisational units within the scope of their respective responsibilities.

THE DESIGN AND REVISION OF ORGANISATIONAL PROCESSES

In designing corporate processes, emphasis has been placed primarily on supporting the divisions and departments in defining and completing the model of corporate operations, as well as on responding, in a timely manner, to the need to adapt the organisational structure to applicable regulatory and legislative requirements (e.g. defining the internal control model in accordance with Law 262/2005, anti-money laundering legislation).

Public Investments

The activities to support the Public Investments division included:

- supporting the changes related to the introduction of the new procedures for granting and disbursing loans and providing the input needed to design and deliver training programmes;
- supporting the design and implementation of the project connected with the reorganisation of document management and describing the new process for correspondence logging and file management system.

FINANCE

The activities of the Finance division specifically included organising and defining the processes connected with Treasury activities, particularly as concerns:

- the definition of activities, roles and responsibilities assigned to the Treasury unit, partly with a view to the launch of the project for the new payment and collections system (SIPA);
- the implementation of new applications and information procedures for the specific business areas in which it operates;
- the initiation of studies for future areas of operations.

DEVELOPMENT POLICIES MANAGEMENT AND SUPPORT

Within the Development Policies Management and Support division, efforts continued to define, together with the other divisions and departments concerned, the operating procedures and techniques for the implementation of a software application designed to govern data communication concerning operations related to the management of financing under the Revolving Fund to support enterprises and investment in research. Because the granting and disbursement of loans began in 2007, interim procedures were implemented to manage operations until the application is in place.

MONEY LAUNDERING LAWS AND REGULATIONS

With Legislative Decree 231 of 21 November 2007 (published in the *Gazzetta Ufficiale*, no. 290 of 14 December 2007) transposing the Third EC Directive concerning the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, CDP S.p.A. was explicitly identified (in Article 11(1)(o)) as one of the entities required to comply with money laundering legislation.

The inclusion of CDP among those required to comply with such legislation has made it necessary for the company to prepare appropriate procedures, information systems, and organisational and internal control arrangements in order to ensure full and timely compliance with the various obligations.

To that end, efforts have begun to define the scope of the actions to be taken within CDP, given the characteristics of the company’s current and future operations and based on the further discussions currently under way with the supervisory authorities, as well as on the full effect of the aforementioned systems and procedures and on adequate legislative compliance.

THE ORGANISATION CHART

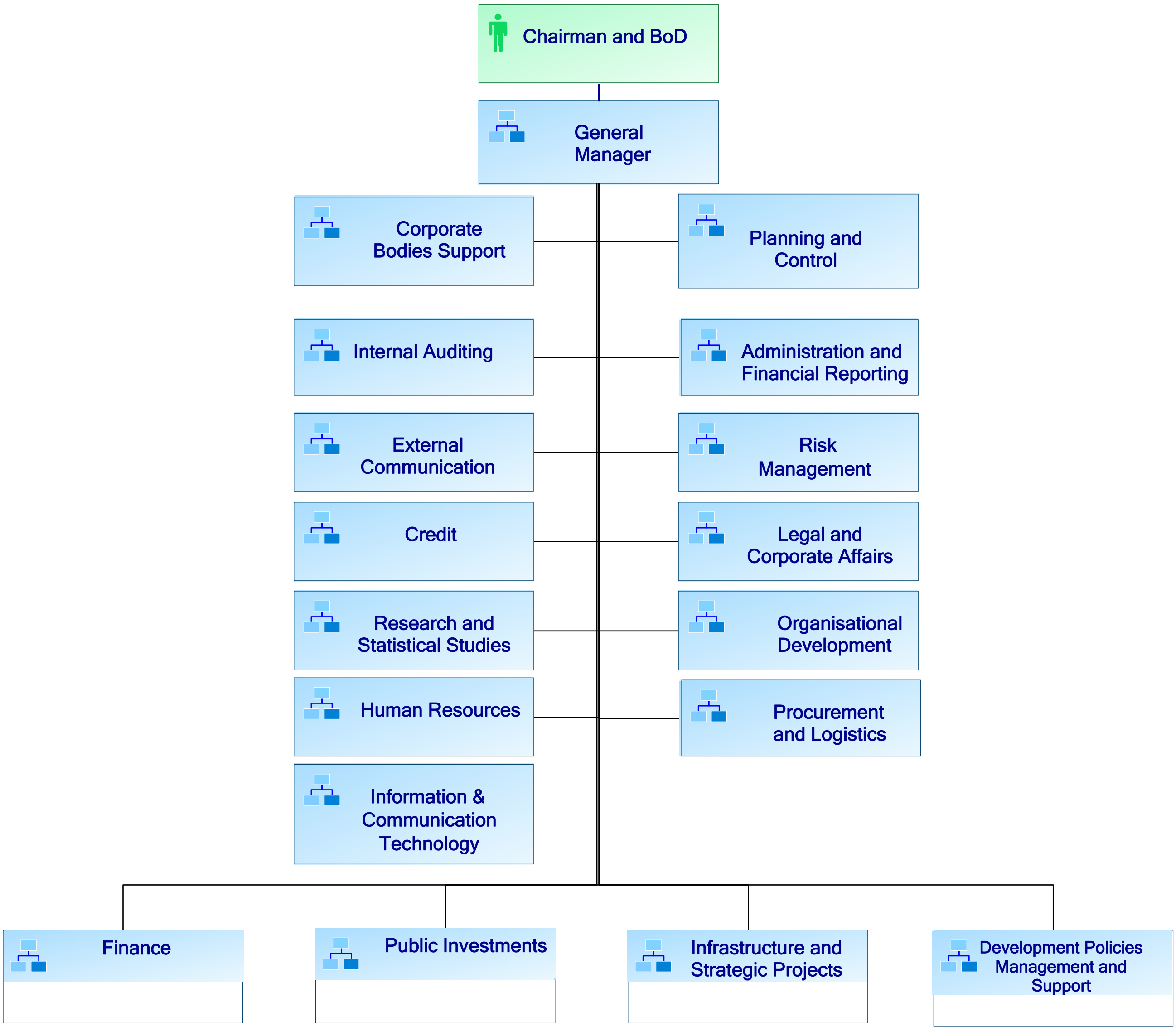
CDP's organisation chart currently consists of:

4 *Divisions*:

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

13 *Departments*:

- Procurement and Logistics
- Administration and Financial Reporting
- External Communication
- Credit
- Information & Communication Technology
- Internal Auditing
- Legal and Corporate Affairs
- Planning and Control
- Research and Statistical Studies
- Risk Management
- Human Resources
- Corporate Bodies Support
- Organisational Development


Chairman and BoD
General Manager
Corporate Bodies Support
Planning and Control
Internal Auditing
Administration and Financial Reporting
External Communication
Risk Management
Credit
Legal and Corporate Affairs
Research and Statistical Studies
Organisational Development
Human Resources
Procurement and Logistics
Information & Communication Technology
Finance
Public Investments
Infrastructure and Strategic Projects
Development Policies Management and Support

3.2 PERSONNEL

THE WORKFORCE

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

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

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

PERSONAL TRAINING AND MANAGEMENT

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

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

- updates on financial and regulatory issues directly related to CDP's business;
- professional training;
- training on statutory obligations and procedures;
- corporate training;

- languages and information technology.

During the year, a number of events were also organised that provided opportunities for socialising and becoming a part of the company.

INDUSTRIAL RELATIONS

Throughout 2007, employee services were developed and extended in implementation of the provisions of the supplemental bargaining agreement.
CDP contributed to the healthcare fund and implemented a new healthcare policy that extends to employees' immediate families, as well as workplace and non-workplace injury insurance and permanent disability insurance due to illness.
An agreement was also signed with Poste Italiane which gives CDP employees the right to the same conditions for a Bancoposta account that are available to Poste Italiane employees.
Furthermore, the contract provision giving employees the right to subsidised mortgage loans for first-home purchases or renovations also went into effect.

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 2007, the Internal Auditing department was involved in conducting the audits envisaged in the annual plan approved by the CDP S.p.A. Board of Directors on 31 January 2007 and based on a consolidated method for conducting preliminary analyses of the risks inherent in the corporate processes, in line with the strategic objectives defined in the 2005-2009 Business Plan. Based on this methodology, the four-year plan for this area's activities was also prepared and submitted to the Board of Directors for approval in January 2008.

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 came out of the audits conducted during the year were also periodically reported to the company's governance and control bodies.

During the year, the department also strengthened the system of gathering information from the various divisions, so as to more efficiently monitor company operations. The reporting flows, for which the related model was defined, are intended both for the Internal Auditing department and the Supervisory Body (Legislative Decree 231/01).

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 and renewed in 2007 (as the members of the body must be reappointed every three years) in accordance with Legislative Decree 231/2001.

Following the definition and approval by the Board of Directors in January 2006 of the compliance model required by Legislative Decree 231/2001, the Supervisory Body established the internal rules for its operations and the procedures for overseeing the compliance model and keeping the model up to date in response to developments in legislation and the company's organisation and business. To that end, in addition to conducting audits of compliance, the Internal Auditing department also defined the reporting flows mentioned above and constantly monitored developments in legislation and organisation that had an impact on the risks related to administrative liability for organisations, recommending any necessary changes to the model, with such proposals being submitted to the Board of Directors for approval.

After the introduction of Article 24-*bis* of the company's articles of association and the updates to company rules and the rules governing the function of the manager responsible for preparing the company's financial reports (in accordance with Law 262/2005), the Internal Auditing department provided important support for the performance of the duties of this manager, which included the implementation of a detailed plan to test the effectiveness of the system of internal controls for CDP's administrative and accounting procedures.

Finally, with Legislative Decree 231/07 transposing the Third EC Directive concerning the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, the Internal Auditing department was designated as the central unit responsible for liaising with the supervisory authorities concerning any suspicious transactions, including providing any additional information that the authorities should require. As such, the department was also assigned new control and other responsibilities associated with the performance of the functions delegated by the company's legal representative concerning anti-money laundering compliance.

3.4 INFORMATION SYSTEMS

In 2007, activities focused on updating the application architecture of CDP's systems and on feasibility studies for projects aimed at enhancing the security of the company's information systems.

This primarily involved the following:

1. the study of a disaster recovery solution;
2. the study of an identity and access management solution;
3. the implementation of the new payment and collections system;
4. the completion of the project for the integrated reporting system;
5. the implementation of procedures for extracting data to be reported to the Bank of Italy;
6. within the scope of the postal savings management system, the implementation of:
   - the ECOMODEL ("Econometric Model") system;
   - the new forecasting model;
   - the centralised database of postal savings products.

THE DISASTER RECOVERY SOLUTION

During 2007, the ICT department conducted a study to identify a solution to ensure the continuity of IT services to support activities that are vital to the company's operations. Within the scope of business continuity issues, emphasis was placed on disaster recovery for events such as the destruction or inaccessibility of facilities housing critical operations or equipment that could cause the ICT centre to be unavailable for extended periods of time.

The results of this study led to the definition of a programme for 2008 to implement the disaster recovery solution and, in 2009, to define and implement the business continuity plan.

The goal of the project is to implement a solution that will make it possible to restore ICT services in the event of the destruction or inaccessibility of facilities housing critical operations or equipment by using an alternate data centre of a disaster recovery provider in place of CDP's primary centre.

The project will include the following activities:

- the design and implementation of operating procedures for the restoration of services at an alternate data centre;
- the design and implementation of procedures for the periodic backup and remote storage of all data;

- the restoration of the ICT production environment within certified recovery-time and recovery-point objectives (RTOs and RPOs);
- the certification of recovery procedures.

IDENTITY & ACCESS MANAGEMENT (I&AM)

Identity & Access Management (I&AM) is a central part of information security management, and in 2007 the following general objectives were set for CDP's I&AM project:

- to improve the overall level of security in access to data and ICT resources, managed by:
  - defining and standardizing the company's identity management processes;
  - managing data access;
  - defining control reports;
  - improving service levels;
- to optimise user management adopting a model that centralises information from technologically diverse systems and enables the unified, standardised management of this data;
- to ensure compliance with the law (e.g. Legislative Decree 196/2003 concerning personal data protection);
- to reduce the costs of internal operations and improve the efficiency of the identity and access management process.

The project will be launched in 2008 and will be preceded by a feasibility study to define the technology for the new system based on requirements set at the corporate level.

SIPA – THE PAYMENT AND COLLECTIONS SYSTEM

The implementation of the SIPA payment and collections system was the main activity carried out by the ICT area in 2007.

The SIPA project was launched with the intention of replicating within CDP the application and operating structure of the payment and collections areas of other Italian banks, so as to cover the entire order cycle for payments and collections (acquisition, addressing, transmission, and settlement).

The new application architecture has been designed based on the following prerequisites:

- to be the sole receipt point for payment orders from the operational systems that generate payment and collection orders;
- to be the sole point for managing these orders;
- to make it possible to manage all of the circuits used to exchange and settle orders;
- to be comprised primarily of market-standard software solutions;
- to be integrated with the new accounting processes;

- to ensure accounting separation between the Separate Account and the Ordinary Account.

The main elements of the project were the following:

- defining and implementing the interface between SIPA and other corporate systems;
- adapting the other corporate systems to SIPA;
- implementing the centralised order engine;
- implementing functions to manage CDP current account operations;
- adapting technology infrastructures and the application architecture to the new European settlement platform, Target2, and performance of activities for Bank of Italy certification;
- defining and implementing the infrastructures that interface with the National Interbank Network (NIN) and SWIFT networks;
- defining and implementing outsourcing contracts for access to the NIN and SWIFT networks.

The project began in February 2007, and the system is expected to be rolled out by the end of March 2008.

COMPLETION OF THE PROJECT FOR THE INTEGRATED REPORTING SYSTEM (SIRE)

The system has been designed and created based on a new reporting macro-process, i.e. an information generation and management process that takes a unified view of both accounting and financial reporting needs, as well as those of the other governance areas that base their reporting on accounting data.

The new process has been defined based on the following guidelines:

- centralisation of the rules for managing analytical reporting flows;
- centralisation of company analytical data;
- centralisation of the calculation and assessment engines;
- daily reconciliation of accounting data (both summary and detail) with operational systems;
- certification of the input to governance systems (by sharing the same analytical database);
- availability of detailed information within the integrated reporting system, as well as of dynamic, multi-dimensional analysis tools;

The development of SIRE also made it necessary to design and create a new application architecture and to adapt the process to the systems of operations.

The new architecture has been designed to support the reporting process and provide adequate performance levels based on the following criteria:

- data quality: error prevention, reduction of manual tasks, consistency of reporting data;

- flexibility: centralisation of accounting data and rules used to generate accounting flows;
- cost reduction: reduction of reporting times (both financial reporting and management control).

The system was rolled out in January 2007. In June 2007, all application and process components for the internal reporting process began full operations. In December 2007, work was completed on integrating the procedures defined within the system for managing the automated scheduling of production systems.

STATISTICAL REPORTING TO THE BANK OF ITALY

As of September 2006, CDP has been classified as a credit institution and European Union monetary financial institution (MFI). Consequently, it is required, as of October 2007, to submit monthly balance sheet data to the European Central Bank through the Bank of Italy (i.e. statistical reporting within the Eurosystem or section V of the Bank of Italy's supervisory reporting accounts).

This has made it necessary to disaggregate accounting data by type of relationship and counterparty.

The availability of detailed accounting data within the company's reporting system, which is already undergoes balancing against data in the operational systems, has made it possible to invert the normal data extraction and processing cycle used for statistical reporting, a process which provides for data to be extracted from the individual accounts of the operational systems and then balanced against the accounting records.

The use of the corporate reporting system as a centralised ledger, together with the implementation of a data model based on the PUMA2 standard of data organisation, encoding and processing defined by the Bank of Italy for the generation of supervisory reports, has made it possible to generate monthly statistical reports that can be immediately traced to the operational systems and the accounts of the accounting system.

IMPLEMENTATION OF THE POSTAL SAVINGS MANAGEMENT SYSTEM

In order to drastically reduce the manual procedures involved in calculating redemption estimates for postal savings bonds and to provide a more structured process, the ECOMODEL ("Econometric Model") system has been developed to support the process of defining the terms and conditions for new issues of such bonds.

The system, which is accessed via web on the company's intranet, has significantly reduced operational risks, increased security (with a centralised database, access verification and tracing, and a double-approval process), drastically reduced calculation times, provided a simulation tool, made it possible to create data time series, and to integrate with other systems, notably the postal savings front office system (FORP).

A project for the new forecasting system within FORP was also implemented in order to manage the process of forecasting redemption flows for postal savings bond in a more structured manner. The model was re-engineered[4] both because of the increasing number and complexity of the postal savings products and the need to reduce a variety of manual operations and the related operational risks. The new system has been integrated with ECOMODEL in order to automate inputs and to recalculate projected redemptions.
Finally, a support project was initiated for the postal savings database (SISPAR) in order to automate the provision of all postal savings bond data to Poste Italiane, while at the same time structuring the process of creating or updating new postal savings bond products/series by the Finance division. The design work by the ICT department, which began in July 2007, is being carried out in collaboration with the Finance division and Poste Italiane, and the application is expected to be released by May 2008.
The system will drastically reduce operating risks, enhance the security of operations (with a centralised database, auditing, the double-approval process, the secure transmission of data to Poste Italiane, and outcome confirmations), optimize the processes of Poste Italiane, create data time series, and keep the data aligned with the ECOMODEL system, thereby ensuring data integrity.

3.5 RATE POLICY

In 2007, the policy for determining rates continued and expanded upon the development which began in previous years following the transformation of CDP into a joint-stock company and the decree of the Ministry for the Economy and Finance of 6 October 2004, based on which the assets and liabilities under the Separate Account were adjusted to market conditions rapidly and flexibly, within the scope of the guidelines established for such purpose. The range of products was also broadened, both in terms of maturities and of other financial characteristics, as well as in terms of the objective and subjective scope of application of each product. In 2007, operations also continued for the assets and liabilities related to the Ordinary Account, which began in previous years.

As regards Separate Account assets, the interest rates for fixed-rate ordinary specific-purpose loans and increases for floating-rate ordinary specific-purpose loans continued to be 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 methodology was updated and refined, essentially due to the

[4] The new calculation models for ECOMODEL and the new forecasting system were created with the help of the Risk Management department.

addition of new products and the consequent need to ensure consistency in the financial conditions offered for each product type. A base zero-coupon yield curve was defined, starting with the official rate fixings for deposits and for interest rate swaps (IRSs) as reported by Reuters, normally on Friday at 11:00, and from the yields on benchmark Italian government securities at the same time. Normally, each Thursdays, based on the levels observed on the reference market, CDP then calculates a spread to apply to this curve for a given maturity and a given product, introducing linear growth in this spread over time. In this manner, it is possible to define another yield curve for each product, which is then used to determine the conditions to be offered based on the term of each loan agreement, the repayment profile and other financial characteristics. For floating-rate products, a new Euribor parameter (the average of 6-month Euribor rate in the 5 business days beginning with the third Monday of the last month of each six-month period) was also introduced in order to provide greater accuracy than was achievable with the Euribor average used previously. With this new method, the increases offered for floating-rate ordinary loans with “Italian-style” amortisation plans (i.e. constant principal/declining interest payments) for local authorities and for floating-rate flexible loans, subsequently converted to fixed-rate upon request of the beneficiary and with an increasing-principal amortisation plan (also limited to local authorities during the year) essentially coincided with the corresponding Euribor asset swap spread, thereby enhancing the transparency of the offer. With regard to fixed-rate ordinary loans with constant-payment amortisation plans for local authorities, the same algorithm was used to calculate the fixed-rates offered, but starting with a different product curve in order to take account of the different impact in terms of the company’s asset liability management of a fixed-rate loan (which is general kept constant for a week) compared with a floating-rate loan. For both fixed and floating-rate ordinary loans, new options have also been introduced to select the pre-repayment grace period, on six-month basis, and it remains possible to select the length of the usage and grace period for flexible loans from a minimum of 1 year to a maximum of 6 years.

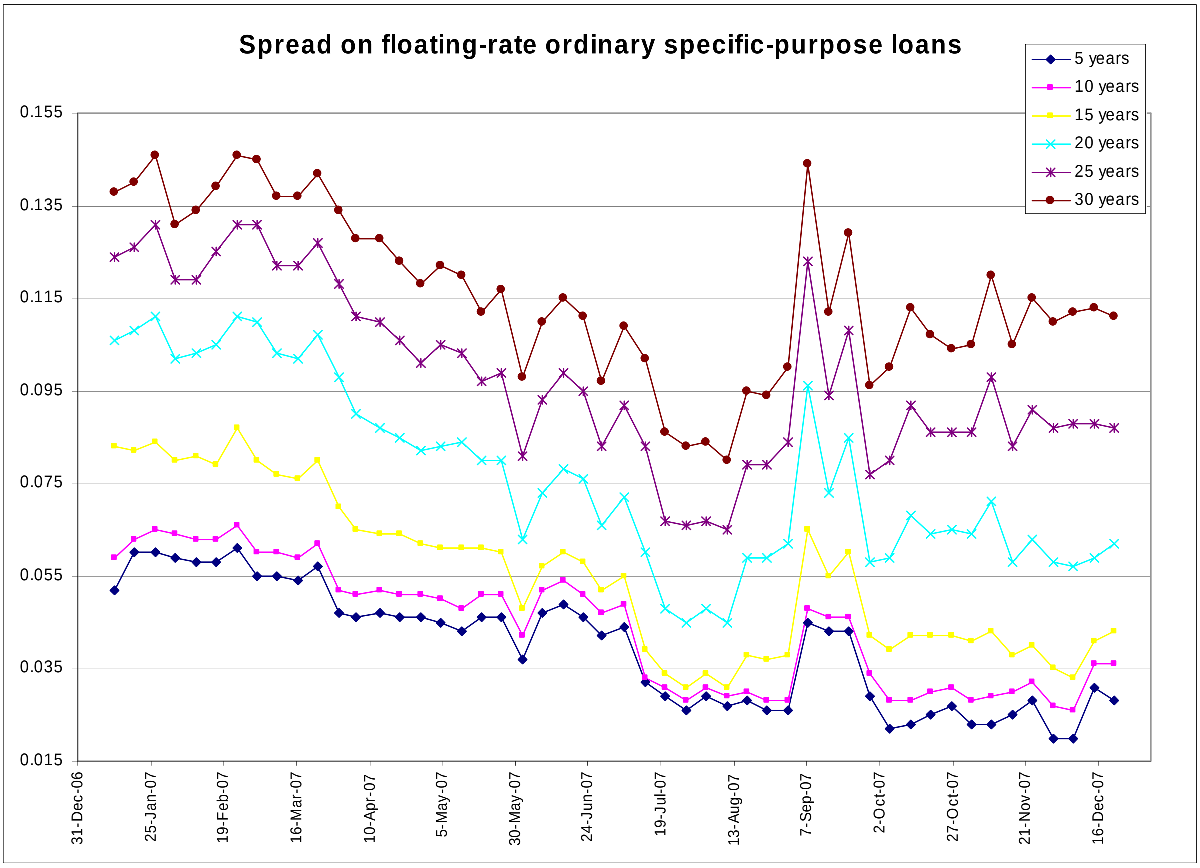


Figure 3.5.1: Euribor-parameter spread applied by CDP S.p.A. for floating-rate ordinary loans under the Separate Account with repayment starting on the 1 January following the signing of the loan agreement (weekly chart by amortisation length: 5, 10, 15, 20, 25, 30 years).

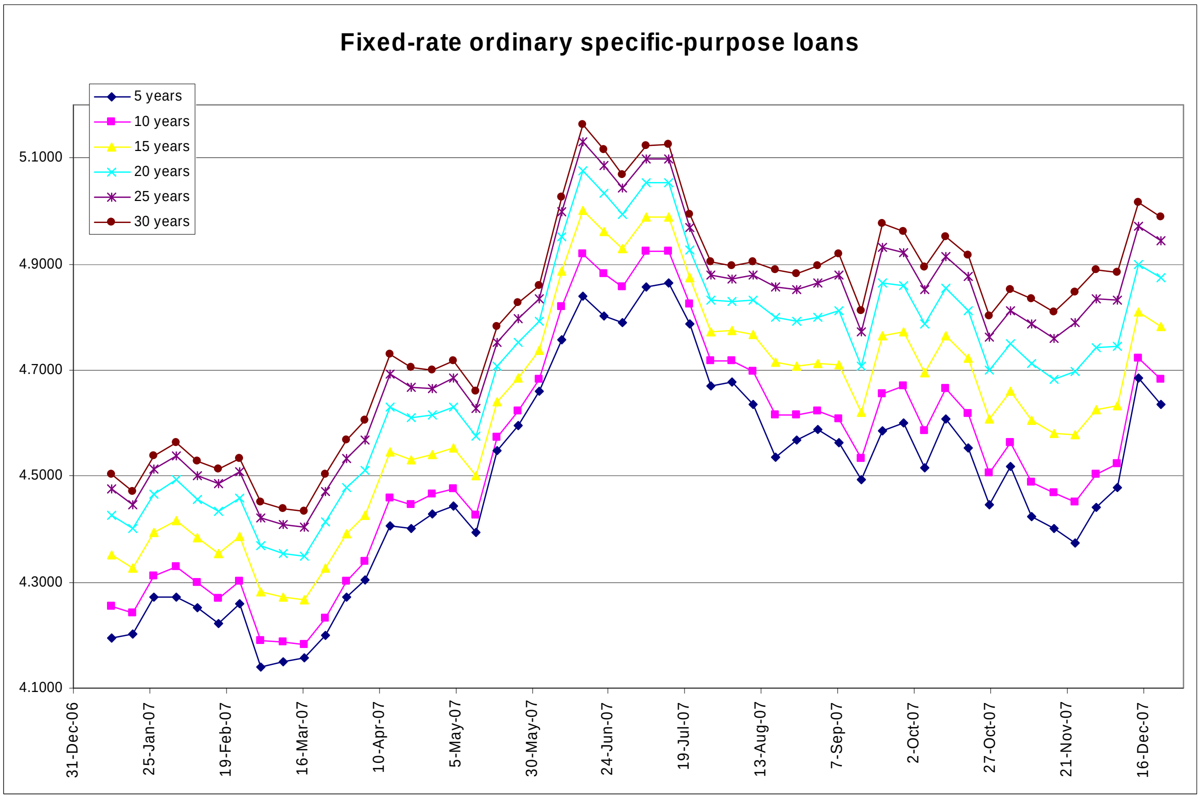


Figure 3.5.2: Terms applied by CDP S.p.A. for fixed-rate ordinary loans under the Separate Account with repayment starting on the 1 January following the signing of the loan agreement (weekly chart by amortisation length: 5, 10, 15, 20, 25, 30 years).

During the year, new loan types were also introduced, both of which are also offered and quoted on a weekly basis:

- the loan without grace period and with repayment charged to the regions and autonomous provinces was extended to include both single and multiple-disbursement options. All versions of this product, both fixed rate (constant payments for single disbursement and "Italian-style" for multiple disbursements) and floating rate ("Italian-style" or constant payments for single disbursement and "Italian-style" for multiple disbursements), with a short or long initial interest period, has been quoted weekly for the various amortisation and usage periods (in the case of multiple disbursements). The calculation of the increases applied was based on the same procedures described above, taking account of the underlying average credit risk of the regions when setting the spread for the related product curve. For the fixed-rate versions of this loan, the terms have been set in proximity to the signing based on the increase in effect at that moment (which is generally valid for one week) and the financially equivalent rate calculated based on the official rate fixing curves for deposits and interest rate swaps as reported by Reuters. In this way, it was possible to use the same product curve to determine the terms for both the fixed and floating-rate versions;

- a real-estate loan (without grace period, single disbursement, floating rate with "Italian-style" payment plan and fixed rate with constant-payment plan) and unsecured loan (multiple disbursements, with grace period for floating rate, with fixed or floating-rate amortisation in the event the disbursement plan is not defined in advance or fixed-rate only in the event of a preset disbursement plan) for certain categories of public entities (local healthcare authorities and hospitals, public residential construction agencies, and public universities and equivalent institutions). The terms offered were determined using the same procedures, beginning with different spreads and product curves depending on the average credit rating for the type of public entity involved and, above all, on the guarantees required for the loans. Here too, with the financially equivalent rate set in proximity to the signing, it was possible to apply terms for the fixed-rate versions that were exactly in line with those of the floating-rate versions.

In 2007, the regular quotation of fixed-rate loans without grace period and with repayment charged to the state was discontinued, and a more flexible approach was adopted, with financial structures established in accordance with specific special laws and the consequent specific quotations.

On the asset side of the Ordinary Account, in 2007 a number of contracts for new loans were signed in line with applicable guidelines in terms of the profitability of the Ordinary Account. In all cases, the fixed or floating interest rates applied were in line with the market concerned and take account of the details of the financial structures of the transactions, the type, industry and geographic area of the borrowers (largely companies that provide and manage public services), and the cost of the related funding in order to quantify the corresponding credit risk. This risk was measured (taking account of any underlying guarantees provided by third parties) on the basis of specific market levels when the market is sufficiently liquid (or on the market levels for comparable borrowers) and the output of a new proprietary model (the development of which was completed during the year) based on the portfolio's credit risk. This assessment was then used to support the pricing of the loans and to monitor their profitability.

On the liabilities side of the Separate Account, funding activities, which have traditionally focused on postal savings products, were strengthened.

With regard to postal savings, which traditionally includes interest-bearing postal savings bonds and passbook savings accounts, in 2007, the terms offered to investors continued to be updated on a monthly basis, in line with the reference market. In order to determine terms for postal savings bonds that are in line with those of the market, the proprietary econometric model was also used to calculate expected early redemptions. The rates applied on passbook savings accounts were also updated during the year, in line with the evolution of short-term market rates. The spread between the rate offered on special passbooks for minors and the rate offered on ordinary passbooks was also increased – first to 50 basis points and then to 65 basis points. In doing so, and together with the postal savings bond for minors introduced in 2006, CDP intends to encourage savings by young people. The greater flexibility and timeliness in the updates to these conditions made it possible to provide investors with products that were always in line with the market. Three important changes were also introduced:

- on 1 January 2007, a new remuneration mechanism for ordinary registered passbooks was introduced. In particular, so as to promote a greater propensity for households to save, a new "Oro" yield class was introduced, which – starting on 1 January 2008 – provides an interest rate that is 0.50 points higher than the base rate (the "Giallo" yield class) to savers who increase their average annual balances by at least 35% over the previous year;
- in October, the new BFP*Premia* postal savings bond was made available. This bond has a maximum maturity of 7 years and a yield that is tied to the DJ Euro Stoxx 50 index, which is based on the performance of the largest 50 stocks in terms of market capitalisation in the euro area. This is an innovative new postal savings bond in that it adds six annual premiums to the fixed yield based on the performance of this index, which is calculated and published by the independent firm Stoxx Ltd. Although still considered a prudent investment, with this product, CDP is targeting investors seeking to profit from future gains on the European stock markets, but without putting their capital invested at risk. This new product has enabled CDP to strengthen its position in the Italian retail market for structured, guaranteed-capital securities;
- as of 1 November, fixed-term indexed bonds received a new financial structure, which reduced the maximum maturity from seven years to five and set the maximum premium upon maturity – which is also linked to the DJ Euro Stoxx 50 index – at 28% of the face value. This change became necessary following the introduction of BFP*Premia* and 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.

With these changes introduced in 2007, the portfolio of postal savings bonds, which now numbers seven instruments, has been enhanced both in terms of maturity and yield types. The process of diversifying the range of products offered, which began in 2005, can now be said to have made excellent progress.

More specifically, in 2007, 12 series of ordinary 20-year bonds (from series B27 to B38) were issued, as were 10 series of indexed seven-year bonds (from series 30D to 30M), 2 series of indexed 5-year bonds (series 28A and 28B), 3 series of 7-year BFP*Premia* bonds (from series P01 to P03), 12 series of 18-month bonds (from series 18Q to 1B8), 12 series of ten-year inflation-indexed bonds (from series I12 to series I23), and 12 series of variable-maturity bonds for minors (from series M7 to series M18).

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

ANNUAL GROSS INTEREST RATES ON POSTAL PASSBOOK SAVINGS ACCOUNTS - 2007

	Ordinary passbooks	Special passbooks for minors
from 1 January to 31 May	1.60%	2.10%
from 1 June to 31 October	1.60%	2.25%
from 1 November to 31 December	2.00%	2.65%

YIELD AT MATURITY OF POSTAL SAVINGS BONDS - 2007

	Ordinary bonds (20 years)	Indexed bonds (7 years) (1) (a)	Indexed bonds (5 years) (1) (b)	Premia bonds (7 years) (2)	18-month bonds (1.5 years)	Indexed bonds (10 years) (3)	Special bonds for minors (18 years) (4)
from 1 January to 31 January	2.86%	1.60%	-	-	2.70%	0.66%	4.02%
from 1 February to 28 February	2.99%	1.75%	-	-	2.80%	0.76%	4.20%
from 1 March to 31 March	2.92%	1.75%	-	-	2.85%	0.76%	4.20%
from 1 April to 30 April	2.92%	1.85%	-	-	2.85%	0.94%	4.28%
from 1 May to 31 May	3.03%	1.95%	-	-	3.00%	1.00%	4.37%
from 1 June to 30 June	3.22%	2.10%	-	-	3.20%	1.18%	4.50%
from 1 July to 31 July	3.33%	2.20%	-	-	3.25%	1.23%	4.75%
from 1 August to 31 August	3.24%	2.10%	-	-	3.31%	1.01%	4.50%
from 1 September to 30 September	3.09%	1.90%	-	-	3.11%	0.86%	4.44%
from 1 October to 31 October	3.15%	1.90%	-	1.15%	3.11%	0.87%	4.57%
from 1 November to 30 November	3.01%	-	0.92%	1.00%	3.05%	0.72%	4.39%
from 1 December to 31 December	3.02%	-	0.82%	0.80%	3.12%	0.52%	4.46%

(1) The yield on indexed postal savings bonds (7 and 5 year maturity) is net of any indexing premium paid at maturity.
(a) Maximum premium: 30% of face value.
(b) Maximum premium: 28% of face value.

(2) The first issue of Premia bonds was carried out from 15 to 31 October. The yield is net of any annual premiums.
(3) The yield of Italian inflation-indexed bonds is net of any increase linked to Istat's consumer price index for blue and white collar workers.
(4) The yield of bonds for minors refers to a bond subscribed on behalf of an infant less than two months old.

The rates offered for the covered bonds programme were established based on market conditions and in line with comparable securities, while taking account of the weight of credit risk (20%), the credit rating of the issuer (AA-, Aa2, A+), and the extent of diversification of the related portfolio (100% Italian public entities).

As concerns to the funding activities of the Ordinary Account, the rates offered on the series of notes issued under the EMTN programme reflect the limited volumes issued and the nature of products for private placement with institutional investors using a reverse enquiry mechanism.

GROSS INTEREST RATES ON ISSUES UNDER EMTN PROGRAMME - 2007

	Issue date	Face value	Structure	Annual coupon
EMTN maturing 5 April 2010	5/04/07	€150,000,000	Fixed Rate	4.185%
EMTN maturing 18 April 2012	18/04/07	€200,000,000	Fixed Rate	4.125%
EMTN maturing 21 December 2009	21/12/07	€150,000,000	Fixed Rate	4.700%

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

In 2007, CDP S.p.A. progressively implemented the legislation introduced by the consolidated privacy act (i.e. Legislative Decree 196 of 27 June 2003).
In particular, a series of training initiatives were prepared for data processors as required by Annex B of the privacy act. These initiatives targeted employees in the Information & Communication Technology department, which has the most urgent need for specific training, given that it is responsible for the companies ICT procedures.
As part of this programme, the staff was trained in the risks involved in handling information, the measures available to prevent harm, and the substance of the regulations governing the protection of personal information. The main points of the privacy code were also covered, with a particular emphasis on the protection measures called for in Annex B concerning technical security measures, which contain specific provisions regarding the processing of data by electronic means.
These employees are the logical target of the measures specified in Annex B, given that their department provides ICT services to CDP users, defining the infrastructure and application architecture and ensuring the maintenance and development of information systems.
Within this context, the key principles that the Annex specifies are the responsibility of the organisation, particularly as concerns the laws and regulations on physical and logical data security, the implementation of disaster recovery plans, and the proper management of in-house connectivity (telephony and data).
Finally, a significant amount of space was dedicated to practical issues related to the daily activities of the department, specifying the limits within which employees can access the personal information of CDP users and customers.
The training also included a discussion of all of the main decisions of Italy's Privacy Authority concerning information systems management, with particular emphasis on the measure issued in March 2007 as concerns the proper use by both the company and its employees of electronic mail and the Internet.
In 2007, the calendar of additional training initiatives to be conducted for the remaining employees was also defined.
As part of the requirements of the privacy code, the staff of ICT also received written instructions concerning both the specific identification of parties with specific responsibilities and the proper use of the control systems concerning personal information connected with and resulting from the use of information systems.

3.7 THE MANAGER RESPONSIBLE FOR PREPARING CORPORATE FINANCIAL REPORTS

In recent years, specific attention has been paid to issues concerning corporate governance. In particular, increasing emphasis is being placed on control systems and the need to specify clear responsibilities for a company and its management.

Within this context, Law 262 of 28 December 2005 introduced the position of the manager responsible for preparing corporate financial reports (the financial reporting manager) for listed companies. This position has been assigned specific responsibilities concerning administrative and accounting procedures.

With the intention of bringing the governance arrangements of its companies into line with best practices, the Ministry for the Economy and Finance has adopted the guiding principles underpinning the legislation and has also asked the unlisted companies in which the Ministry has a controlling interest to add a specific provision to their articles of association that essentially incorporates the provisions of Article 154-*bis* of the Consolidated Law on Financial Intermediation, as established with Law 262/05 and amended with Legislative Decree 303/06.

The financial reporting manager is responsible for establishing appropriate administrative and accounting procedures for the preparation of individual and consolidated financial statements. Together with the General Manager, the financial reporting manager is also responsible for certifying, in a specific declaration attached to the individual and consolidated financial statements, the appropriateness and effective adoption of said procedures, and that the financial statements correspond to the information in the company's books and other accounting records and that they provide a true and fair representation of the performance and financial position of the company and its consolidated subsidiaries.

The Board of Directors is responsible for ensuring that the financial reporting manager has sufficient resources and powers to perform these duties, and for overseeing compliance with the administrative and accounting procedures.

Within CDP, the process of complying with this new legislation involved the following steps:

- April 2007 (in conjunction with approval of the 2006 financial statements): amendment of the company's articles of association with the introduction of Article 24-*bis*, which governs the appointment and responsibilities of the financial reporting manager;
- May 2007: the Board of Directors appointed the financial reporting manager;
- July 2007: the Board of Directors approved the rules for the financial reporting manager;
- July 2007: CDP "Project 262" was initiated to develop an internal control model that complies with Law 262/05. The project involved the Organisational Development, Administration and Financial Reporting and Internal Auditing departments;

- October 2007: As of the financial year ended 31 December 2007, CDP has consolidated Terna S.p.A, which is listed on the stock exchange run by Borsa Italiana and, as such, is also required to adopt the provisions of Law 262/05.

In short, the role of financial reporting manager entails the following cycle of activities:

- designing the control system, formalising processes and related controls in terms of traceability and monitoring;
- assessing the risks of processes and establishing controls for such risks;
- verifying the reliability of the control system;
- evaluating the control system, establishing corrective action, and conducting the certification process for the purpose of preparing the declaration to be attached to the financial statements.

These activities are supported and monitored using ongoing program management activities.

The company's rules and articles of association define the roles of the following positions involved:

- Board of Directors (articles of association);
- General Manager (articles of association);
- Financial Reporting Manager (articles of association);
- the Organisational Development department (company rules);
- the Internal Auditing department (company rules);
- the Administration and Financial Reporting department (company rules).

In addition, information is to be exchanged periodically between the financial reporting manager and the main bodies or individuals, both internal and external, responsible for control processes. In particular, the financial reporting manager reports to the Board of Directors on the activities performed and participates in the meeting of the Board in which the draft financial statements are approved and attends other meetings in which issues concerning the responsibilities associated with the position are discussed.

For the purposes of the declaration required by the articles of association certifying the appropriateness of procedures and the accurate representation of the company's performance and financial position in the financial statements, CDP S.p.A. has also begun specific initiatives that include identifying the significant areas of administration and accounting, adjusting the related procedures and verifying the reliability and completeness of the controls performed.

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:

(millions of euros)

ASSETS

	31/12/2007	31/12/2006	Change (%)
Cash and cash equivalents	92,807	79,945	16.1%
Loans to customers and banks	78,631	75,096	4.7%
Debt securities	208	212	-1.7%
Equity investments in associates and shares	19,950	20,381	-2.1%
Hedging derivatives and financial assets held for trading	1,182	227	420.5%
Property, plant and equipment and intangible assets	214	213	0.3%
Accrued income, prepaid expenses and other non-interest-bearing assets	2,212	3,899	-43.3%
Other assets	890	578	54.3%
Total assets	**196,094**	**180,551**	**8.6%**

Total assets amounted to more than €196 billion at the end of 2007, an increase of about 9% on the previous year.

An analysis of assets shows a significant increase in liquidity on treasury current accounts and a smaller rise in loans to customers than in previous years, a development that is attributable to the fact that CDP's reference market was essentially stagnant in 2007.

The rise in liquidity is due to the large volumes of net funding through postal savings products over the year, equal to more than €4.8 billion for passbook savings accounts and nearly €5 billion for postal savings bonds.

During the year, CDP continued to diversify its assets, initiating lending under the Revolving Fund in support of businesses and investment in research (FRI) and continuing to actively expand the Ordinary Account, whose stock of loans to customers continues to grow faster than other lending operations, as detailed below.

Investments in debt securities did not change with respect to the previous yare, whereas CDP expanded its equity investments, participating in the establishment of F2i SGR S.p.A. During the year, CDP also undertook a series of infrastructure investments by subscribing units in private equity funds. The equity investments and shares aggregate diminished between 2007 and 2006 as a result of the writedown of the holding in STMicroelectronics Holding N.V., as analysed below.

Hedging of the financial risks associated with fixed-rate loans to public entities and public-law bodies also continued.

4.1.1 The main financial assets

The main financial assets of CDP regard loans to customers, investments in securities, equity investments and holdings in investment funds.

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

The main products available under the Separate Account are:

a) ordinary specific-purpose loans, with maturities normally of between 5 and 30 years, with disbursement in one or more instalments on the basis of state of progress on the project being financed. Repayment normally begins on 1 July of the current year or on 1 January of the year following the year in which the loan is granted. During the pre-repayment grace period the borrower pays interest (simple capitalisation) on the amounts disbursed by CDP at the fixed rate or the reference spread established for the granting of the loan. During the amortisation period CDP pays a floating rate of interest six-monthly on amounts not yet disbursed;
b) "flexible" loans, similar to a credit facility, with drawings (subject to presentation of a state of progress report) during a pre-repayment grace period of between 1 and 6

years. Repayment is made on the amounts actually disbursed, with the option of shifting from floating rate to fixed rate, with the increase calculated on the basis of the length of the pre-repayment grace period and the amortisation period;

c) loans without a pre-repayment grace period disbursed in one or more instalments for regions and autonomous provinces;
d) real estate and unsecured loans for local health authorities, hospitals, public residential construction entities, universities and comparable higher educational institutions;
e) loans under the Revolving Fund in support of businesses and investment in research;
f) advances under the Revolving Fund for Project Development and the domestic Stability Pact Fund.

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

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

4.1.1.1 Developments in Separate Account lending

A) LOANS TO CUSTOMERS AND BANKS AND NEW LENDING[5]

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

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

(millions of euros)

STOCK OF LOANS TO CUSTOMERS AND BANKS - SEPARATE ACCOUNT

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

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

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

CDP also continued offering local and regional authorities the option of renegotiating existing loans in order to reduce debt charges and to use these resources for new projects. With these transactions, contracts were signed which transformed about €271 million into new CDP S.p.A. loans. The results achieved by these programmes were significantly lower than those achieved in 2006, due essentially to the rise in interest rates seen primarily in the second half of the year, which made renegotiation increasingly less advantageous.

(millions of euros)

FLOWS OF NEW LOANS GRANTED - SEPARATE ACCOUNT - 2007

	North	Centre	South	Abroad	Total
Local authorities	1,495	550	1,019	-	3,064
Regions and autonomous provinces	-	75	197	-	272
Other entities	692	191	1	-	884
Other loans (FRI)	272	189	789	1	1,251
Total	**2,459**	**1,005**	**2,006**	**1**	**5,471**

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

Looking at the loans to the public sector (excluding the contribution of the FRI) net of renegotiations, the majority of new financing involved road and transport projects, as well as for the construction or purchase of properties for public offices, for sundry public works and for the maintenance or construction of schools.

(millions of euros)

BREAKDOWN OF LOANS UNDER SEPARATE ACCOUNT BY PURPOSES - 2007 (net of restructuring and FR

Public and social building	607
School and university building	440
Sports, recreational and lodging facilities	171
Healthcare building	16
Natural disaster repair works	0
Road and transport	1,525
Water projects	62
Sanitation projects	93
Energy projects	69
Other public works	537
Loans for sundry projects	339
Total investments	**3,859**
Liabilities	90
Total	**3,949**

In 2007, CDP also participated in tenders held by public entities for loans with repayment charged to the government and was awarded loan contracts totalling €380 million.

(millions of euros)

BREAKDOWN OF LOANS UNDER SEPARATE ACCOUNT BY PRODUCT - 2007

Ordinary loans	2,431
Flexible loans	722
Loans without pre-repayment grace period	416
Restructuring	271
Loan contracts awarded in tenders	380
Other loans (FRI)	1,251
Total	**5,471**

B) DISBURSEMENTS MADE DURING THE YEAR

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

(millions of euros)

DISBURSEMENTS OF CDP SPA LOANS - 2007

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

C) OTHER SEPARATE ACCOUNT ACTIVITIES

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

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

D) REVOLVING FUND IN SUPPORT OF BUSINESSES

One of the specific-purpose funds is the Revolving Fund in support of businesses and research investments. It was established by Article 1(354) of Law 311 of 30 December 2004 and activated in 2006. This tool is a part of the broader reformation of public incentives for business and replaces a portion of the grant with a subsidised loan based on CDP S.p.A. funding. Italian law requires banks to evaluate the creditworthiness of the initiatives and supplement the CDP S.p.A. subsidised loans with loans granted on market terms. Of the fund's resources (some €6 billion) at the end of 2007, the competent ministries approved loans totalling €2,244 million, of which €1,653 million under Law 488/92 (development incentives), €249 million under Law 46/82 (Technological Innovation Fund), and €342 million under Legislative Decree 297/99 (Research Incentive Fund).
Total new lending agreed during the year came to €1,251 million.

(millions of euros)

FLOW OF NEW FRI LOANS BY SUBSIDY LAW - 2007

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

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

4.1.1.2 *Developments in Ordinary Account lending*

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

(millions of euros)

STOCK OF LOANS GRANTED - ORDINARY ACCOUNT

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

(millions of euros)

STOCK OF LOANS TO CUSTOMERS AND BANKS - ORDINARY ACCOUNT

	31/12/2007	31/12/2006	Change %
Project finance	127	75	68.3%
Corporate finance	1,164	957	21.6%
Total	**1,291**	**1,032**	**25.0%**

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

(millions of euros)

FLOWS OF NEW LOANS GRANTED - ORDINARY ACCOUNT - 2007

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

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

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

(millions of euros)

FLOWS OF NEW LOANS DISBURSED - ORDINARY ACCOUNT - 2007

	Total
Project finance	55
Corporate finance	259
Total	**314**

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

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

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

4.1.1.3 Equity investments

(thousands of euros)

EQUITY INVESTMENTS AND FINANCIAL ASSETS AVAILABLE FOR SALE

	31/12/2007		
	Number of shares	% holding	Book value
A. Listed companies			
1. Eni S.p.A.	400,288,338	9.99%	10,027,223
2. Enel S.p.A.	627,528,282	10.15%	5,104,943
3. Terna S.p.A.	599,999,999	29.99%	1,315,200
B. Unlisted companies			
1. Poste Italiane S.p.A.	457,138,500	35.00%	2,518,744
2. ST Holding N.V. (*)	425,992	30.00%	949,205
3. Galaxy S.àr.l.	845,772	40.00%	21,223
4. Sinloc S.p.A.	605,727	11.85%	5,507
5. F2i SGR S.p.A.	1,500	14.29%	2,143
6. Europrogetti & Finanza S.p.A.	5,975,000	31.80%	2,125
7. Istituto per il Credito Sportivo	2,065,864	21.62%	2,066
8. Tunnel di Genova S.p.A.	170,000	33.33%	0

(*) holding written down at 31/12/2007

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

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

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

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

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

The consolidated financial statements are prepared using the formats established for banks in Bank of Italy Circular no. 262 of 22 December 2005, consolidating the assets, liabilities, costs and revenues of the Terna Group on a line-by-line basis, although Terna prepares its own consolidated accounts on the basis of the formats envisaged for non-financial companies in the applicable accounting standards. For other equity investments in companies in which CDP S.p.A. does not exercise control, the accounting rules adopted in the 2006 financial statements continue to apply (fair value measurement for holdings classified as available-for-sale assets and equity method accounting for investments in associated companies).

In the separate financial statements, equity investments in subsidiaries and associates are recognised at cost and adjusted for any impairment, while investments classified as available-for-sale assets continue to be carried at fair value. As regards the income statement, in the separate financial statements dividends from equity investments will be recognised as revenues regardless of classification, rather than recognising CDP S.p.A.'s share of the net income of the investee.

The current portfolio of equity investments held by CDP S.p.A. can be classified as follows:

- the investment in Terna S.p.A. is classified as an investment in a subsidiary and carried at purchase cost in the separate financial statements;
- the investments in Europrogetti & Finanza S.p.A., Galaxy S.àr.l., Poste Italiane S.p.A., STMicroelectronics Holding N.V., and Tunnel di Genova S.p.A. are classified as investments in associates and are therefore carried out purchase cost in the separate financial statements;
- the investments in Enel S.p.A., Eni S.p.A., Istituto per il Credito Sportivo and F2i SGR do not constitute investments in subsidiaries or associates and therefore continue to be classified as available-for-sale financial assets. As from 2007, the residual holding in Sinloc S.p.A. was reclassified under available-for-sale financial assets as a result of the decrease in the stake from 20.00% to 11.85% in December 2006 following the sale of 416,273 shares. The termination of associated company status was formally acknowledged with the ordinary meeting of Sinloc shareholders held in April 2007 to appoint the new Board of Directors. At the meeting, CDP S.p.A. designated only one director, not two as in the past. As from the reclassification, the investment has therefore been measured at fair value and changes in the fair value are recognised directly in a specific equity reserve.

  In addition, although the investment in Istituto per il Credito Sportivo (ICS) is equal to 21.62% it does not give a corresponding share of voting rights under the provisions of ICS's articles of association. For this reason, CDP cannot exercise a significant influence over the administrative and operating policies of ICS.

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

4.1.1.4 CDP subsidiaries

Terna - Rete Elettrica Nazionale S.p.A. ("Terna")

Terna Rete Elettrica Nazionale S.p.A. is responsible for the transmission and dispatching 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 (NTN), owning about 98% of the electricity infrastructure. 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 dispatching operations and the activities of planning and developing the NTN. 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.

4.1.1.5 Other CDP equity investments

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

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

Enel S.p.A. ("Enel")

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

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

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

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

STMicroelectronics Holding N.V. ("STH")

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

Galaxy S.àr.l. ("Galaxy")

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

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

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

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

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

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

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

Istituto per il Credito Sportivo ("ICS")

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

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

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

4.1.1.6 *Investment funds subscribed by CDP*

(thousands of euros)

INVESTMENT FUNDS

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

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

CDP S.p.A. invests in physical and social infrastructure through investment funds or private equity funds. These investments foster both the creation of specific know-how within CDP S.p.A. and the mobilisation of a significant pool of capital for investment, represented by direct equity participation on the part of CDP S.p.A., capital subscribed by other investors and, finally, debt raised in the various acquisition/investment operations. The participation of CDP S.p.A. as a subscriber in investment funds facilitates investments at various levels:

- **local**, in cooperation with local authorities and foundations, who have a close understanding of the territory. In this area, CDP S.p.A. also promotes public-private partnerships (PPP);
- **national**, focusing on major works and cooperating with Italian and foreign institutional investors;
- **international**, in support of infrastructure projects and networks involving more than one country, not only at the European level, cooperating with European institutions and comparable foreign entities (such as CDC and KfW).

As concerns the separation of organisation and accounting, the investments described above in investment funds and private equity funds come under the Ordinary Account and are therefore wholly financed with funding raised under that Account.

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

PPP Italia

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

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

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

Abitare Sociale 1

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

Fondo Italiano per le Infrastrutture (“F2i”)

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

4.1.2 Property, plant and equipment and intangible assets

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

(thousands of euros)

PROPERTY, PLANT AND EQUIPMENT

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

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

Intangible assets increased 16.1% as detailed below.

(thousands of euros)

INTANGIBLE ASSETS

	Opening net value	Net increases/ decreases	Depreciation 2007	Closing net value	Change (%)
Intellectual property usage rights	14	0	-4	10	-31.0%
Licences, trademarks and similar rights	4,280	1,776	-1,324	4,732	10.6%
Other intangible assets	415	-366	-95	-46	-110.9%
Assets under development and advances	2	771	0	773	n.s.
Total	**4,711**	**2,181**	**-1,423**	**5,469**	**16.1%**

The investment in licences is related to the implementation of the information system projects described in previous sections of this report, notably the implementation of the new payment and collections system (SIPA).

4.2 LIABILITIES AND EQUITY

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

(millions of euros)

LIABILITIES AND SHAREHOLDERS' EQUITY

	31/12/2007	31/12/2006	Change %
Funding	178,213	163,772	8.8%
Hedging derivatives and financial liabilities held for trading	730	476	53.5%
Accrued expenses, deferred income and other non-interest-bearing liabilities	822	1,106	-25.7%
Other liabilities	842	708	18.9%
Provisions for contingencies, taxes and staff severance benefit	1,131	1,339	-15.5%
Shareholders' equity	14,356	13,150	9.2%
Total liabilities and shareholders' equity	**196,094**	**180,551**	**8.6%**

Liabilities and equity increase with respect to 31 December 2006 largely as a result of funding with postal savings products and, to a smaller extent, the increase in shareholders' equity attributable to net income for the year and new bond issues under the EMTN Programme.

4.2.1 Funding

CDP funding is broken down in the table below.

(millions of euros)

FUNDING

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

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

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

Liabilities for securities increased as a result of new bond issues with a total face value at the issue date of €564 million.

Postal funding increased by 8.8% or €12,686 million. The stock of postal passbook accounts at 31 December 2007 amounted to €76,286 million, while that of postal savings bonds, measured at amortised cost, came to €80,962 million.

4.2.2 Other liabilities

Other liabilities break down as follows:

(millions of euros)

OTHER LIABILITIES

	31/12/2007	31/12/2006	Change %
Transitory liabilities	3	0	n.s.
Other liabilities	674	601	12.2%
Tax liabilities	165	107	54.4%
Total other liabilities	**842**	**708**	**18.9%**

Tax liabilities mainly include withholding tax on interest accrued on postal savings, which will be paid to the tax authorities in 2008.

4.2.3 Provisions

Provisions break down as follows:

(millions of euros)

PROVISIONS

	31/12/2007	31/12/2006	Change %
Provision for taxes and duties	1,128	1,337	-15.6%
Provision for staff severance pay	1	1	0.0%
Provision for liabilities and contingencies	2	1	108.5%
Total provisions	**1,131**	**1,339**	**-15.5%**

The provision for taxes and duties represent the liability in respect of current and deferred taxes.

The balance of the provision for staff severance pay minor given that CDP employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount reported for severance benefits is related solely to newly hired employees (under the INPS pension scheme) for amounts that were not paid into the supplementary pension fund in accordance with applicable legislation.

The provision for other liabilities and contingencies, while small in absolute terms, doubled with respect to the previous year (+108.5%) to cover new potential liabilities in respect of disputes with employees.

4.2.4 Shareholders' equity

CDP shareholders' equity at 31 December 2007 breaks down as follows:

(millions of euros)

SHAREHOLDERS' EQUITY

	31/12/2007	31/12/2006	Change %
Share capital	3,500	3,500	0.0%
Legal reserve	163	61	168.7%
FTA and other reserves	2,583	1,264	104.3%
Valuation reserve	6,736	6,449	4.5%
Net income for the year	1,374	1,876	-26.8%
Total shareholders' equity	**14,356**	**13,150**	**9.2%**

A comparison with the previous year shows an increase in reserves due to the allocation of part of the previous year's net income to reserves.

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 above. The schedules detail CDP's margins, as follows:

(millions of euros)

INCOME DATA

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

5.1 OPERATING PERFORMANCE AND RESULTS

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

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

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

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

The following table reports the main margins of the pro-forma income statement, adjusted to eliminate the impact of the non-recurring items discussed above. In particular, the main aggregates under net interest income rose by about 7%.

(millions of euros)

INCOME DATA - PRO-FORMA EXCLUDING NON-RECURRING ITEMS

	31/12/2007	31/12/2006	Change (%)
NET INTEREST INCOME	2,206	1,780	23.9%
GROSS INCOME	2,423	2,276	6.5%
NET INCOME FROM FINANCIAL OPERATIONS	2,414	2,242	7.7%
OPERATING INCOME	2,349	2,175	8.0%
INCOME (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	2,341	2,178	7.5%
NET INCOME FOR THE PERIOD	**1,845**	**1,718**	**7.4%**

5.2 COSTS

Operating costs break down as follows:

(thousands of euros) (%)

OPERATING COSTS

	31/12/2007	(%)	31/12/2006	(%)
Administrative expenses:	65,772	90%	67,896	91%
- staff costs	*39,001*	*53%*	*40,425*	*54%*
- other administrative expenses	*26,771*	*36%*	*27,471*	*37%*
Depreciation and amortization	7,579	10%	6,437	9%
Operating costs	**73,351**	**100%**	**74,333**	**100%**

Administrative expenses decreased by 3.1%, with declines registered both for staff costs (-3,5%) and other administrative expenses (-2,5%). The decrease in staff costs is attributable to the decline in the average number of employees over the course of the year.

The item "Other administrative expenses" break down as follows:

(thousands of euros) (%)

BREAKDOWN OTHER ADMINISTRATIVE EXPENSES

	31/12/2007	(%)	31/12/2006	(%)
Professional and financial services	7,014	26%	7,184	26%
IT expenses	5,800	22%	6,323	23%
Entertainment and marketing expenses	1,481	6%	1,325	5%
Corporate bodies	395	1%	446	2%
Publications and databases	983	4%	580	2%
Other	11,098	41%	11,613	42%
Maintenance	*2,389*	*9%*	*2,847*	*10%*
Consumables	*259*	*1%*	*518*	*2%*
Services	*5,126*	*19%*	*5,076*	*18%*
Insurance	*179*	*1%*	*260*	*1%*
Utilities	*1,601*	*6%*	*1,645*	*6%*
Indirect taxes and duties	*1,166*	*4%*	*1,108*	*4%*
Other	*378*	*1%*	*160*	*1%*
Total	**26,771**	**100%**	**27,471**	**100%**

Other administrative expenses show a generalised decrease in costs in 2007, with especially significant declines in expenditure for professional and financial services (-2%) and IT expenses (-8%) compared with the previous year. Exceptions to this trend include advertising and marketing costs and those for the purchase of publications and databases, which rose during the year as a result of the expansion of activities and the implementation of new projects.

6. PERFORMANCE INDICATORS

As with the financial statements, the performance indicators for 2006 have also been recalculated based on the figures in the company's separate financial statements and the consequent change in the accounting treatment of investments in associated companies. As such, these indicators may differ from those shown in the 2006 annual report, and in some cases we have revised the calculation methods due to changes in the corresponding financial statement items.

6.1 OPERATING PERFORMANCE

As noted earlier, the year ended 31 December 2007 with net income down compared with the previous year, although performance in CDP's core business improved.

(% or euros per share)

PERFORMANCE RATIOS (RECLASSIFIED DATA)

	2007	2006
Net income / Opening shareholders' equity (ROE)	10.4%	17.7%
Net income / Average shareholders' equity (ROAE)	10.0%	15.8%
Income tax/Income before taxes (tax rate)	26.0%	21.8%
Net income / Total average assets (ROAA)	0.7%	1.1%
EPS (euros per share)	3.92	5.36

In relative terms, return on equity (ROE) came to 10.4%, a decrease of about seven percentage points from 2006 but in line with the long-term profitability target set in the business plan despite the large writedowns booked on equity investments.

The average tax rate, at 26% of pre-tax income, was higher than the previous year, mainly due to the lower percentage of partially tax-exempt revenues (dividends from equity investments).

6.2 NET INTEREST INCOME

Net interest income, in the amount of €2,206 million for 2007, rose substantially compared with the previous year.

(%)

NET INTEREST INCOME (RECLASSIFIED DATA)

	2007	2006
Interest income / Average interest-bearing assets (excluding shares and equity investments)	4.4%	4.0%
Interest income and dividends / Average interest-bearing assets	4.4%	4.2%
Interest expense / Average interest-bearing liabilities	2.9%	2.6%
Spread interest-bearing assets - interest-bearing liabilities	1.5%	1.4%
Net interest income / Average interest-bearing assets (excluding equity investments)	1.3%	1.3%
Interest on loans to customers as percentage of interest income	53.2%	60.1%

The rise in net interest income is partly due to the increase in funding and lending, but also to the increase in the spread between assets and liabilities, in particular with reference to the yield on the cash and cash equivalents of CDP S.p.A. on the one hand and the cost of postal savings on the other.

During the year, the relative weight of interest income on loans to customers declined further due to the higher level of cash and cash equivalents.

6.3 GROSS INCOME

Gross income totalled €2,423 million for the year. An analysis of the breakdown of the item shows the greater weight of net interest income, thanks to its strong performance, and a corresponding decline in the weight of dividends and the absence of non-recurring revenues.

(%)

COMPOSITION OF REVENUES (RECLASSIFIED DATA)

	2007	2006
Net interest income/Gross income	91.0%	70.3%
Dividends and gains on equity investments / Gross income	-31.1%	-28.2%
Other revenues / Gross income	40.1%	57.9%
Commission expense / Postal funding	0.48%	0.50%

While commission expense increased both in absolute terms and as a proportion of total revenues, the percentage of commissions paid to Poste Italiane S.p.A. for the management of postal savings fell by 48 basis points, which is measured based on the average stock of debt. Distribution commissions on postal savings bonds are not included in this aggregate as they are amortised across the expected life of these instruments and are therefore recognised under interest expense.

6.4 OPERATING EFFICIENCY

The cost-to-income ratio for 2007 was about 3%, broadly unchanged on 2006 as costs declined in proportion to the decrease in revenues.

(in thousands of euros or %)

OPERATING EFFICIENCY (RECLASSIFIED DATA)

	2007	2006
Loans to customers / No. of employees	200,394	187,897
Total revenues/No. of employees	6,198	6,193
Income on ordinary operations / No. of employees	6,008	5,946
Operating expenses/No. of employees	188	182
Staff costs / No. of employees	100	99
Cost/income ratio	3.0%	3.0%
Cost/income ratio (including cost of postal funding)	26.2%	24.8%

The decrease in the number of employees was more than proportionate to costs and revenues, causing gross income and operating income per employee to rise on the one hand, with a corresponding increase in operating expenses per employee on the other, although this rise was essentially in line with inflation.

Even reclassifying commissions on postal savings services among operating costs, the cost-to-income ratio remains at about 26%, in line with best market practice.

6.5 CAPITAL STRUCTURE

As discussed earlier, postal savings funding in 2007 once again exceeded the disbursements made on the asset side, leading to a further increase in the liquidity held by CDP and consequently in its relative weight in assets, due also in part to the modest growth in lending to customers and the reduction in the weight of equity investments and shares.

(%)

CAPITAL STRUCTURE

	2007	2006
Loans to customers / Total assets	40.0%	42.6%
Loans to customers / Due to customers	89.4%	94.8%
Equity investments/Shareholders' equity	1.4x	1.5x
Net bad debts / Net loans to customers	0.083%	0.191%
Net writedowns/ Net loans to customers	0.012%	0.045%

The positive performance and the efforts to strengthen capital, which began when the organisation was transformed into a joint-stock company, are continuing to reduce the size of the equity portfolio in relation to the company's shareholders' equity. The weight of equity investments also declined as a result of the writedown of the investment in STMicroelectronics Holding N.V.

Writedowns prompted by a deterioration in the credit quality of counterparties decreased with respect to the previous year, when they were already insignificant. The few problem positions, all under the Separate Account, continue to regard isolated cases that are often unconnected with the core business of lending to local and regional authorities.

7. MONITORING RISK

DEVELOPMENTS IN INTEREST RATE RISK

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

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

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

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

DEVELOPMENTS IN COUNTERPARTY RISK CONNECTED WITH DERIVATIVE TRANSACTIONS

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

OTHER CREDIT RISK INITIATIVES

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

DEVELOPMENTS IN LIQUIDITY RISK

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

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

LEGAL DISPUTES

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

8. THE INVESTMENT STRATEGY FOR FINANCIAL RESOURCES

RESERVE REQUIREMENT AND LIQUIDITY MANAGEMENT

In 2006, following an official Bank of Italy notice, CDP S.p.A. was required to establish the minimum reserve requirement for credit institutions as required by European Central Bank (ECB) regulation 1745/2003 of 12 September 2003. In its notice, the Bank of Italy established that CDP is to be classified as a credit institution subject to the minimum reserve requirement.

The reserve requirement is to be maintained in a Bank of Italy management account with an average balance in each maintenance period equal to a given percentage (which is set by the ECB) of total customer deposits and securities with an original maturity of less than two years, as measured on the last day of the penultimate month prior to the start of the maintenance period. The reserve rate is current set at 2%.

Each maintenance period starts on the settlement date of the first ECB main refinancing operation following the monthly meeting of the Governing Council and ends on the day prior to the start of the next maintenance period. The maintenance period therefore lasts about one month. Amounts deposited into the management account for the minimum reserve earn interest at the average marginal interest rate for main refinancing operations during the maintenance period.

ECB regulation 1745/2003 states that the amount subject to the mandatory reserve is to include:

- deposits with an agreed maturity of two years or less;
- deposits redeemable at notice of two years or less;
- debt securities issued with an agreed maturity of two years or less

as defined in ECB regulation 2423/2001 of 22 November 2001.

The CDP S.p.A. liabilities that are currently subject to the reserve requirement are postal passbook savings accounts, postal savings bonds and deposits from banking counterparties in EU countries that are not participating in monetary union established as part of guarantee agreements to reduce counterparty risk in respect of transactions in derivatives (Credit Support Annexes).

The management of the reserve requirement and its remuneration is designed to ensure the internal accounting separation of the Separate Account and the Ordinary Account.

In terms of liquidity management, which is partially restricted by the reserve requirement, no new investments in bonds or structured securities were made in 2007. CDP therefore continues to hold asset-backed securities (ABSs) totalling €200 million maturing in July 2011 (the securities will be repaid out of receivables in respect of government departments and the proceeds generated from the sale of public assets) and securities issued by public entities totalling €13 million maturing in December 2015. These securities have been classified as available-for-sale assets and are measured at fair value, with changes recognised in a specific equity reserve.

9. RELATIONS WITH POSTE ITALIANE AND FUNDING STRATEGY

9.1 POSTAL SAVINGS

9.1.1 Postal savings in numbers

CDP S.p.A. continues to carry out its funding activity primarily through passbook savings accounts and postal savings bonds, which are offered to investors in various types of sub-products.

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

(millions of euros)

POSTAL SAVINGS

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

Passbooks recorded a net inflow of €4,805 million, which contributed to exceeding the targets set out in the agreement with Poste Italiane S.p.A. Net funding increased by more than €300 million with respect to 2006 (from €4,480 million to €4,805 million, or 7%), confirming investors' enthusiasm for this product.

Gross capitalised interest totalled about €1,200 million, with 27% being withheld in accordance with Article 26(2) of Presidential Decree 600/73.

Registered passbook savings accounts remained the predominant type of account in 2007, representing more than 99% of the total stock (up 8% in 2007), while bearer passbooks are still only a marginal component, with a year-end balance of €582 million.

(millions of euros)

PASSBOOK SAVINGS ACCOUNTS

	31/12/2006	Net funding	Reclassifications and adjustments	Interests 01/01/2007-31/12/2007	Withholdings	31/12/2007
Registered passbooks	70,002	4,812	22	1,190	-322	75,704
Bearer passbooks	581	-8	2	10	-3	582
Total	**70,583**	**4,805**	**23**	**1,199**	**-324**	**76,286**

The table below shows the amounts of net funding from registered passbooks for the year and the related interest. Of particular note is the increase of about 21% in the level of passbooks for minors, despite reclassification of about €68 million for beneficiaries who are no longer minors and are now classified as ordinary passbooks.

(millions of euros)

REGISTERED PASSBOOK ACCOUNTS - STOCK

	31/12/2006	Net funding	Reclassifications and adjustments	Interests 01/01/2007-31/12/2007	Withholdings	31/12/2007
Ordinary	67,163	4,644	68	1,137	-307	72,705
Time deposits	12	-5	-2	0	0	5
Minors	1,071	272	-68	26	-7	1,293
Judicial	1,756	-98	23	27	-8	1,701
Total	**70,002**	**4,812**	**22**	**1,190**	**-322**	**75,704**

Ordinary bearer passbooks posted an increase of about 1% exclusively as a result of the capitalisation of interest at the end of the year. Time-deposits on bearer passbooks remain insignificant.

(millions of euros)

BEARER PASSBOOK ACCOUNTS - STOCK

	31/12/2006	Net funding	Reclassifications and adjustments	Interests 01/01/2007-31/12/2007	Withholdings	31/12/2007
Ordinary	580	-7	2	10	-3	581
Time deposits	1	-1	0	0	0	1
Total	**581**	**-8**	**2**	**10**	**-3**	**582**

The volumes of deposits and withdrawals were also higher for the ordinary registered passbooks component. The contribution of judicial passbooks decreased with respect to 2006.

(millions of euros)

REGISTERED PASSBOOK ACCOUNTS - NET FUNDING

	Deposits	Withdrawals	Net funding
Ordinary	57,475	52,831	4,644
Time deposits	207	212	-5
Minors	490	218	272
Judicial	742	840	-98
Total	**58,914**	**54,101**	**4,813**

Net flows for bearer passbooks were negative and in any case at a low level.

(millions of euros)

BEARER PASSBOOK ACCOUNTS - NET FUNDING

	Deposits	Withdrawals	Net funding
Ordinary	0	7	-7
Time deposits	0	1	-1
Total	**0**	**8**	**-8**

There was a 9% increase in the stock of postal savings bonds over 2006 due primarily to the high volumes of net funding, as well as to the interest accrued for the year and the transaction costs resulting from the application of the IAS/IFRSs (distribution commissions and the separated value of the option embedded in the fixed-term indexed bond and the "Premia" bond).

The carrying amount at 31 December 2007 was about €81 billion.

(millions of euros)

POSTAL SAVINGS BONDS - CDP STOCK

	31/12/2006	Net funding	Withholdings	Transaction costs	Interest	31/12/2007
20-year bonds	57,869	-750	-52	-257	2,157	58,967
Fixed-term bonds	4,144	-176	-4	0	176	4,140
Indexed bonds	2,192	1,803	-1	-201	101	3,894
Premia bonds	0	702	0	-94	2	610
Inflation indexed bonds	1,259	2,492	0	-73	77	3,755
Bonds for minors	192	446	0	-8	16	646
18-month bonds	8,301	438	-15	-36	262	8,950
Total	**73,957**	**4,955**	**-72**	**-669**	**2,791**	**80,962**

Investments in postal savings bonds totalled €21,262 million and were largely supported by redemptions of matured fixed-term bonds owned by the MEF, as well as the refinancing of maturing bonds held by CDP (18-month notes) or bonds redeemed early. The liquidity generated by the increase in repayments was partly reinvested in new bonds and partly in passbooks.

In any event, the volumes achieved in 2007 did not involve subscriptions on a scale comparable with those the previous year (-10% between 2007 and 2006), as the amount of bonds maturing in 2007 was smaller than in 2006.

Investor interest in 18-month notes remained particularly high, with subscriptions for the year totalling €5,077 million, as were investments in the new Premia bond (subscriptions of €711 million), issued as from October. The funding target for this instrument was achieved entirely in the final quarter of 2007.

Overall net funding with postal savings bonds issued by CDP S.p.A. amounted to €4,956 million, for a decline of 68% from the previous year. The drop is mainly attributable to increased redemptions of ordinary bonds.

The table below shows a breakdown of the changes by type of instrument.

(millions of euros)

POSTAL SAVINGS BOND NET FUNDING

	Subscriptions	Redemptions	Net funding
20-year bonds	10,028	10,778	-750
Fixed-term bonds	0	176	-176
Indexed bonds	2,210	407	1,803
Premia bonds	711	9	702
Inflation indexed bonds	2,788	296	2,492
Bonds for minors	448	2	446
18-month bonds	5,077	4,639	438
Total	**21,262**	**16,306**	**4,956**

Redemptions of bonds held by the MEF totalled about €8 billion, a substantial decline from 2006 (-58%). Overall net funding with postal savings bonds (CDP + MEF) amounted to a negative €2,643 million.

(millions of euros)

POSTAL SAVINGS BONDS

	CDP Subscriptions	DP Redemptions	EF Redemptions	Net funding (CDP+MEF)
20-year bonds	10,028	10,778	4,512	-5,262
Fixed-term bonds	0	176	3,087	-3,263
Indexed bonds	2,210	407	0	1,803
Premia bonds	711	9	0	702
Inflation indexed bonds	2,788	296	0	2,492
Bonds for minors	448	2	0	446
18-month bonds	5,077	4,639	0	438
Total	**21,262**	**16,307**	**7,599**	**-2,643**

Total net funding from postal savings for 2007, both CDP and MEF, amounted to €2,162 million and made it possible to achieve the funding target set forth in the agreement with Poste Italiane for 2007. The volume of total net funding was also greater than that achieved in 2006, when it came to €1,926 million.

(millions of euros)

TOTAL NET POSTAL SAVINGS FUNDING (CDP+MEF)

	Net funding (CDP+MEF)
Postal savings bonds	-2,643
Postal passbook savings accounts	4,805
Total	**2,162**

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

In early 2007 a new supplement to the agreement with Poste Italiane S.p.A. was signed, with the terms subsequently revised in July 2007. The purpose of the agreement was to define, for 2007, both the criteria for remunerating the placement and management services associated with postal savings products and the funding targets that Poste Italiane S.p.A. was to achieve.

As regards placement activity, the criteria adopted in the agreement continue to link the funding within a framework of specified objectives.

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

As from 1 January the breakdown of savings passbooks by remuneration range was as follows:

- *Giallo*, for ordinary registered passbooks (the base product);
- *Oro*, ordinary registered passbooks with a gross rate that is 0.5% higher than that for the Giallo passbooks;
- special passbooks for minors, with their own gross yield;
- bearer passbooks and judicial passbooks, which are currently remunerated at the same rate as the Giallo passbooks.

In line with the conception of postal savings as a service of general economic interest and with the company's strategic mission of promoting savings regardless of individual wealth or investment capacity, CDP S.p.A. has chosen not to segment passbooks based on the absolute value of the balance deposited, but rather on annual changes in balance. In particular, an investor enters the Oro range the year after an average increase in deposit balance of more than 35%.

9.2 OTHER FUNDING INSTRUMENTS

9.2.1 Covered bonds

As regards funding under the Separate Account, in 2007 CDP S.p.A. completed its first issue in foreign currency (Japanese yen) in the amount of €64 million (at the issue date) maturing in 2017. The exchange rate risk was hedged with derivatives.

The segregated 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.

The table below shows the financial characteristics of the new issue.

(millions of euros)

COVERED BOND ISSUES - 2007

	Issue date	Total
issue (maturing 31-Jan-2017)	15-Mar-07	64
Total		**64**

9.2.2 EMTN Programme

During the year, new issues were made under the Euro Medium Term Note Programme for a total face value of €500 million, the characteristics of which are shown in the table below.

(millions of euros)

EMTN ISSUES - 2007

	Issue date	Total
issue (maturing 05-Apr-2010)	5-Apr-07	150
issue (maturing 18-Apr-2012)	18-Apr-07	200
issue (maturing 21-Dec-2009)	21-Dec-07	150
Total		**500**

The new funding is also intended to serve the lending needs of the Ordinary Account in the first few months of 2008.

9.2.3 EIB credit line

To complete the funding activities for the Ordinary Account, in 2007 CDP S.p.A. obtained two new loans from the European Investment Bank (EIB) for a total of €101 million, drawn against the €430 million credit line granted to the company.

The financial characteristics of the new funding are reported in the following table.

(millions of euros)

EIB CREDIT LINE - 2007

	Funding date	Total
funding (maturing 15-Dec-2026)	20-Apr-07	21
funding (maturing 15-Feb-2016)	26-Apr-07	80
Total		**101**

In December 2007 the EIB credit line was increased by €170 million, bringing it to €600 million. The funds will be used to finance lending under the Ordinary Account.

10. RELATIONS WITH THE MEF

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 (MEF) 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.

In order to use the treasury and disbursement services performed by the Bank of Italy, CDP S.p.A. continues to use the non-interest-bearing current account no. 29815 denominated "CDP S.p.A. – pagamenti". CDP's use of the State Treasury channel for payments and collections declined considerably over the year and it will no longer be possible to use the channel as from 1 March 2008. As from that date, all CDP payments will normally be executed using bank credit transfers, which under the new regulations can be made to bank current accounts, the accounts of the State Treasury and revenue chapters of the state budget.

AGREEMENTS WITH THE MEF

In accordance with the MEF decree of 5 December 2003, CDP S.p.A. continued to manage the administrative and accounting aspects of the relationships transferred to the MEF at the end of 2003. These activities are governed by two agreements with the MEF that set out the guidelines for the exercise of the functions performed by CDP and the fees due for such services.

The first, which was signed on 16 September 2005, governed the methods by which CDP S.p.A. manages existing relations as of the transformation date, resulting from the postal savings bonds transferred to the MEF (Article 3.4(c) of the aforementioned decree).
Based on this second agreement, in addition to settling cash flows and managing relations with Poste Italiane S.p.A., CDP S.p.A. provides the following services to the MEF:

- financial reporting;
- the periodic provision of information, both actual and forecasts, on bond redemptions;
- monitoring and management of the treasury accounts established for the purpose.

The second agreement, which was signed on 25 July 2006, concerned the management of the loans and relations transferred to the MEF pursuant to Article 3.4, points (a), (b), (e), (g), (h) and (i) of the decree of 5 December 2003. Here, too, guidelines were provided to help with the management activities by surveying such activities.
In line with Article 4.2 of the aforementioned decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, to represent the MEF in legal and other matters, to fulfil obligations, and to exercise powers and rights in the management of relations connected with the activities transferred.
CDP S.p.A. also provides the MEF with the following services:

- a detailed report on the activities performed;
- the periodic provision of information on developments in the transferred loans and relationships, both actual and forecasts;
- monitoring and management of the treasury accounts established for this purpose.

The MEF pays CDP €3 million annually for the performance of these services.

MANAGEMENT ON BEHALF OF THE MEF

With the procedures defined in these agreements, and in line with the provision of the MEF decree of 5 December 2003, in 2007 CDP S.p.A. continued to conduct the activities of disbursement, collection and reporting for the assets and liabilities transferred to the MEF.

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 €22,025 million as at 31 December 2007.

The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €101,512 million.

Pursuant to the aforementioned 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 €3,886 million at 31 December 2007; the natural gas infrastructure programme for the

South, which had resources totalling €327 million; and resources for territorial agreements and area contracts, which came to €260 million.

11. OUTLOOK FOR 2008

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

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

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

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

12. PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

We hereby submit for shareholder approval the financial statements for 2076, consisting of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

We also submit for shareholder approval the following proposal for the allocation of 2006 earnings, which total €1,373,525,159.

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

The latter amount has been calculated by applying a rate of 3%, increased by the annual change in the consumer price index, which was 2.8% (for an overall rate of 5.8%), to the par value of the preference shares; therefore, the preferred dividend totals €60,900,000.

Furthermore, we propose distributing a dividend of €142,100,000 to ordinary shares along with the preferred dividend to be distributed to the preference shares.

(euros)

ALLOCATION OF NET INCOME FOR THE YEAR	
Net income	1,373,525,159
Legal reserve	68,676,258
Income available for distribution	**1,304,848,901**
Income attributable to preference shares	60,900,000
Income attributable to ordinary shares (*)	142,100,000
RESIDUAL INCOME AVAILABLE FOR DISTRIBUTION	**1,101,848,901**

(*) up to preference yield (5.8%) attributed to preference shares (ex. Art. 30 Bylaws).

The remainder, €1,101,848,901, shall be allocated as decided by the shareholders.

Rome, 28 April 2008

The Chairman
Alfonso Iozzo

ALLOCATION OF NET INCOME

1. AUTHORISATION FOR THE ALLOCATION OF NET INCOME (EXTRACT OF THE MINUTES OF THE MEETING OF SHAREHOLDERS OF 28 APRIL 2008)

[…]
The shareholders […] unanimously

resolve

- to approve the allocation of earnings proposed by the Board of Directors as follows: €68,676,258 to the legal reserve, €60,900,000 to be distributed as a preferred dividend to preference shares; a further €142,100,000 to be distributed as a dividend to ordinary shares in addition to the dividend distributed to the preference shares.

- to allocate the remainder of €1,101,848,901 as follows: a further €75,600,000 as a preferred dividend in addition to that already allocated to the preference shares; a further €176,400,000 as a dividend in addition to that already allocated to the ordinary shares; the remaining €849,848,901 to be reserves.

2. SUMMARY OF APPROVED DIVIDENDS

Following shareholder approval, the total dividends to be distributed to ordinary and preference shares are as follows:

SUMMARY OF DISTRIBUTION OF DIVIDENDS	*(euros)*	*(%)*
Preference shares	136,500,000	30
Ordinary shares	318,500,000	70
TOTAL DIVIDENDS	**455,000,000**	**100**
DIVIDEND PER SHARE	**1.300**	
DIVIDEND YIELD ON PAR VALUE		**13.000**

REPORT
OF THE
BOARD OF AUDITORS

Shareholders,

In the course of the financial year ending 31 December 2007, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of CONSOB in its communications, to the extent compatible with the status of CDP S.p.A., and in particular Communication no. 1025564 of 6 April 2001 and subsequent updates.

We preface our remarks as follows:

A) as in 2006, the financial statements for 2007, the fourth financial year since the transformation of the organisation into a joint-stock company, have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB), adopted with Regulation EC no. 1606 on 19 July 2002, and transposed into Italian legislation with Legislative Decree 38 of 28 February 2005. The preparation of the financial statements complies with the provisions concerning bank financial statements in Bank of Italy circular 262 of 22 December 2005;

B) the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been examined by KPMG in the performance of its auditing activities pursuant to Article 2409 *bis* of the Italian Civil Code;

C) 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 and the annual plan approved by the Board of Directors on 31 January 2007;

D) the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition. 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-rated basis by the Ordinary Account;

E) Annex 2 to the notes to the financial statements reports the financial position at 31 December 2007 of the segregated assets established by Infrastrutture S.p.A. with the Board resolution of 23 December 2003;

F) in the separate financial statements the value of the preference shares is included under "Capital". The equal accounting treatment of the two classes of shares is based on the joint intention formalised by ACRI on 7 March 2008 and by the MEF on 26 March 2008 to carry out the early conversion of the preference shares into ordinary shares by 31 December 2008;

G) in 2007, CDP determined that it exercises *de facto* control over Terna S.p.A.. As a result, consolidated financial statements have been prepared in addition to the separate financial statements. As envisaged under the IASs, in the case of the preparation of consolidated financial statements, the measurement criterion for equity investments in subsidiaries and associates has been changed in the separate financial statements, shifting from measurement using the equity method to measurement at cost. The effects of the change are discussed in the notes to the financial statements.

H) the financial statements for 2007 report net income of €1,374 million and shareholders' equity of €14,356 million.

Given the above, 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;

- 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 organisational changes described by the Board of Directors in its report on operations. In addition to attending the meetings of the Board of Directors, our monitoring activity also included periodic meetings with the heads of the main company departments, as well as the exchange of information with the financial reporting manager and with the independent auditors, KPMG, whose audit records we examined;

- monitored the operation of the internal control and administrative/accounting systems by examining the reports of the activities performed by the Internal Auditing department 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, while 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's articles of association.
   In particular, the following are to be noted:
   a) the composition of the equity investments of CDP S.p.A. changed in 2007 following the acquisition of 14.29% of F2i (Fondi Italiani per le Infrastrutture SGR S.p.A.). In 2007 a total of €997 million were received as dividends from all equity investments;
      The poor performance of STMicroelectronics Holding N.V. reduced the carrying amount of the investment to €949 million, as determined on the basis of the share price, with a writedown of €472 million, recognised in full in the income statement for 2007;
   b) as from 2006, following an official Bank of Italy notice, CDP S.p.A. was required to establish the reserve requirement for credit institutions as required by ECB regulation 1745/2003 of 12 September 2003, the company established a deposit in a management account with the Bank of Italy. At the end of the year the deposit amounted to €3,050 million and earns interest at the average marginal rate of the main refinancing operations of the ECB during the maintenance period. The management of the reserve and the related interest is conducted in a manner so as to ensure the internal accounting separation between the Separate Account and the Ordinary Account;
   c) during the year a supplement to the existing agreement with Poste Italiane S.p.A. was signed. The accord sets new criteria for remunerating the management and placement of postal savings products and the funding targets that Poste Italiane S.p.A. is to achieve.
   d) under the Separate Account, a €64 million covered bond secured by segregated assets of CDP S.p.A. was issued, as discussed in the notes to the financial statements (part B – information on the balance sheet).
   e) under the Ordinary Account, €500 million in securities were issued as part of the Euro Medium Term Notes Programme and two new loans totalling €101 million were received from the EIB. In addition, in December 2007, the EIB credit line was increased by €170 million.
   f) although net income for 2007 declined by 26.8 % with respect to 2006, it confirmed the overall positive performance of the company, bearing in mind

the major impact of the writedown of equity investments and non-recurring revenues of about 257 million recognised in 2006.

g) the high level of liquidity reported at the end of the year, which on the basis of the accounts reclassified on the basis of operational criteria amounted to €92.807 billion including the reserve requirement, is in line with the role played by CDP S.p.A., as indicated in Article 5, paragraph 7, of Decree Law 269 of 30 September 2003. Once again this year, liquidity exceeded "Loans to customers", which totalled €78.4 billion.

The Board of Auditors monitored and verified CDP's compliance in the performance of statutory requirements. In this regard, we report:

- during the year, the rules introduced with the Privacy Act were implemented. The measures taken included training of the personnel in the Information & Communication Technology department, which runs the company's IT procedures;
- in October 2007, monthly reporting to the European Central Bank (through the Bank of Italy) began, as CDP S.p.A. has been classified as a monetary financial institution.

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 was prepared by KPMG in accordance with Article 2409 ter of the Civil Code. The auditors had made no specific observations as of the date of approval of the draft financial statements by the Board of Directors.
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 2007 other than those regarding auditing and certification services associated with the auditing engagement.
8. During the period, no engagements were awarded to persons with ongoing relationships with KPMG.

9. The Board of Auditors was not asked to give its consent pursuant to Article of 136 Legislative Decree 385/1993 (the 1993 Banking Law).
10. In 2007, there were a total of 13 meetings of the 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 16 meetings. All of 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.

    During the meetings, the Board examined the minutes prepared by both the Support Committee and the Steering Committee, while also preparing our own minutes, which were sent to the Chairman of the company, the MEF, and the State Audit Court.
11. We have no comments on compliance with the principles of good administration, which appear to have been respected at all times.
12. In order to handle the intense activity undertaken, in 2007 CDP S.p.A. continued to renew and develop its structure, including its organisational model, which currently consists of 4 divisions and 13 departments, with a workforce of 393 people, of which 32 executives, 114 middle managers and 246 office staff, a level unchanged with respect to 2006.

    Training activities involved 79% of personnel for a total of 4,000 hours.

    Finally, the provisions of the supplementary company-level contract were implemented, with employee benefits including agreements with Poste Italiane.
13. During the year, the Internal Auditing department intensified its work on the preliminary analysis of company risks, in line with the objectives set out in the 2005-2009 business plan approved by the Board of Directors on 22 June 2005 and the annual plan approved by the Board on 31 January 2007. Internal Auditing also continued to provide support to the Supervisory Body envisaged in Legislative Decree 231/01, established in 2004, which defined its internal rules and procedures for monitoring the compliance model.

    Following the decision of the MEF to extend the requirement to provide for a financial reporting manager (Article 154 bis of the Consolidated Law on Financial Intermediation, as amended by Law 262 of 28 December 2005 and Legislative Decree 303/06), CDP S.p.A. amended its articles of association with Article 24 bis, and the Board of Directors appointed the manager and approved the related rules. As a result of the new Article 24 bis of the articles of association, the updated company rules and the rules governing the function of financial reporting manager (Law262/05), a testing plan was established to ascertain the effectiveness of the internal control system, to be performed by the Internal Auditing department.

The Internal Auditing department was designated as the organisational unit responsible for exchanging information with the supervisory authorities on "suspicious" transactions for the purposes of the transposition of the 3rd EC Directive referred to in Legislative Decree 231/07 concerning the prevention of money laundering.

14. The administrative/accounting system appears sufficiently reliable in presenting operational facts, including in the light of the statements in that regard by KPMG, although there is room for improvement and initiatives are already being studied by the appropriate CDP departments, with a particular emphasis on information technology processes.

    Considerable effort was expended on updating the information architecture of CDP's systems, include the disaster recovery study aimed at the development and implementation of a business continuity plan, which is scheduled for 2008.

    During 2007, the implementation of the SIPA system project was begun by the ICT department. The system will manage the entire life cycle of collection or payment orders.
15. The company issued appropriate instructions to subsidiaries pursuant to Article 114, paragraph 2, of Legislative Decree 58/98.
16. 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.
17. As it is not listed on an exchange, the company has not applied the Corporate Governance Code for listed companies.
18. Within the scope of our functions, our supervisory activities did not reveal any omissions, censurable facts or irregularities that would need to be reported here.
19. We note that the report on operations provides shareholders with information on the outlook for 2008.
20. As regards the certification by the financial reporting manager and having examined the draft prepared by that manager, who confirmed the absence of significant changes, 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 2007 financial year together with the report on operations submitted by the Board of Directors.

Rome, 8 April 2008.

THE BOARD OF AUDITORS

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

REPORT OF THE INDEPENDENT AUDITORS

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

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

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

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

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

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

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the company's directors restated such corresponding figures included in the prior year separate financial statements. We audited such financial statements and issued our report thereon on 11 April 2007. We have examined the methods used to restate the prior year corresponding figures and related disclosures to the extent that we considered to be necessary to express an opinion on the separate financial statements at 31 December 2007.

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

Rome, 11 April 2008

KPMG S.p.A.

(Signed on the original)

Giuseppe Scimone
Director

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

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

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

hereby certify:

- the appropriateness with respect to the characteristics of the company and
- the effective adoption

of the administrative and accounting procedures for the preparation of the separate financial statements in 2007.

2. Reference framework and other aspects:

2.1 the assessment of the appropriateness of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 2007 was conducted on the basis of a process developed by Cassa Depositi e Prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, a generally accepted model at the international level.

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

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

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

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

Rome, 10 April 2008

General Manager
Antonino Turicchi

Manager responsible for preparing
the corporate financial reports
Angelo Mariano

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

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

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

The notes to the financial statements are composed of:

INTRODUCTION

PART A	– Accounting policies
PART B	– Information on the balance sheet
PART C	– Information on the income statement
PART D	– Segment information
PART E	– Information on risks and related hedging policies
PART F–	– Capital
PART H	– Transactions with related parties

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

1. **LIST OF EQUITY INVESTMENTS**
2. **ACCOUNTS AT 31 DECEMBER 2007 OF THE SEGREGATED TAV ASSETS**

FINANCIAL STATEMENTS

AT 31 DECEMBER 2007

Balance sheet

Income statement

Statement of changes in shareholders' equity

Cash flow statement

(euros)

BALANCE SHEET

	Assets	31/12/2007	31/12/2006
10.	Cash and cash equivalents	91,407,672,569	78,622,451,330
20.	Financial assets held for trading	353,727,392	135,870,808
40.	Financial assets available for sale	15,355,238,072	15,320,237,987
60.	Loans to banks	3,884,711,963	3,465,309,210
70.	Loans to customers	78,353,918,675	76,849,708,099
	of which securing covered bonds	*17,679,918,036*	*19,118,126,232*
80.	Hedging derivatives	828,580,651	91,266,701
100.	Equity investments	4,806,496,216	5,275,782,424
110.	Property, plant and equipment	208,205,190	208,312,922
120.	Intangible assets	5,468,798	4,710,635
	of which:		
	- goodwill	-	-
130.	Tax assets	856,724,975	556,200,838
	a) current	*530,522,354*	*310,442,816*
	b) deferred	*326,202,621*	*245,758,022*
150.	Other assets	33,472,147	20,785,528
	Total assets	**196,094,216,648**	**180,550,636,482**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(euros)

BALANCE SHEET

	Liabilities and shareholders' equity	31/12/2007	31/12/2006
10.	Due to banks	1,263,143,094	1,248,753,618
20.	Due to customers	87,617,083,119	81,033,749,912
	of which amounts to be disbursed on loans securing covered bonds	*2,004,619,120*	*2,909,458,028*
30.	Securities issued	90,154,580,185	82,595,438,688
	of which covered bonds	*7,900,926,342*	*7,852,806,566*
40.	Financial liabilities held for trading	362,440,555	137,391,641
60.	Hedging derivatives	896,258,908	657,294,199
70.	Adjustment of financial liabilities hedged generically (+/-)	(528,636,754)	(319,043,740)
80.	Tax liabilities	1,128,258,051	1,337,193,293
	a) current	*489,850,000*	*529,680,000*
	b) deferred	*638,408,051*	*807,513,293*
100.	Other liabilities	842,422,991	708,419,680
110.	Staff severance pay	738,098	725,849
120.	Provisions	1,883,722	903,670
	a) pensions and similar commitments	-	-
	b) other provisions	*1,883,722*	*903,670*
130.	Valuation reserves	6,736,284,207	6,448,574,360
160.	Reserves	2,746,235,313	1,325,103,264
180.	Share capital	3,500,000,000	3,500,000,000
200.	Net income for the period (+/-)	1,373,525,159	1,876,132,048
	Total liabilities and shareholders' equity	**196,094,216,648**	**180,550,636,482**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(euros)

INCOME STATEMENT

		31/12/2007	31/12/2006
10.	Interest income and similar revenues	7,144,197,163	5,641,560,984
20.	Interest expense and similar charges	(4,937,832,599)	(3,861,166,776)
30.	**Net interest income**	**2,206,364,564**	**1,780,394,208**
40.	Commission income	5,056,440	11,492,748
50.	Commission expense	(759,762,126)	(725,207,033)
60.	**Net commission income**	**(754,705,686)**	**(713,714,285)**
70.	Dividends and similar revenues	997,365,735	1,036,814,705
80.	Net gain (loss) on trading activities	9,441,029	230,664,877
90.	Net gain (loss) on hedging activities	(55,164,343)	(1,456,124)
100.	Gains (losses) on disposal or repurchase of:	20,137,689	200,397,839
	a) loans	*20,137,689*	*200,397,839*
120.	**Gross income**	**2,423,438,988**	**2,533,101,220**
130.	Net impairment adjustments of:	(9,695,622)	(34,525,558)
	a) loans	*(9,695,622)*	*(34,525,558)*
140.	**Financial income (expense), net**	**2,413,743,366**	**2,498,575,662**
150.	Administrative expenses:	(66,180,773)	(68,102,667)
	a) staff costs	(38,606,679)	(40,095,419)
	b) other administrative expenses	(27,574,094)	(28,007,248)
160.	Net provisions	(1,024,215)	8,925,630
170.	Net adjustments of property, plant and equipment	(6,156,055)	(5,108,088)
180.	Net adjustments of intangible assets	(1,422,729)	(1,329,200)
190.	Other operating income (costs)	1,580,015	1,370,017
200.	**Operating costs**	**(73,203,757)**	**(64,244,308)**
210.	Gains (losses) on equity investments	(471,902,451)	88,005
240.	Gains (losses) on disposal of investments	3,364	(1,665)
250.	**Income (loss) before tax from continuing operations**	**1,868,640,522**	**2,434,417,694**
260.	Income tax for the period on continuing operations	(495,115,363)	(558,285,646)
270.	**Income (loss) after tax on continuing operations**	**1,373,525,159**	**1,876,132,048**
290.	**Income (loss) for the period**	**1,373,525,159**	**1,876,132,048**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(thousands of euros)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Balance at 31.12.06	Changes in opening balance (*)	Balance at 1.1.07	Allocation of net income for previous year		Changes for the year								
							Equity transactions							Shareholders' equity at 31.12.07
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Net income (loss) for the period ended 31.12.07	
Share capital:														
a) ordinary shares	2,450,000		2,450,000											2,450,000
b) other shares	1,050,000		1,050,000											1,050,000
Share premium reserve														
Reserves:														
a) income	1,271,408 (*)	53,695	1,325,103	1,421,132										2,746,235
b) other														
Valuation reserves:														
a) available for sale	6,281,002		6,281,002			285,603								6,566,605
b) cash flow hedges						2,107								2,107
c) other reserves														
- revaluation of property	167,572		167,572											167,572
- exchange rate differences	11,201	(11,201)												-
Equity instruments														-
Treasury shares														-
Net income (loss) for the period	2,052,661	(176,529)	1,876,132	(1,421,132)	(455,000)								1,373,525	1,373,525
Shareholders' equity	**13,283,844**	**(134,035)**	**13,149,809**	**-**	**(455,000)**	**287,710**							**1,373,525**	**14,356,044**

(*) The variation is related to the method used to measure equity investments, which was changed from equity method to cost.

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

(thousands of euros)

CASH FLOW STATEMENT (indirect method)

A. OPERATING ACTIVITIES	31/12/2007	31/12/2006
1. Operations	**2,409,988**	**1,891,141**
- Net income for the year (+/-)	1,373,525	1,876,132
- Gains (losses) on financial assets held for trading and on financial assets recognised at fair value (-/+)	(9,441)	(230,665)
- Gains (losses) on hedging activities (-/+)	55,164	1,456
-Net impairment adjustments (+/-)	9,696	34,526
- Net value adjustments to property, plant and equipment and intangible assets (+/-	7,579	6,437
- Net provisions and other costs/revenues (+/-)	6,448	(8,596)
- Unpaid taxes and duties (+)	495,115	211,851
- Writedowns/writebacks of equity investments (+/-)	471,902	-
2. Cash generated by/used in financial assets	**(2,717,051)**	**(13,360,903)**
- Financial assets held for trading	(201,608)	(60,169)
- Financial assets available for sale	(3,223)	804,011
- Loans to banks: other	(192,546)	167,879
- Loans to customers	(2,319,674)	(14,272,624)
3. Cash generated by/used in financial liabilities	**13,862,568**	**28,416,878**
- Due to banks: other	86,371	(221,496)
- Due to customers	6,583,333	6,998,651
- Securities issued	7,632,677	21,647,778
- Trading financial liabilities	218,241	(1,072)
- Other liabilities	(658,054)	(6,983)
Cash generated by/used in operating activities	**13,555,505**	**16,947,116**
B. INVESTING ACTIVITIES		
1. Cash generated by	**4**	**9,788**
- Sale of equity investments		9,788
- Dividends from equity investments		
- sale of property, plant and equipment	4	
2. Cash used in	**(16,356)**	**(23,673)**
- Purchase of equity investments	(8,123)	(13,099)
- Purchase of property, plant and equipment	(6,052)	(8,749)
- Purchase of intangible assets	(2,181)	(1,825)
Cash generated by/used in investing activities	**(16,352)**	**(13,885)**
C. FINANCING ACTIVITIES		
- Dividend distribution and other allocations	(455,000)	(800,100)
Net cash generated by/used in financing activities	**(455,000)**	**(800,100)**
NET CASH GENERATED/USED DURING THE YEAR	**13,084,153**	**16,133,132**

RECONCILIATION

Cash and cash equivalents at beginning of year	**78,550,844**	**62,417,713**
Total cash generated/used during the year	**13,084,153**	**16,133,131**
Cash and cash equivalents: effects of changes in exchange rates		-
Cash and cash equivalents at end of year	**91,634,997**	**78,550,844**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

General Manager
Antonino Turicchi

COMPARATIVE STATEMENTS

(thousands of euros)

BALANCE SHEET

	Assets	31/12/2007	31/12/2006	Change (+/-)	%
10.	Cash and cash equivalents	91,407,673	78,622,451	12,785,222	16.3%
20.	Financial assets held for trading	353,727	135,871	217,856	160.3%
40.	Financial assets available for sale	15,355,238	15,320,238	35,000	0.2%
60.	Loans to banks	3,884,712	3,465,309	419,403	12.1%
70.	Loans to customers	78,353,919	76,849,708	1,504,211	2.0%
	of which securing covered bonds	*17,679,918*	*19,118,126*	- 1,438,208	-7.5%
80.	Hedging derivatives	828,581	91,267	737,314	807.9%
100.	Equity investments	4,806,496	5,275,782	- 469,286	-8.9%
110.	Property, plant and equipment	208,205	208,313	- 108	-0.1%
120.	Intangible assets	5,469	4,711	758	16.1%
	of which: - goodwill	-	-	-	-
130.	Tax liabilities	856,725	556,201	300,524	54.0%
	a) current	*530,522*	*310,443*	220,079	70.9%
	b) deferred	*326,203*	*245,758*	80,445	32.7%
150.	Other assets	33,472	20,786	12,686	61.0%
	Total assets	**196,094,217**	**180,550,636**	**15,543,581**	**8.6%**

(thousands of euros)

BALANCE SHEET

	Total liabilities and shareholders' equity	31/12/2007	31/12/2006	change (+/-)	%
10.	Due to banks	1,263,143	1,248,754	14,389	1.2%
20.	Due to customers	87,617,083	81,033,750	6,583,333	8.1%
	of which amounts to be disbursed on loans securing covered bonds	*2,004,619*	*2,909,458*	(904,839)	-31.1%
30.	Securities issued	90,154,580	82,595,439	7,559,141	9.2%
	of which covered bonds	*7,900,926*	*7,852,807*	48,119	0.6%
40.	Financial liabilities held for trading	362,441	137,392	225,049	163.8%
60.	Hedging derivatives	896,259	657,294	238,965	36.4%
70.	Adjustment of financial liabilities hedged generically (+/-)	(528,637)	(319,044)	(209,593)	65.7%
80.	Tax liabilities	1,128,258	1,337,193	(208,935)	-15.6%
	a) current	*489,850*	*529,680*	(39,830)	-7.5%
	b) deferred	*638,408*	*807,513*	(169,105)	-20.9%
100.	Other liabilities	842,424	708,420	134,004	18.9%
110.	Staff severance pay	738	726	12	1.7%
120.	Provisions	1,884	904	980	108.5%
	a) pensions and similar commitments	-	-	-	-
	b) other provisions	*1,884*	*904*	980	108.5%
130.	Valuation reserves	6,736,284	6,448,574	287,710	4.5%
160.	Reserves	2,746,235	1,325,103	1,421,132	107.2%
180.	Share capital	3,500,000	3,500,000	0	0.0%
200.	Net income for the period (+/-)	1,373,525	1,876,132	(502,607)	-26.8%
	Total liabilities and shareholders' equity	**196,094,217**	**180,550,636**	**15,543,581**	**8.6%**

(thousands of euros)

INCOME STATEMENT

		31/12/2007	31/12/2006	change (+/-)	%
10.	Interest income and similar revenues	7,144,197	5,641,561	1,502,636	26.6%
20.	Interest expense and similar charges	(4,937,833)	(3,861,167)	(1,076,666)	27.9%
30.	**Net interest income**	**2,206,364**	**1,780,394**	**425,970**	**23.9%**
40.	Commission income	5,056	11,493	(6,437)	-56.0%
50.	Commission expense	(759,762)	(725,207)	(34,555)	4.8%
60.	**Net commission income**	**(754,706)**	**(713,714)**	**(40,992)**	**5.7%**
70.	Dividends and similar revenues	997,366	1,036,815	(39,449)	-3.8%
80.	Net gain (loss) on trading activities	9,441	230,665	(221,224)	-95.9%
90.	Net gain (loss) on hedging activities	(55,164)	(1,456)	(53,708)	n.s.
100.	Gains (losses) on disposal or repurchase of:	20,138	200,398	(180,260)	-90.0%
	a) loans	*20,138*	*200,398*	*(180,260)*	*-90.0%*
120.	**Gross income**	**2,423,439**	**2,533,101**	**(109,662)**	**-4.3%**
130.	Net impairment adjustments of:	(9,696)	(34,526)	24,830	-71.9%
	a) loans	*(9,696)*	*(34,526)*	*24,830*	*-71.9%*
140.	**Financial income (expense), net**	**2,413,743**	**2,498,576**	**(84,833)**	**-3.4%**
150.	Administrative expenses:	(66,181)	(68,103)	1,922	-2.8%
	a) staff costs	(38,607)	(40,095)	1,488	-3.7%
	b) other administrative expenses	(27,574)	(28,007)	433	-1.5%
160.	Net provisions	(1,024)	8,926	(9,950)	-111.5%
170.	Net adjustments of property, plant and equipment	(6,156)	(5,108)	(1,048)	20.5%
180.	Net adjustments of intangible assets	(1,423)	(1,329)	(94)	7.1%
190.	Other operating income (costs)	1,580	1,370	210	15.3%
200.	**Operating costs**	**(73,204)**	**(64,244)**	**(8,960)**	**13.9%**
210.	Gains (losses) on equity investments	(471,902)	88	(471,990)	n.s.
240.	Gains (losses) on disposal of investments	3	(2)	5	-280.2%
250.	**Income (loss) before tax from continuing operations**	**1,868,640**	**2,434,418**	**(565,778)**	**-23.2%**
260.	Income tax for the period on continuing operations	(495,115)	(558,286)	63,171	-11.3%
270.	**Income (loss) after tax on continuing operations**	**1,373,525**	**1,876,132**	**(502,607)**	**-26.8%**
290.	**Net income for the period**	**1,373,525**	**1,876,132**	**(502,607)**	**-26.8%**

NOTES TO THE

FINANCIAL STATEMENTS

(FINANCIAL STATEMENTS AT 31 DECEMBER 2007)

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

As in previous years, the CDP S.p.A. financial statements have been prepared in accordance with the regulations of the Bank of Italy, which are currently set out in its circular concerning banking and financial service supervision of 22 December 2005 as updated, which set out the formats and rules for compiling bank financial statements, incorporating the introduction of International Financial Reporting Standards (IFRSs) for bank financial reporting.
With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Community.
Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

- the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC);

as well as the Implementation Guidance and Basis for Conclusions adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.
The financial statements are expressed in euros and include the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and these notes to the financial statements and related annexes, as well as the directors' report on operations.
The financial statements present a clear, true, and accurate overview of the company's financial performance and standing.
The account balances correspond with the company's accounting records and fully reflect the transactions conducted during the year.

BASIS OF PRESENTATION

In accordance with the regulations issued by the Bank of Italy, the financial statements are expressed in euros, whereas the notes to the financial statements are expressed in thousands of euros.
Accounts with zero balances for both the current and prior year have been excluded. In the income statement, revenues are indicated as positive numbers, while costs are shown as negative numbers (in parentheses).

The figures in the notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

COMPARISON AND DISCLOSURE

As detailed below, the notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation the company's financial performance and standing.
The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.
For the purposes of comparison, the tables in the notes to the financial statements present the figures for both the 2007 and 2006 financial years.
Tables with no amounts for either 2007 or 2006 have been excluded.

CDP SEGREGATED ASSETS

CDP holds two sets of segregated assets as follows:

A. THE COVERED BOND SEGREGATED ASSETS

This is not segregated assets as defined by the Italian Civil Code, but rather a separation related to certain CDP assets (loans to local authorities) for which CDP has established guarantees/liens on the cash flows for the holders of the covered bonds issued, which enables the bond itself to have a higher rating that that of the issuer.
The separation concerns the flows related to the portfolio of loans that constitute the collateral of the related bond issue.
The assets are in the accounts with an "of which" indication on the financial statements, and the transaction is described in the notes to the financial statements under Part B – INFORMATION ON THE BALANCE SHEET.

B. THE TAV SEGREGATED ASSETS

Acquired following the merger of Infrastrutture S.p.A. on 1 January 2006, these segregated assets were established in order to fund the investments related to the high-speed/high-capacity railway infrastructure in accordance with Article 75 of Law 289 of 27 December 2002. On 27 December 2006, by decree of the Ministry for the Economy and Finance, it was established that the assets were to be liquidated according to procedures defined by Article 2447-*novies* of the Civil Code, with the Italian government taking over responsibility for the costs related to the assets.
Even after the adoption of the IFRSs, CDP has shown this fund as an off-balance-sheet item,

in line with the accounting treatment adopted by Infrastrutture S.p.A.
The financial situation of the TAV segregated assets at 31 December 2007, prepared in accordance with strictly financial criteria following the liquidation of the assets and their absorption by the state with the 2007 Finance Act, is reported in the document annexed to these notes.

AUDITING OF THE FINANCIAL STATEMENTS

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

ANNEXES

In order to enhance disclosure, the following documents are annexed to this report:

1 List of equity investments;
2 Accounts at 31 December 2007 of the segregated TAV assets;

PART A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 31 December 2007 and with the Bank of Italy circular of 22 December 2005, which established the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The financial statements have been prepared in accordance with the IFRSs issued by the IASB (including the SIC and IFRIC interpretations) endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002. IFRS 7 has also been applied beginning with the 2006 financial year.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- the Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board in 2001;
- Implementation Guidance, Basis for Conclusions, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs;
- Interpretation documents concerning the application of the IFRSs in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

Where the information required by the IFRSs and the regulations of the Bank of Italy is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the notes to the financial statements also include supplemental information for such purpose.

The financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

No assets have been offset with liabilities, nor revenues with costs, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.

SECTION 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

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

SECTION 4 – OTHER ISSUES

In 2007 CDP declared that it exercised *de facto* control over Terna and, therefore, in conformity with IAS 27 has prepared consolidated financial statements for 2007.
In accordance with paragraph 37 of IAS 27, the measurement criteria adopted in the separate financial statements for associates and subsidiaries, reported under item 100 of the balance sheet, was change from equity method accounting to cost accounting.
In line with IAS 8, the change in the accounting policy was reflected in the financial statements by way of an adjustment to the opening shareholders' equity and the comparative disclosures.
Following the change, shareholders' equity for 2006 decreased by a total of €134,035,485, composed of a decrease of €11,201,255 in item "130. Valuation reserves", an increase of €53,695,030 in item "160. Reserves" and a decrease of €176,529,260 in net income for 2006, with a decrease in equity investments, item 100, of €141,722,783 and in the provision for deferred taxes of €7,687,299.
The following table shows the 2006 financial statements as published and the financial restated on the basis of the accounting policy.

BALANCE SHEET *(in euros)*

	Assets	31/12/2006	31/12/2006 Restated	Difference
10.	Cash and cash equivalents	78,622,451,330	78,622,451,330	-
20.	Financial assets held for trading	135,870,808	135,870,808	-
40.	Financial assets available for sale	15,320,237,987	15,320,237,987	-
60.	Loans to banks	3,465,309,210	3,465,309,210	-
70.	Loans to customers	76,849,708,099	76,849,708,099	-
	of which securing covered bonds	*19,118,126,232*	*19,118,126,232*	-
80.	Hedging derivatives	91,266,701	91,266,701	-
100.	Equity investments	5,417,505,207	5,275,782,424	141,722,783
110.	Property, plant and equipment	208,312,922	208,312,922	-
120.	Intangible assets	4,710,635	4,710,635	-
	of which:			-
	goodwill	-	-	-
130.	Tax assets	556,200,838	556,200,838	-
	a) current	*310,442,816*	*310,442,816*	-
	b) deferred	*245,758,022*	*245,758,022*	-
150.	Other assets	20,785,527	20,785,528	-
	Total assets	**180,692,359,264**	**180,550,636,482**	**141,722,782**

BALANCE SHEET *(in euros)*

	Liabilities and shareholders' equity	31/12/2006	31/12/2006 Restated	Difference
10.	Due to banks	1,248,753,618	1,248,753,618	-
20.	Due to customers	81,033,749,912	81,033,749,912	-
	of which amounts to be disbursed on loans securing covered bonds	*2,909,458,028*	*2,909,458,028*	-
30.	Securities issued	82,595,438,688	82,595,438,688	-
	of which covered bonds	*7,852,806,566*	*7,852,806,566*	-
40.	Financial liabilities held for trading	137,391,641	137,391,641	-
60.	Hedging derivatives	657,294,199	657,294,199	-
70.	Adjustment of financial liabilities hedged generically (+/-)	(319,043,740)	(319,043,740)	-
80.	Tax liabilities	1,344,880,592	1,337,193,293	7,687,299
	a) current	*529,680,000*	*529,680,000*	-
	b) deferred	*815,200,592*	*807,513,293*	-
100.	Other liabilities	708,419,680	708,419,680	-
110.	Staff severance pay	725,849	725,849	-
120.	Provisions	903,670	903,670	-
	a) pensions and similar commitments	-	-	-
	b) other provisions	*903,670*	*903,670*	-
130.	Valuation reserves	6,459,775,615	6,448,574,360	11,201,255
160.	Reserves	1,271,408,234	1,325,103,264	- 53,695,030
180.	Share capital	3,500,000,000	3,500,000,000	-
200.	Net income for the period (+/-)	2,052,661,308	1,876,132,048	176,529,260
	Total liabilities and shareholders' equity	**180,692,359,264**	**180,550,636,482**	**141,722,782**

(in euros)

INCOME STATEMENT

		31/12/2006	31/12/2006 Restated	Difference
10.	Interest income and similar revenues	5,641,560,984	5,641,560,984	-
20.	Interest expense and similar charges	(3,861,166,776)	(3,861,166,776)	-
30.	**Net interest income**	**1,780,394,208**	**1,780,394,208**	-
40.	Commission income	11,492,748	11,492,748	-
50.	Commission expense	(725,207,033)	(725,207,033)	-
60.	**Net commission income**	**(713,714,285)**	**(713,714,285)**	-
70.	Dividends and similar revenues	907,199,204	1,036,814,705	- 129,615,501
80.	Net gain (loss) on trading activities	230,664,877	230,664,877	-
90.	Net gain (loss) on hedging activities	(1,456,124)	(1,456,124)	-
100.	Gains (losses) on disposal or repurchase of:	200,397,839	200,397,839	-
	a) loans	*200,397,839*	*200,397,839*	-
120.	**Gross income**	**2,403,485,719**	**2,533,101,220**	**- 129,615,501**
130.	Net impairment adjustments of:	(34,525,558)	(34,525,558)	-
	a) loans	*(34,525,558)*	*(34,525,558)*	-
140.	**Financial income (expense), net**	**2,368,960,161**	**2,498,575,662**	**- 129,615,501**
150.	Administrative expenses:	(68,102,667)	(68,102,667)	-
	a) staff costs	(40,095,419)	(40,095,419)	-
	b) other administrative expenses	(28,007,248)	(28,007,248)	-
160.	Net provisions	8,925,630	8,925,630	-
170.	Net adjustments of property, plant and equipment	(5,108,088)	(5,108,088)	-
180.	Net adjustments of intangible assets	(1,329,200)	(1,329,200)	-
190.	Other operating income (costs)	1,370,017	1,370,017	-
200.	**Operating costs**	**(64,244,308)**	**(64,244,308)**	-
210.	Gains (losses) on equity investments	312,230,620	88,005	312,142,615
240.	Gains (losses) on disposal of investments	(1,665)	(1,665)	-
250.	**Income (loss) before tax from continuing operations**	**2,616,944,808**	**2,434,417,694**	**182,527,114**
260.	Income tax for the period on continuing operations	(564,283,500)	(558,285,646)	- 5,997,854
270.	**Income (loss) after tax on continuing operations**	**2,052,661,308**	**1,876,132,048**	**176,529,260**
290.	**Income (loss) for the period**	**2,052,661,308**	**1,876,132,048**	**176,529,260**

A.2 – THE MAIN FINANCIAL STATEMENT ACCOUNTS

The pages provide a description of the accounting policies adopted in preparing the financial statements.

1 – FINANCIAL ASSETS HELD FOR TRADING

"Financial assets held for trading" (item 20) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.
Financial assets held for trading meet the following prerequisites:
a) they are purchased with the intention of being sold in the short term;
b) they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
c) they are derivatives (with the exception of derivatives that are designated and effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
The financial instruments are measured subsequently at fair value based on the official prices as of the balance sheet date if they are listed on active markets. For financial instruments,

including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models, and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and adjusted in the event of losses in value.
If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.
Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset are retained, the asset remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are shown under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Available-for-sale financial assets (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. In cases in which the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is done on the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such

instruments and/or that must be settled with the delivery of such instruments, are measured at cost.

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

Subsequent measurement is done at fair value based on the official prices as of the balance sheet date if the financial instruments are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

Available-for-sale financial assets are subject to impairment tests to determine whether there is objective evidence of impairment. Where an available-for-sale security is impaired, the cumulative, unrealized change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models concerning equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement.

Where the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, the writeback is recognised in the income statement for loans or debt securities and in an equity reserve in the case of equity instruments. The amount of the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as "Gains (losses) on the disposal or repurchase of financial assets available for sale" (item 100.b).

Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset are retained, the asset remains on the balance sheet even if official title has been transferred.

4 - Loans

The term "loans" refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as "loans and receivables", for which the company has a right to receive future cash flows.

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

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.

The loans in CDP's Separate Account portfolio are largely loans that have been granted in accordance with public law with administrative acts and so are quite different from the loans granted by banks that normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to local authorities for public works and are disbursed to the beneficiaries only after detailed verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the authority as the work is performed by the various contractors involved.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion. CDP's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. The repayment plan for the amount granted begins, with certain exceptions, the year following the signing of the related contract. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a "short-term" receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with the IFRSs.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted by CDP and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. In view of the lack of time series of loss data on loans, as well as the creditworthiness of CDP's leading borrowers, no general writedowns of the portfolio are recorded.

The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.

The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back", given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.

Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans" (item 130.a).

Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 180-days past due, are also subject to individual impairment testing.

"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also

includes receivables from Italian post offices and variation margins with clearing bodies for derivative transactions.
"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (as the reserve requirement).

6 - HEDGING TRANSACTIONS

According to the IASs, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged position is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

1. the relationship between the hedging instrument and the position hedged, including the risk management objectives;
2. the hedging strategy, which must be in line with established risk management policies;
3. the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.
A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.
If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and in the case of cash flow hedge any reserve is reversed to profit or loss.

Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.
CDP has fair value hedges in place to neutralise the carrying amount of individual assets and liabilities or groups of similar assets and liabilities, as well as macro-hedging of the interest rate risk of portfolios of liabilities in respect of medium/long-term fixed-rate postal funding.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the balance sheet date have either a positive or negative value.

7 - EQUITY INVESTMENTS

The term "equity investments" refers to investments in subsidiaries (IAS 27), in joint ventures (IAS 31), and associates subject to significant influence (IAS 28) other than financial assets held for trading (item 20) and financial assets at fair value through profit or loss (item 30) in accordance with IAS 28 and IAS 31.
Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing dependent directors or, in any event, when CDP exercises the power to determine financial and operating policies. Joint ventures are companies in which control is shared with other parties by contract. Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority interests are recognised as financial assets available for sale (item 40) and are treated as described above.
Equity investments are initially recognised and subsequently carried at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.
Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and persistent. Impairment losses on investments listed on active markets, and unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant, which for investments in listed companies is when the market price is more than 20% lower than the carrying amount for nine months out of the year.

In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.
Equity investments are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

8 - PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs.
Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Therefore, with the transition to the IFRSs, we have separated the value of land from the value of buildings based on appraisals that were previously used in 2005 for the purpose of revaluing company properties that had been recognised in the 2004 financial statements, pursuant to the provisions of the 2006 Finance Act. Land is considered to have an indefinite life and, as such, is not depreciated.
Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives. Newly acquired assets are depreciated as from the period in which they enter service.
In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.
Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.
"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

9 - INTANGIBLE ASSETS

"Intangible assets" include goodwill and other intangibles governed by IAS 38.
Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each year, is subject to impairment testing in order to verify the appropriateness of the estimates.
An intangible asset is only recognised under the following conditions:
(a) CDP can control the future economic benefits generated by the asset;
(b) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company;
(c) the cost of the asset can be measured reliably.
Intangible assets are therefore derecognised when sold or when future economic benefits are no longer expected.
CDP's intangible assets essentially consist of software.
Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.
Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are imputed to the asset and the cost is amortised over 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.

11– CURRENT AND DEFERRED TAXATION

Income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year under applicable tax law. In particular, we have taken account of the changes introduced with Legislative Decree 38/2005, which governs the tax effects resulting from the introduction of the international accounting standards.

Deferred tax items regard the recognition of the effects of possible differences, including timing 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). Deferred taxation is calculated on the basis of the tax rates set out in tax regulations, which currently refer to those set out in Law 244 of 24 December 2007 (27.5% for IRES and 4.8176% for IRAP).

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

Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under "Other assets".
If the deferred tax items regard developments that directly affect shareholders' equity, they are recognised in shareholders' equity.

12 - PROVISIONS

"Provisions" (item 120) are recognised solely under following conditions:

(a) there is a present (legal or constructive) obligation resulting from a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
(c) a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the balance sheet date) of the charges that are expected to be incurred in order to settle the obligation.
CDP has no "provisions for retirement and similar obligations", while "other provisions" includes the provisions for liabilities and contingencies established in observance of international accounting standards, with the exception of writedowns due to the impairment of guarantees issued and credit derivatives treated as such in accordance with IAS 39, which, where applicable, are recognised under "other liabilities". In particular, CDP's provision for contingencies only includes estimates related to pending litigation, which includes allocations for revocatory actions and suits filed by third parties (including employees and former employees).
The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

13– DEBT AND SECURITIES ISSUED

"Amounts due to banks" (item 10) and "Amounts due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than financial liabilities held for trading (item 40), financial liabilities at fair value through profit or loss (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid (see the description of CDP Separate Account loans under section 2.4 above).

Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It also includes securities which, as of the balance sheet date, have matured but have not yet been redeemed. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These are initially measured at fair value including the costs incurred to issue the securities, which normally coincides with the issue price. Subsequent measurement is at amortised cost using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

Securities issued include the postal savings bonds issued by CDP. These bonds are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds may be redeemed at any time prior to the bond's contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of savings bonds as the discount rate. It is also necessary to recognise distribution commissions paid to Poste Italiane S.p.A. as transaction costs. These fees are therefore considered along with the other cash flows for the savings bonds for the purpose of determining the effective interest rate and are no longer amortised at a constant annual rate.

14 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the subscription date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. . Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liability remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

16– Foreign currency transactions

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the exchange rate in prevailing on the date of the transaction.
Assets and liabilities denominated in foreign currencies or indexed to foreign currencies, as well as financial assets with funding denominated in or indexed to foreign currencies, are translated at the spot exchange rates prevailing at the end of the period.
Costs and revenues in foreign currencies are recognised at the spot exchange rate prevailing at the time of the transactions.
The effects of this measurement are recognised in the income statement in the period in which they emerge.
Positive and negative foreign exchange differences related to financial assets and liabilities denominated in a foreign currency, other than those that are recognised at fair value or those that are subject to fair value or cash flow hedging and their related hedging instruments, are recognised under "Net gain (loss) on trading activities" (item 80).

17 - Other information

Cash and cash equivalents (item 10 of Assets)

Liquid assets are recognised at fair value.
Liquidity is composed of cash on hand at the company and the balances on the current accounts held with the Central State Treasury.
The balance is increased for accrued interest that has not yet been settled on these current accounts. Interest accrues semi-annually at a floating rate determined (pursuant to the decree of the Minister for the Economy and Finance of 5 December 2003) on the basis of the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

Staff severance pay

This 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. In accordance with IAS 19, the staff severance pay scheme (TFR) is considered a defined-benefit plan and, therefore, is recognised as the present value of the accumulating obligation (both the present value of the expected future payments related to benefits accrued during the current year and the present value of future payments resulting from amounts accrued in previous years).

It should also be noted that 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. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund in accordance with the applicable legislation.
Therefore, the effects of the application of IAS 19 are not significant.

INTEREST INCOME AND EXPENSE

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.
Interest also includes the net positive or negative balance of the differences and margins related to financial derivative contracts.

COMMISSIONS

Commissions are recognised in the income statement on an accruals basis. This excludes commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, which are recognised under interest.

DIVIDENDS

Dividends are recognised as income in the period in which they are approved for distribution.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

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 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-2007 the balance on the account was about €89,401 million.
- 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-2007 the balance on the account was about €261 million.

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 account no. 29814 the interest-bearing treasury account 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 and not yet paid on account no. 29814 amounted to about €1,746 million.

1.1 Cash and cash equivalents: composition

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

(thousands of euros)

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	31/12/2007	31/12/2006
a) Cash	91,407,673	78,622,451
b) Free deposits with central banks	-	-
Total	**91,407,673**	**78,622,451**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	31/12/2007		31/12/2006	
	Listed	**Unlisted**	**Listed**	**Unlisted**
A On-balance-sheet assets				
1. Debt securities				
1.1 Structured securities				
1.2 Other debt securities				
2. Equity securities				
3. Units in collective investment undertakings				
4. Loans				
4.1 repurchase agreements				
4.2 other				
5. Impaired assets				
6. Assets assigned but not derecognized				
Total (A)				
B Derivatives				
1. Financial derivatives:		**353,727**		**135,871**
1.1 trading		353,727		135,871
1.2 associated with fair value option				
1.3 other				
2. Credit derivatives				
2.1 trading				
2.2 associated with fair value option				
2.3 other				
Total (B)		**353,727**		**135,871**
Total (A+B)		**353,727**		**135,871**

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

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

(thousands of euros)

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

	31/12/2007	31/12/2006
A. ON-BALANCE SHEET FINANCIAL ASSETS		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers		
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
6. Assets assigned but not derecognized		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total (A)		
B. DERIVATIVES		
a) Banks	353,727	131,673
b) Customers		4,198
Total (B)	**353,727**	**135,871**
Total (A+B)	**353,727**	**135,871**

2.3 Financial assets held for trading: derivatives

(thousands of euros)

2.3 FINANCIAL ASSETS HELD FOR TRADING: DERIVATIVES

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2007	31/12/2006
A) Listed							
1. Financial derivatives:							
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased							
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total (A)							
B) Unlisted							
1. Financial derivatives:			353,727			353,727	135,871
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased			353,727			353,727	135,871
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total B			**353,727**			**353,727**	**135,871**
Total (A+B)			**353,727**			**353,727**	**135,871**

SECTION 4 – FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	**201,853**	**10,175**	**214,692**	
1.1 Structured securities				
1.2 Other debt securities	201,853	10,175	214,692	
2. Equity securities	**15,132,166**	**9,716**	**15,103,480**	**2,066**
2.1 Recognised at fair value	15,132,166		15,103,480	
2.2 Recognised at cost		9,716		2,066
3. Units in collective investment undertakings		**1,328**		
4. Loans				
5. Impaired assets				
6. Assets assigned but not derecognized				
Total	**15,334,019**	**21,219**	**15,318,172**	**2,066**

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

(thousands of euros)

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

	31/12/2007	31/12/2006
1. Debt securities	**212,028**	**214,692**
a) Governments and central banks		
b) Other government agencies	10,175	11,434
c) Banks		
d) Other issuers	201,853	203,258
2. Equity securities	**15,141,882**	**15,105,546**
a) Banks	2,066	2,066
b) Other issuers	15,139,816	15,103,480
- insurance undertakings		
- financial companies	7,650	
- non financial companies	15,132,166	15,103,480
- other		
3. Units in collective investment undertakings	**1,328**	**-**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
6. Assets assigned but not derecognized		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**15,355,238**	**15,320,238**

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

(thousands of euros)

4.5 FINANCIAL ASSETS AVAILABLE FOR SALE OTHER THAN THOSE ASSIGNED AND NOT DERECOGNIZED AND IMPAIRED ASSETS: ANNUAL CHANGE

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**214,692**	**15,105,546**	**-**		**15,320,238**
B. Increases	**3,861**	**209,659**	**1,328**		**214,848**
B1. Purchases		3,343	1,328		4,671
B2. Fair value gains		200,809			200,809
B3. Writebacks					
- recognised through income statement					
- recognised through equity					
B4. Transfers from other portfolios		5,507			5,507
B5. Other changes	3,861				3,861
C. Decreases	**6,525**	**173,323**	**-**		**179,848**
C1. Sales		1,199			1,199
C2. Redemptions	1,142				1,142
C3. Fair value losses	2,416	172,124			174,540
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	2,967				2,967
D. Closing balance	**212,028**	**15,141,882**	**1,328**		**15,355,238**

SECTION 6 – LOANS TO BANKS – ITEM 60

6.1 Loans to banks: composition by type

(thousands of euros)

6.1 LOANS TO BANKS: COMPOSITION BY TYPE

	31/12/2007	31/12/2006
A. Claims on central banks	**3,057,031**	**2,766,513**
1. Fixed-term deposits		
2. Reserve requirement	3,057,031	2,766,513
3. Repurchase agreements		
4. Other		
B. Loans to banks	**827,681**	**698,797**
1. Current accounts and free deposits	228,995	384
2. Fixed-term deposits	129,355	268,937
3. Other financing	469,331	429,476
3.1 repurchase agreements		
3.2 finance leases		
3.3 other	469,331	429,476
4. Debt securities		
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets assigned but not derecognized		
Total (book value)	**3,884,712**	**3,465,309**
Total (fair value)	**3,860,485**	**3,448,704**

Loans to banks are primarily composed of current accounts (€229 million), financing transactions (about €469.3 million) and the balance on the management account for the reserve requirement (about €3,057 million). The balance also includes cash collateral deposited with banks for to secure the credit risk on derivatives transactions.

6.2 Loans to banks: assets hedges specifically

(thousands of euros)

6.2 LOANS TO BANKS: ASSETS HEDGED SPECIFICALLY

	31/12/2007	31/12/2006
1. Loans with specific fair value hedges:	**60,061**	
a) interest rate risk	60,061	
b) exchange risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:	-	
a) interest rate risk		
b) exchange risk		
c) other		
Total	**60,061**	-

SECTION 7 – LOANS TO CUSTOMERS – ITEM 70

7.1 Loans to customers: composition by type

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP and include bonds issued by municipal and regional governments. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

7.1 LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	31/12/2007	31/12/2006
1. Current accounts	36	3
2. Repurchase agreements		
3. Loans	76,880,021	75,636,527
4. Credit cards, personal loans and loans repaid by automatic deductions from wages		
5. Finance leases		
6. Factoring		
7. Other	805,970	586,424
8. Debt securities	557,670	491,009
8.1 structured		
8.2 other debt securities	557,670	491,009
9. Impaired assets	110,222	135,744
10. Assets assigned but not derecognized		
Total (book value)	**78,353,919**	**76,849,708**
Total (fair value)	**77,773,408**	**78,121,028**

Total writedowns of loans amount to €50.5 million. On the basis of the quality of the borrowers, the guarantees securing the loans and the regular payment of instalments, as well as the experience of the CDP in this area, it was not considered necessary to recognise a reserve covering the collective writedown of the loan portfolio.

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

7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

7.2 LOANS TO CUSTOMERS: COMPOSITION BY TYPE OF BORROWER/ISSUER

	31/12/2007	31/12/2006
1. Debt securities:	**557,670**	**491,009**
a) Governments		
b) Other government agencies	514,861	491,009
c) Other issuers	42,810	
- non-financial companies		
- financial companies	42,810	
- insurance undertakings		
- other		
2. Loans to:	**77,735,277**	**76,222,955**
a) Governments	32,566,716	34,236,134
b) Other government agencies	39,559,274	36,584,141
c) Other	5,609,288	5,402,680
- non-financial companies	5,394,340	5,379,943
- financial companies	184,747	-
- insurance undertakings		-
- other	30,200	22,737
3. Impaired assets:	**60,971**	**135,744**
a) Governments		-
b) Other government agencies	49,247	120,206
c) Other	11,724	15,538
- non-financial companies	10,998	14,819
- financial companies		-
- insurance undertakings		-
- other	726	719
4. Assets assigned but not derecognized:	**-**	**-**
a) Governments		
b) Other government agencies		
c) Other	-	-
- non-financial companies		
- financial companies		
- insurance undertakings		
- other		
Total	**78,353,919**	**76,849,708**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

7.3 LOANS TO CUSTOMERS: ASSETS HEDGED SPECIFICALLY

	31/12/2007	31/12/2006
1. Loans with specific fair value hedges:	**13,632,954**	**12,076,217**
a) interest rate risk	13,632,954	12,076,217
b) exchange rate risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:	-	-
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**13,632,954**	**12,076,217**

SECTION 8 – HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: composition by type of contract and underlying

(thousands of euros)

8.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND UNDERLYING

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- purchased options						
- other derivatives						
• without exchange of principal						
- purchased options						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	828,581					828,581
• with exchange of principal						
- purchased options						
- other derivatives						
• without exchange of principal	828,581					828,581
- purchased options						
- other derivatives	828,581					828,581
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	828,581					828,581
Total (A+B) 2007	828,581					828,581
Total (A+B) 2006	91,267					91,267

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

(thousands of euros)

8.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

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

SECTION 10 – EQUITY INVESTMENTS – ITEM 100

10.1 Equity investments in subsidiaries, joint ventures and in companies subject to significant influence: information on investments

10.1 EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

	Registered office	% holding	% of votes
A. Wholly-owned subsidiaries			
1. Terna S.p.A.	Rome	29.99%	29.99%
B. Joint ventures			
C. Companies under significant influence			
1. Poste Italiane S.p.A.	Rome	35.00%	35.00%
2. ST Holding N.V.	Amsterdam	30.00%	30.00%
3. Galaxy S.àr.l.	Luxembourg	40.00%	40.00%
4. Europrogetti & Finanza S.p.A.	Rome	31.80%	31.80%
5. Tunnel di Genova	Genoa	33.33%	33.33%

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

(thousands of euros)

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

Name	Total assets	Total revenues	Income (loss)	Shareholders' equity	Carrying value	Fair value
A. Wholly-owned subsidiaries	**8,043,893**	**1,434,686**	**413,888**	**2,161,963**	**1,315,200**	**1,654,800**
1. Terna S.p.A. (1)	8,043,893	1,434,686	413,888	2,161,963	1,315,200	1,654,800
B. Joint ventures						
C. Companies under significant influence	**78,490,028**	**17,296,883**	**645,906**	**3,219,550**	**3,491,296**	**n.a.**
1. Poste Italiane S.p.A. (2)	77,713,382	17,281,163	675,664	2,498,352	2,518,744	n.a.
2. ST Holding N.V.	689,136	25	(32,973)	689,086	949,204	949,204
3. Galaxy S.àr.l. (3)	35,383	5,121	115	21,959	21,223	n.a.
4. Europrogetti & Finanza S.p.A. (3)	47,294	10,540	3,147	9,830	2,125	n.a.
5. Tunnel di Genova (3)	4,833	34	(47)	323	-	n.a.
Total	**86,533,921**	**18,731,569**	**1,059,794**	**5,381,513**	**4,806,496**	**n.a.**

(1) Figures from consolidated financial statements at 31/12/07
(2) Figures from consolidated financial statements at 31/12/06
(3) Figures from financial statements at 31/12/06

10.3 Equity investments: change for the year

(thousands of euros)

10.3 EQUITY INVESTMENTS: CHANGE FOR THE YEAR

	31/12/2007	31/12/2006
A. Opening balance	**5,275,783**	**5,272,471**
B. Increases	**8,123**	**13,311**
B.1 Purchases	8,123	13,099
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes	-	212
C. Decreases	**477,410**	**10,000**
C.1 Sales	-	9,876
C.2 Writedowns	471,903	124
C.3 Other changes	5,507	-
D. Closing balance	**4,806,496**	**5,275,783**
E. Total revaluations	**-**	**-**
F. Total writedowns	**473,054**	**1,151**

The writedown of €471.9 million regards the writedown of the equity investment in STH due to the poor performance of the price of STMicroeletronics shares, which are the only asset

held by that company. The writedown brought the carrying amount of the shares into line with their price in December 2007, which is considered their recoverable value.
Other changes regard the reclassification of the investment in Sinloc S.p.A. under available-for-sale assets as CDP no longer exercises a significant influence over the company.

10.6 Obligations relating to companies subject to significant influence

In 2006, CDP purchased a 40% interest in the share capital of Galaxy S.àr.l., a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector.
CDP's total investment amounted to €100 million, of which €21.0 million has been paid.

SECTION 11 – PROPERTY, PLANT AND EQUIPMENT – ITEM 110

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

Property, plant and equipment includes all of the movable and immovable property of Cassa Depositi e Prestiti, net of depreciation, and at year-end break down as follows:

(thousands of euros)

11.1 PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS RECOGNIZED AT COST

	31/12/2007	31/12/2006
A. Operating assets		
1.1 owned	**208,205**	**208,312**
a) land	117,406	117,406
b) buildings	74,237	75,197
c) movables	3,093	1,800
d) electrical plant	5,396	5,468
e) other	8,073	8,441
1.2 acquired under finance leases		
a) land		
b) buildings		
c) movables		
d) electrical plant		
Total A	**208,205**	**208,312**
B. Investment property		
2.1 owned		
a) land		
b) buildings		
2.2 acquired under finance leases		
a) land		
b) buildings		
Total B	-	-
Total (A+B)	**208,205**	**208,312**

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

(thousands of euros)

11.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGE FOR THE YEAR

	Land	Building	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**80,898**	**8,826**	**15,981**	**19,590**	**242,702**
A.1 Total net writedowns	-	- 5,701	- 7,026	- 10,512	- 11,149	- 34,389
A.2 Opening net balance	**117,406**	**75,197**	**1,800**	**5,468**	**8,441**	**208,312**
B. Increases	**-**	**1,494**	**1,832**	**1,607**	**1,117**	**6,050**
B.1 Purchases			1,832	1,607	1,117	4,556
B.2 Capitalised improvement costs		1,494				1,494
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes						
B.8 Merger						
C. Decreases	**-**	**2,454**	**539**	**1,679**	**1,485**	**6,157**
C.1 Sales					4	4
C.2 Depreciation		2,454	539	1,679	1,481	6,153
C.3 Writedowns for impairment recognised in						
a) equity						
b) income statement						
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) investment property						
b) discontinuing operations						
C.7 Other changes						
D. Closing net balance	**117,406**	**74,237**	**3,093**	**5,396**	**8,073**	**208,205**
D.1 Total net writedowns	-	- 8,155	- 7,271	- 11,225	- 12,584	- 39,236
D.2 Closing gross balance	**117,406**	**82,392**	**10,364**	**16,621**	**20,657**	**247,441**
E. Measurement at cost						

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

12.1 Intangible assets: composition by category

Intangible assets break down as follows:

(thousands of euros)

12.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	31/12/2007		31/12/2006	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	**5,469**		**4,711**	
A.2.1 Assets carried at cost	5,469		4,711	
a) internally-generated intangible assets				
b) other assets	5,469		4,711	
A.2.2 Assets recognised at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**5,469**		**4,711**	

12.2 Intangible assets: change in the year

(thousands of euros)

12.2 INTANGIBLE ASSETS: CHANGE IN THE YEAR

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

12.3 Other information

With regard to the disclosures required under international accounting standards, it should be noted that:

a) intangible assets were not revalued;

b) no intangible assets acquired by way of government grants are held (IAS 38, paragraph 122, letter c);

c) no intangible assets are pledged as security for liabilities (IAS 38, paragraph 122, letter d);

d) there are no contractual commitments for the purchase of intangible assets (IAS 38, paragraph 122, letter e);

e) no intangible assets are the object of leasing transactions.

SECTION 13 – TAX ASSETS AND LIABILITIES – ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

13.1 Deferred tax assets: composition

Deferred tax assets arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will become deductible in periods following the period in which they are recognised. They mainly regard provisions for future liabilities and charges, unpaid remuneration of directors, depreciation and amortisation charges exceeding those recognised for financial reporting purposes and those with statutorily deferred deductibility (e.g. following a revaluation), entertainment expenses and certain other costs as well as the fair value measurement of hedges of financial liabilities and writedowns of securities, performed in application of international accounting standards.

13.2 Deferred tax liabilities: composition

Conversely, deferred tax liabilities arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will fall due in periods following the period in which they are recognised. They regard the fair value measurement of assets in the AFS portfolio, the fair value measurement of debt securities issued that have been hedged and cash flow hedges.
They also include deferred taxes in respect of provisions and off-ledger deductions taken for tax purposes only that are reported in a specific section of the income tax return, such as accruals to the loan-loss provision and depreciation and amortisation charged under tax regulations in excess of those recognised for financial reporting purposes.

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

(thousands of euros)

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

	31/12/2007	31/12/2006
1. Opening balance	**245,730**	**138,755**
2. Increases	**121,153**	**221,338**
2.1 Deferred tax assets recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) writebacks		
d) other	121,153	221,338
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**41,488**	**114,363**
3.1 Deferred tax assets derecognised during the year		
a) reversals	3,996	1,627
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates	37,492	
		112,736
4. Closing balance	**325,395**	**245,730**

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

(thousands of euros)

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

	31/12/2007	31/12/2006
1. Opening balance	**457,388**	**323,186**
2. Increases	**162,321**	**296,827**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) other	162,321	292,884
2.2 New taxes or increases in tax rates		
2.3 Other increases		3,943
3. Decreases	**73,879**	**162,625**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	167	331
b) due to change in accounting policies		7,063
c) other		
3.2 Reduction in tax rates	73,712	
3.3 Other decreases		155,231
4. Closing balance	**545,830**	**457,388**

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

(thousands of euros)

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

	31/12/2007	31/12/2006
1. Opening balance	**28**	**114**
2. Increases	**800**	
2.1 Deferred tax assets recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) other	783	
2.2 New taxes or increases in tax rates	17	
2.3 Other increases		
3. Decreases	**21**	**86**
3.1 Deferred tax assets derecognised during the year		
a) reversals		
b) writedowns for supervening non-recoverability		
c) due to changes in accounting policies		
3.2 Reduction in tax rates	21	
3.3 Other decreases		86
4. Closing balance	**807**	**28**

13.6 Changes in deferred tax liabilities (recognised in shareholders' equity)

(thousands of euros)

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

	31/12/2007	31/12/2006
1. Opening balance	**350,126**	**270,215**
2. Increases	**3,767**	**82,589**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) other	3,767	
2.2 New taxes or increases in tax rates		
2.3 Other increases		82,589
3. Decreases	**261,315**	**2,678**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals		
b) due to change in accounting policies		**624**
c) other	9,088	
3.2 Reduction in tax rates	252,227	
3.3 Other decreases		2,054
4. Closing balance	**92,578**	**350,126**

13.7 Other information

(thousands of euros)

13.7.1 DEFERRED TAX ASSETS: COMPOSITION

	31/12/2007
Provisions for liabilities and contingencies	1,609
Depreciation and amortisation	3,603
Financial instruments	312,677
Payables	7,395
Securities holdings	807
Other	112
Total	**326,203**

(thousands of euros)

13.7.2 DEFERRED TAX LIABILITIES: COMPOSITION

	31/12/2007
Equity investments	91,573
Depreciation and amortisation	52
Financial instruments	277,048
Provision for impaired loans	269,735
Total	**638,408**

SECTION 15 – OTHER ASSETS – ITEM 150

15.1 Other assets: composition

(thousands of euros)

15.1 OTHER ASSETS: COMPOSITION

	31/12/2007	31/12/2006
1. Items being processed	-	665
2. Receivables from MIUR	626	4,913
3. Receivables from MEF	3,116	9,200
4. Receivables from MIT	87	87
5. Receivables from Poste Italiane S.p.A.	23,782	-
6. Other	5,861	5,920
Total	**33,472**	**20,785**

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

The main items under this heading are:

- receivables from Ministry of Universities and Research: this item relates mainly to advances paid to the ministry pursuant to Article 1 of Law 338/2000;
- receivables from MEF: this item primarily relates to amounts owed under the agreement signed on 25 July 2006 in respect of the management of assets and liabilities transferred to the Ministry for the Economy and Finance pursuant to Article 3 of the ministerial decree of 5 December 2003;
- receivables from Poste Italiane S.p.A: this item regards the reimbursement due from Poste following the adjustment in 2007 of the liability in respect of judicial passbooks following a census of those passbooks;
- other: this item mainly includes the receivable from INPDAP for advances paid on employee pensions for the years 1985 -1992 of about €3.8 million.

LIABILITIES

SECTION 1 – DUE TO BANKS – ITEM 10

1.1 Due to banks: composition by type

(thousands of euros)

1.1 DUE TO BANKS: COMPOSITION BY TYPE

	31/12/2007	31/12/2006
1. Due to central banks	**318,341**	**433,571**
2. Due to banks	**944,802**	**815,183**
2.1 Current accounts and demand deposits	4,002	74,997
2.2 Fixed-term deposits	410,275	-
2.3 Borrowings	515,002	473,579
2.3.1 finance leases		
2.3.2 other	515,002	473,579
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Liabilities in respect of assets assigned but not derecognized		
2.5.1 repurchase agreements		
2.5.2 other		
2.6 Other payables	15,523	266,606
Total	**1,263,143**	**1,248,754**
Fair value	**1,263,143**	**1,248,754**

The item "Due to central banks" includes:

- the payable to the Bank of Italy for unpaid direct debits equal to €57.6 million settled in early 2008;
- the liability of about €260.7 million to the Bank of Italy in respect of payment instructions issued by CDP and executed by the provincial state treasury sections on behalf of CDP. The amounts were reimbursed to the MEF in early 2008 on the basis of

the monthly accounts produced by the Bank of Italy, which acts as the Central State Treasurer.

Other borrowings regard loans from the EIB and amounts to be transferred to banks in the loan monetization operation.

Amounts due to other banks include the payable to banks for interest rate swaps, the payable for options with deferred premiums and cash collateral securing the credit risk on derivatives.

SECTION 2 – DUE TO CUSTOMERS – ITEM 20

2.1 Due to customers: composition by type

(thousands of euros)

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

	31/12/2007	31/12/2006
1. Current accounts and demand deposits	76,282,114	70,580,226
2. Fixed-term deposits		
3. Third-party funds under administration		36,480
4. Borrowings		
4.1 finance leases		
4.2 other		
5. Liabilities in respect of commitments to repurchase own equity instruments		
6. Liabilities in respect of assets assigned but not derecognized		
6.1 repurchase agreements		
6.2 other		
7. Other payables	11,334,969	10,417,043
Total	**87,617,083**	**81,033,749**
Fair value	**87,617,083**	**81,033,749**

Other payables mainly regard amounts to be disbursed on loans granted.

SECTION 3 – SECURITIES ISSUED – ITEM 30

3.1 Securities issued: composition by type

(thousands of euros)

3.1 SECURITIES ISSUED: COMPOSITION BY TYPE

	31/12/2007		31/12/2006	
	carrying amount	fair value	carrying amount	fair value
A. Listed	**7,900,926**	**7,902,397**	**7,852,807**	**7,918,040**
1. bonds	7,900,926	7,902,397	7,852,807	7,918,040
1.1 structured				
1.2 other	7,900,926	7,902,397	7,852,807	7,918,040
2. other				
2.1 structured				
2.2 other				
B. Unlisted	**82,253,654**	**80,605,458**	**74,742,632**	**75,601,265**
1. bonds	1,291,538	1,291,538	785,919	783,128
1.1 structured				
1.2 other	1,291,538	1,291,538	785,919	783,128
2. other	80,962,116	79,313,920	73,956,713	74,818,137
2.1 structured	4,504,760	4,354,090	2,192,382	2,286,123
2.2 other	76,457,356	74,959,829	71,764,331	72,532,014
Total	**90,154,580**	**88,507,854**	**82,595,439**	**83,519,305**

The item includes covered bonds, bonds issued under the Euro Medium Term Notes programme and postal savings bonds.

Other structured securities report indexed postal savings bonds and the Premia bonds, for which the embedded derivative has been separated from the host contract.

3.3 Securities issued: securities hedged specifically

(thousands of euros)

3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

	31/12/2007	31/12/2006
1. Securities covered by specific fair value hedge	**8,846,893**	**8,293,488**
a) interest rate risk	8,785,367	8,293,488
b) exchange rate risk	61,526	
c) multiple risks		
2. Liabilities covered by specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	31/12/2007				31/12/2006			
	NV	FV		FV *	NV	FV		FV *
		L	UL			L	UL	
A. On-balance-sheet liabilities								
1. Due to banks								
2. Due to customers								
3. Debt securities								
3.1 Bonds								
3.1.1 structured								
3.1.2 other bonds								
3.2 Other securities								
3.2.1 structured								
3.2.2 other								
Total A								
B. Derivatives								
1. Financial derivatives			**362,441**				**137,392**	
1.1 trading								
1.2 associated with fair value option								
1.3 other			362,441				137,392	
2. Credit derivatives								
2.1 trading								
2.2 associated with fair value option								
2.3 other								
Total B			**362,441**				**137,392**	
Total (A+B)			**362,441**				**137,392**	

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date .
NV = nominal or notional value
L = Listed
UL = Unlisted

The item includes the embedded option component of indexed bonds that was separated from the host contract.

4.4 Financial liabilities held for trading: derivatives

(thousands of euros)

4.4 FINANCIAL LIABILITIES HELD FOR TRADING: DERIVATIVES

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2007	31/12/2006
A) Listed							
1. Financial derivatives							
• with exchange of principal							
- options written							
- other derivatives							
• without exchange of principal							
- options written							
- other derivatives							
2. Credit derivatives							
• with exchange of principal							
• without exchange of principal							
Total A							
B) Unlisted							
1. Financial derivatives			**362,441**			**362,441**	**137,392**
• with exchange of principal							
- options written							
- other derivatives							
• without exchange of principal			362,441			362,441	137,392
- options written			362,441			362,441	137,392
- other derivatives							
2. Credit derivatives							
• with exchange of principal							
• without exchange of principal							
Total B			**362,441**			**362,441**	**137,392**
Total (A+B)			**362,441**			**362,441**	**137,392**

SECTION 6 – HEDGING DERIVATIVES – ITEM 60

6.1 Hedging derivatives: composition by type of contract and underlyings

(thousands of euros)

6.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND UNDERLYINGS

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	Total
A) Listed						
1. Financial derivatives						
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal						
- options written						
- other derivatives						
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total A						
B) Unlisted						
1. Financial derivatives	**895,008**	**1,251**				**896,259**
• with exchange of principal		1,251				1,251
- options written						
- other derivatives		1,251				1,251
• without exchange of princi	895,008					895,008
- options written						
- other derivatives	895,008					895,008
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**895,008**	**1,251**				**896,259**
Total (A+B) 2007	**895,008**	**1,251**				**896,259**
Total (A+B) 2006	**657,294**	**-**				**657,294**

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

(thousands of euros)

6.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

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

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

The cash flow hedge reserve at 31 December 2007 amounted to €2,107 million.

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

7.1 Value adjustments of hedged liabilities: composition by hedged portfolio

(thousands of euros)

7.1 VALUE ADJUSTMENTS OF HEDGED LIABILITIES: COMPOSITION BY HEDGED PORTFOLIO

	31/12/2007	31/12/2006
1. Positive adjustments of financial liabilities	528,637	319,044
2. Negative adjustments of financial liabilities		
Total	**528,637**	**319,044**

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

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

SECTION 8 – TAX LIABILITIES – ITEM 80

For information concerning this item, refer to Section 13 of "Assets".

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: composition

(thousands of euros)

10.1 OTHER LIABILITIES: COMPOSITION

	31/12/2007	31/12/2006
1. Items being processed	2,639	8
2. Amounts due to employees	1,386	1,352
3. Charges for postal funding service	656,862	579,986
4. Tax payables	165,481	107,196
6. Other	16,056	19,878
Total	**842,424**	**708,420**

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

The main items under this heading are:

- the payable to Poste Italiane S.p.A. of about €657 million, in respect of accrued commission expense for the management and placement of postal savings products
- tax payables totalling about €165 million, mainly regarding the tax on interest paid on postal savings bonds, withholdings on interest paid on postal passbook savings accounts and other withholdings;
- other items, mainly composed of trade payables, the payable to the MEF for the collection and payment service performed by the Bank of Italy and sundry amounts due to employees.

SECTION 11 – STAFF SEVERANCE PAY – ITEM 110

11.1 Staff severance pay: changes for year

(thousands of euros)

11.1 STAFF SEVERANCE PAY: CHANGES FOR YEAR

	31/12/2007	31/12/2006
A. Opening balance	**726**	**396**
B. Increases	**630**	**822**
B.1 Provision for the year	630	590
B.2 Other increases	-	232
C. Decreases	**618**	**492**
C.1 Severance payments	45	126
C.2 Other decreases	573	366
D. Closing balance	**738**	**726**

SECTION 12 – PROVISIONS – ITEM 120

12.1 Provisions: composition

(thousands of euros)

12.1 PROVISIONS: COMPOSITION

	31/12/2007	31/12/2006
1 Company pension plans		
2. Other provisions	1,884	904
2.1 legal disputes	1,884	904
2.2 staff costs		
2.3 other		
Total	**1,884**	**904**

12.2 Provisions: changes for year

(thousands of euros)

12.2 PROVISIONS: CHANGE FOR THE YEAR

	Pensions	Other provisions	Total
A. Opening balance		**904**	**904**
B. Increases	-	**1,097**	**1,097**
B.1 Provision for the year		1,053	1,053
B.2 Changes due to passage of time		16	16
B.3 Changes due to changes in discount rate		28	28
B.4 Other increases			
C. Decreases	-	**117**	**117**
C.1 Use during the year		44	44
C.2 Changes due the changes in discount rate			
C.3 Other decreases		73	73
D. Closing balance	-	**1,884**	**1,884**

The increase in provisions is attributable to the contingent liability arising during the year in respect of disputes with employees.

12.4 Provisions – other provisions

The entire €1.8 million amount of other provisions relates to the provision for pending litigation described in the previous paragraph.

SECTION 14 – SHAREHOLDERS' EQUITY – ITEMS 130, 150, 160, 170, 180, 190 AND 200

14.1 Shareholders' equity: composition

(thousands of euros)

14.1 SHAREHOLDERS' EQUITY: COMPOSITION

	31/12/2007	31/12/2006
1. Share capital	3,500,000	3,500,000
2. Share premium reserve		
3. Reserves	2,746,235	1,325,103
4. (Treasury shares)		
5. Valuation reserves	6,736,284	6,448,574
6. Equity instruments		
7. Net income (loss) for the year	1,373,525	1,876,132
Total	**14,356,044**	**13,149,809**

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

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

The company does not hold treasury shares.

Under the articles of association, the preference shares have the following main characteristics:

- The preference shareholders is entitled to a preferred dividend equal to the rate of inflation increase by 3 percentage points on the par value of the shares;
- In the event of no or partial payment of the preferred dividend, the entitlement to the dividend shall accumulate in subsequent years;
- Until 31 December 2009, if the preferred dividend is not distributed, the preference shareholders, at any time until 31 December 2009, may withdraw, receiving in settlement an amount equal to the value of the fraction of share capital represented

by the preference shares plus any positive or negative difference between the preferred dividend accrued and that actually received;

- Preference shares shall be automatically converted into ordinary shares as from 1 January 2010, on the basis of a conversion ratio determined by the Board of Directors. Holders of preference shares who do not intend to avail themselves of the automatic conversion shall have the right to withdraw from the company, receiving in settlement an amount equal to the value of the fraction of share capital represented by the preference shares plus any positive or negative difference between the preferred dividend accrued and that actually received; the withdrawal option must be exercised between 1 October 2009 and 15 December 2009.

The value of share capital represented by the preference shares is recognised, together with that of the ordinary shares, under item “180. Share capital”.

From an accounting standpoint, it was felt appropriate to treat the preference shares as ordinary shares under the terms of the agreement formalised between ACRI, the association of banking foundations and savings banks (signed in the name and on behalf of the foundations who are shareholders of the company), and the Ministry for the Economy and Finance on 4 April 2007, with which the foundations, the holders of the preference shares, and the MEF expressed their joint intention to convert the shares by the end of 2007, before the time limit specified in the articles of association.

However, the conversion process was delayed due to contingent circumstances regarding the possibility of restructuring the company. By the deadline for the approval by the Shareholders’ Meeting of these financial statements the MEF and the foundations (acting through ACRI) both confirmed their intention to convert the shares, setting a time limit of 31 December 2008 to complete the procedure.

The treatment of the preference shares as a component of shareholders’ equity, rather than as a financial instrument composed of a financial liability and an equity instrument, is in accordance with the intentions of the shareholders, which underscored the equity nature of the shares, in line with the provisions of the company’s articles of association, where the preference shares are included in share capital.

The intention of the shareholders to proceed with early conversion in accordance with the above timetable is an essential element supporting to accounting treatment that has been adopted. If the conversion is not carried out by the deadline specified above, the component of the preference shares that is not ascribable to an equity instrument will be reclassified as a financial liability.

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

14.3 SHARE CAPITAL - NUMBER OF SHARES: CHANGE FOR THE YEAR

	Ordinary	Other
A. Shares at start of year	245,000,000	105,000,000
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**245,000,000**	**105,000,000**
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**245,000,000**	**105,000,000**
D.1 Treasury shares (+)		
D.2 Shares at end of the year	245,000,000	105,000,000
- fully paid	245,000,000	105,000,000
- partly paid		

14.5 Income reserves: additional information

(thousands of euros)

14.5 INCOME RESERVES: ADDITIONAL INFORMATION

	31/12/2007	31/12/2006
Income reserves	**2,746,235**	**1,325,103**
Legal reserve	163,466	60,833
Other reserve	2,582,769	1,264,270

14.7 Valuation reserves: composition

(thousands of euros)

14.7 VALUATION RESERVES: COMPOSITION

	31/12/2007	31/12/2006
1. Financial assets available for sale	6,566,605	6,281,002
2. Property, plant and equipment	167,572	167,572
3. Intangible assets		
4. Hedging of foreign investments		
5. Cash flow hedges	2,107	-
6. Exchange rate differences		
7. Non-current assets included in discontinuing operations		
8. Special revaluation laws		
Total	**6,736,284**	**6,448,574**

14.8 Valuation reserves: change for the year

(thousands of euros)

14.8 VALUATION RESERVES: CHANGE FOR THE YEAR

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

14.9 Valuation reserves for financial assets available for sale: composition e

(thousands of euros)

14.9 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

	31/12/2007		31/12/2006	
	Positive reserve	**Negative reserve**	**Positive reserve**	**Negative reserve**
1. Debt securities		(1,691)	201	(256)
2. Equity securities	6,568,296		6,281,057	
3. Units in collective investment undertakings				
4. Loans				
Total	**6,568,296**	**(1,691)**	**6,281,258**	**(256)**

14.10 Valuation reserves for financial assets available for sale: annual changes

(thousands of euros)

14.10 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: ANNUAL CHANGES

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

The following information is reported pursuant to Article 2427 point 7-bis of the Italian Civil Code.

	Balance at 31/12/2007	Possible uses (*)	Amount available
Share capital	3,500,000	-	
Reserves	2,746,235		2,746,235
- Legal reserve	*163,466*	B	*163,466*
- Income reserve	*1,720,828*	A, B, C	*1,720,828*
- FTA reserve	*861,941*	A, B, C	*861,941*
Valuation reserve	6,736,284		
- AFS reserve	*6,566,605*	-	-
- Property, plant and equipment	*167,572*	A, B	
- CFH reserve	*2,107*	-	-
Total	**12,982,519**		**2,746,235**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders

In previous years and the current year, the company elected the option provided for in Article 109 of the Uniform Tax Code, in the version in force until 31 December 2007, to deduct depreciation and amortisation, provisions and writedowns not taken to the income statement but reported in section EC of the income tax return.

As regard this option, in the event of distribution, equity reserves and retained earnings shall form part of income if and to the extent that the amount of the remaining equity reserves and remaining retained earnings is less than the excess of depreciation and amortisation, writedowns and provisions deducted with respect to that taken to the income statement, net of the deferred taxation provision correlated with the deducted amounts.

The amount of the deductions reported in income tax returns compared with those taken to the income statement, net of the related deferred taxes, equal to €491.3 million in 2006, is expected to be about €711.23 million in 2007.

OTHER INFORMATION

1. Guarantees issued and commitments

(thousands of euros)

1. GUARANTEES ISSUED AND COMMITMENTS

	31/12/2007	31/12/2006
1) Financial guarantees issued		
a) Banks		
b) Customers		
2) Commercial guarantees issued		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	7,300,334	8,356,099
a) Banks		
i) certain use		
ii) uncertain use		
b) Customers	7,300,334	8,356,099
i) certain use	7,300,334	8,116,967
ii) uncertain use	-	239,131
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	265,028	104,479
Total	**7,565,362**	**8,460,578**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

Portfolio	31/12/2007	31/12/2006
1. Financial assets held for trading		
2. Financial assets recognised at fair value		
3. Financial assets available for sale		
4. Financial assets held to maturity		
5. Loans to banks		
6. Loans to customers	17,679,918	19,118,126
7. Property, plant and equipment		

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

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

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

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest income and similar revenues: composition

(thousands of euros)

1.1 INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Performing financial assets		Impaired financial assets	Other assets	31/12/2007	31/12/2006
	Debt securities	Loans				
1 Financial assets held for trading						
2 Financial assets available for sale	8,959				**8,959**	**12,206**
3 Financial assets held to maturity						
4 Loans to banks				122,755	**122,755**	**6,882**
5 Loans to customers	21,632	3,761,649	14,916		**3,798,197**	**3,391,801**
6 Financial assets recognised at fair value						
7 Hedging derivatives					**-**	**-**
8 Financial assets assigned but not derecognized						
9 Other assets				3,214,286	**3,214,286**	**2,230,672**
Total	**30,591**	**3,761,649**	**14,916**	**3,337,041**	**7,144,197**	**5,641,561**

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 €3,777 million, represents the revenues on CDP lending activities;

- debt securities: interest income on debt securities, equal to about €30.6 million, mainly regards interest accrued on municipal and regional bonds subscribed by CDP;

- other interest income: this is primarily composed of interest income on treasury account no. 29814, equal to about €3,214 million.

1.4 Interest expense and similar charges: composition

(thousands of euros)

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Debt	Securities	Other liabilities	31/12/2007	31/12/2006
1 Due to banks	21,738			21,738	5,350
2 Due to customers	1,670,827			1,670,827	1,267,807
3 Securities issued		3,100,766		3,100,766	2,569,793
4 Financial liabilities held for trading			592	592	
5 Financial liabilities at fair value					
6 Financial liabilities in respect of assets assigned but not derecognized					
7 Other liabilities					
8 Hedging derivatives			143,909	143,909	18,217
Total	**1,692,566**	**3,100,766**	**144,501**	**4,937,833**	**3,861,167**

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about €1,199 million, and interest on loans being repaid but not yet disbursed by CDP, equal to about €470 million.

Interest on debt securities regarded bond issues for about €310 million and postal savings bonds for about €2,791 million.

The negative differences on hedges amounted to about €144 million.

1.5 Interest expense and similar charges: differences on hedging transaction

(thousands of euros)

1.5 INTEREST EXPENSE AND SIMILAR CHARGES: DIFFERENCES ON HEDGING TRANSACTIONS

	31/12/2007	31/12/2006
A. Positive differences on:		
A.1 Specific fair value hedges of assets	662,496	3
A.2 Specific fair value hedges of liabilities	294,997	18,682
A.3 Generic hedges of interest rate risk	256,930	38,969
A.4 Specific cash flow hedges of assets		
A.5 Specific cash flow hedges of liabilities		
A.6 Generic cash flow hedges		
Total positive differences (A)	**1,214,423**	**57,654**
B. Negatives differences on:		
B.1 Specific fair value hedges of assets	725,370	69,585
B.2 Specific fair value hedges of liabilities	361,189	6,286
B.3 Generic hedges of interest rate risk	270,473	
B.4 Specific cash flow hedges of assets		
B.5 Specific cash flow hedges of liabilities	1,300	
B.6 Generic cash flow hedges		
Total negative differences (B)	**1,358,332**	**75,871**
C. Balance (A-B)	**(143,909)**	**(18,217)**

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: composition

CDP earned commission income on lending operations amounting to €1.9 million and commission income of about €3 million relating to the agreement signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the ministerial decree of 5 December 2003.

(thousands of euros)

2.1 COMMISSION INCOME: COMPOSITION

	31/12/2007	31/12/2006
a) guarantees issued		
b) credit derivatives		
c) management, intermediation and advisory services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1. individual		
3.2. collective		
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection		
8. advisory services		
9. distribution of third-party services		
9.1. asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitizations		
f) services for factoring transactions		
g) tax collection services		
h) other	5,056	11,493
Total	**5,056**	**11,493**

2.3 Commission expense: composition

Commission expense mainly regards the charge for the year, equal to about €760 million, of the remuneration paid to Poste Italiane S.p.A. for managing and placing postal funding products.

(thousands of euros)

2.3 COMMISSION EXPENSE: COMPOSITION

	31/12/2007	31/12/2006
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	759,552	725,052
6. off-premises distribution of securities, products and		
d) collection and payment services	210	155
e) other services		
Total	**759,762**	**725,207**

SECTION 3 – DIVIDENDS AND SIMILAR REVENUES - ITEM 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	31/12/2007		31/12/2006	
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A Financial assets held for trading				
B Financial assets available for sale	810,908		907,199	
C Financial assets recognised at fair value				
D Equity investments	186,458		129,616	
Total	**997,366**		**1,036,815**	

Dividends regard the share of net income attributable to CDP S.p.A. from its equity investments in Istituto per il Credito Sportivo (about €3 million), ENI S.p.A. (about €500 million), ENEL S.p.A. (about €307 million), Poste Italiane (about €80 million), Terna (about €86 million), STH (about €20 million) and SINLOC (about €70 thousand).

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

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

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

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

5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

5.1 NET GAIN (LOSS) IN HEDGING ACTIVITIES: COMPOSITION

	31/12/2007	31/12/2006
A. Income on:		
A.1 Fair value hedges	850,524	92,100
A.2 Hedged financial assets (fair value)	20,347	22,759
A.3 Hedged financial liabilities (fair value)	284,559	567,629
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	3,063	
Total income on hedging activities (A)	**1,158,493**	**682,488**
B. Expense on:		
B.1 Fair value hedges	382,954	683,458
B.2 Hedged financial assets (fair value)	826,209	486
B.3 Hedged financial liabilities (fair value)	1,431	
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	3,063	
Total expense on hedging activities (B)	**1,213,657**	**683,944**
C. Net gain (loss) on hedging activities (A-B)	**(55,164)**	**(1,456)**

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

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

6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

6.1 GAINS (LOSSES) ON DISPOSAL OR REPURCHASE: COMPOSITION

	31/12/2007			31/12/2006		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks						
2. Loans to customers	20,138		20,138	200,398		200,398
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**20,138**		**20,138**	**200,398**		**200,398**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities in issue						
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

8.1 NET IMPAIRMENT ADJUSTMENTS OF LOANS: COMPOSITION

	Writedowns			Writebacks				31/12/2007	31/12/2006
	Specific		Specific	Specific		Portfolio			
	Writeoffs	Other		Interest	Other writebacks	Interest	Other writebacks		
A. Loan to banks									
B. Loan to customers		9,696						9,696	34,526
C. Total								**9,696**	**34,526**

SECTION 9 – GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 150

9.1 Staff costs: composition

(thousands of euros)

9.1 STAFF COSTS: COMPOSITION

	31/12/2007	31/12/2006
1) Employees	**37,610**	**39,085**
a) wages and salaries	27,667	29,129
b) social security contributions	113	205
c) severance pay		-
d) pensions	7,466	7,706
e) allocation to staff severance pay provision	630	590
f) allocation to provision for pensions and similar liabilities		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds		
- defined contribution	607	578
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	1,127	877
2) Other personnel	**175**	**460**
3) Board of Directors	**821**	**550**
Total	**38,606**	**40,095**

9.2 Average number of employees by category

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

Employees	**391**
a) Senior management	30
b) Middle management	113
of which grade 3 and 4	113
c) Other employees	248
c) Other employees	**4**

9.4 Other employee benefits

(thousands of euros)

9.4 OTHER EMPLOYEE BENEFITS

	31/12/2007	**31/12/2006**
Lunch vouchers	464	480
Staff health insurance	663	397
Total	**1,127**	**877**

9.5 Other administrative expenses: composition

(thousands of euros)

9.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	31/12/2007	31/12/2006
IT costs (licenses, maintenance and consulting)	8,366	8,126
Property expenses	3,629	4,359
Leased land and buildings	61	53
Owned land and buildings	3,568	4,306
- maintenance of owned land and buildings	*2,387*	*2,846*
- operating expenses	*1,181*	*1,461*
Utilities	1,601	1,645
General expenses	6,439	5,744
- consumables and other	*1,000*	*716*
- services	*5,439*	*5,028*
Entertainment and marketing	328	382
Professional and insurance expenses	4,505	5,078
Professional and service costs for personnel	1,142	1,118
Corporate bodies other than BoD	395	446
Indirect taxes and duties	1,169	1,110
Total	**27,574**	**28,007**

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2007 paid for services provided by KPMG S.p.A., the external auditor of CDP S.p.A. and the subsidiary Terna S.p.A.

thousands of euros

FEES FOR AUDITING AND NON-AUDIT SERVICES

	Service provider	Fees for the year
Auditing and financial statements	KPMG S.p.A.	187.2
Certification	KPMG S.p.A.	135.0
Total		**322.2**

SECTION 10 – PROVISIONS (NET) – ITEM 160

10.1 Provisions (net): composition

(thousands of euros)

10.1 PROVISIONS (NET): COMPOSITION

	31/12/2007	31/12/2006
Review of existing provision and discounting	189	9,034
Provision for disputes arising in the year	835	(109)
Total	**1,024**	**8,925**

SECTION 11 – NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT – ITEM 170

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

(thousands of euros)

11.1 NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment	6,156			6,156
A.1 owned	6,156			6,156
- operating assets	6,156			6,156
- investment property				
A.2 acquired under finance leases				
- operating assets				
- investment property				
Total	**6,156**			**6,156**

SECTION 12 – NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 180

12.1 Net adjustments of intangible assets: composition

(thousands of euros)

12.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets	1,423			1,423
A.1 Owned	1,423			1,423
- generated internally				
- other	1,423			1,423
A.2 Acquired under finance leases				
Total	**1,423**			**1,423**

SECTION 13 – OTHER OPERATING COSTS AND INCOME– ITEM 190

13.1 Other operating costs: composition

(thousands of euros)

13.1 OTHER OPERATING COSTS: COMPOSITION

	31/12/2007	31/12/2006
Operating costs in respect of supply chain	434	1
Total	**434**	**1**

13.2 Other operating income: composition

(thousands of euros)

13.2 OTHER OPERATING INCOME: COMPOSITION

	31/12/2007	31/12/2006
Income from adjustment of liability items	795	72
Income for corporate offices paid to employees	388	196
Sundry reimbursements	408	392
Reimbursement of expenses incurred for Min. Univ. and Research agreement	392	641
Other income for services rendered	31	70
Total	**2,014**	**1,371**

SECTION 14 – GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 210

14.1 Gains (losses) on equity investments: composition

(thousands of euros)

14.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: COMPOSITION

	31/12/2007	31/12/2006
A. Gains		**212**
1. Revaluations		
2. Gains on disposals		212
3. Writebacks		
4. Other increases		
B. Losses	**471,902**	**124**
1. Writedowns		124
2. Impairments	471,902	
3. Losses on disposals		
4. Other decreases		
Net gain (loss)	**471,902**	**88**

As discussed in the comments to equity investments, the writedown regards the investment in STHolding following the decline in the price of STMicroeletronics shares, which are the only asset of the company.

SECTION 17 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 240

Section 17 – Gains (losses) on disposal of investments – Item 240

(thousands of euros)

17.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

	31/12/2007	31/12/2006
A. Land and buildings		
- Gains on disposal		
- Losses on disposal		
B. Other assets	3	(2)
- Gains on disposal	4	1
- Losses on disposal	(1)	(3)
Net gain (loss)	**3**	**(2)**

SECTION 18 – INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS – ITEM 260

18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

18.1 INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS: COMPOSITION

	31/12/2007	31/12/2006
1. Current taxes (-)	(489,850)	(529,680)
2. Changes in current taxes from previous periods (+/-)	3,512	(315)
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	79,665	106,976
5. Change in deferred tax liabilities (+/-)	(88,442)	(141,265)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(495,115)	(564,284)

Current taxation regards IRES and IRAP for the year, calculated on the basis of current tax rates.

The changes in current taxes from previous years represent the difference between taxes calculated at time of payment and the best estimates made in the financial statements.

The change in deferred tax assets corresponds to the balance of increases and decreases in deferred tax assets, reported in Table 13.3, while the change in deferred tax liabilities corresponds to the balance of increases and decreases in deferred tax liabilities.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognized

(thousands of euros)

18.2 Reconciliation of theoretical tax liability and actual tax liability recognized

	31/12/2007	31/12/2006
Income (loss) before taxes	**1,868,641**	**2,606,953**
IRES theoretical tax liability (33% rate)	**616,651**	**860,294**
dividends excluded 95%	(312,674)	(284,407)
dividends in shareholders' equity	-	2,139
writedown of equity investments	155,728	41
valuation of equity investments	-	(103,072)
non-deductible costs	792	883
tax-exempt income	(1,163)	
deferred tax liabilities	(71,279)	
deferred tax assets	34,759	
IRES Actual tax liability	**422,814**	**475,878**

PART D – SEGMENT INFORMATION

A. PRIMARY BASIS OF REPORTING

CDP is subject to a system of organizational and accounting separation under Article 5.8 of Decree Law 269 of 30 September 2003, ratified with amendments by Law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP’s existing organisational units have been re-grouped.

Separate Account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The bylaws of CDP, in accordance with law, allocate the following activities to the Separate Account:

- financing in 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 that benefit from state guarantees and are distributed through Poste Italiane S.p.A. or its subsidiaries, and funds raised from the issue of securities, borrowing and other financial operations with state guarantees;
- the acquisition of equity investments transferred or contributed to CDP by one or more decrees of the Minister for the Economy and Finance pursuant to Article 5.3(b) of Decree Law 269, the management of which complies with the criteria provided for in the decree of the Minister for the Economy and Finance referred to in Article 5.11(d) of Decree Law 269;
- the management, where assigned by the Minister for the Economy and Finance, of the functions, assets and liabilities of CDP, prior to its transformation, transferred to the MEF pursuant to Article 5.3(a) of Decree Law 269, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;

- the provision of assistance and consulting to the parties listed in the first point.

As regards the organisational structure of CDP, divisions falling under the Separate Account include the Public Lending division, the Development Policy & Management Support division, the Postal Savings section of the Finance division, as well as the Parliamentary Supervisory Committee.

Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. Therefore, the Ordinary Account represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account.

Specifically, CDP's Bylaws include among the activities designed to achieve its mission that are not assigned to the Separate Account:

- financing in any form of works, plant, networks, and other resources intended for the delivery of public services and for reclamation projects using funds raised through the issue of securities, borrowing and other financial operations, without state guarantees and excluding demand funding and with funding exclusively from institutional investors. For this purpose, CDP may issue securities of any kind and may obtain financing from shareholders or third parties. CDP also obtains funding using grants provided in any form by the state, public or private entities or international bodies and any other of its own resources and financial revenues compatible with its mission;
- providing consulting services and conducting studies, research and analysis of economic and financial matters.

From an organisational standpoint, the activities of the Infrastructure and Major Public Works division are included in the Ordinary Account.

Joint Services

Joint Services include the support departments, the corporate bodies and bodies provided for in the Bylaws (except for the Parliamentary Supervisory Committee, which regards the Separate Account), the offices of the Chairman and the Deputy Chairman, Corporate and the Finance division. The latter acts as an internal counterparty for all the other divisions and thus provides support for all CDP's activities.

For more information on CDP's system of accounting separation, please refer to the report on operations.

A.1 Distribution by sector: income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Eliminations	Total CDP
Interest income and similar revenues	7,088,323	57,987		-2,113	**7,144,197**
- of which in respect of internal transactions	*1,225*	*888*		*-2,113*	-
Interest expense and similar charges	-4,885,920	-54,026		2,113	**-4,937,833**
- of which in respect of internal transactions	*-888*	*-1,225*		*2,113*	-
Net interest income	**2,202,403**	**3,961**			**2,206,364**
Net commissions	**-756,457**	**1,828**	**-77**		**-754,706**
Dividends and similar revenues	997,366				**997,366**
Net gain (loss) on trading activities	9,441				**9,441**
Net gain (loss) on hedging activities	-57,912	2,748			**-55,164**
Gains (losses) on disposal or repurchase of loans	19,831	307			**20,138**
Gross income	**2,414,672**	**8,844**	**-77**		**2,423,439**
Net impairment adjustments of loans	-9,696				**-9,696**
Administrative expenses	-15,300	-2,272	-48,609		**-66,181**
Other operating income (costs)	787	15	778		**1,580**
OPERATING INCOME	**2,390,463**	**6,587**	**-47,908**		**2,349,142**

A.2 Distribution by segment: balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Loans to customers	77,145,566	1,208,345	8	78,353,919
Due to customers	87,617,031	52	-	87,617,083
Securities issued	88,863,042	1,291,538	-	90,154,580
Cash and cash equivalents and net interbank position *	97,152,514	29,946	-3,153,218	94,029,242

* Equal to the algebraic sum of the balance-sheet items Cash and cash equivalents, Loans to banks and Due to banks

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Organisational aspects and guidelines for risk management

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules prepared by the Risk Management department in March 2005 and revised in February 2006:
- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management Rules define:
- the scope of application of the Rules;
- the governance of the Rules within CDP;
- the evaluation metrics (measurement and mapping of risks);
- the system of limits;
- the risk control processes;
- reporting;
- management of CDP's proprietary information systems.

The approval, issue and revision of the Risk Management Rules are the responsibility of the Board of Directors, acting on a proposal of the General Manager.
The Risk Management department is responsible for controlling actual and prospective exposures to market, credit, liquidity and operational risks as well as enforcing compliance with the limits approved by the Board of Directors.

SECTION 1 – CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

Credit risk arises primarily in relation to lending activity – both under the Separate Account and the Ordinary Account – and on a secondary level in derivatives operations for hedging purposes on financial markets (in the form of counterparty risk).
The Separate Account, which easily has the largest stock of assets, is primarily exposed to the Italian government and local authorities.

2. Credit risk management policies

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

2.2 Management, measurement and control systems

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

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

As regards credit risk management and control policies, under the Separate Account CDP has adopted an internal rating model (the "International Municipal Model") developed by Standard & Poor's. At CDP the model is only used for larger local governments since it requires data for financial variables that smaller entities might not measure adequately.

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

The model is a multi-factor actuarial model that:

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

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

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

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

2.3 Credit risk mitigation techniques

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

Such covenants were adopted for operations under the Ordinary Account and for a number of operations under the Separate Account.

As regards bank counterparties in transactions in hedging derivatives, in view of the ISDA contracts signed, netting arrangements are also used. All the contracts are based on the 2002 ISDA agreement, with the exception of one contract based on the 1992 ISDA agreement.

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

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

2.4 Impaired assets

In 2006 CDP stepped up its monitoring and administration of problem loans in order to optimise it operational processes for recovering bad debts or substandard loans.

In particular, the process for managing problem positions is supported by a constantly updated database on the status of borrowers. Each month summary reports are generated for senior management and the units involved in controlling credit quality that specify the type of loans involved and the aging of the past due amounts.

CDP’s approach to writedowns is essentially based on analytical analyses of counterparties in financial difficulty that are behind on their loan repayments.

The decision to adopt such an approach is justified by the absence of time series on bad debts, owing to the type of customer (public entities) in CDP’s traditional lending activity.

The main credit events monitored in analysing the financial soundness of counterparties and the consequent valuation of the exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers.

The measurement of impaired positions is based on an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. In estimating the recovery plan

and the consequent writedown, account is taken of any collateral or unsecured guarantees received. These include amounts granted but not yet disbursed on specific-purpose loans, which are disbursed on a state-of-completion basis.
Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed are frozen.
The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery. In order to ensure that such events are reflected promptly, the information on borrowers is monitored periodically and developments in out-of-court arrangements and the various stages of court proceedings are tracked constantly.

The identification of past due positions (over 180 days), restructured loans and substandard loans is carried out on the basis of supervisory instructions using prudent materiality thresholds.
Positions are classified as substandard when at least three semiannual payments are past due (for loans) or repayment is in arrears by more than 12 months (for advances).
The restoration of impaired exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and to the binding opinion, where envisaged, of the credit monitoring unit.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk	Other assets	Total
1. Financial assets held for trading						353,727	353,727
2. Financial assets available for sale						15,355,238	15,355,238
3. Financial assets held to maturity							-
4. Loans to banks						3,884,712	3,884,712
5. Loans to customers	2,767	11,702		46,502		78,292,948	78,353,919
6. Financial assets designated at fair value							-
7. Financial assets being divested							-
8. Hedging derivatives						828,581	828,581
Total 2007	**2,767**	**11,702**	**-**	**46,502**	**-**	**98,715,206**	**98,776,177**
Total 2006	**31,275**	**74,798**	**-**	**29,671**	**-**	**95,726,649**	**95,862,393**

(thousands of euros)

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

	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading					353,727		353,727	353,727
2. Financial assets available for sale					15,355,238		15,355,238	15,355,238
3. Financial assets held to maturity								-
4. Loans to banks					3,884,712		3,884,712	3,884,712
5. Loans to customers	111,517	(50,546)		60,971	78,292,948		78,292,948	78,353,919
6. Financial assets designated at fair value								-
7. Financial assets being divested								-
8. Hedging derivatives					828,581		828,581	828,581
Total 2007	**111,517**	**(50,546)**	**-**	**60,971**	**98,715,206**	**-**	**98,715,206**	**98,776,177**
Total 2006	**176,594**	**(40,850)**	**-**	**135,744**	**95,499,511**	**-**	**95,726,649**	**95,862,393**

(thousands of euros)

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

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts				
b) Substandard loans				
c) Restructured positions				
d) Past due positions				
e) Country risk				
f) Other assets	3,886,778			3,886,778
TOTAL A	**3,886,778**	**-**	**-**	**3,886,778**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired				
b) Other	1,000,507			1,000,507
TOTAL B	**1,000,507**	**-**	**-**	**1,000,507**

(thousands of euros)

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

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	29,169	(26,402)		2,767
b) Substandard loans	35,845	(24,144)		11,701
c) Restructured positions				
d) Past due positions	46,502			46,502
e) Country risk				
f) Other assets	93,646,121			93,646,121
TOTAL A	**93,757,637**	**(50,546)**		**93,707,091**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	3,442			3,442
b) Other	7,712,893			7,712,893
TOTAL B	**7,716,335**			**7,716,335**

(thousands of euros)

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

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

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured position	Past due positions	Country risk
A. Total opening adjustments	**38,832**	**2,018**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized					
B. Increases	**3,297**	**23,939**	**-**	**-**	**-**
B.1 writedowns	1,779	8,359			
B.2 transfers from other categories of impaired positions	1,518	15,580			
B.3 other increases					
C. Decreases	**(15,727)**	**(1,813)**	**-**	**-**	**-**
C.1 writebacks from valuations	(117)	(295)			
C. 2 writebacks from collections	(30)				
C.3 writeoffs					
C.4 transfers to other categories of impaired positions	(15,580)	(1,518)			
C.5 other decreases					
D. Total closing adjustments	**26,402**	**24,144**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized					

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

(thousands of euros)

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

	External rating grades						Not rated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. On-balance-sheet exposures	**47,682,174**	**18,730,370**	**182,403**			**43,128**	**30,955,795**	**97,593,870**
B. Derivatives	**1,038,666**	**143,641**						**1,182,307**
B.1 Financial derivatives	1,038,666	143,641						1,182,307
B.2 Credit derivatives								
C. Guarantees issued								
D. Commitments to disburse funds	**1,622,906**	**1,484,080**	**11,030**				**4,416,518**	**7,534,534**
Total	**50,343,746**	**20,358,091**	**193,433**	**-**	**-**	**43,128**	**35,372,313**	**106,310,711**

A.3 DISTRIBUTION OF SECURED EXPOSURES BY TYPE OF GUARANTEE

(thousands of euros)

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

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

(thousands of euros)

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

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

(thousands of euros)

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

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

B. DISTRIBUTION AND CONCENTRATION OF LENDING

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

(thousands of euros)

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

	Governments and central banks				Other government agencies				Financial companies			
	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures												
A.1 Bad debts	-			-	3,376	(1,334)		2,041	-			-
A.2 Substandard loans	-			-	24,090	(23,386)		704	-			-
A.3 Restructured positions	-			-	-			-	-			-
A.4 Past due positions	-			-	46,502			46,502	-			-
A.5 Other	32,575,337			32,575,337	40,084,310			40,084,310	438,388			438,388
Total A	**32,575,337**	**-**	**-**	**32,575,337**	**40,158,278**	**(24,720)**	**-**	**40,133,557**	**438,388**	**-**	**-**	**438,388**
B. Off-balance-sheet exposures												
B.1 Bad debts	-			-	-			-	-			-
B.2 Substandard loans	-			-	-			-	-			-
B.3 Other impaired assets	-			-	3,442			3,442	-			-
B.4 Other	904,139			904,139	4,596,843			4,596,843	446,828			446,828
Total B	**904,139**	**-**	**-**	**904,139**	**4,600,285**	**-**	**-**	**4,600,285**	**446,828**	**-**	**-**	**446,828**
Total (A+B) 31/12/2007	**33,479,476**	**-**	**-**	**33,479,476**	**44,758,563**	**(24,720)**	**-**	**44,733,842**	**885,216**	**-**	**-**	**885,216**
Total (A+B) 31/12/2006	**34,863,164**	**-**	**-**	**34,863,164**	**44,283,790**	**(17,348)**	**-**	**44,266,443**	**228,528**	**-**	**-**	**228,528**

(thousands of euros)

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

	Insurance undertakings				Non-financial companies				Other			
	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures												
A.1 Bad debts	-			-	24,967	(24,967)		0	827	(101)		727
A.2 Substandard loans	-			-	11,756	(758)		10,998	-			-
A.3 Restructured positions	-			-	-			-	-			-
A.4 Past due positions	-			-	-			-	-			-
A.5 Other	-			-	20,526,506			20,526,506	21,578			21,578
Total A	**-**	**-**	**-**	**-**	**20,563,229**	**(25,725)**	**-**	**20,537,504**	**22,405**	**(101)**	**-**	**22,305**
B. Off-balance-sheet exposures												
B.1 Bad debts	-			-	-			-	-			-
B.2 Substandard loans	-			-	-			-	-			-
B.3 Other impaired assets	-			-	-			-	-			-
B.4 Other	-			-	1,765,083			1,765,083	-			-
Total B	**-**	**-**	**-**	**-**	**1,765,083**	**-**	**-**	**1,765,083**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2007	**-**	**-**	**-**	**-**	**22,328,312**	**(25,725)**	**-**	**22,302,587**	**22,405**	**(101)**	**-**	**22,305**
Total (A+B) 31/12/2006	**-**	**-**	**-**	**-**	**21,295,220**	**(23,427)**	**-**	**21,271,793**	**24,151**	**(75)**	**-**	**24,076**

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

(thousands of euros)

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

	Italy		Other European countries		Americas		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts	29,169	2,767								
A.2 Substandard loans	35,845	11,702								
A.3 Restructured positions	-	-								
A.4 Past due positions	46,502	46,502								
A.5 Other	93,637,499	93,637,498	8,622	8,622						
Total A	**93,749,015**	**93,698,469**	**8,622**	**8,622**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets	3,442	3,442								
B.4 Other	7,452,237	7,452,237	258,803	258,803	1,854	1,854				
Total B	**7,455,679**	**7,455,679**	**258,803**	**258,803**	**1,854**	**1,854**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2007	**101,204,694**	**101,154,148**	**267,425**	**267,425**	**1,854**	**1,854**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2006	**100,669,308**	**100,628,458**	**25,075**	**25,075**	**470**	**470**	**-**	**-**	**-**	**-**

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

(thousands of euros)

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

	Italy		Other European countries		Americas		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	3,779,629	3,779,629	107,149	107,149						
Total A	**3,779,629**	**3,779,629**	**107,149**	**107,149**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	57,461	57,461	943,046	943,046						
Total B	**57,461**	**57,461**	**943,046**	**943,046**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2007	**3,837,090**	**3,837,090**	**1,050,195**	**1,050,195**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2006	**3,720,512**	**3,720,512**	**39,375**	**39,375**	**-**	**-**	**-**	**-**	**-**	**-**

C. SECURITISATIONS AND ASSET DISPOSALS

C.1 SECURITISATIONS

QUALITATIVE DISCLOSURES

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. (portfolio extinguished at the end of 2005);
5. TAV S.p.A.;
6. Poste Italiane S.p.A.

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

As regard the obligations of CDP S.p.A., 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.
The loans underlying the transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

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

QUANTITATIVE DISCLOSURES

(thousands of euros)

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

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

(thousands of euros)

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

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

(thousands of euros)

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

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

(thousands of euros)

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

	Financial assets held for trading	Financial assets recognised at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2007	31/12/2006
1. On-balance-sheet exposures					**386,525**	**386,525**	**367,982**
- senior					201,853	201,853	203,258
- mezzanine							
- junior					184,672	184,672	164,724
2. Off-balance-sheet exposures							
- senior							
- mezzanine							
- junior							

(thousands of euros)

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

	Securitized assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					senior		mezzanine		junior	
	Impaired	Performing	Impaired	Performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
CPG - Società di cartolarizzazione a r.l.	2,394	794,521		291,858						

SECTION 2 – MARKET RISKS

2.1 INTEREST RATE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

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

2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

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

General aspects

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

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

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

The quantification of the effects on net interest income of different rate scenarios and varying developments in balance-sheet aggregates are a key element for transforming this focus into a quantitative target to safeguard with risk limits.
This requires a dynamic ALM system that can reconcile accrual and fair value approaches to define increasingly explicit objectives for stabilising net interest income in the short and medium term that can be reconciled with the long-term objectives.
Hence the impetus to implement a dynamic ALM system (DALM). DALM makes it possible to simulate the impact of alternative scenarios for (a) balance-sheet aggregates, (b) market variables and (c) ALM policies on future net interest income and future sensitivities and fair values.
DALM currently makes it possible to improve the management of interest rate risk of the structural portfolio in at least two ways:
- it provides a forward-looking vision of future developments in risk metrics based on a fair value approach such as VaR and PV01 and makes it possible to assess the intertemporal consistency of hedging policies for the forecast scenario and alternative scenarios;
- it makes it possible to estimate the impact of different hedging policies on net interest income in the various scenarios at the same time.

Managing and controlling interest rate risk

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

the heads of the following divisions and departments:
- Finance
- Public Investments
- Development Policies Management and Support
- Infrastructure and Strategic Projects
- Credit
- Legal and Corporate Affairs
- Planning and Control
- Risk Management.

The Board of Directors has delegated to the General Manager the power to establish the amount of risk CDP can assume in terms of VaR, setting a ceiling. These limits are reviewed by the Board in relation to operational developments and on the basis of a recommendation of the General Manager, and in any case on a quarterly basis.

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

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

Measuring interest rate risk

CDP uses market standard methodologies implemented within its proprietary system to monitor interest rate risk:

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

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

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

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

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

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

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

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

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

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

B. Fair value hedges

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

As regards the liability side of the Ordinary Account, structured floating-rate issues were hedged with swaps transforming them into 6-month euribor plus a spread.
On the asset side of the Ordinary Account, fixed-rate loans were hedged with IRSs in which CDP pays fixed and receives floating. The IRSs are amortising.

All the hedges under the Ordinary Account are micro fair value hedges. In the case of issues, the hedges are specific to the issue; for loans, some cases regard hedges of a uniform aggregate of loans.

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

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

At the start of 2006, following the renegotiation of loans charged to the state, CDP had a negative exposure to a rate increase.
CDP responded with a programme of micro-hedges of the interest rate risk on uniform portfolios of fixed-rate loans charged to the state.
The programme was implemented using amortising IRSs in which CDP pays fixed and receives 6-month euribor plus a spread.

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

C. Cash flow hedges

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

QUANTITATIVE DISCLOSURES

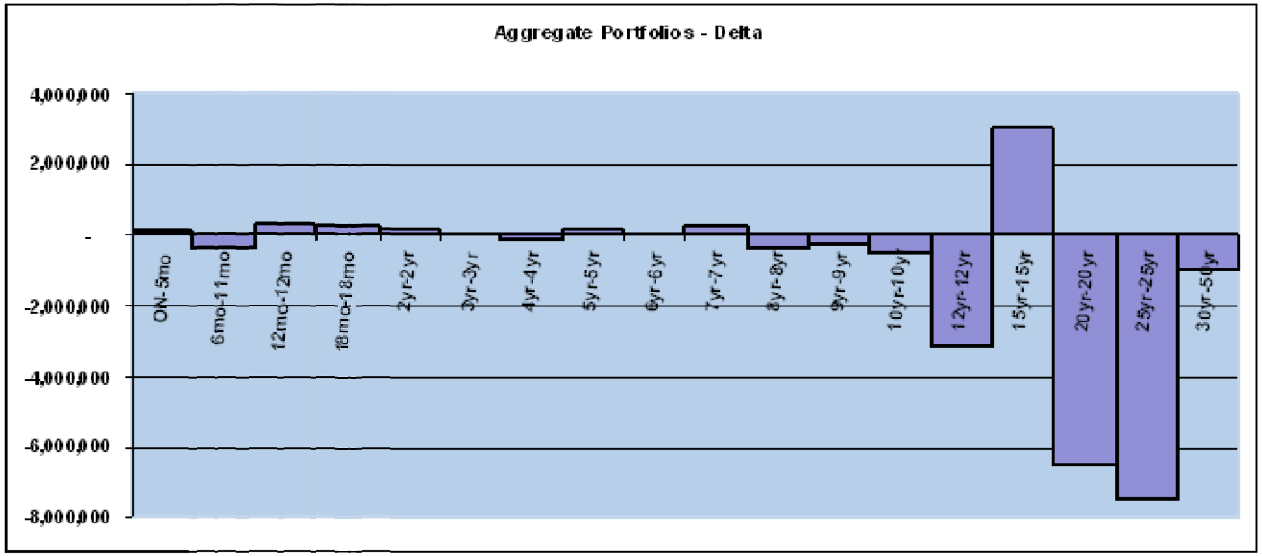
As discussed above, CDP has implemented a DALM system that simulates the impact of alternative scenarios.

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

Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2007

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



2.3 PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

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

2.4 PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of price risk

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

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

B. Hedging price risk

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

QUANTITATIVE DISCLOSURES

(thousands of euros)

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

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

2.5 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

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

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

B. Hedging exchange rate risk

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

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

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

2.6 DERIVATIVES

A. FINANCIAL DERIVATIVES

(thousands of euros)

A.2.1 HEDGING

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement												
2. Interest rate swap		34,484,908								34,484,908		24,569,215
3. Domestic currency swap												
4. Currency i.r.s.						60,632				60,632		
5. Basis swap		450,000								450,000		450,000
6. Equity index swaps												
7. Real index swaps												
8. Futures												
9. Cap options												
- purchased												
- written												
10. Floor options												
- purchased												
- written												
11. Other options												
- purchased												
- plain vanilla												
- exotic												
- written												
- plain vanilla												
- exotic												
12. Forward contracts												
- purchases												
- sales												
- foreign currency vs foreign currency												
13. Other derivatives contracts												
Total		**34,934,908**				**60,632**				**34,995,540**		**25,019,215**
Average values		**29,977,062**				**30,316**				**30,007,378**		**17,019,643**

(thousands of euros)

A.2.2 OTHER DERIVATIVES

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement												
2. Interest rate swap												
3. Domestic currency swap												
4. Currency i.r.s.												
5. Basis swap												
6. Equity index swaps												
7. Real index swaps												
8. Futures												
9. Cap options												
- purchased												
- written												
10. Floor options												
- purchased												
- written												
11. Other options												
- purchased				9,336,663						9,336,663		3,824,596
- plain vanilla				9,336,663						9,336,663		3,824,596
- exotic												
- written				10,057,758						10,057,758		3,824,596
- plain vanilla				10,057,758						10,057,758		3,824,596
- exotic												
12. Forward contracts												
- purchases												
- sales												
- foreign currency vs foreign currency												
13. Other derivatives contracts												
Total				**19,394,421**						**19,394,421**		**7,649,192**

(thousands of euros)

A.3 FINANCIAL DERIVATIVES: PURCHASES AND SALES OF UNDERLYINGS

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other assets		31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Supervisory trading book:												
1. Transactions with exchange of principal												
- purchases												
- sales												
- foreign currency vs foreign currency												
2. Transactions without exchange of principal												
- purchases												
- sales												
- foreign currency vs foreign currency												
B. Banking:												
B.1 Hedging												
1. Transactions with exchange of principal						60,632				60,632		
- purchases						60,632				60,632		
- sales												
- foreign currency vs foreign currency												
2. Transactions without exchange of principal		34,334,907								34,334,907		25,469,215
- purchases		15,403,831								15,403,831		5,159,007
- sales		18,931,076								18,931,076		20,310,208
- foreign currency vs foreign currency												
B.2 Other derivatives												
1. Transactions with exchange of principal												
- purchases												
- sales												
- foreign currency vs foreign currency												
2. Transactions without exchange of principal						19,394,421				19,394,421		7,649,192
- purchases						9,336,663				9,336,663		3,824,596
- sales						10,057,758				10,057,758		3,824,596
- foreign currency vs foreign currency												

(thousands of euros)

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

	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross netted	Future exposure
A. Supervisory trading book														
A.1 Governments and central banks														
A.2 Government agencies														
A.3 Banks														
A.4 Financial companies														
A.5 Insurance undertakings														
A.6 Non-financial companies														
A.7 Other														
Total A 31/12/2007														
Total A 31/12/2006														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		646,856	167,292			353,727	539,364						261,537	605,397
B.4 Financial companies		181,724	51,824										78,180	76,569
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other														
Total B 31/12/2007		**828,580**	**219,116**			**353,727**	**539,364**						**339,717**	**681,966**
Total B 31/12/2006	**91,267**		**67,460**	**135,871**		**187,060**								

(thousands of euros)

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

	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other assets			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross netted	Future exposure
A. Supervisory trading book														
A.1 Governments and central banks														
A.2 Government agencies														
A.3 Banks														
A.4 Financial companies														
A.5 Insurance undertakings														
A.6 Non-financial companies														
A.7 Other														
Total A 31/12/2007														
Total A 31/12/2006														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		- 679,684	170,235					- 1,250	3,032				- 243,907	274,526
B.4 Financial companies		- 215,325	46,544										- 89,640	21,798
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other				- 362,441		593,737								
Total A 31/12/2007		**- 895,009**	**216,779**	**- 362,441**		**593,737**		**- 1,250**	**3,032**				**- 333,547**	**296,324**
Total B 31/12/2006	**657,294**		**255,963**	**137,392**		**189,360**								

(thousands of euros)

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

	To 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	1,148,392	8,066,579	25,440,866	34,655,837
B.2 Financial derivatives on equity securities and equity indices		9,707,200	9,687,221	19,394,421
B.3 Financial derivatives on exchange rates and gold			60,632	60,632
B.4 Financial derivatives on other assets				
Total 31/12/2007	**1,148,392**	**17,773,779**	**35,188,719**	**54,110,890**
Total 31/12/2006	**359,192**	**6,957,913**	**25,351,302**	**32,668,407**

SECTION 3 – LIQUIDITY RISK

QUALITATIVE DISCLOSURES

General aspects, management and measurement of liquidity risk

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

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES ASSETS BY RESIDUAL MATURITY - CURRENCY: EUR

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years
On-balance-sheet assets									
A.1 Government securities									
A.2 Listed debt securities				3,853			1,190	203,145	3,912
A.3 Other debt securities						9,882	2,512	42,032	500,000
A.4 Units in collective investment undertakings									1,328
A.5 Loans									
- banks	-	-	-	-	-	7,124	7,202	60,573	394,370
- customers	142,426	871,602	2,040	14,000	18,385	1,435,735	1,727,844	13,140,614	60,424,056
On-balance-sheet liabilities									
B.1 Deposits									
- banks	264,706	730,967				947		15,523	251,000
- customers	87,617,083								
B.2 Debt securities				151,334	1,265	12,504	40,559	5,783,084	3,467,710
B.3 Other liabilities	80,962,116				842,133				
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions									
- short positions				2,194					63,695
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions	7,534,535								
- short positions									

(thousands of euros)

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

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years
On-balance-sheet assets									
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 Units in collective investment undertakings									
A.5 Loans									
- banks									
- customers									
On-balance-sheet liabilities									
B.1 Deposits									
- banks									
- customers									
B.2 Debt securities				894					60,631
B.3 Other liabilities									
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions				894					60,631
- short positions									
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

(thousands of euros)

2. SECTORAL DISTRIBUTION OF FINANCIAL LIABILITIES

	Governments and central banks	Other government agencies	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Due to customers	4,679,238	6,273,937	119,903	530	215,783	76,327,692
2. Securities issued	373	22,628			49,282	90,082,297
3. Financial liabilities held for trading						362,441
4. Financial liabilities recognised at fair value						
Total 31/12/2007	**4,679,611**	**6,296,565**	**119,903**	**530**	**265,065**	**166,772,430**
Total 31/12/2006	**4,683,356**	**5,659,094**	**62,789**	**-**	**45,250**	**153,316,091**

(thousands of euros)

3. GEOGRAPHICAL DISTRIBUTION OF FINANCIAL LIABILITIES

	Italy	Other European countries	Americas	Asia	Rest of world
1. Due to customers	87,495,926	105,791	12,530	377	2,459
2. Due to banks	465,309	797,834			
3. Securities issued	80,924,405	9,226,840	2,657	123	555
4. Financial liabilities held for trading	362,441				
5. Financial liabilities recognised at fair value					
Total 31/12/2007	**169,248,081**	**10,130,465**	**15,187**	**500**	**3,014**
Total 31/12/2006	**155,811,978**	**9,203,355**	**-**	**-**	**-**

SECTION 4 – OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

General aspects, management and measurement of operational risks

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

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

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

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

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

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

PART F – CAPITAL

SECTION 1 – CAPITAL

QUALITATIVE DISCLOSURES

Pending the issuance of specific measures in this area by the Bank of Italy, CDP is subject to "informational" monitoring only.

Accordingly, in 2007, in agreement with the Bank of Italy, CDP did not calculate supervisory capital or the related supervisory capital requirements.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management

(thousands of euros)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

	31/12/2007
a) Directors	821
b) Statutory auditors	108
Total	**929**

(thousands of euros)

REMUNERATION OF RELATED PARTIES (1)

	31/12/2007
(a) short-term benefits	5,597
(b) post-employment benefits	103
(c) other long-term benefits	-
(d) severance benefits	124
(e) share-based payments	-
Total	**5,824**

(1) Includes gross compensation and related social security contributions of directors and senior management

(thousands of euros)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Board of Directors				
Alfonso Iozzo	Chairman	01/01/07-31/12/07	2009	236
Franco Bassanini	Deputy Chairman	26/04/07-31/12/07	2009	82
	Director	31/01/07-26/04/07		
Vittorio Grilli	Director	01/01/07-31/12/07	2009	(**)
Nunzio Guglielmino	Director	01/01/07-31/12/07	2009	35
Luisa Torchia	Director	01/01/07-18/01/07	2009	26
	Director	26/04/07-31/12/07		
Renato Cambursano	Director	26/04/07-31/12/07	2009	23
Francesco Giovannucci	Director	26/04/07-31/12/07	2009	23
Gianfranco Imperatori	Director	26/04/07-31/12/07	2009	23
Gianfranco Viesti	Director	26/04/07-31/12/07	2009	23
Luigi Roth	Deputy Chairman	01/01/07-26/04/07	2006	102
Luigi Fausti	Director	01/01/07-26/04/07	2006	12
Ettore Gotti Tedeschi	Director	01/01/07-26/04/07	2006	12
Mario Sarcinelli	Director	01/01/07-26/04/07	2006	12
Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/2003)				
Edoardo Grisolia	Director (1)	01/01/07-31/12/07	2009	(**)
Maria Cannata	Director (2)	01/01/07-31/12/07	2009	(**)
Isaia Sales	Director (3)	25/05/07-31/12/07	2009	20
Francesco Scalia	Director (3)	25/05/07-31/12/07	2009	20
Giuseppe Pericu	Director (3)	25/05/07-31/12/07	2009	20
Lucio D'Ubaldo	Director	01/01/07-25/05/07	2006	15
Donato Robilotta	Director	01/01/07-25/05/07	2006	15
Sergio Vedovato	Director	01/01/07-25/05/07	2006	15
Board of Auditors				
Alberto Sabatini	Chairman	01/01/07-31/12/07	2009	27
Mario Basili	Auditor	01/01/07-31/12/07	2009	(**)
Fabio Alberto Roversi Monaco	Auditor	26/04/07-31/12/07	2009	13
Antonello Arru	Auditor	26/04/07-31/12/07	2009	13
Biagio Mazzotta	Auditor	26/04/07-31/12/07	2009	(**)
	Alternate	01/01/07-26/04/07		
Francesco Bilotti	Alternate	26/04/07-31/12/07	2009	-
Gerhard Brandstätter	Alternate	26/04/07-31/12/07	2009	-
Paolo Asso	Auditor	01/01/07-26/04/07	2006	7
Piergiorgio Benvenuti	Auditor	01/01/07-26/04/07	2006	7
Antonio Finotti	Auditor	01/01/07-26/04/07	2006	7
Ignazio Cardone	Alternate	01/01/07-26/04/07	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.

(1) Delegate of State Accountant General

(2) Delegate of Director General of the Treasury

(3) Appointed with MEF decree on 25 May 2007

2. Information on transactions with related parties

With the exception of transactions with Poste Italiane S.p.A., which places postal savings products on behalf of CDP, CDP did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

At the end of 2007 CDP had the following transactions with the parent and associates, while it had no transactions with its subsidiary, Terna S.p.A.

Transactions with the Ministry for the Economy and Finance

The main transactions conducted with the Ministry for the Economy and Finance regarded the treasury service performed by the MEF and lending transactions.

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 at the Central State Treasury and earns interest, as envisaged by Article 6.1 of the decree of the Minister for the Economy and Finance of 5 December 2003, at a floating 6-month rate equal to the simple arithmetic average of the gross yield on 6-month treasury bills and the level of the monthly Rendistato index.

As regards receivables in respect of loans, it should be noted that more than 40% of CDP's portfolio is repaid by the state.

CDP also manages loans and postal savings products owned by the MEF, for which it receives a fee established in a specific contract.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Ministry for the Economy and Finance	**2007**
Current account balances	91,407,667
Loans to customers	32,566,716
Other assets	3,829
Due to customers	4,707,458
Other liabilities	55
Interest income	4,921,762
Commission income for services rendered	3,070
Interest expense	(197,407)

Transactions with subsidiaries

In 2007 CDP determined that it exercised *de facto* control over Terna, with which it had no outstanding transactions.

Transactions with associates

Transactions with associates are entirely accounted for by relations with Poste Italiane S.p.A., including both the placement and management service for postal savings products and loans granted by CDP.
The service provided by Poste Italiane is remunerated with an annual commission set in a specific agreement between the parties.
Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with associates	**2007**
Loans to customers	1,800,849
Other assets	23,782
Other liabilities	656,862
Interest income	45,550
Commission expense for services received	(1,210,373)
of which: subject to amortisation	*(450,821)*

ANNEXES

ANNEX 1

LIST OF EQUITY INVESTMENTS

ANNEX 2

ACCOUNTS AT 31 DECEMBER 2007 OF THE SEGREGATED TAV ASSETS

Annex 1

(thousands of euros)

LIST OF EQUITY INVESTMENTS

	Registered office	% holding	Book value
A. Listed companies			
1. Eni S.p.A.	Rome	9.99%	10,027,223
2. Enel S.p.A.	Rome	10.15%	5,104,943
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%	949,205
3. Galaxy S.àr.l.	Luxembourg	40.00%	21,223
4. Sinloc S.p.A.	Turin	11.85%	5,507
5. F2i SGR S.p.A.	Milan	14.29%	2,143
6. Europrogetti & Finanza S.p.A.	Rome	31.80%	2,125
7. Istituto per il Credito Sportivo	Rome	21.62%	2,066
8. Tunnel di Genova S.p.A.	Genoa	33.33%	-

Annex 2

FINANCIAL POSITION AT 31 DECEMBER 2007 OF THE SEGREGATED TAV ASSETS

This Annex describes the financial position at 31 December 2007 of the segregated asset account established by the Board of Directors of Infrastrutture S.p.A. with the resolution of 23 December 2003, pursuant to Article 8 of Decree Law 63 of 15 April 2002. These segregated assets were formed for the purpose of financing investments relating to high-speed/high-capacity rail infrastructure pursuant to Article 75 of Law 289 of 27 December 2002. Decree Law 63/2002 had stated that Infrastrutture S.p.A. could use its own assets and legal relations to satisfy the rights of holders of its own securities and those of other lenders.

Article 1, paragraph 79 of Law 266 of 23 December 2005 provided for the merger of Infrastrutture S.p.A. into CDP with effect from 1 January 2006, involving the assumption by CDP of all assets and legal rights and relationships, including court proceedings, and liabilities relating to the acquired company. CDP was therefore required, maintaining continuity with Infrastrutture S.p.A., to undertake the activities relating to the financing of high-speed/high-capacity rail infrastructure through the corresponding segregated assets, in accordance with the procedures set forth in Article 75 of Law 289/2002. In line with previous Infrastrutture S.p.A. financial statements, the segregated assets are not directly reported in the company's financial statements. CDP keeps separate books and accounting records for the segregated assets.

INTRODUCTION

Paragraphs 966, 967, 968 and 969 of the 2007 Finance Act, which entered into force with the publication of the law on 27 December 2006, repealed Article 75 of Law 289 of 27 December 2002, paragraph 1 last sentence, paragraph 2 last sentence, and paragraph 4, and specified the criteria and procedures for the liquidation of the TAV segregated assets and the assumption of the corresponding charges by the state.

In enacting the above provisions, the Ministry for the Economy and Finance issued a decree which at Article 1, paragraph 2, states that, with effect on the date of the ministerial decree (27 December 2006), the liabilities in respect of the bond, loans and hedge swaps shall be charged directly to the state budget. Article 2 of the same decree also establishes the liquidation of the segregated assets in accordance with the procedures set forth in Article 2447-novies of the Civil Code, following which the separate asset account shall be terminated together with the use restriction on receivables and revenues and guarantees and all other associated legal relationships.

The state has therefore taken direct responsibility for charges in respect of the segregated assets, thereby superseding both the state guarantee as provided for by paragraph 81, Article 1 of the 2006 Finance Act and the mechanism for supplementary payments by the state provided for by Article 75 of Law 289/2002, which was intended to make up for any shortfall in proceeds deriving from the economic exploitation of the financed work. For these reasons, in this report on the financial position at 31 December 2007, CDP shows the state as the obligor in respect of the entire exposure relating to the segregated assets.

At the same time, CDP has undertaken the actions specified in the 2007 Finance Act, as well as in the decree of the Minister for the Economy and Finance of 27 December 2006 intended to release the amounts in question. In any event the use restriction on the receivables and revenues referred to in paragraph 4 of Article 75 of Law 289/2002 may only be removed after agreement of the creditors has been secured, as indicated in the ministerial decree.

STATUS OF THE OPERATION AT 31 DECEMBER 2007

The following table shows a summary of the segregated assets and debt:

euros

CODE		AT 31 December 2007	AT 31 December 2006
A.	**SEGREGATED ASSETS**	**12,950,000,000**	**12,950,000,000**
A1	Receivables	12,950,000,000	12,950,000,000
B.	**INVESTMENT OF LIQUIDITY GENERATED BY MANAGEMENT OF RECEIVABLES**	**8,757,371**	**7,435,204**
B3	Other:		
B3 1	Balances with state central treasury	7,973,537	6,633,245
B3 2	Balances on Bank of New York current accts	783,834	801,959
B3 3	Other receivables	0	0
	TOTAL ASSETS	**12,958,757,371**	**12,957,435,204**
C.	**SECURITIES ISSUED**	**9,450,000,000**	**9,450,000,000**
C1	Limited recourse securities	9,450,000,000	9,450,000,000
D.	**FINANCING RECEIVED**	**3,500,000,000**	**3,500,000,000**
D1	Financing received	3,500,000,000	3,500,000,000
E.	**OTHER LIABILITIES**	**8,757,371**	**7,435,204**
E1	Payables for negative carry	0	0
E2	Payables for interest on current and treasury accounts	7,753,582	6,382,115
E3	Payables for accrued interest - coupon	0	0
E4	Payables for invoices to be received	207,302	0
E5	Other payables	796,487	1,053,089
	TOTAL LIABILITIES	**12,958,757,371**	**12,957,435,204**

ACCOUNTING POLICIES USED IN DRAWING UP THE SUMMARY TABLE

Only a balance sheet has been prepared, without applying accrual basis accounting (and therefore without recording accrued income or expense) and as a result the income statement is not represented. The latter would not be representative since the structure of the TAV segregated assets requires posting an operating result of zero, in view of the fact that cost and revenue items must offset each other through debits and/or credits of the entities involved in the operation.

All values and items shown are based on the accounting records and the corporate information system. The following section summarises the measurement criteria adopted.

Cash and cash equivalents

These are recognised at nominal value.

Receivables and other assets

This item is posted at estimated realisable value, which corresponds to nominal value.

Accruals and deferrals/ premiums and discounts

In accordance with the decision not to recognise costs and revenues on an accrual basis, but rather on a cash basis, the table does not include accruals and deferrals for the 2007 financial year, with accruals and deferrals/premiums and discounts being eliminated from the assets and liabilities on the balance sheet.

Payables and other liabilities

These are recognised at nominal value.

Recognition of costs and revenues

Costs and revenues are not reported because as from 2007 receipt and payment of income and charges in respect of loans and derivatives contracts were managed directly by the Ministry for the Economy and Finance, in accordance with the provisions of the 2007 Finance Act.

QUALITATIVE INFORMATION

Description of the operation and developments

Pursuant to Article 75 of Law 289 of 27 December 2002, Infrastrutture S.p.A., and therefore the surviving entity CDP S.p.A., "primarily finances, including through the formation of segregated assets, investments for the construction of rail infrastructure for the high-speed/high-capacity system, partly with a view to reducing the share charged to the state. The resources necessary for the financing shall be raised on the banking and capital markets, in accordance with the criteria of transparency and economy. In order to maintain the financial equilibrium of the debt held by Infrastrutture S.p.A., the state shall be responsible for paying the balance of debt servicing costs that cannot be met solely using forecast cash flows for the period of economic exploitation of the high-speed/high-capacity system".

In implementation of these provisions, Infrastrutture S.p.A. had entered into a series of interrelated contracts that constitute a framework for additional agreements governing each loan and the corresponding funding. In particular, the following agreements were entered into: (i) on 23 December 2003 the Credit Facility Agreement was signed with RFI Rete Ferroviaria Italiana S.p.A. and TAV Treno Alta Velocità S.p.A. (the debtors); (ii) on 29 January 2004 the offering circular for the securities issue programme and the assumption of loans for a maximum of €25,000,000,000, known as "Euro 25,000,000,000 ISPA High Speed Railway Funding Note Programme" (the "Issue Programme"); (iii) also on 29 January 2004, the Dealer Agreement, Intercreditor Agreement, Intercompany Agreement, Cash Allocation Management and Payment Agreement and the Transfer Agreement.

On the basis of these contracts, the company could grant a series of loans to the debtors for a total of €25 billion with a maximum maturity coinciding with the end of the concession for the management of the rail infrastructure (which currently expires in 2060), except, where necessary, the granting of a grace period to the debtors of not more than one year. The loans were disbursed on the basis of the debtors' financial requirements and the periods necessary for the construction of the rail infrastructure (which is currently due to be completed in 2009).

The payment of the interest accrued on each loan and the repayment of the corresponding principal should take place, prior to the liquidation of the segregated assets, using (i) the revenues from the economic exploitation of the rail infrastructure, once operational, and (ii) the supplementary payments from the state referred to under Article 75. In particular, the amount paid by the state until 2006 was determined each year in advance and was equal to the difference between the total liabilities maturing the following year and forecast revenues for that year. The amount of the supplementary payments (as adapted in accordance with forecast flows) was periodically determined the year prior to that in which the loan instalment came due. This was so that the state could make appropriate provision in the budget to transfer the funds to the debtors necessary to meet commitments in respect of the company.

The funds that were periodically necessary to grant loans to the debtors were raised on the capital market through the issue of securities or through interbank loans in accordance with the Issue Programme. Each series of securities and each interbank loan benefited from the asset segregation referred to in Article 8 of Decree Law 63/2002 and in particular the receivables and revenues of the company generated in respect of each loan granted to the debtors within the framework of the Credit Facility Agreement.

The loans (known as PLT – Project Loan Tranches) granted and disbursed at 31 December 2007 are as follows:

PLT	Funding	Agreement date	Total amount (euro)	Disbursed at 31/12/2007 (euros)	Expiry refinancing
1	Series 1	05/02/2004	1,000,000,000	1,000,000,000	09/09/2013
2	Series 2	05/02/2004	750,000,000	750,000,000	09/09/2018
3	Series 3	05/02/2004	3,250,000,000	3,250,000,000	09/09/2023
4	Series 4	05/07/2004	1,000,000,000	1,000,000,000	09/09/2033
5	EIB Funding Loan	29/09/2004	1,000,000,000	1,000,000,000	09/09/2023
6	Series 4-2	11/11/2004	500,000,000	500,000,000	09/09/2033
7,8,9	Series 5	03/03/2005	850,000,000	850,000,000	09/09/2044
10	OPI Floating Loan	03/03/2005	500,000,000	500,000,000	09/09/2020
11	Series 4-3	18/04/2005	700,000,000	700,000,000	09/09/2033
12	Series 6	22/04/2005	1,000,000,000	1,000,000,000	09/09/2044
13	Series 7	29/06/2005	100,000,000	100,000,000	09/09/2034
14	Series 8	29/06/2005	300,000,000	300,000,000	09/09/2034
15	MT Funding Loan	10/08/2005	2,000,000,000	2,000,000,000	09/09/2007
			12,950,000,000	**12,950,000,000**	

Parties involved

In addition to the Italian state, which took on the debt originally contracted by TAV and RFI following the decree of the Minister for the Economy and Finance of 27 December 2006, and to CDP S.p.A., which acted on one hand as lender in respect of the Italian state and on the other as the issuer of securities and borrower under interbank loans, the main parties involved in the operation are as follows:

Project Facility Manager	Cassa Depositi e Prestiti S.p.A
Principal Paying Agent	JPMorgan Chase Bank, Milan
Luxembourg Paying agent	JPMorgan Chase Bank, Luxembourg
Transaction Account Bank	JPMorgan Chase Bank, Milan
Programme Calculation Agent	JPMorgan Chase Bank, London
Noteholders' representative	JPMorgan Corporate Trustees Services Ltd
Collection Account Bank	State Treasury Department
Listing Agent	JPMorgan Chase Bank, Luxembourg

A number of reports are periodically drawn up in support of the operation, of which the most important is the Investors Report produced in the 10 business days following each specified payment date. It is available upon request at JP Morgan Chase Bank, London.

Characteristics of the debt

Interest and principal on the securities issued and the loans contracted within the framework of the Programme are paid exclusively within the limits of the amounts collected in respect of the receivables from the debtors and in the order of priority for payments indicated in the Programme rules. These receivables form a single segregated portfolio securing the specifically indicated lenders and all noteholders of securities issued as part of the Programme, independently of the date they were entered into or issued.

The securities issued to date are as follows:

Series	Isin code	Description	Rate	Issue date	Final maturity	First coupon	Issue price	Redemption
1	IT0003621445	ISPA/4.50 20140731 S1 HSRFN	4.500%	06-feb-04	31-lug-14	31-lug-04	99.387	at maturity
2	IT0003621452	ISPA/2.25 TV 20190731 S2 HSRFN	inflation	06-feb-04	31-lug-19	31-lug-04	97.368	at maturity
3	IT0003621460	ISPA/5.125 20240731 S3 HSRFN	5.125%	06-feb-04	31-lug-24	31-lug-04	98.934	at maturity
4	IT0003685093	ISPA/5,20% 20340731 S4 HSRFN	5.200%	06-lug-04	31-lug-34	31-lug-05	99.466	at maturity
4-2	IT0003746341	ISPA/5.20% 20340731 S4-2 HSRFN	5.200%	12-nov-04	31-lug-34	31-lug-06	104.952	at maturity
4-3	IT0003746341	ISPA/5.20% 20340731 S4-3 HSRFN	5.200%	19-apr-05	31-lug-34	31-lug-06	113.334	at maturity
5	IT0003805295	ISPA/TV 20450731 S5 HSRFN	EU 12M	04-mar-05	31-lug-45	31-lug-06	100	amortising
6	IT0003838031	ISPA/TV5.20% 20450731 S6 HSRFN	EU 12M	25-apr-05	31-lug-45	31-lug-06	100	amortising
7	IT0003874523	ISPA/TV 20350731 S7 HSRFN	CMS10A	30-giu-05	31-lug-35	31-lug-06	100	at maturity
8	IT0003877310	ISPA/TV 20350731 S4-2 HSRFN	CMS10A	30-giu-05	31-lug-35	31-lug-06	100	at maturity

ISPA SERIES 5		
	Date	Principal repayment
1	31/07/2031	56,667,000.00
2	31/07/2032	56,667,000.00
3	31/07/2033	56,666,000.00
4	31/07/2034	56,667,000.00
5	31/07/2035	56,667,000.00
6	31/07/2036	56,666,000.00
7	31/07/2037	56,667,000.00
8	31/07/2038	56,667,000.00
9	31/07/2039	56,666,000.00
10	31/07/2040	56,667,000.00
11	31/07/2041	56,667,000.00
12	31/07/2042	56,666,000.00
13	31/07/2043	56,667,000.00
14	31/07/2044	56,667,000.00
15	31/07/2045	56,666,000.00
		850,000,000.00

ISPA SERIES 6		
	Date	Principal repayment
1	31/07/2031	66,667,000.00
2	31/07/2032	66,667,000.00
3	31/07/2033	66,666,000.00
4	31/07/2034	66,667,000.00
5	31/07/2035	66,667,000.00
6	31/07/2036	66,666,000.00
7	31/07/2037	66,667,000.00
8	31/07/2038	66,667,000.00
9	31/07/2039	66,666,000.00
10	31/07/2040	66,667,000.00
11	31/07/2041	66,667,000.00
12	31/07/2042	66,666,000.00
13	31/07/2043	66,667,000.00
14	31/07/2044	66,667,000.00
15	31/07/2045	66,666,000.00
		1,000,000,000.00

The securities are listed on the Luxembourg Stock Exchange.
All the main rating agencies were asked to issue a credit assessment for the securities issued within the Programme.

The ratings currently assigned are as follows:

Agency	Rating
Fitch Ratings Limited	AA-
Moody s Investors Service	Aa
Standard & Poor's Ratings Services	A+

In addition to the above securities, at 31 December 2007 debt included the following interbank loans granted within the scope of the Issue Programme:

Counterparty	Description	Rate	Agreement date	Final maturity	Nominal value (euros)
European Investment Bank	EIB Funding Loan	4.773%	29-set-04	31-lug-24	1,000,000,000
OPI Bank	OPI Funding Loan	Euribor 12m	03-mar-05	31-lug-35	500,000,000
Sogen	Sogen MT Funding Loan	Euribor 6m	10-ago-05	31-lug-08	2,000,000,000
				Total	**3,500,000,000**

OPI LOAN		
	Date	**Principal repayment**
1	31/07/2021	33,333,334.00
2	31/07/2022	33,333,333.00
3	31/07/2023	33,333,333.00
4	31/07/2024	33,333,334.00
5	31/07/2025	33,333,333.00
6	31/07/2026	33,333,333.00
7	31/07/2027	33,333,334.00
8	31/07/2028	33,333,333.00
9	31/07/2029	33,333,333.00
10	31/07/2030	33,333,334.00
11	31/07/2031	33,333,333.00
12	31/07/2032	33,333,333.00
13	31/07/2033	33,333,334.00
14	31/07/2034	33,333,333.00
15	31/07/2035	33,333,333.00
		500,000,000.00

Ancillary financial transactions

All funds raised as part of the Issue Programme that have not yet been invested in financing the infrastructure works are deposited in an account held with the Central State Treasury, which serves as a collection account.

Within the company's accounting records the Treasury account is divided into a series of sub-accounts, in accordance with the terms of the contractual documents governing the operation. The Programme also makes use of two accounts held with JPMorgan Chase Bank Milan: the Payment Account, which is used to process funds raised and any related repayments, and the Expenses Account for payments of expenses associated with the Programme.

In addition, during 2004-2005 Infrastrutture S.p.A. had carried out transactions to hedge interest rate risk in order to fix the refinancing rates for the securities issued. The following table shows the characteristics of the open interest rate swap contracts at 31 December 2007:

Counterparty	Nominal (euros)	Agreement date	Start interest accrual	Final maturity	Fixed rate to pay	Rate to receive	Connected loan
UBS Limited	500,000,000	27-apr-04	09-set-13	31-lug-24	5.7550%	Not set	ISPA SERIES 1
Morgan Stanley & Co.	500,000,000	28-apr-04	09-set-13	31-lug-24	5.7670%	Not set	ISPA SERIES 1
Morgan Stanley & Co.	350,000,000	03-mar-05	04-mar-05	31-lug-45	5.0240%	2.7050%	ISPA SERIES 5
UBS Limited	250,000,000	03-mar-05	04-mar-05	31-lug-20	4.8000%	2.7050%	ISPA SERIES 5
Morgan Stanley & Co.	250,000,000	03-mar-05	31-lug-20	31-lug-45	5.0900%	Not set	ISPA SERIES 5
Morgan Stanley & Co.	250,000,000	03-mar-05	04-mar-05	31-lug-45	5.0240%	2.7050%	ISPA SERIES 5
Jp Morgan Chase Bank	500,000,000	03-mar-05	04-mar-05	31-lug-35	4.8825%	2.6500%	Loan OPI
Morgan Stanley & Co.	1,000,000,000	24-apr-05	25-apr-05	31-lug-26	5.4800%	2.5325%	ISPA SERIES 6
Depfa Bank	1,000,000,000	24-apr-05	31-lug-26	31-lug-45	4.8375%	Not set	ISPA SERIES 6
Lehman Brothers	300,000,000	29-giu-05	30-giu-05	31-lug-35	4.0720%	3.5000%	ISPA SERIES 7
Lehman Brothers	100,000,000	29-giu-05	30-giu-05	31-lug-35	4.1470%	3.5000%	ISPA SERIES 8
HEDGING SWAP	**5,000,000,000**						

Quantitative information

Changes in receivables

In 2007, there were no changes in the portfolio of receivables

Developments in past due positions

At the date of the financial statements, the segregated assets do not include any past due positions.

Status of the guarantees and credit lines

The overall operation was supported by the guarantee mechanism established by Article 75 of Law 289/2002. All of the original exposures in respect of TAV were also guaranteed by RFI and in any event have been taken on by the Italian state pursuant to the provisions of the ministerial decree of 27 December 2006.

At present the Programme does not have a credit line.

Breakdown by residual maturity

The maturity date for all loans granted to date is 2061, which may be extended for a year, in accordance with a flexible repayment plan that will be drawn up on the basis of the project's requirements. The debt contracted has a shorter term and must therefore be refinanced. According to the terms and conditions of the operation refinancing shall take place by 9 September of the year prior to expiry. The following table shows the breakdown of the contracted debt by residual maturity:

Date	Nominal value (euros)
31/07/2008	2,000,000,000
31/07/2014	1,000,000,000
31/07/2019	750,000,000
31/07/2021	33,333,334
31/07/2022	33,333,333
31/07/2023	33,333,333
31/07/2024	4,283,333,334
31/07/2025	33,333,333
31/07/2026	33,333,333
31/07/2027	33,333,334
31/07/2028	33,333,333
31/07/2029	33,333,333
31/07/2030	33,333,334
31/07/2031	33,333,333
31/07/2032	33,333,333
31/07/2033	33,333,334
31/07/2034	2,233,333,333
31/07/2035	433,333,333
31/07/2045	1,850,000,000
Total	**12,950,000,000**

Breakdown by debtor

At 31 December 2007 the receivable in respect of the loans granted is due from the Italian state, which as a result of the provisions discussed above is the obligor for the entire position relating to the segregated assets