CDP spa

Report and Financial Statements

at 31 December 2008

Cassa depositi e prestiti

Financial Statements 2008

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

Financial Statements at 31 December 2008

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Corporate Boards and control bodies

Board of Directors (in office at 31 December 2008)

Franco Bassanini	Chairman [1]
Massimo Varazzani	Managing Director [1]
Francesco Giovannucci	Director
Vittorio Grilli	Director
Nunzio Guglielmino	Director
Gianfranco Imperatori	Director
Fiorenzo Tasso	Director [1]
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 [2]
Director General of the Treasury	Director [3]
Isaia Sales	Director
Francesco Scalia	Director
Giuseppe Pericu	Director

(1) At its meeting of 12 November 2008, the Board appointed Massimo Varazzani and Fiorenzo Tasso to replace the resigning members Alfonso Iozzo and Renato Cambursano; at the same meeting, Massimo Varazzani was also appointed Managing Director.
(2) Edoardo Grisolia, delegate of the State Accountant General.
(3) 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
Massimo Varazzani	Member

General Manager (*)

Antonino Turicchi

(*) At the Board meeting of 12 November 2008, the responsibilities previously assigned to the position of General Manager were transferred to the Managing Director.

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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Report on operations

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RECLASSIFIED FINANCIAL STATEMENTS

Reclassified balance sheet

(millions of euros)

	31/12/2008	31/12/2007	Change percent
ASSETS			
A. Cash and cash equivalents	106,863	92,807	15.1%
B. Loans to customers and banks	82,237	78,631	4.6%
C. Debt securities	662	208	217.8%
D. Equity investments in associates and shares	13,869	19,950	-30,5%
E. Assets held for trading and hedging derivatives	502	1,182	-57.6%
F. Property, plant and equipment and intangible assets	214	214	0.3%
G. Accrued income, prepaid expenses and other non-interest-bearing assets	4,770	2,212	115.6%
H. Other assets	672	890	-24.5%
Total assets	**209,789**	**196,094**	**7.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A. Funding	195,603	178,213	9.8%
- due to banks	*470*	*698*	*-32.7%*
- due to customers	*10,119*	*10,951*	*-7.6%*
- debt securities	*9,899*	*9,314*	*6.3%*
- postal funding	*175,116*	*157,248*	*11.4%*
B. Hedging derivatives and liabilities held for trading	1,671	730	128.8%
C. Accrued expenses, deferred income and other non-interest-bearing liabilities	879	822	6.9%
D. Other liabilities	985	842	16.9%
E. Provisions for contingencies, taxes and staff severance benefit	935	1,131	-17.3%
F. Shareholders' equity	9,716	14,356	-32.3%
Total liabilities and shareholders' equity	**209,789**	**196,094**	**7.0%**

Reclassified income statement

(millions of euros)

	31/12/2008	31/12/2007	Change percent
Interest income and similar revenues	8,139	7,144	14%
of which on loans to customers and banks	*3,861*	*3,798*	*2%*
Interest expense and similar charges	(5,780)	(4,938)	17%
Net interest income	**2,360**	**2,206**	**6.9%**
Dividends	1,051	997	5%
Commission income	7	5	33%
Commission expense	(736)	(760)	-3%
of which postal savings management commissions	*(736)*	*(760)*	*-3%*
Net gain (loss) on trading activities	(12)	9	N/S
Net gain (loss) on hedging activities	(145)	(55)	163%
Gains (losses) on disposal or repurchase of assets and liabilities	8	20	-60%
Gross income	**2,532**	**2,423**	**4.5%**
Net impairment adjustments	(24)	(10)	146%
of which impairment adjustments of loans	(24)	(10)	146%
Net income from financial operations	**2,508**	**2,414**	**3.9%**
General and administrative expenses	(65)	(66)	-1%
of which staff costs	*(41)*	*(39)*	*4%*
Other operating income (expenses)	1	1	-46%
Operating income	**2,444**	**2,349**	**4.0%**
Net provisions	(1)	(1)	19%
Net adjustments of non-current assets	(9)	(8)	14%
Gains (losses) on equity investments	(505)	(472)	7%
Gains (losses) on disposal of investments	0	0	N/S
Income (loss) before tax on continuing operations	**1,929**	**1,869**	**3.2%**
Income tax	(540)	(495)	9%
Net income for the period	**1,389**	**1,374**	**1.2%**

Main indicators

(millions of euros)

	2008	2007
Balance sheet data		
Total assets	209,789	196,094
Loans to customers and banks	82,237	78,631
Equity investments and shares	13,869	19,950
Postal funding	175,116	157,248
Other direct funding	20,018	20,266
Shareholders' equity	9,716	14,356
Performance data		
Net interest income	2,360	2,206
Dividends	1,051	997
Net commissions	(729)	(755)
Other net revenues	(149)	(26)
Gross income	2,532	2,423
Net writedowns	(24)	(10)
Overheads	(74)	(73)
Operating income	2,444	2,349
Net income	1,389	1,374
Performance ratios (percent)		
Spread on interest-bearing assets - liabilities	1.4%	1.5%
Cost/income ratio	2.9%	3.0%
ROE	9.7%	10.4%
Credit risk ratios (percent)		
Gross bad debts / Gross loans to customers	0.131%	0.083%
Net writedowns/ Net loans to banks and customers	0.029%	0.012%
Operating structure		
No. of employees	399	391

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 guidelines for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

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 269/2003 (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 articles of association, 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 269/2003, 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 responsibilities were recently extended with Article 22 of Decree Law 185/2008, ratified with Law 2/2009, which provides for the possibility of using postal saving for all operations in the public interest, set out in the articles of association, with respect to entities eligible for credit under the Separate Account or promoted by such entities. This new activity must take account of the economic and financial sustainability of each such operation and the creditworthiness of the applicants.
The same decree also provided for the general criteria to be used in identifying operations promoted by public entities to be established in a decree of the Minister for the Economy and Finance (MEF), issued in March 2009, and for the consequent amendments to the articles of association. Accordingly, in 2008, the operations of the Separate Account continued in the same manner as in the past.

The CDP Extraordinary Shareholders' Meeting of 6 November 2008 approved a number of amendments to the articles of association, including, *inter alia*, the establishment of the position of Managing Director, who has all powers of ordinary and extraordinary administration except for those reserved by law or the articles of association to the Shareholders' Meeting, the Chairman or the Board of Directors, without prejudice to the Board's general power to govern such activities directly.

1.2 Organisational and accounting separation

Article 5(8) of Decree Law 269/2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company.

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

CDP S.p.A.'s implementation of this system of organisational and accounting separation was necessary to ensure compliance with EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP 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, potentially conducted in competition with other market players.

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, control and support for 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 at 31 December 2008, the Public Investments and Development Policies Management & Support divisions come under the Separate Account, while the Infrastructure & Strategic Projects division comes under the Ordinary Account. Joint Services include all of the support areas and the governance and control bodies.
The departments of the Finance division, on the other hand, are divided among the other three divisions based on the specific activity being performed.

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

In this regard, in December 2008 liquidity in the amount of €350 million was transferred from the Separate Account to the Ordinary Account. This temporary and exceptional transfer was made necessary by the need for cash for loan disbursements pending completion of the regulatory framework that extended the responsibilities of the Separate Account. As noted earlier, the Separate Account may, in the future, finance works of public interest promoted by public entities that, at the end of 2008, were eligible for the Ordinary Account. The sum was re-transferred from the Ordinary Account to the Separate Account on 27 February 2009 together with accrued interest.
The transfer was made on financial terms consistent with the accounting separation rules adopted by CDP. Specifically, the interest rate was determined on the basis of market rates for comparable transactions to ensure adequate remuneration for the Separate Account compared with alternative investments of the funds.
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

In 2008, following the significant expansion of the company's range of products in the past few years, the related internal procedures were adapted, and the conditions for accessing credit under the Separate Account were revised.

These revisions were formalised with circular no. 1273 of 22 July 2008 and essentially concerned:
- the supplementation of the documentation required in the preliminary loan processing phase;
- the revision of contracts.

With regard to the first point, the supplementation of the documentation required of public entities in order to access credit under the Separate Account seeks to unite compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination that characterise the service of general economic interest entrusted to CDP with safeguarding the organisation's financial stability and protecting postal savings. Accordingly, preliminary loan application processing will include gathering all the information needed to verify the applicant's ability to sustain the debt, such as verifying the entity's accounts and those of any significant subsidiaries, as well as verifying the legal compliance of the investment or the expenditure that the entity intends to finance.
Once this extended preliminary assessment stage is complete, CDP will retain the option of granting or refusing credit to the applicant, possibly including clauses in the loan contract that enable it to monitor the performance and financial position of the borrower.
The revision of contracts involves the unification of the general terms and conditions and the contractual clauses into a single document and the redefinition of a number of financial parameters in order to align them with standard market practice.

As concerns the other forms of financing through the Separate Account, in 2008 disbursements under the Revolving Fund to support enterprises and investment in research (FRI), which was established with Article 1(354) of Law 311 of 30 December 2004, came into full operation.

On the funding side, efforts continued to enhance the range of postal savings products, in line with the concept of providing a service of general economic interest and with the company's strategic mission of promoting savings. In that regard, the "*Piccoli e Buoni*" savings plan was recently introduced.
With this plan, it is possible to gradually build capital for minors through periodic investments in postal savings bonds designed specifically for young people, paid for by simultaneously debiting the passbook savings account or Bancoposta account of a parent, relative or friend of the family.

It should also be noted that, beginning in the first part of 2009, the responsibilities of the Lending Committee, which is charged with analysing the loans that are authorised by senior management, were extended to the Separate Account as well.
While observing the principles of accessibility, uniform treatment, pre-specification of terms and non-discrimination in the granting of credit under the Separate Account, this committee is required to provide opinions to the body approving the loan.

1.4 Operation of the ordinary account

In 2008, lending within the Ordinary Account continued to concern projects involving infrastructure to be used in delivering public services. The growth in lending volumes was proportionately greater than that in Separate Account lending, as well as that of CDP S.p.A. as a whole, due in part to the strengthening of commercial relationships established in previous years, as well as to a greater ability to promote lending to customers and to cover a broader range of industry segments. The volume of new financing granted in 2008 reached nearly €2 billion, virtually quadrupled from 2007.

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

a. investments connected with large-scale public works of national importance, with a particular emphasis on high-speed/high-capacity railway infrastructure;
b. investments connected with motorway infrastructure;
c. loans to multi-utility operators;
d. work to increase electricity generation capacity, including plants powered by renewable resources;
e. investments related to local public transport and to metro construction;
f. investments connected with urban transformation and requalification projects that focus on infrastructure;
g. integrated water management.

In 2008, the funding strategy pursued in previous periods continued, with the use of the two forms of funding employed to date:

- funding from Community bodies based on lines of credit in effect with the European Investment Bank (EIB) in the amount of €100 million;
- issues under the Euro Medium Term Notes programme totalling €572 million, net of the partial repurchase of three previous issues.

2. The general macroeconomic situation

2.1 The macroeconomic framework

The latest indicators confirm that the global economy is in the grips of a serious, synchronised recession. Tensions in the banking system have translated into a tightening of the standards for granting credit, and this in the midst of rapidly deteriorating confidence and sharply declining stock prices.

The further worsening of the world's economy in December 2008 was mainly attributable to manufacturing, where production levels plummeted. Conversely, the deterioration in the service sector came to a halt, although the sector did remain weak in historical terms. The significant inflationary pressures which characterised the first half of 2008, driven primarily by the price of oil, which reached $147 per barrel in July, eased markedly in the second half of the year due to the substantial declines in raw materials prices and the global recession.

Following the 0.7% decline in the third quarter of 2008, Italy's GDP fell by a further 1.9% in the fourth, resulting in a reduction of 1.0% for 2008 as a whole. This rapid deterioration reflects, first and foremost, the marked worsening of the global economy and the consequent decline in foreign demand, accompanied by the persistent weakness of domestic demand. Italian exports fell significantly in the fourth quarter (-7.4% from the previous quarter), which impacted business investment, which fell nearly 7%, presumably held back in part by the tightening of credit conditions. Household consumption remained stagnant, a reflection of the trend in real disposable income, which has shrunk as a result of the increase in the prices of imported raw materials. On the whole for 2008, based on the final estimates for December, the Italian consumer price index rose by 3.3%, compared with 1.8% the previous year.

As throughout the rest of the euro area, during the year inflation rose through the summer before subsiding significantly (2.2% in December), reflecting trends in raw materials prices.

2.2 The financial market and rates

The crisis in the financial markets, which has been, to varying degrees, under way since August 2007, worsened in September and impacted a number of leading US and European financial institutions.

A crisis in confidence has affected international finance, causing an extreme contraction in the volume of transactions, a dramatic decline in stock prices, and serious financial difficulties for those intermediaries most dependant upon the money markets for funding.

The widespread uncertainty as to potential bankruptcies following that of the investment bank Lehman Brothers has impacted wholesale markets, which banks turn to for funding, first and foremost the interbank market. Faced with such grave circumstances, the reaction of governments and monetary authorities progressively gained strength and international coordination. The central banks sought to counter the stagnation of their national interbank markets with injections of liquidity that were unprecedented in terms of both amount and type. On 8 October 2008, the European Central Bank (ECB), the Federal Reserve, the Bank of England, the Bank of Canada, the Bank of Sweden, and the Swiss National Bank, with the support of the Bank of Japan, acted in concert to cut interest rates by 50 basis points, something which has never happened before.
The economic policymakers of the industrial countries have taken significant steps to recapitalise their banking systems and have announced extensive support plans.

With the reduction of inflationary strains, thanks mainly to the decline in raw materials prices, and in the face of a worsening in the real economy, central banks also acted to ease monetary conditions significantly.
The ECB, after participating in the coordinated reduction of interest rates in October, further reduced the rate on main refinancing operations on two subsequent occasions - by 50 basis points on 6 November and by 75 basis points on 4 December - bringing the rate to 2.50 percent.

During the year, euro-area interest rates plummeted along the entire yield curve. After increasing by an average of about 45 basis points during the first half of the year, again due to strains in the credit market and the liquidity crisis, as well as to expectations of higher inflation as a result of rising raw materials prices, in the second half the yield curve inverted sharply, with short-term rates higher than long-term rates and a fall of at least 100 basis points in rates across all maturities.

For equity markets, 2008 was the worst, most volatile year since 1932. The greatest losses came in the last four months of the year when the problems on the monetary and credit markets spread to other categories of investment and the real economy, with dramatic repercussions. This poor performance led to sharp corrections in stock prices around the world, with markets sliding lower than they have been in the last 20 years.

European stock markets were not spared this steep decline. The DJ Eurostoxx 50 index closed the year down 40% after reaching a low in November.

2.3 Public finances

The *interim* figures on public finances for the euro area, published by the European Commission in January 2009, show a worsening in the average general government budget balance, which went from -0.6% of GDP in 2007 to -1.7% of GDP in 2008. The increase in the deficit is due mainly to the slowing of the economy, as well as to higher levels of primary expenditure and a decline in revenues due, in part, to the fiscal stimulus measures being adopted by most euro-area countries. The ratio of general government debt to GDP also rose from 66.1% in 2007 to 68.7% for 2008. This ratio increased primarily in countries that experienced a rapid slowdown in economic activity or in which the injections of capital for the financial sector were considerable.

Based on the provisional figures published by ISTAT in March 2009, net general government borrowing came to 2.7% of GDP for the end of 2008, a significant deterioration from 2007 (when net borrowing amounted to 1.5% of GDP). Based on figures published by the Bank of Italy in January 2009, the debt-to-GDP ratio should reach 105% at the end of 2008 (compared with 104.1% for 2007).

At 31 December 2008, the stock of loans to local and regional authorities reached €71.1 billion, an increase of 1.9% over the €69.8 billion posted at the end of 2007.

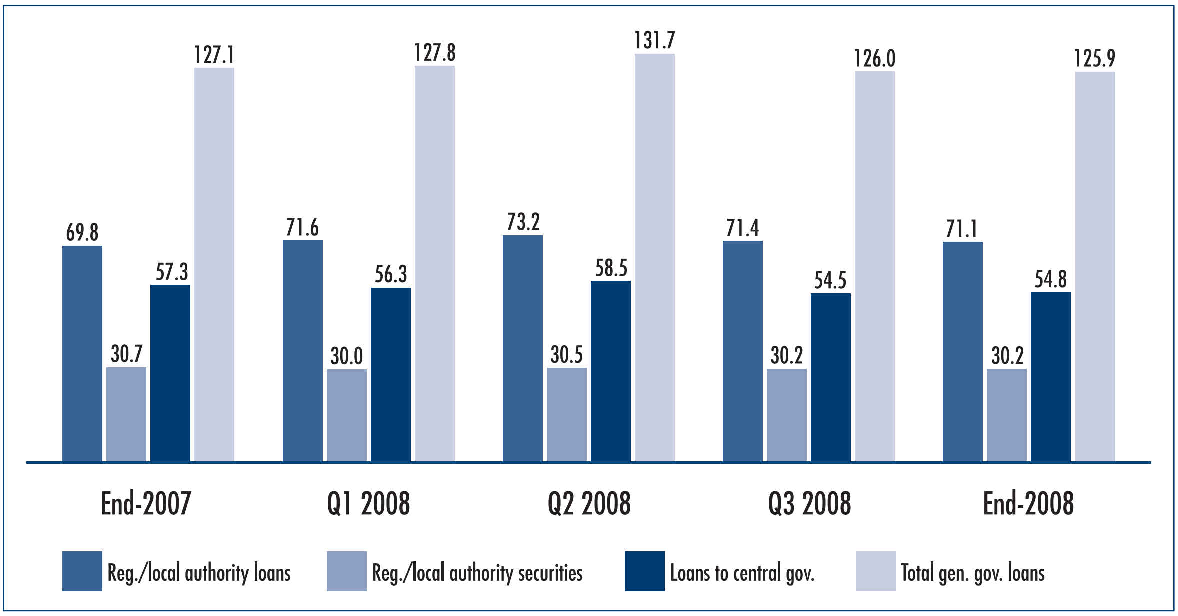
As at the same date, the stock of securities issued by local and regional authorities came to €30.2 billion, a decline of 1.7% from the €30.7 billion registered a year earlier.

Total debt for these local and regional government entities therefore reached €107.5 billion, including the securitisation transactions recognised as debt in addition to bonds and other securities issued. The total stock of debt fell 2.7% compared with the end of 2007. The decline is due largely to the gradual repayment of the securitisation of healthcare receivables carried out it previous years by a number of regions and classified as public debt, which more than offset the increase in the stock of loans.

At 31 December 2008, loans with costs borne by central government totalled €54.8 billion, a decline of 4.4% from the end of 2007, due primarily to the repayment of a portion of the debt originally taken on by Infrastrutture S.p.A., which was reclassified as general government debt and subsequently taken over directly as government debt pursuant to Law 296/2006 (the 2007 Finance Act).

Stock of regional and local authority debt and loans to central government

(€ billions)



Source: Bank of Italy. The time series are subject to revision in conjunction with the periodic updates of the figures.[1]

While pointing to the growing importance of loans issued by monetary financial institutions (MFIs) and by CDP S.p.A. (totalling 66.2% of total debt, as compared with the 63.1% of 2007), the breakdown of the debt of these local and regional authorities by financial instrument used shows the use of bond issues in 2008 (equal to 28.1% of all debt, compared with the 27.8% of 2007) to be essentially unchanged. As at the same date, securitisation transactions by local authorities, which, according to Eurostat criteria, are to be considered as debt, rose to 5.8% of total debt, compared with 9.1% at the end of 2007, as a result of the redemption of the healthcare receivables securitisations mentioned above.

With regard to transactions in derivative instruments by local and regional authorities, Decree Law 112/2008, which was ratified with Law 133/2008 as amended, prohibits these entities from using such instruments until a specific regulation can be issued by the Ministry for the Economy and Finance, the Bank of Italy and CONSOB issue regulations governing derivatives transactions and, in any event, for a period of at least one year. However, it remains possible to restructure derivative contracts in order to preserve the correspondence between a liability subject to renegotiation and the related hedging transaction.

[1] Effective as of 1 January 2007, in application of the EUROSTAT criteria of September 2006, the 2007 Finance Act 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. In 2008, the Bank of Italy also revised the time series for public sector debt following the reclassification of Equitalia S.p.A. as a central government department and its subsidiaries as other local or regional authorities. The time series for central government debt was also revised upward due to changes in the policies for recognising derivative transactions carried out by the state.

The decree law also introduced provisions concerning the use of debt by local and regional authorities, prohibiting them from issuing bonds or other debt instruments that call for the repayment of principle in a single instalment upon maturity. The measure also established that the duration of the borrowing transactions shall be no less than five years and no more than thirty years.

With regard to the rules concerning the domestic Stability Pact for local authorities, Law 244/2007 (the 2008 Finance Act) introduced a "mixed accounting" criterion for calculating the balance between final revenues and spending to which the corrective budget measures would apply. Under this criterion, current revenues and spending are recognised on an accruals basis, whereas revenues and spending on capital account are recognised on a cash basis. This approach has the advantage of bringing the reference balance closer to the final balance calculated by ISTAT for the purposes of the excessive deficit procedure under the Treaty of Maastricht.

Decree Law 185/2008, which was ratified with Law 2/2009, introduced the possibility for municipalities that complied with the Stability Pact for the 2006-2008 period to exclude amounts allocated to investments from the balances calculated for the 2009 Stability Pact if such amounts are funded by savings on borrowing costs resulting from reductions in interest rates or the renegotiation of loans.

2.4 Project finance and financing for public-private partnerships (PPPs)

The Italian project finance market was particularly buoyant in the power generation segment, especially in the area of renewable energy, which is now dominated by the maturing wind power segment. There is also growing interest among manufacturing and financial companies for the photovoltaic segment (thanks, in part, to the simplification introduced with the new "*Conto Energia*", or "Energy Account").

CDP S.p.A. has, for example, contributed to the structuring of financing for major projects in the power generation industry, including renewable energy projects. Of particular note are the combined-cycle plants at San Severo (FG) (400MW for a total amount financed of some €329 million) and Modugno (BA) (800MW for an investment of about €268 million), as well as a wind plant at Minervino Murge (52MW for an investment of around €110 million), all of which have received important international attention.

In the area of infrastructure, on the other hand, no financing of particular note was concluded in 2008, due mainly to budget restrictions limiting the availability of public funding, which is particularly important for such projects, as well as to the slow progress being made in the authorisation process for major projects, especially in the transport sector.

Nonetheless, project finance remains a significant source of financing, or co-financing, for a broad range of projects needing substantial levels of capital and which lend themselves to the use of structures without the use (or with limited use) of promoter entities. The recent reform of local public services (including water, local public transport, waste management and other sectors), which will be fully implemented in the first part of 2009 and which establishes the principle of awarding contracts by tender and sets a statutory deadline for the assignment of projects that do not comply with the requirements established by such legislation, could generate important new opportunities for the adoption of this form of financing.

In 2008, public-private partnerships (PPPs) in their various forms, particularly build and operate concessions, once again attracted a great deal of interest within both the private and public sectors.

Last year, a total of 455 tenders were held in Italy for build and operate concessions with a total investment of some €6 billion. Of this total, 161 tenders (for a total investment of about €4.5 billion) were related to works proposed by a private-sector promoter (Article 153 of Legislative Decree 163/2006) and 294 tenders (for a total investment of approximately €1.5 billion) were related to works proposed by the contracting authority (Article 144 of Law 163/2006) [2].

The new rules governing project finance contained in the third decree amending the public contracts code came into for on 17 October 2008. They allow the government to choose between two possible tender procedures, to be implemented following a feasibility study: the first option is assignment in two stages, with the reintroduction of the right of pre-emption of the promoter; the second is a single tender, without pre-emptive rights and with the direct selection of the winning party.

Throughout 2008, works for roadway infrastructure were predominant among PPP projects. The most significant of these, accounting for 45% of the entire PPP market in 2008, included the following:

- the tender promoted by Concessioni Autostradali Lombarde S.p.A. (a mixed joint venture between Anas and Infrastrutture Lombarde) for Milan's eastern outer beltway, a new 33km toll road connecting the A4 Milan-Brescia motorway with the A1 Milan-Bologna motorway, for an expected total investment of €1.6 billion;
- the tender promoted by the Region of Emilia Romagna for the Cispadana regional motorway, a new toll road that will connect the A22 Brennero motorway with the A13 Bologna-Padua motorway, for an expected total investment of €1.1 billion.

Other important toll-road projects have been started by local authorities. Of particular note are the Torricelle tunnel in Verona for an estimated investment of €290 million (providing a direct connection with Verona's east and west beltways) and the connection with state highway SS 67 ("*Tosco Romagnola*") in Ravenna for an estimated investment of €152 million.

[2] Figures drawn from the Italian Public-Private Partnership Observatory.

In 2008, procedures also began to award contracts for energy-from-waste plants, including the tenders being promoted by the Province of Salerno (€400 million) and the Province of Latina (€222 million).

However, in a market in which there were no significant closings of new project financing transactions related to PPP projects, CDP finalised involvement in the financing for the concession holder for Milan’s new metro line no. 5 and for the concession holder for the new Bologna offices for the Region of Emilia Romagna.

Finally, the tenders continued in 2008 to select general contractors for important motorway projects related to the first section of the Pedemontana Lombarda motorway, for a total of €781 million, as well as for the third macro-section of the A3 Salerno-Reggio Calabria motorway, for a total of €897 million, and the Palermo-Lercara Friddi section (of the Palermo-Agrigento route), for a total of €223 million.

3. Cassa depositi e prestiti

3.1 Organisation

The renovation and development efforts that CDP has undertaken in previous years continued in 2008 with projects aimed at developing the organisational model, as well as at designing and revising organisational processes and implementing new infrastructure projects.

Development of the organisational model: main innovations

Appointment of a Managing Director

As mentioned previously, the new position of managing director was introduced in 2008. The work to design and adapt internal regulations has, in large part, been completed. Additional changes to the organisational model as a result of this new position are expected to be implemented in 2009.

The design and revision of organisational processes

Business processes

During the year, operating processes were updated in a number of ways (regarding granting and disbursing loans to local and regional authorities), and new operating processes concerning the granting of loans to public agencies were also defined.

The organisation and application of the procedures for collection of loans granted and disbursed from the Revolving Fund to support business and research investment (FRI) were designed and defined, as were the operational and technical procedures for managing loans to be granted to Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA), also under the FRI.

Finally, as concerns the Finance division, work continued on a feasibility study regarding the implementation of the front-to-back integration of the division's operations and the guidelines for liquidity management.
During the latter part of the year, efforts began to revise and redesign CDP's lending process, so as to redefine the guidelines, rules and principles for granting loans, which are to be applied to the various areas specific to the individual business units. In particular, specific emphasis has been placed on studying the procedures for analysing credit ratings, evaluating their extension to all categories of loan origination, including with regard to activities under the Separate Account.

Support processes

Payment and collection management

The new payment and collections system (SIPA) was created in order to have a single, standardised platform to manage the payment and collection process.
In that regard, the user requirements needed to determine the system's functions were defined and formalised; the processes have been designed and related organisational procedures published; the application profile management system has been designed and implemented; the system has been tested; the user manuals have been drafted, and the employees involved have received classroom training.
Organisational analyses have also been conducted concerning the Payment & Collection and Operations areas of the Administration and Financial Reporting department in order to adapt the department's organisation to process innovations introduced along with the new system. Finally, the back-office procedures for the Administration and Financial Reporting department have been drafted.

Purchasing management

The organisational analysis of the Purchasing & Logistics department has been updated, with a particular emphasis on developments in managing activities regarding general in-house services.
Purchasing processes have also been adapted to new legislation concerning public tenders, which involved updating the processes of evaluating and purchasing goods and services and introducing a vendor selection process.

Human resource management

A number of human resource management procedures have been redesigned in line with the development needs that have emerged. The related process mapping has been completed and remaining procedures defined.

Other monitoring processes

Within the scope of the project to comply with legislation governing money laundering, the Tax Register and financial investigations, the company's organisational processes and procedures have been defined.

New internal control processes have been designed in accordance with Law 262/2005.

Analysis has begun concerning the design and implementation of the processes for the control, evaluation and management of "problem loans", an activity which bears on both the internal control model (Law 262/05 et al.) and to the broader policies of credit risk management.

Implementation of new infrastructure projects

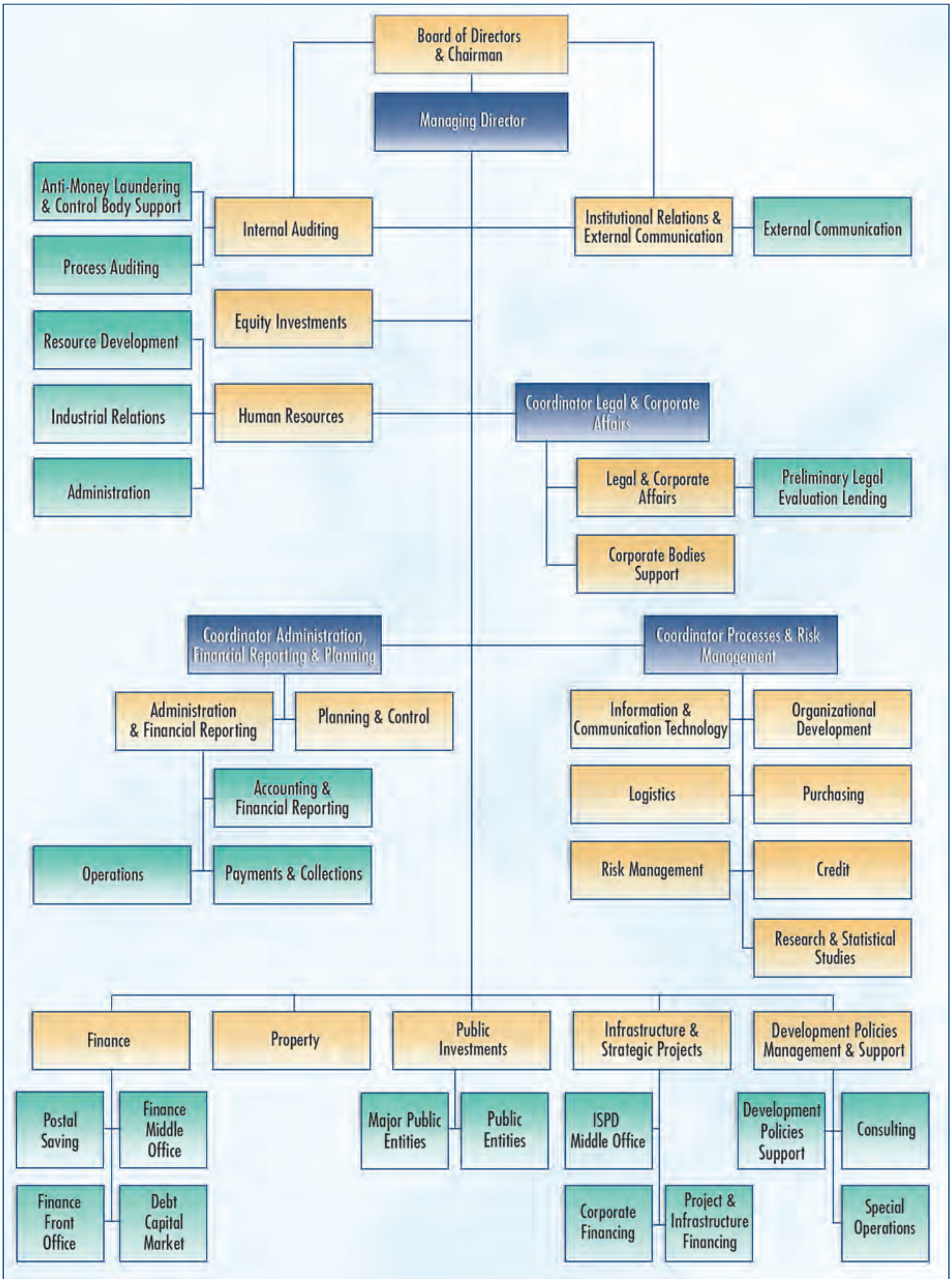
Research has begun for the implementation of a new, integrated lending information system.
In 2008, an initial software selection study was completed with the goal of selecting a platform with the features, technology and architecture needed to support all of CDP's lending operations.

A feasibility study was also started concerning identity and access management, with the goals of facilitating the centralisation of the password management process, controlling and monitoring system use through activity tracking, and continuing to improve compliance with data protection and information security legislation.

Finally, the company's new intranet (CDPNET) has been designed.

The Organisation chart

The CDP organisation chart is as follows (company rules of 27 January 2009):



3.2 Personnel

The workforce

At 31 December 2008, CDP had 405 employees consisting of 30 executives, 137 middle managers and 238 office staff.

Compared with the previous year, the workforce increased by 13, the net balance of 22 new hires and 9 departures, largely due to retirement.
The average age of employees remained substantially unchanged (46 years). Women make up 42% of the workforce, and 44% of the workforce is qualified to university graduate level.
The year saw the continuation of a campaign to attract specialists and new graduates with skills, motivation and aptitudes well suited to the company environment.

Personal training and management

In 2008, the personnel management and assessment activities implemented in recent years, now consolidated, were continued.
Training activities comprise in-house courses on specific subjects as well as courses organized by external companies. All told, staff received around 6,000 hours of training in the year, an increase of 30% with respect to 2007.
The training referred mainly to finance, regulatory and institutional issues and to information technology and language skills.
A special professional development course for middle managers was designed and begun during the year, with financial assistance from the national fund for continuous training in the banking and insurance industry.

Industrial relations

With the assistance of the Italian Banking Association (ABI), an agreement was signed in July 2008 with union organizations representing industry workers to include all non-executive CDP staff in the national collective bargaining agreement for executives and professionals in the banking and financial services sector.
Until that date the employment relationship of CDP staff had been regulated by a company-level bargaining agreement that expired on 31 December 2005.
Thanks to the new arrangement, CDP employees now enjoy the same legal and economic treatment as their peers in other companies operating in analogous industrial sectors.

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 2008, the Internal Auditing department was involved in conducting the audits envisaged in the annual plan that was approved by the Board of Directors and is based on a consolidated method for conducting preliminary analyses of the risks inherent in the corporate processes. Based on this methodology, the department's annual plan of activities was prepared and submitted to the Board of Directors for approval in January 2009.

The audits identified areas for improvement in the management of the processes analysed, and recommendations were made for management action.
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 to monitor company operations more efficiently. The reporting flows are intended both for the Internal Auditing department and for the Supervisory Body (established pursuant to 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. Following the revision of the compliance model by the Board of Directors, the Supervisory Body established internal rules for its operations and set out 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 legislative and organisational changes with a bearing on the administrative liability of organisations, and, when necessary, made recommendations for changes to the model and submitted them to the Board of Directors for approval.

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, and charged also with the responsibility of providing any additional information that the authorities might require. 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 and anti-terrorism compliance.

In implementation of the provisions of Article 154-bis of the Consolidated Law on Financial Intermediation (relating to the appointment of a financial reporting manager responsible for the preparation of financial statements), CDP continued to carry out the following activities:

- designing the control system and formalizing 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 results, calibrating corrective action and operating the certification process to help the financial reporting manager and delegated administrative bodies prepare the declaration to be attached to the statutory and consolidated financial statements.

In carrying out these activities, and in accordance with the relevant rules approved in July 2007 by the Board of Directors, the financial reporting manager received assistance from the Organisational Development department in relation to the formalization of administrative and reporting processes, and from the Internal Auditing department, which provided considerable support in helping to implement an extensive testing programme aimed at verifying the effectiveness of the internal control system in safeguarding the administrative and reporting procedures of CDP.
During the year, the financial reporting manager and the main bodies/individuals (both internal and external) responsible for control processes carried out periodic exchanges of information.
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.

3.4 Information systems

In 2008, work continued on updating the application architecture of CDP's systems with the aim of automating its operating processes. The main activities were the following:

The payment and collection system

As planned, the new payment and collection system (SIPA) was rolled out at the end of March 2008. The system was designed to automate the cycle of payments and collections (acquisition, addressing, transmission, and settlement). The system is the sole receipt and management point for payment orders, and makes it possible to manage all the circuits used in the exchange and settlement of orders. The application architecture, which consists primarily of commercial software solutions, is fully integrated with the new accounting processes and ensures accounting separation between the Separate Account and the Ordinary Account.

The roll-out of the new system has boosted efficiency in the management of orders, with the following specific benefits:

- more fully automated payment operations;
- lower operational risk and improvements in authorization controls;
- better traceability for single operations;
- the creation of a single database of all orders that is capable of uploading data to external control systems;
- settlement accounting carried out by means of "certified" messages from payment circuits.

Support system for front-office activities of the Finance Division

During 2008, a number of activities were carried out in preparation for the integration of the front-office system of the Finance division with other company systems. Specifically:

- a project was completed for the migration to a new version of the application that, in addition to improving the performance of the system, also made it possible to introduce new application modules;
- several back-office modules were activated and configured;
- a standard applications solution that integrates the product with electronic markets was installed.

In parallel with the above activities, the scope and aims of the Finance Systems Integration project were defined. The project seeks to automate the management of the entire life cycle of products currently held in the portfolios of the Finance division by building a solution that is open to both horizontal scaling (new products) and vertical scaling (new functions, such as supervisory reporting).
The project envisages the integration and automation of the following processes:

- the product life cycle;
- payments and settlement instructions;
- confirmations;
- Credit Support Annexes (CSA);
- calculation of the amortised cost of securities.

In December, a feasibility study was begun with the intention of determining the operational model and applications architecture to use, scheduling a work programme for the selected implementation areas and carrying out a preliminary analysis of the main components of integration. Work on the first implementation area is scheduled for March 2009.

Support systems for Postal Savings

In September 2008, CDR completed the work on the Postal Savings database (SISPAR), the aim of which is 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 system is now at the testing stage and should enter into full service in the first

half of 2009. Once operative, it will greatly reduce operational risks and enable CDR to operate safely (thanks to the use of a centralised database, auditing, a double-approval process, the secure transmission of data to Poste Italiane and outcome confirmations).
The year also saw the development of a new application for calculating yields paid on postal savings bonds, which was integrated with the Postal Savings front office system (FORP). Once the testing stage is complete, the application will be migrated to the CDP website.

Support systems for the management of the Revolving Fund for enterprises (FRI)

In December 2008, the first version of an application for the management of payments relating to FRI loans was released. Specifically, the application facilitates the tasks of tracking and reporting collections. The application has helped reduce the manual workload in this area, which has led to faster processing times and, thanks to the lower error rate, improved control.
Work is under way to add additional functions to complete the processes of collection receipt, reconciliation and reporting.

Support systems for compliance with money laundering legislation

The inclusion of CDP in the list of entities subject to the legislation on money laundering has obliged the company to initiate a project to determine the scope of action to be taken to ensure compliance with the various obligations concerning the reporting of transactions.
In revealing, among other things, the shortfalls between the data required by law and the amount of data available on the company information systems, the study highlighted the need for an upgrade of the application used for managing the records of CDP counterparties. The same study also led to the definition of a solution that will enable CDP to install a single interface for the reporting systems that are destined for outsourcing (management of the Unified Data Archive and notifications to the Tax Register).

An internal study completed during the year enabled the company to identify a series of technologies and projects to improve the quality of service, enhance the flexibility and effectiveness of its IT resources and assure medium/long-term operational efficiency through the creation and strengthening of internal mechanisms (processes and instruments) to consolidate CDP's management capabilities while also reducing operational risk.

3.5 Rate policy

In 2008, the policy for determining rates continued to follow the lines set down in previous years after 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. In 2008, operations also continued for the assets and liabilities related to the Ordinary Account.

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 rates either lower than or equal to the increases and the maximums defined by Law 448 of 23 December 1998 for loans whose repayment is charged to the state, and which is set periodically in communications issued by the Ministry for the Economy and Finance. The methodology used was the same as in 2007, and the company was thus able to assure consistency in the financial terms available for each type of product, within the limits of the regulations mentioned above.

In the closing months of 2008, the financial crisis brought about a dramatic widening of the spread with respect to Euribor for medium - and long-term government securities. The effect was to raise the rates and the increases offered on CDP's specific-purpose loans to the maximum levels established in the communication of the Ministry for the Economy and Finance (published in *Gazzetta Ufficiale* no. 168 of 19 July 2008) even though the same communication had already raised the ceiling from its previous threshold (communication published in *Gazzetta Ufficiale* no. 262 of 8 November 1999).

For all floating-rate loans, the same Euribor parameter was used as in 2007, namely 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. Using this method, the increases offered for floating-rate ordinary loans with "Italian-style" amortisation plans, as well as those for floating-rate flexible loans to local authorities were very close to the corresponding Euribor asset swap spreads, 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.

Spread on floating-rate ordinary specific-purpose loans

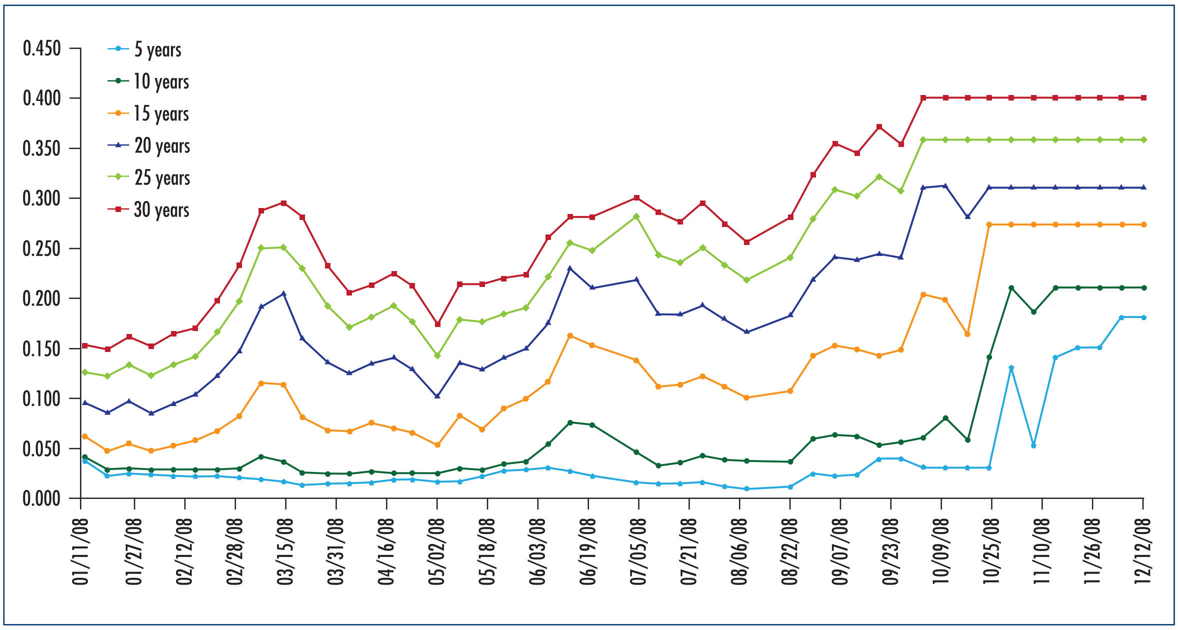


Figure 3.5.1: Euribor-parameter spread applied by CDP for floating-rate ordinary loans under the Separate Account with repayment starting on the first day of the calendar six-month period following the signing of the loan agreement (weekly chart by amortisation length): 5, 10, 15, 20, 25, 30 years).

Spread on fixed-rate ordinary specific-purpose loans

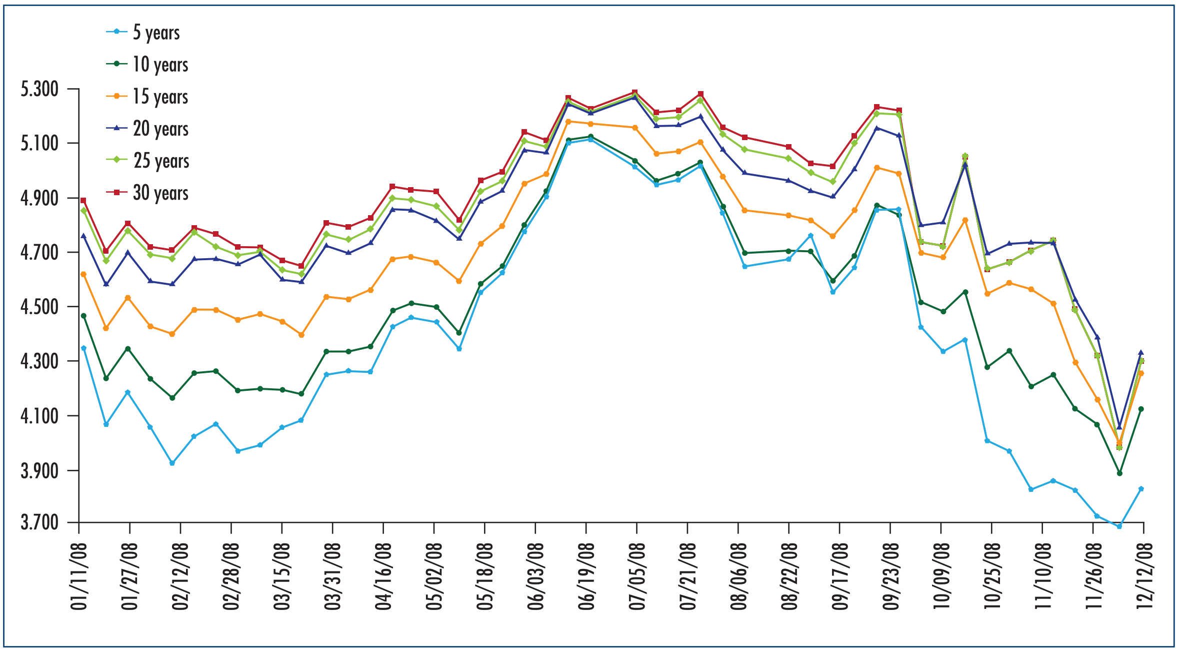


Figura 3.5.2: Terms applied by CDP for fixed-rate ordinary loans under the Separate Account with repayment starting on the first day of the calendar six-month period following the signing of the loan agreement (weekly chart by amortisation length: 5, 10, 15, 20, 25, 30 years).

In addition to ordinary and flexible loans to local authorities, during the year the company continued to provide other public bodies with all the other types of loan with regular weekly quotations that were already available in 2007.

In 2008, quotations were made for fixed-rate loans without grace periods payable by the state and disbursed in single or multiple instalments, adopting a flexible approach, with financial structures designed with reference to specific special laws and the consequent ad-hoc quotations, in line with the terms applied on standard loans.

As regards the Ordinary Account, in 2008 the company originated several new loan agreements (project financing and corporate financing). 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 location 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.

On the liabilities side of the Separate Account, funding activities, which are concentrated mainly in Postal Savings products, were strengthened.

With regard to Postal Savings, which traditionally includes interest-bearing postal savings bonds and passbook savings accounts, in 2008, as in previous years, the terms offered to investors continued to be updated on a monthly basis, in line with the reference market. In order to set terms for postal savings bonds that match those of the market, in addition to using pricing models based on best practices, CDR also used its proprietary econometric model 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 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. With the innovations introduced between 2005 and 2007, postal savings bonds (of which there are now seven types in the portfolio) have reached an optimal level of diversification, both as regards maturities and underlyings.

In 2008, six new monthly series were issued for each month of the year referring to 20-year ordinary bonds, 5-year indexed bonds, 7-year Premia bonds, 18-month bonds, 10-year Italian inflation-indexed bonds and variable-maturity bonds for minors.

The following tables show the rates applied to Postal Savings products.

Annual gross interest rates on postal passbook savings accounts - 2008

	Ordinary passbooks "Oro" Class	Ordinary passbooks "Giallo" Class	Special passbooks for minors
from 1 January to 31 October	2.50%	2.00%	2.65%
from 1 November to 31 December	2.70%	2.20%	2.85%

Yield at maturity of postal savings bonds - 2008

	Ordinary bonds (20 years)	Indexed bonds (5 years) (a) (*)	Premia bonds (7 years) (b)	18-month bonds (1.5 years)	Indexed bonds (10 years) (c)	Special bonds for minors (18 years) (d)
from 1 January to 31 January	3.12%	0.92%	0.90%	3.21%	0.72%	4.59%
from 1 February to 28 February	2.77%	0.62%	0.40%	2.91%	0.62%	4.45%
from 1 March to 31 March	2.80%	0.62%	0.40%	2.82%	0.44%	4.53%
from 1 April to 30 April	2.83%	0.72%	0.45%	3.10%	0.35%	4.49%
from 1 May to 31 May	3.02%	0.92%	0.75%	3.35%	0.45%	4.68%
from 1 June to 30 June	3.09%	1.12%	1.00%	3.55%	0.45%	4.76%
from 1 July to 31 July	3.14%	1.32%	1.20%	3.76%	0.56%	4.70%
from 1 August to 31 August	3.08%	1.22%	1.15%	3.66%	0.56%	4.71%
from 1 September to 30 September	2.92%	1.12%	1.00%	3.60%	0.48%	4.53%
from 1 October to 31 October	2.92%	1.12%	0.90%	3.45%	0.42%	4.55%
from 1 November to 30 November	2.82%	0.72%	0.40%	2.77%	0.82%	4.10%
from 1 December to 31 December	2.46%	0.52%	0.10%	2.37%	1.02%	3.80%

(a) The yield on indexed postal savings bonds is net of any indexing premium paid at maturity.
(*) Maximum premium: 28% of face value.
(b) The yield on Premia bonds is net of any annual premiums.
(c) 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.
(d) The yield of bonds for minors refer to bond subscribed on behalf of an infant less than two months old.

As far as the funding activities of the Ordinary Account are concerned, the rates offered on the series of notes issued under the EMTN programme reflect not only the current state of the market but also the creditworthiness of the issuer (AA-, Aa2, A+) and the nature of products for private placement with institutional investors.

Gross interest rates on issues under EMTN programme - 2008

	Issue date	Face value	Structure	Semi-annual coupon
EMTN maturing 28 March 2013	28/03/2008	€ 250,000,000	Puttable Floating Rate	6-month Euribor +0.06%
EMTN maturing 15 July 2010	15/07/2008	€ 350,000,000	Floating Rate	6-month Euribor +0.03%
EMTN maturing 30 January 2010	30/07/2008	€ 100,000,000	Puttable Floating Rate	6-month Euribor +0.03%

3.6 State of implementation of the provisions of legislative decree 196 of 30 June 2003

Article 25 of Annex B of the consolidated privacy act (Legislative Decree 196 of 27 June 2003) prescribes that the report on operations (if required) accompanying the financial statements shall include a notification by the data controller of the preparation or updating of the Security Policy Document.

Article 19 of Annex B (relating to technical instructions on minimum security measures) prescribes and regulates the preparation of the Document, which must be prepared by the data controller in possession of sensitive or judicial information.

Pursuant to the foregoing article, the Security Policy Document shall contain information on the list of data processing procedures, the distribution of duties and responsibilities in the unit in processing the data, an analysis of the risks associated with the data, the security methods to be used to ensure data integrity and a description of the criteria and methods to be used for data recovery in the event of damage or destruction.

Accordingly, the company first drafted the Security Policy Document and then, in the report on operations accompanying the financial statements of subsequent years, has given notification of the preparation and updating of the Document.

In 2008, the data protection law underwent a number of significant amendments.

In particular, Article 29 of Decree Law 112/2008, ratified with amendments by Law 133 of 6 August 2008, added the following section "1-bis" to Article 34, stating: "*for persons processing non-sensitive personal data only, or sensitive data that refers only to the health of employees and associates, including those on project-specific contracts, without any disclosure of the related diagnosis, or refers to membership of trade unions or similar organizations, the obligation to prepare an updated Security Policy Document shall be replaced by an obligation to self-certify... that they are processing the foregoing data only and are in compliance with other data protection measures. With reference to the processing of such data... the Privacy Authority shall issue instructions on simplified methods for the application of the technical rules contained in Annex B with regard to the adoption of minimum measures referred to in section 1.*"

A further amendment of privacy regulations was introduced with the measure issued by the Privacy Authority on 27 November 2008 containing "measures for data controllers involved in processing data by electronic means with regard to the functions of system administrators."

In the measure, the Authority regulates the assignment of the functions of "system administrators", setting out requirements for those with administrator privileges, the methods to be used in designating system administrators and further requirements connected with the position.

The measure, however, excludes from its scope "controllers of data procedures that pose only minor risks to the parties to whom they refer, as they are covered by the recently approved simplification measures (Article 29 of Decree Law 112/08)".

In the light of the foregoing, CDP, regardless of the possible application of simplified measures, which will in any case be considered with regard to compliance, has updated its Security Policy Document to incorporate any changes, including the measures for data controllers involved in processing data by electronic means with regard to the functions of system administrators.

RESULTS OF CASSA DEPOSITI E PRESTITI

4. Financial position

In order to facilitate understanding of our results, the analysis of CDP S.p.A.'s financial position is provided using schedules reclassified on the basis of operational criteria, in line with the schedules that precede the descriptive section of the report on operations. The following table offers a reconciliation of the balance sheet items and the reclassified aggregates.

Balance sheet - Assets

(millions of euros)

		Assets - Reclassified schedules							
	2008	Cash and cash equivalents	Loans to customers and banks	Debt securities	Equity investments in associates and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest bearing assets	Other assets
Assets									
10. Cash and cash equivalents	105,269	102,615						2,654	
20. Financial assets held for trading	401					401			
40. Financial assets available for sale	9,775			207	9,564			5	
50. Financial assets held to maturity	206			200				6	
60. Loans to banks	4,784	4,249	510					26	
70. Loans to customers	84,061		81,727	255				2,079	
80. Hedging derivatives	101					101			
100. Equity investments	4,305				4,305				
110. Property, plant and equipment	208						208		
120. Intangible assets	6						6		
130. Tax assets	636								636
150. Other assets	36								36
Total assets	**209,789**	**106,863**	**82,237**	**662**	**13,869**	**502**	**214**	**4,770**	**672**

Balance sheet - Liabilities and Shareholders' equity

(millions of euros)

	2008	LIABILITIES AND SHAREHOLDERS' EQUITY - Reclassified schedules					
		Debt and payables	Hedging derivatives and liabilities held for trading	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies taxes and staff severance benefit	Shareholders' equity
LIABILITIES AND SHAREHOLDERS' EQUITY							
10. Due to banks	694	477		216			
20. Due to customers	92,281	91,913		369			
30. Securities issued	103,507	103,214		294			
40. Financial liabilities held for trading	382		382				
60. Hedging derivatives	1,272		1,272				
70. Adjustment of financial liabilities hedged generically (+/-)	17		17				
80. Tax liabilities	927					927	
100. Other liabilities	985				985		
110. Staff severance pay	1					1	
120. Provisions	8					8	
130. Valuation reserves	1,162						1,162
160. Reserves	3,665						3,665
180. Share capital	3,500						3,500
200. Net income for the period (+/-)	1,389						1,389
Total liabilities and shareholders'equity	**209,789**	**195,603**	**1,671**	**879**	**985**	**935**	**9,716**

4.1 Assets

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

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Cash and cash equivalents	106,863	92,807	15.1%
Loans to customers and banks	82,237	78,631	4.6%
Debt securities	662	208	217.8%
Equity investments in associates and shares	13,869	19,950	-30.5%
Hedging derivatives and financial assets held for trading	502	1,182	-57.6%
Property, plant and equipment and intangible assets	214	214	0.3%
Accrued income, prepaid expenses and other non-interest-bearing assets	4,770	2,212	115.6%
Other assets	672	890	-24.5%
Total assets	**209,789**	**196,094**	**7.0%**

Total assets amounted to around €210 billion at the end of 2008, an increase of about 7% on the previous year.

In absolute terms, the increase in assets is mainly a result of the increase in liquidity brought about by a significant net funding through Postal Savings in the year that was not entirely offset by lending to customers.

In confirmation of this, the aggregate of loans to customers and banks was marked by more moderate growth, in line with the previous year.

A significant decline occurred in the carrying amount of equity investments and shares both as a result of the diminished market value of Eni S.p.A. and Enel S.p.A. stocks (which are carried at fair value with changes recognised in an appropriate reserve in Shareholders' equity) and a further writedown of the indirectly held interest in STMicroelectronics N.V..

As regards the other aggregates, a significant increase took place in the stock of assets, which is largely a reflection of changes in the fair value of assets hedged against financial risk by means of derivatives, partially offset by a decline in their carrying amount.

4.1.1 The main financial assets

CDP operates mainly in making loans to customers, investing in securities, and acquiring equity investments and holdings in investment funds.

As regards loans to customers, CDP's loan portfolio can be divided between the products of the Separate Account and those of the Ordinary Account. The latter may, in turn, be subdivided between lending to banks and to non-bank customers.

The Separate Account essentially operates through the supply of standardized credit products that are granted on the basis of the principles of accessibility, parity of treatment and pre-established conditions and non-discrimination. The general terms and conditions of loans are published in circulars and on the company's website. The interest rates charged on loans are announced weekly in the press and on the company's website.

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/1 July of the following year. During the grace period, the borrower pays interest (simple capitalisation) on the amounts disbursed by CDP at the fixed rate or at the reference parameter increased by the spread established for the loan. During the amortisation period CDP pays a floating rate of interest six-monthly on amounts not yet disbursed;
b) "flexible" loans, 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 reference parameter at the time of the granting in accordance with the length of the amortisation period and the pre-repayment grace period;
c) loans without a pre-repayment grace period disbursed in one or more instalments for regions and autonomous provinces;
d) real estate and unsecured loans for local health authorities, hospitals, public residential construction entities, universities and comparable higher educational institutions;
e) loans under the Revolving Fund in support of businesses and investment in research;
f) advances under the Revolving Fund for project development.

As part of its Separate Account, CDP also participates in tenders held by public entities for loans with repayment charged to the government.

Finally, instead of providing loans, CDP will in certain circumstances subscribe bond issues by local authorities or public bodies. As a rule, these bond issues are subscribed in full by CDP alone, and they therefore constitute an integral part of customer lending activities.
Below we distinguish them from other investments in securities that are made as alternatives to holding liquid assets.

The Ordinary Account, on the other hand, offers a broad range of financial products that are structured according to the specific needs of customers. Lending can generally be divided into corporate loans or project financing for the construction of works, plant, networks and other infrastructure for the delivery of public services and for reclamation projects, according as the loan is made to a company operating in the public services sector or else disbursed as part of a specific project financing operation.

Developments in the main lending activities in 2008 are discussed below, with the division between those through the Separate Account and those through the Ordinary Account detailed in the following table.

Stock of loans to customers and banks

(millions of euros)

	31/12/2008	31/12/2007	Change percent
Separate account	**79,931**	**77,280**	**3.4%**
- receivables and securities from lending activities	78,726	76,333	3.1%
- other receivables	1,205	948	27.2%
Ordinary account	**2,306**	**1,350**	**70.8%**
- receivables and securities from lending activities	2,255	1,291	74.7%
- other receivables	51	60	-14.2%
Total loans to customers and banks	**82,237**	**78,631**	**4.6%**

The amount recognized under receivables and securities from lending activities normally corresponds to the residual debt in repayment (or the amount disbursed in the grace period) for loans made through the Separate Account, and to amounts disbursed for lending through the Ordinary Account.
The other receivables include value adjustments made in compliance with IAS/IFRS, with particular regard to the recognition at amortized cost of loans or securities.

For the purposes of examining developments in customer lending, references to loans and securities relating to financing activities will henceforth be stated net of other receivables from customers and banks.

4.1.1.1 Developments in Separate Account lending

A) Loans to customers and banks and new lending
The stock of loans to customers of the Separate Account at 31 December 2008 came to €78,726 million, an increase of 3.1% with respect to the end of 2007. At 31 December 2008, €10,041 million of loans in repayment were still awaiting disbursement. Such loans are normally disbursed in accordance with the state of progress of the respective projects.

Stock of loans to customers and banks - Separate Account

(millions of euros)

	31/12/2008	31/12/2007	Change percent
Specific-purpose loans	77,498	75,735	2.3%
Advances	27	43	-38.1%
Securities	881	537	64.0%
Other loans (FRI)	321	18	N/S
Total	**78,726**	**76,333**	**3.1%**
Amounts to disburse on loans	**10,041**	**10,895**	**-7.8%**

In 2008, the reference market for the Separate Account remained sluggish as the slow growth in lending volumes that characterized 2007 persisted. This was particularly the case for lending to local authorities, even though a slight increase took place in the volume of lending activities to smaller authorities. In the closing months of 2008, however, a significant upsurge took place in the volume of loans granted to the regions and autonomous provinces, whose demand for funding is irregular and hard to predict.

As a result of this unexpected demand, the volume of CDP S.p.A.'s loans in the final months of the year reversed the negative trend of the first half of 2008. Overall, lending amounted to €8,179 million, almost twice as much as at the end of 2007.

Flows of new loans granted - Separate Account - 2008

(millions of euros)

	North	Centre	South	Total
Local authorities	1,545	918	1,369	3,832
Regions and autonomous provinces	1,011	1,501	756	3,268
Other entities	719	157	69	946
Other loans (FRI)	73	12	48	134
Total	**3,348**	**2,588**	**2,243**	**8,179**

As mentioned, lending to autonomous regions and provinces made a significant contribution (40% of total new lending, in the amount of €3,268 million). Lending to local authorities accounted for 47% of the total (€3,832 million); lending to other recipients, including universities, public sector bodies and other public institutions accounted for 12% (€946 million), while loans made under the FRI accounted for 2% (€134 million).

An examination of the loans to the public sector (excluding the contribution of the FRI) net of lending for sundry purposes (including loans to regions) shows that a majority of the specific-purpose loans were for road and transport projects, the maintenance or construction of schools, the construction or purchase of properties for public offices and for sundry public works.

Breakdown of loans under Separate Account by purposes - 2008 (net of FRI)

(millions of euros)

Public and social building	635
School and university building	676
Sports, recreational and lodging facilities	232
Healthcare building	49
Road and transport	1,316
Water projects	66
Sanitation projects	130
Energy projects	108
Other public works	486
Loans for sundry projects	4,246
Total investments	**7,945**
Liabilities	100
Total	**8,046**

A break-down of new loans by product reveals that most were without a pre-repayment grace period (designated especially for regions and apart from operations charged to the state) and, compared with the previous financial year, the relative weight of ordinary and flexible loans declined.

There was an increase in the volume of new products designed for non-territorial public entities (real estate and unsecured loans), which accounted for €245 million, thanks to the commercial targeting of these customers during the year.

In 2008, CDP also participated in tenders held by public entities for loans with repayment charged to the state and was awarded loan contracts totalling €770 million.

Breakdown of loans under Separate Account by product - 2008

(millions of euros)

Ordinary loans	2,849
Flexible loans	375
Unsecured and real estate loans	245
Loan contracts awarded in tenders	770
Loans without pre-repayment grace period	3,806
Other loans (FRI)	134
Total	**8,179**

B) Disbursements made during the year

Last year, loan disbursements came to €6,837 million.

Here, too, volumes rose compared with 2007, mainly due to the rise in volumes of new lending approved (with the consequent disbursements) for the regions and autonomous provinces, as well as lending under the FRI.

Disbursements of CDP S.p.A loans - 2008

(millions of euros)

Local authorities	3,884
Regions and autonomous provinces	1,876
Other entities	770
Other loans (FRI)	306
Total	**6,837**

C) Other Separate Account activities

Advances granted on the Revolving Fund for Project Development posted a decline in 2008, totalling €27 million at the end of the year.

As noted above, the Separate Account loan portfolio also includes securities issued by public entities and other public-law bodies. In 2008, CDP S.p.A. subscribed securities issued by public-law bodies totalling €348.5 million.

D) Revolving fund in support of businesses

The Revolving Fund in support of businesses and research investments, established by Article 1(354) of Law 311 of 30 December 2004, is one of the specific-purpose funds that have been active since 2006. This tool is a part of the broader reform of public incentives for business, and replaces a portion of the grant with a subsidised loan based on CDP S.p.A. funding raised from Postal Savings. Of the fund's resources (€6 billion) at the end of 2008, the competent ministries approved loans totalling €2,333 million, of which €1,547 million under Law 488/92 (development incentives), €276 million under Law 46/82 (Technological Innovation Fund), and €510 million under Legislative Decree 297/99 (Research Incentive Fund).

Total new lending agreed during 2008 amounted to €134 million, for cumulative total of €1,385 million in financing under the Fund.

Flow of new FRI loans by subsidy law - 2008

(millions of euros)

Subsidy law	
Law 488/92 (Artisans)	4
Law 488/92 (Tourism, industry and trade)	26
Law 46/82 (FIT - PIA Innovation)	1
Legislative Decree 297/99 (FAR)	103
Total	**134**

Disbursements in 2008 amounted to €306 million, predominantly issued under incentive Law 488/92.

4.1.1.2 Developments in Ordinary Account lending

The total stock of loans under the Ordinary Account at 31 December 2008 came to €3,594 million, twice the amount registered at 31 December 2007 (€1,824 million). At the same date, the amount of loans disbursed, corresponding with the amount reported as an asset on the balance sheet, reached €2,255 million, up 75% over the closing balance for 2007.

The significant increase in new lending and disbursements can be attributed to new operations throughout 2008, particularly as regards corporate financing, concentrated in a limited number of large transactions.

Stock of loans granted - Ordinary Account

(millions of euros)

	31/12/2008	31/12/2007	Change percent
Project finance	548	367	49.3%
Corporate finance	3,047	1,457	109.1%
Total	**3,594**	**1,824**	**97.0%**
of which: guarantees	*135*	*11*	

Stock of loans to customers and banks - Ordinary Account

(millions of euros)

	31/12/2008	31/12/2007	Change percent
Project finance	118	127	-7.2%
Corporate finance	2,137	1,164	83.7%
Total	**2,255**	**1,291**	**74.7%**

More specifically, new lending reached a total of €1,863 million in 2008 (over four times the level in 2007), of which almost 90% was corporate loans.

Flows of new loans granted - Ordinary Account - 2008

(millions of euros)

	Total
Project finance	213
Corporate finance	1,651
Total	**1,863**

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

Total disbursements in 2008 for new lending and lending contracted in previous years amounted to €1,111 million, once again predominantly in the corporate finance segment.

Flows of new loans disbursed - Ordinary Account - 2008

(millions of euros)

	Total
Project finance	76
Corporate finance	1,035
Total	**1,111**

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

Disbursements were made predominantly to motorway and high-speed/high-capacity railway infrastructure companies, local public transport bodies and local multi-utility operators. A smaller portion were made to the power industry (including generation from renewable resources), water systems and urban renewal projects with infrastructure components.

The volume of Ordinary Account lending in terms of new lending and disbursements was up sharply in 2008 compared with 2007.

4.1.1.3 Equity investments

Equity investments and financial assets available for sale *(thousands of euros)*

	31/12/2008		
	Number of shares	Percent holding	Book value
A. Listed companies			
1. Eni S.p.A.	400,288,338	9.99%	6,700,827
2. Enel S.p.A.	627,528,282	10.14%	2,837,997
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%	446,787
3. Galaxy S.àr.l.	977,772	40.00%	24,523
4. Sinloc S.p.A.	605,727	11.85%	5,507
5. F2i SGR S.p.A.	1,500	14.29%	2,143
6. Istituto per il Credito Sportivo	2,065,864	21.62%	2,066
7. Europrogetti & Finanza S.p.A. (*)	5,975,000	31.80%	-
8. Tunnel di Genova S.p.A.	170,000	33.33%	-

(*) holding written down at 31/12/2008

At 31 December 2008 there were no significant changes in CDP S.p.A.'s equity investments compared with 31 December 2007, with the exception of the pro-rata subscription of a capital increase undertaken by Galaxy S.àr.l. in 2008 to raise capital for new investments, most notably: (i) the acquisition of a majority equity interest in the company that operates the Siena airport, Aeroporto di Siena S.p.A.; (ii) the acquisition of an additional stake in Arrow Light Rail Ltd, which is responsible for building and running a light metro system in Nottingham (UK).

At 31 December 2008, the CDP S.p.A. portfolio of equity investments primarily consisted of (i) 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, (ii) an indirectly held share of about 10% in STMicroelectronics N.V. acquired in December 2004, and (iii) a 29.99% stake in Terna S.p.A., which was acquired from Enel S.p.A. in September 2005.

At 31 December 2008, for the purposes of calculating the carrying value of the stake in STMicroelectronics Holding N.V. ("STH"), the shareholding in STMicroelectronics N.V. was measured, as this equity investment is the company's only significant asset, and STH has virtually no liabilities.

The equity investment in STH was consequently recognised at a value of €447 million, taking into account the market value of STMicroelectronics N.V. shares, producing a consequent €502 million writedown recognised in full in the 2008 income statement (of which €266 million had already been recognised in the interim financial statements at 30 June 2008).

At 31 December 2008, the equity stake in Europrogetti & Finanza S.p.A. was completely written down, with a €2.1 million impact on the income statement.

With regard to all equity investments held by CDP S.p.A., dividends received for 2008 came to about €1,051 million (of which €1,046 million collected by year-end), up 5.4% compared with the 2007 figure of €997 million. The investments in Eni S.p.A. and Enel S.p.A. accounted for the lion's share of this amount. 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; starting with the dividend payout for 2007, STMicroelectronics N.V. has been paying out its annual dividend in four equal quarterly payments.

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

- the investment in Terna S.p.A. is classified as an investment in a subsidiary and carried at purchase cost;
- the investments in Europrogetti & Finanza S.p.A. (currently in liquidation), 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 at purchase cost, net of writedowns;
- the investments in Enel S.p.A., Eni S.p.A., Istituto di Credito Sportivo, Sinloc S.p.A. and F2i SGR do not constitute investments in subsidiaries or associates. These investments therefore continue to be classified as available-for-sale financial assets and are measured at fair value, with changes taken to a specific equity reserve. Although the investment in Istituto per il Credito Sportivo (ICS) is equal to 21.62%, under the terms of ICS's articles of association it does not carry a corresponding share of voting rights. For this reason, CDP cannot exercise a significant influence over ICS's administrative and operating policies.

As concerns the separation of organisation and accounting, shareholdings in the CDP S.p.A. portfolio at 31 December 2008, 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 over high and very-high voltage networks throughout the country. It is also the primary owner of the nation's electricity transmission grid (NTN). 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. At the end of 2008, Terna acquired around 18,600 kilometres of high voltage network from Enel S.p.A., bringing the total electricity line network to over 61,700 kilometres. This transaction makes Terna the world's seventh largest electricity transmission company (in terms of the number of kilometres of power lines), and has enabled the company to consolidate its position as Europe's number one independent grid operator. 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 around 70 countries and employs more than 76,000 people. Its primary lines of business are: Exploration & Production, Gas & Power, Refining & Marketing, Petrochemicals, and 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 its acquisition of Spanish electricity company Endesa, Enel has become Europe's second largest electricity enterprise. Enel now has a presence in 22 countries, an installed capacity of around 95 GW, and serves around 60 million consumers with electricity and gas. Group operations are handled by the following divisions: Generation and Energy Management; Engineering and Innovation; Sales; Infrastructure and Networks; International; and Iberia and Latin America.

In December 2008, Enel set up a new company, Enel Green Power, to develop and manage power generation from renewable resources in Italy and worldwide.

The company's shares are traded on the Milan 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 of 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). The Poste Italiane Group also operates in the insurance market through Poste Vita S.p.A., a company that places insurance policies through more than 11,000 post offices in the Poste Italiane network. The Group has also entered the telecommunications industry as a virtual mobile operator through its subsidiary PosteMobile S.p.A.

STMicroelectronics Holding N.V.

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 exchange, the New York Stock Exchange, and Euronext Paris.

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. Galaxy operates in a manner typical of a private equity fund. The current Galaxy Shareholders are Caisse des Dépôts et Consignations ("CDC"), Kreditanstalt für Wiederaufbau ("KfW"), and CDP S.p.A..
Pursuant to the company's internal regulations, the investment period closed on 9 July 2008.
In consequence, the company is currently assessing strategies to leverage the assets in its portfolio.
CDP S.p.A. has a paid-up stake in Galaxy at 31 December 2008 of around €24.5 million. Further calls may be made on Shareholders after the end of the investment period solely in order to: (i) pay running costs (such as, for example, operating expenses or management commissions) and (ii) complete previously-approved investments.

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 renewal 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 at number 247 on the register of asset management companies maintained by the Bank of Italy. In December 2007, F2i SGR launched the Italian infrastructure fund (Fondo Italiano per le Infrastrutture), Italy's first fund specialising in infrastructure assets.

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

EPF was established in 1995, pursuant to Decree Law 26 of 1995, ratified under 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 development tool. In addition to assessing projects within the framework of managing the ventures it promotes, EPF also provides advisory services to central government, local government bodies and private companies.

It should be noted that the Shareholders' meeting of 28 January 2009 resolved to wind up the company pursuant to Article 2484.1, point 6, of the Civil Code, and has appointed two liquidators.

Istituto per il Credito Sportivo ("ICS")

ICS, which was reformed under 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.

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 2008, CDP S.p.A. received a formal expression of interest regarding the acquisition of the company's equity holding in TdG from a leading state-held company. Technical assessments are currently being carried out prior to completion of the disposal.

4.1.1.6 Investment funds subscribed by CDP

Investment funds

(thousands of euros)

	31/12/2008			
	Number of units	**Carrying amount**	**Sector**	**Fund manager**
1. PPP Italia	350	580	Infrastructure and PPP projects	Fondaco SGR
2. Abitare Sociale 1	98	4,949	Social housing	Polaris Investment Italia SGR
3. F2i - Fondo Italiano per le Infrastrutture	150	9,589	Infrastructure	F2i Fondi Italiani per le Infrastrutture SGR

The participation of CDP S.p.A. as a subscriber in investment funds facilitates investments in physical and social infrastructure 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 (PPPs);
- 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, KfW and the EIB).

CDP S.p.A. has subscribed the following funds: Fondo PPP Italia, Fondo Abitare Sociale 1 and F2i - Fondo italiano per le infrastrutture. Shares in these funds held by CDP S.p.A. are recognised as available-for-sale financial assets. CDP S.p.A.'s holdings in the Fondo PPP Italia and Fondo Abitare Sociale 1 are measured at the net value of the units as reported in the fund financial statements at 31 December 2008, drafted in compliance with the format established with a Bank of Italy measure of 14 April 2005.

As regards F2i - Fondo italiano per le infrastrutture, since the subscription period has not yet come to a close (and, as a result, no calculation has yet been made regarding the net value of units), the carrying amount of holdings in the fund is equal to the total amount paid in by CDP S.p.A. between the initial closing date for fund subscriptions and 31 December 2008.

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: (i) civil construction (schools, hospitals, public office buildings, etc.), (ii) the environment and urban regeneration, (iii) transportation and public utilities, and (iv) power generation projects that use renewable sources. The fund totals €120 million, and CDP S.p.A. has subscribed units totalling €17.5 million, around €1.1 million of which was paid at 31 December 2008. In December 2008, the fund completed its first investment by taking a stake in a company that owns a sports complex concession in a major provincial capital in northern Italy.

Abitare Sociale 1

Il Fondo Abitare Sociale 1 is an Italian closed-end ethical real estate fund promoted by the Cariplo Foundation in partnership with the Lombardy regional administration and the Lombardy branch of the National Association of Italian Municipalities. 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, in collaboration with the service and public sectors. This will also include rent control for the properties built using fund assets. The initiative primarily targets students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties. The Fondo Abitare Sociale 1 fund totals €85 million; CDP S.p.A. has subscribed units totalling €20 million, around €5 million of which was paid at 31 December 2008. In 2009, funds called up are expected to be invested in building projects in the municipalities of Crema and Milan selected by the fund management company.

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 resources), 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 and additional subscriptions in 2008, at 31 December 2008 the fund had total resources of around €1.8 billion. Final fund subscription closing took place on 28 February 2009, having raised a total of €1,852 billion. CDP S.p.A. has purchased units in F2i totalling €150 million, of which around €9.6 million had been paid at 31 December 2008. During 2008, the fund completed its first investments, including the acquisition of a 16% holding in the Alerion Industries S.p.A. renewable power company, which is listed on the Italian stock exchange.

4.1.2 Property, plant and equipment and intangible assets

CDP S.p.A.'s property, plant and equipment breaks down as follows:

Property, plant and equipment

(thousands of euros)

	Opening net value	Net increases/ decrease	Depreciation 2008	Closing net value	Change (percent)
Land	117,406	-	-	117,406	0.0%
Buildings	74,237	413	(2,478)	72,172	-2.8%
Plant	6,911	1,803	(2,181)	6,533	-5.5%
Hardware and electronic office machinery	3,794	937	(1,254)	3,477	-8.4%
Furniture and furnishings	3,093	993	(628)	3,458	11.8%
Intangible assets under development	1,607	1,899	-	3,506	118.2%
Leasehold maintenance	1,069	368	(203)	1,234	15.4%
Other assets	88	8	(23)	73	-17.2%
Total	**208,205**	**6,421**	**(6,767)**	**207,860**	**-0.2%**

The value of these assets is essentially unchanged on the previous year (-0,2%), 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 16.6% as detailed below.

Intangible assets

(thousands of euros)

	Opening net value	Net increases/ decreases	Depreciation 2008	Closing net value	Change (percent)
Intellectual property usage rights	10	-	(4)	5	-45.0%
Licences, trademarks and similar rights	4,732	1,390	(1,644)	4,478	-5.4%
Other intangible assets	624	1,510	(239)	1,895	203.9%
Assets under development and advances	104	(104)	-	0	-100.0%
Total	**5,469**	**2,796**	**-1,887**	**6,379**	**16.6%**

The increase in this item is mainly attributable to the implementation of company information system projects.

4.2 Liabilities and equity

CDP S.p.A. liabilities and equity can be grouped into the following aggregates:

Liabilities and Shareholders' equity

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Funding	195,603	178,213	9.8%
Hedging derivatives and financial liabilities held for trading	1,671	730	128.8%
Accrued expenses, deferred income and other non-interest-bearing liabilities	879	822	6.9%
Other liabilities	985	842	16.9%
Provisions for contingencies, taxes and staff severance benefit	935	1,131	-17.3%
Shareholders' equity	9,716	14,356	-32.3%
Total liabilities and shareholders' equity	**209,789**	**196,094**	**7.0%**

The increase in liabilities and equity compared with 31 December 2007 was generated by net new funding from Postal Savings and, to a lesser extent, an increase in the carrying amount of hedging instruments, offset by a significant reduction in Shareholders' equity following the reduction in the market value of Eni S.p.A. and Enel S.p.A. equities discussed earlier.

4.2.1 Funding

CDP S.p.A. funding is broken down in the table below.

Funding

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Due to banks	470	698	-32.7%
Due to customers	10,119	10,951	-7.6%
Debt securities	9,899	9,314	6.3%
Postal funding	175,116	157,248	11.4%
Total funding	**195,603**	**178,213**	**9.8%**

Funding from banks registered a 33% contraction as a result of a reduction in deposits associated with Credit Support Annexes, partially offset by an increase in lines of credit provided by the European Investment Bank.

Funding from customers, essentially consisting of the portion of specific-purpose loans for which the repayment period had begun at 31 December 2008 but which had not yet been disbursed, contracted by 8%, as the amount disbursed to customers was higher than the residual amounts to be disbursed for loans where repayment had begun during the course of the year.

Funding from securities posted an increase of around 6% following the issue of new bonds under the Ordinary Account.

As noted previously, postal funding increased by around 11%, boosted by net funding from passbooks and postal savings bonds.

4.2.2 Other liabilities

Other liabilities break down as follows:

Other liabilities

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Transitory liabilities	11	3	332.5%
Other liabilities	673	674	-0.2%
Tax liabilities	300	165	81.5%
Total other liabilities	**985**	**842**	**16.9%**

Tax liabilities mainly include withholding tax on interest accrued on Postal Savings, which will be paid to the tax authorities in 2009.

4.2.3 Provisions

Provisions break down as follows:

Provisions

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Provision for taxes and duties	927	1,128	-17.9%
Provision for staff severance pay	1	1	-6.4%
Provision for liabilities and contingencies	8	2	325.0%
Total provisions	**935**	**1,131**	**-17.3%**

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 remains minor given that CDP employees maintained their participation the INPDAP pension scheme after the company was converted into an S.p.A.; therefore, contributions are paid to that institution. As such, the amount reported for severance benefits is related solely to employees hired after the company was converted (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 was accrued in respect of disputes at 31 December 2008 and for future employee-related charges.

4.2.4 Shareholders’ equity

CDP S.p.A. Shareholders' equity at 31 December 2008 breaks down as follows:

Shareholders' equity

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Share capital	3,500	3,500	0.0%
Legal reserve	232	163	42.0%
Other reserves	3,433	2,583	32.9%
Valuation reserve	1,162	6,736	-82.7%
Net income for the year	1,389	1,374	1.2%
Total shareholders' equity	**9,716**	**14,356**	**-32.3%**

A comparison with the previous year shows a significant decrease in valuation reserves associated with the stock market performance of securities recognised as financial assets available for sale.

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 in the report on operations. The schedules detail CDP's margins as follows:

Income data

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Net interest income	2,360	2,206	6.9%
Gross income	2,532	2,423	4.5%
Net income from financial operations	2,508	2,414	3.9%
Operating income	2,444	2,349	4.0%
Income (loss) before tax on continuing operations	1,929	1,869	3.2%
Net income for the period	**1,389**	**1,374**	**1.2%**

5.1 Operating performance and results

Net income for the year ended 31 December 2008 was up on the previous year thanks to the good performance from core lending and funding activities.

Net interest income rose by around 7% to €2,360 million, following an increase in the volume of lending and funding, despite a slight narrowing in the spread between assets and liabilities.

Gross income rose by around 4.5% compared with 2007 to €2,532 million as a result of the increase in net interest income. This was partially offset by the loss from the measurement of hedging derivatives.

Net income totalled €1,389 million, up 1.2% from the previous year. This result was impacted by a €502 million writedown (compared with one of €472 million in 2007) of the indirect equity interest in STMicroelectronics N.V.. Other incomes items remained substantially unchanged from their 2007 values.

5.2 Costs

Operating costs break down as follows:

Operating costs

(thousands of euros)

	31/12/2008	percent	31/12/2007	percent
Administrative expenses:	65,300	88%	65,772	90%
- staff costs	*40,608*	*55%*	*39,001*	*53%*
- other administrative expenses	*24,693*	*33%*	*26,771*	*36%*
Depreciation and amortization	8,654	12%	7,579	10%
Operating costs	**73,954**	**100%**	**73,351**	**100%**

Overall operating costs remained essentially unchanged on the previous year, with a slight decrease in administrative expenses, particularly those not relating to staff, and a small increase in depreciation and amortisation charges in respect of major investments in IT systems and the renewal of plant and furnishings undertaken in recent years.

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

Breakdown other administrative expenses

(thousands of euros)

	31/12/2008	percent	31/12/2007	percent
Professional and financial services	5,548	22%	7,014	26%
IT expenses	5,588	23%	5,800	22%
Entertainment and marketing expenses	1,834	7%	1,481	6%
Corporate bodies	328	1%	395	1%
Publications and databases	1,073	4%	983	4%
Other	10,321	42%	11,098	41%
Maintenance	*2,297*	*9%*	*2,389*	*9%*
Consumables	*274*	*1%*	*259*	*1%*
Services	*4,523*	*18%*	*5,126*	*19%*
Insurance	*158*	*1%*	*179*	*1%*
Utilities	*1,672*	*7%*	*1,601*	*6%*
Indirect taxes and duties	*1,305*	*5%*	*1,166*	*4%*
Other	*93*	*0%*	*378*	*1%*
Total	**24,693**	**100%**	**26,771**	**100%**

Other administrative expenses show a generalised decrease in costs in 2008, with especially significant declines in expenditure for professional and financial services (-21%) and services-related expenses (-12%) compared with the previous year (in 2007 the company invested heavily in the development of new IT systems). Exceptions include advertising and marketing costs and costs for the purchase of publications and databases, which rose during the year principally as a result of disclosure requirements regarding the terms and conditions of Separate Account lending and funding.

6. Performance indicators

The positive performance achieved in 2008 is borne out by the key performance indicators.

6.1 Operating performance

Performance ratios (reclassified data)

(percent or euro per share)

	2008	2007
Net income / Opening shareholders' equity (ROE)	9.7%	10.4%
Net income / Average shareholders' equity (ROAE)	11.5%	10.0%
Income tax/Income before taxes (tax rate)	28.0%	26.5%
Net income / Total average assets (ROAA)	0.7%	0.7%
EPS (euros per share)	3.97	3.92

In relative terms, return on equity (ROE) came to 9.7%, a slight decrease on the previous year. The return on capital was, in any case, substantially in line with the targets CDP S.p.A. set out in its Business Plan.
As in previous years, the average tax rate (at around 28% of pre-tax income) benefited from the partial tax exemption of revenues from dividends.

6.2 Net interest income

Net interest income (reclassified data)

(percent)

	2008	2007
Interest income / Average interest-bearing assets (excluding shares and equity investments)	4.5%	4.4%
Interest income and dividends / Average interest-bearing assets	4.7%	4.4%
Interest expense / Average interest-bearing liabilities	3.1%	2.9%
Spread interest-bearing assets - interest-bearing liabilities	1.4%	1.5%
Net interest income /Average interest-bearing assets (excluding equity investments)	1.3%	1.3%
Interest on loans to customers as percentage of interest income	47.4%	53.2%

As noted earlier, the rise in net interest income is attributable to an increase in the volume of lending and funding, which was offset by a slight reduction in the spread on lending and funding ascribable to an asymmetric increase in funding costs compared with loan yields.
During the year, the relative weight of interest income on loans to customers and banks declined further as a proportion of total interest income, due to the higher level of cash and cash equivalents.

6.3 Gross income

Composition of revenues (reclassified data)

(percent)

	2008	2007
Net interest income/Gross income	93.2%	91.0%
Dividends and gains on equity investments / Gross income	-28.8%	-31.1%
Other revenues / Gross income	35.6%	40.1%
Commission expense / Postal funding	0.42%	0.48%

Net interest income accounted for 93.2% of revenues (up around 2 percentage points on 2007). The performance of net commissions also improved (a negative 28.8% in 2008 compared with 31.1% the previous year). Commission expenses were down in absolute terms and in terms of postal funding, predominantly as a result of the impact of a one-off cut in commissions payable to Poste Italiane S.p.A. after a partial failure to reach contractually- agreed funding targets. 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.
Other net revenues, consisting principally of dividends and gains on hedging, fell in absolute terms and in terms of their contribution to gross income.

6.4 Operating efficiency

Operating efficiency (reclassified data)

(percent or euros per share)

	2008	2007
Loans to customers / No. of employees	206,109	201,102
Total revenues/No. of employees	6,346	6,198
Income on ordinary operations / No. of employees	6,124	6,008
Operating expenses/No. of employees	185	188
Staff costs / No. of employees	102	100
Cost/income ratio	2.9%	3.0%
Cost/income ratio (including cost of postal funding)	25.0%	26.2%

The number of employees increased more slowly than revenues and costs (with the exception of staff costs themselves), giving rise to an increase in the volume of lending and funding and in operating income per employee while at the same time reducing operating expenses per employee.
The cost-to-income ratio for 2008 of 2.9% was substantially in line with the preceding year.
Even after reclassifying commissions on Postal Savings services as operating costs, at around 25% the cost-to-income ratio in 2008 accounted for a slightly lower proportion of revenues than in 2007.

6.5 Capital structure

Capital structure

(percent)

	2008	2007
Loans to banks and customers / Total assets	39.3%	40.1%
Loans to banks and customers / Due to customers	47.0%	50.0%
Equity investments/shareholders' equity	1.4x	1.4x
Net bad debts / Net loans to banks and customers	0.131%	0.083%
Net writedowns/ Net loans to banks and customers	0.029%	0.012%

Once again, growth in Postal Savings funding in 2008 outstripped the flow of new loans to customers, leading to a further increase in the liquidity held by CDP S.p.A. and consequently in its relative weight in assets and the stock of loans to customers and banks.

The size of equity investments and shares in relation to the company's Shareholders' equity is fundamentally unchanged compared with 2007, with a significant contraction in the carrying amount of securities and the company's shareholder's equity.

Writedowns prompted by a deterioration in the credit quality of counterparties increased with respect to the previous year, almost exclusively as a result of the partial writedown of exposure to Lehman Brothers associated with hedging derivative transactions. Excluding this writedown, despite higher levels of lending and funding, in 2008 writedowns were close to zero. The few problem positions in existence 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

The second half of 2008 was marked by wholly exceptional conditions on the interbank, bond and derivatives markets. In addition to causing liquidity to dry up, the collapse of a leading international investment bank and other events that characterised the worsening of the credit crunch also engendered repeated and drastic reversals in expectations. One evident consequence of these developments was the enormous variability in interest rates and the related implied volatilities and lower correlation between rates at different maturities, even where close together.
In this environment, CDP limited its exposure to an interest rate increase by systematically hedging new fixed-rate Separate Account lending, selected on the basis of a minimum threshold of principal granted.

The risk management activities of the Finance division helped to reduce the overall exposure[3] from -€15 million to -€0.5 million at year-end 2008.
Despite a reduction in exposure to parallel shifts of the yield curve to negligible levels, interest rate VaR (entirely associated with the banking book exposure) registered an increase, reflecting the exceptional market situation. The number of overshoots found during backtesting for 2008 was statistically in line with the confidence interval adopted.
Risk exposure and metrics were monitored on an ongoing basis. At the end of 2008, CDP's exposure to interest rate risk was almost entirely associated with movements in the slope of the yield curve, movements in the implied volatilities of swaptions and changes in the inflation curve.

Developments in counterparty risk connected with derivative transactions

The cautious approach adopted some time ago by CDP in selecting and diversifying its derivative counterparties proved to be entirely necessary in the worsening credit crisis. Over the year, the number of counterparties involved in a Credit Support Annex increased sharply in order to mitigate risk through the exchange of collateral. The calculation and settlement frequencies for some outstanding Credit Support Annexes were also increased.

[3] Defined as exposure to an increase of 1 basis point in zero-coupon yields across all maturities.

Other credit risk initiatives

During the course of 2008, CDP successfully completed a validation of its internal credit risk measurement and pricing models with the support of an external specialist consultant.

In 2008, the method for calculating credit limits for target entities (regional and provincial governments, local capital cities and municipalities with a population of more than 65,000) was revised to improve counterparty creditworthiness assessments prior to granting loans to local public bodies.
Notably, the new methodology takes account of appropriate financial indicators, statistical data regarding the counterparty's prior financial operations with CDP and other financial institutions, and the maintenance of an adequate level of creditworthiness differentiated by type of public body.
The new methodology was introduced in the second half of 2008.

Developments in liquidity risk

CDP's main source of funding is government-backed postal savings.
In 2009, CDP further increased the already high balance held on the treasury current account.

Particularly towards the end of the year, CDP's funding terms on the capital markets were impacted by the deterioration in credit market conditions, which in turn affected Ordinary Account funding strategies.

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 the total number of disputes remained insignificant in absolute terms.
The potential liabilities that could be generated by disputes with customers and employees are also insignificant.
With regard to Separate Account customers, at 31 December 2008, 34 suits were pending with a total estimated liability of no more that €500 thousand. 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 and, therefore, no potential liabilities for CDP.
With regard to labour disputes, at 31 December 2008 there were 46 suits pending; the overall estimated potential liability does not exceed €2 million.

8. The investment strategy for financial resources

With regard to the investment of CDP S.p.A.'s financial resources, the following table breaks down the liquidity aggregates for the Separate Account and Ordinary Account, in addition to reporting alternative forms of investing such resources, such as debt securities not associated with customer lending.

Stock of investment of liquidity

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Cash and cash equivalents and interbank deposits	106,863	92,807	15.1%
- Treasury current account, other liquidity and Separate Account deposits	*102,615*	*89,402*	*14.8%*
- Reserve requirement	*3,354*	*3,050*	*10.0%*
- Deposits on operations with Credit Support Annexes	*630*	*129*	*388.1%*
- Ordinary Account deposits	*264*	*226*	*16.7%*
Debt securities	662	208	**217.8%**
Total	**107,525**	**93,015**	**15.6%**

Funds raised by CDP under the Separate Account, predominantly through Postal Savings, are deposited in a current account at the Central State Treasury awaiting use for the disbursement of loans to customers, unless they are used for other forms of investment of liquidity discussed below.

The balance of this account at the end of 2008 was €107 billion, up sharply (15%) on the corresponding figure for 2007. New funding from Postal Savings products, notably postal savings bonds, accounted for most of the difference.

CDP S.p.A. has been subject to the minimum reserve requirement since 2006. The requirement rose by 10% compared with 2007 to €3.4 billion at year-end 2008, owing to the significant increase in cash from Postal Savings.

As in prior years, the reserve requirement is maintained in a Bank of Italy management account with an average balance in each maintenance period equal to a given percentage (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 currently set at 2 percent.
The maintenance period lasts around one month. Amounts deposited into the management account for the minimum reserve earn interest at the interest rate set for ECB main refinancing operations during the maintenance period.

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.
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).

To conclude this analysis of liquid assets, it should be noted that the amount of interest-bearing deposits with others under CSAs had tripled by the end of the period compared with the preceding year as a result of new guarantee agreements entered into during the year, and of changes in the fair value of the derivative instruments with which the deposits are associated. Steps have been taken to ensure accounting separation for the management of CSA deposits between the two Accounts.

In 2008, a small portion of Separate Account liquidity was set aside for alternative forms of investment, specifically the acquisition of two new bonds. Both of the securities concerned are inflation-linked and issued by the Republic of Italy. Their aggregate nominal value is €500 million, of which €200 million maturing in 2019 and €300 million in 2057. These new debt securities are in addition to investments in asset-backed securities (nominal value of €200 million, maturing July 2011) and securities issued by public bodies (nominal value of €13 million, maturing December 2015) made in preceding years.

Under the Ordinary Account, CDP deposits amounts generated by funding not guaranteed by the State in bank current accounts pending use. Though much smaller in amount, these deposits also performed well, rising from €226 million at 31 December 2007 to €264 million at 31 December 2008.
Developments in Ordinary Account liquidity were impacted by the transfer of €350 million from the Separate Account (repaid on 27 February 2009) discussed earlier.

9. Relations with Poste Italiane and funding strategy

9.1 Postal savings

9.1.1 Postal Savings in numbers

At 31 December 2008, the stock of CDP S.p.A.'s postal funding, including passbooks savings accounts and postal savings bonds, amounted to €175 billion, up over 11% on 31 December 2007, when the corresponding figure stood at €157 billion.

Postal Savings

(millions of euros)

	31/12/2008	31/12/2007	Change (percent)
Postal passbook savings accounts	81,801	76,286	7.2%
Postal savings bonds	93,315	80,962	15.3%
Total	**175,116**	**157,248**	**11.4%**

Over the year, passbooks recorded a net inflow of €4,310 million, down 10% on an annual basis on the flow recorded in 2007.
Please note that the figure for net funding also reflects an outflow in respect of "dormant" deposits, for which the holder has not undertaken any transactions in at least ten years. The balances on these accounts were transferred to a fund established by the MEF pursuant to Presidential Decree 116/2007 (in the amount of €327 million). Gross of this change, the decline with respect to 2007 would have been 4 percent.
Gross capitalised interest came to €1,679 million, which is subject to 27% withholding tax pursuant to Article 26. 2 of Presidential Decree 600/73.
Examining the various types of passbook accounts offered by CDP S.p.A., registered passbooks continued to dominate, accounting for more than 99% of the total stock, increasing with respect to 2007.
The contribution of bearer passbooks was marginal, with negative net funding during the year that reduced the end-period stock to €433 million.

Passbook savings accounts

(millions of euros)

	31/12/2007	Net funding	Reclassifications and adjustments	Interests 01/01/2008-31/12/2008	Withholdings	31/12/2008
Registered passbooks	75,704	4,466	-21	1,669	-451	81,367
Bearer passbooks	582	-156	0	10	-3	433
Total	**76,286**	**4,310**	**-21**	**1,679**	**-453**	**81,801**

Registered passbooks continued to perform well in 2008, particularly passbooks for minors (up 19%) and ordinary passbooks (up 8% compared with 2007). These figures were impacted by the reclassification (corresponding to around €84 million) of passbook holders reaching the age of majority, whose passbooks were converted into ordinary passbooks.

Registered passbook accounts - stock

(millions of euros)

	31/12/2007	Net funding	Reclassifications and adjustments	Interests 01/01/2008-31/12/2008	Withholdings	31/12/2008
Ordinary	72,705	4,234	84	1,600	-432	78,191
Time deposits	5	0	0	0	0	5
Minors	1,293	300	-84	37	-10	1,536
Judicial	1,701	-68	-21	32	-9	1,635
Total	**75,704**	**4,466**	**-21**	**1,669**	**-451**	**81,367**

The number of bearer passbooks registered a contraction of around 26% compared with 2007, though in terms of actual changes, this was more contained than the figure for passbooks as a whole.

Bearer passbook accounts - stock

(millions of euros)

	31/12/2007	Net funding	Reclassifications and adjustments	Interests 01/01/2008-31/12/2008	Withholdings	31/12/2008
Ordinary	581	-156	0	10	-3	433
Time deposits	1	0	0	0	0	1
Total	**582**	**-156**	**0**	**10**	**-3**	**433**

Net funding from ordinary registered passbooks continued to account for the lion's share of the total, despite falling 9% compared with 2007. Passbooks for minors registered a 10% rise on the previous year. Judicial passbook funds registered a contraction.

Registered passbook accounts - net funding

(millions of euros)

	Deposits	Withdrawals	Net funding
Ordinary	72,174	67,940	4,234
Time deposits	-	0	0
Minors	583	282	300
Judicial	655	723	-68
Total	**73,411**	**68,946**	**4,466**

Net flows for bearer passbooks were negative, and continued to lose ground compared to other types of passbook.

Bearer passbook accounts - net funding

(millions of euros)

	Deposits	Withdrawals	Net funding
Ordinary	163	318	-156
Time deposits	0	0	0
Total	**163**	**318**	**-156**

The stock of postal savings bonds rose 15% on 2007, mainly attributable to the doubling in the volume of net funding (from €4,956 million in 2007 to €10,234 million last year) as a result of the replacement effect generated by the redemption of bonds attributable to the MEF. The stock also comprises transaction costs in compliance with the IAS/IFRS. These costs regard the distribution commission for all types of bond and the separated value of the embedded option in indexed bonds and Premia bonds.
The carrying amount at 31 December 2008 came to about €93 billion.

Postal savings bonds - CDP stock

(millions of euros)

	31/12/2007	Net funding	Withholdings	Transaction costs	Interest	31/12/2008
20-year bonds	58,967	2,658	-55	-245	2,169	63,494
Fixed-term bonds	4,140	-1,372	-49	0	166	2,886
Indexed bonds	3,895	1,007	-2	-151	160	4,909
Premia bonds	610	1,527	0	-232	52	1,957
Inflation indexed bonds	3,754	5,012	-2	-156	220	8,828
Bonds for minors	646	719	0	-13	39	1,392
18-month bonds	8,950	683	-30	-53	298	9,849
Total	**80,962**	**10,234**	**-137**	**-849**	**3,105**	**93,315**

More specifically, subscriptions of postal savings bonds rose 30% compared with 2007 as a result of the redemption of maturing bonds belonging to the MEF as well as the replacement of CDP bonds that had matured (18-month bonds, fixed-term bonds and bonds for minors) or were redeemed early.
Investor interest in 18-month bonds remained significant, with subscriptions of €7,546 million, as was interest in the inflation-linked bond (subscriptions of €5,913 million and net funding of more than €5 billion), with volumes increasing on 2007. The predominance of ordinary bonds continues but with smaller percentage increases than those registered for other products.
Subscriptions of equity-linked products came to €3,328 million (indexed bonds and Premia bonds), also up on the amount posted in 2007.
Net funding with postal savings bonds issued by CDP S.p.A. totalled €10,234 million, significantly greater than in 2007. As noted earlier, the rise is attributable to an increase in redemptions of bonds attributable to the MEF, while total net bond funding (CDP + MEF) was negative.
Changes by type of instrument are reported in the following table.

Postal savings bond net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding
20-year bonds	10,171	7,513	2,658
Fixed-term bonds	0	1,373	-1,372
Indexed bonds	1,581	573	1,007
Premia bonds	1,748	221	1,527
Inflation indexed bonds	5,913	901	5,012
Bonds for minors	733	14	719
18-month bonds	7,546	6,863	683
Total	**27,692**	**17,458**	**10,234**

Redemptions of bonds held by the MEF totalled about €19 billion, up significantly compared with 2007. Overall net funding from postal savings bonds (CDP + MEF) therefore came to a negative €9,120 million. This amount can at least in part be attributed to ordinary redemptions totalling €4.9 billion of fixed-term bonds represented by physical certificates without a specified denomination belonging to the AE series and held by financial institutions.

Postal savings bonds

(millions of euros)

	CDP Subscriptions	CDP Redemptions	MEF Redemptions	Net funding (CDP + MEF)
20-year bonds	10,171	7,513	5,389	-2,730
Fixed-term bonds	1	1,373	13,965	-15,337
Indexed bonds	1,579	573	0	1,007
Premia bonds	1,748	221	0	1,527
Inflation indexed bonds	5,913	901	0	5,012
Bonds for minors	733	14	0	719
18-month bonds	7,546	6,863	0	683
Total	**27,692**	**17,458**	**19,354**	**-9,120**

Total net funding from Postal Savings for 2008 for both CDP S.p.A. and MEF showed net redemptions of €4,810 million. This figure is in any case liable to adjustment for two non-recurring items: the outflow of dormant deposits and the redemption of fixed-term bonds represented by physical certificates without a specified denomination belonging to the AE series (held by the MEF). Excluding these items, actual net funding for 2008 would have been a positive €431 million.

Total net Postal Savings funding (CDP+MEF)

(millions of euros)

	Net funding (CDP+MEF)
Postal savings bonds	-9,120
Postal passbook savings accounts	4,310
Total	**-4,810**

9.1.2 The agreement with Poste Italiane S.p.A

The agreement with Poste Italiane S.p.A. which set the remuneration criteria for administering and placing Postal Savings products and the gross and net funding targets that Poste Italiane S.p.A. had to achieve between 2006 and 2008 expired at the end of 2008.

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

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

Poste Italiane failed to achieve the net Postal Savings funding target for 2008; as noted earlier, funding came in at a total of €431 million. The commission expense recognised for Postal Savings services therefore reflects the reductions established in the agreement if certain targets are not achieved in full. The total reduction was calculated at €75 million.

9.2 Other funding instruments

9.2.1 Covered bonds

As regards funding under the Separate Account other than Postal Savings, no new covered bonds were issued in 2008.

The segregated asset pool 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 S.p.A. financial statements.

9.2.2 EMTN Programme

During the year, new issues were made under the Euro Medium Term Note Programme for a total nominal value of €700 million, the characteristics of which are shown in the table below.

EMTN issues - 2008

(millions of euros)

	Issue/repurchase date	Total
Total new issues		**700**
issue (maturing 28-Mar-2013)	28-mar-08	250
issue (maturing 15-Jul-2010)	15-lug-08	350
issue (maturing 30-Jan-2010)	30-lug-08	100
EMTN repurchases		**(129)**
issue (maturing 30-Sep-2020)	15-lug-08	(11)
issue (maturing 30-Nov-2015)	15-lug-08	(91)
issue (maturing 01-Mar-2016)	15-lug-08	(27)
Total		**572**

The new funding is intended to serve lending under the Ordinary Account. During the period, a partial buyback of previously-issued securities was undertaken in the amount of €129 million, which brought overall net funding to €572 million.

9.2.3 EIB credit line.

Again with regard to the Ordinary Account, in 2008 CDP S.p.A. made new drawings totalling €100 million on the credit lines with the European Investment Bank, as reported in the table.

EIB credit line - 2008

(millions of euros)

	Funding date	Total
funding (maturing 30-Oct-2028)	30-ott-08	100
Total		**100**

The funds also 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 S.p.A. - 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.
At the end of 2008, the non-interest-bearing current account no. 29815 denominated "CDP S.p.A. - pagamenti" was closed following the termination, ordered by the Bank of Italy, of the use of State Treasury payment orders as a payment instrument as from 1 March 2008 and the subsequent extinguishment of all orders issued by CDP S.p.A. up to that date.

Agreements with the MEF

In accordance with the above MEF decree, 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 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 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 above MEF decree. Here, too, guidelines were provided to help with the management activities by surveying such activities.

In line with Article 4.2 of the aforementioned decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, to represent the MEF in legal and other matters, to fulfil obligations, and to exercise powers and rights in the management of relations connected with the activities transferred.

CDP also provides the MEF with the following services:

- a detailed report on the activities performed;
- 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 2008 CDP 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 CDP and transferred to the MEF, the residual debt of which came to €20,172 million at 31 December 2008.

The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €89,846 million.

Pursuant to the aforementioned MEF 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 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 €3,666 million at 31 December 2008; the natural gas infrastructure programme for the South, which had resources totalling €286 million; and resources for territorial agreements and area contracts, which came to €245 million.

11. Outlook for 2009

The recent expansion of the responsibilities of the CDP S.p.A., which remains to be completed with the implementation of the necessary amendments to the articles of association following the issue of the decree of the Minister for the Economy and Finance of March 2009, will involve a revision of the company's mission and the updating of its medium/long-term objectives. This revision should be formalised in a new business plan to be drafted during the year.

At the same time, in 2009 a new agreement will have to be reached with Poste Italiane to govern the placement services and administrative and accounting activities for Postal Savings. The accord will also set out the short and long-term funding targets.

Pending implementation of these significant changes, the information available at the end of the year suggests that lending under the Ordinary Account, together with postal funding and, as a consequence, liquidity, will be the fastest growing areas once again in 2009.

By contrast, net income for 2009 is projected to decrease with respect to performance in 2008 as calculated gross of impairment losses on equity investments. The across-the-board decline in market interest rates is expected to cause a reduction in net interest income, which with the exception of dividends from equity investments is the company's largest source of revenues.

The main risk for 2009 is the persistent decline in equity markets. If the decline should continue this year, the further divergence of the market prices of CDP's equity investments from their carrying amounts could require the recognition of additional and possibly substantial writedowns, which would have an adverse impact on the income statement. Moreover, the capitalization of the company could decline further as a result of the fall in the prices of shares classified as assets available for sale. For the time being, though, the grave financial and economic crisis has not had an adverse impact on the quality of CDP S.p.A.'s loan portfolio.

12. Proposed allocation of net income for the year

We hereby submit for shareholder approval the financial statements for 2008, 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 2008 earnings, which total €1,389,442,521.

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 2.4% (for an overall rate of 5.4%), to the par value of the preference shares; therefore, the preferred dividend totals €56,700,000.
Furthermore, we propose distributing a dividend of €132,300,000 to ordinary shares along with the preferred dividend to be distributed to the preference shares.

In consideration of the exceptional conditions prevailing in the financial markets and the nature of the assets held by CDP, it has been decided to further strengthen capital resources by retaining earnings in the amount of €1 billion. The Shareholders' Meeting may make that amount available to the Board of Directors for any appropriate future uses.

Allocation of net income for the year

	(euros)
Net income	1,389,442,521
Legal reserve	69,472,126
Income available for distribution	**1,319,970,395**
Income attributable to preference shares	56,700,000
Income attributable to ordinary shares (*)	132,300,000
Retained earnings	1,000,000,000
Residual income available for distribution	**130,970,395**

(*) up to preference yield (5,4%) attributed to preference shares (ex. Art. 30 Bylaws).

The remainder, €130,970,395, shall be allocated as decided by the Shareholders.

Rome, 29 April 2009

The Chairman
Franco Bassanini

Report and Financial Statements 2008

Allocation of net income

1. Authorisation for the allocation of net income (extract of the minutes of the meeting of shareholders of 29 April 2009)

[...]

The Shareholders, having heard the remarks of the Chairman and noting the reports on the Board of Directors on operations, the Board of Auditors and the auditing firm engaged to audit the accounts, the certification of Managing Director and the manager responsible for preparing the corporate financial reports, as well as the consolidated financial statements, and in accepting the allocation of net income proposed by the Ministry for the Economy and Finance, unanimously

resolve

- to approve the separate financial statements of Cassa depositi e prestiti S.p.A. at 31 December 2008;
- to approve the following allocation of net income:

- €69,472,126 to the legal reserve;
- €73,500,000 to be distributed as a preferred dividend to preference shares (equal to 7% of the par value of the investment held by the bank foundations in CDP);
- €171,500,000 to be distributed as a dividend to ordinary shares (equal to 7% of the par value of the investment held by the Ministry for the Economy and Finance in CDP);
- €1,074,970,395 to retained earnings.

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 and percent)

Preference shares	73,500,000	30.0%
Ordinary shares	171,500,000	70.0%
Total dividends	**245,000,000**	**100.0%**
Dividend per share	**0.700**	
Dividend yield on par value		**7.00%**




Report and Financial Statements 2008

Report of the Board of Auditors

Shareholders,

In the course of the financial year ending 31 December 2008, 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) the financial statements for 2008 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 155 of Legislative Decree 58/98 (the Consolidated Law on Financial Intermediation);

C) on 6 November 2008 the Extraordinary Shareholders' Meeting of CDP S.p.A. approved a number of substantial changes to the company's governance arrangements by way of amendments to the articles of association, including, *inter alia*, the establishment of the position of Managing Director, who has all powers of ordinary and extraordinary administration except for those reserved by law or the articles of association to the Shareholders' Meeting, the Chairman or the Board of Directors;

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) in the separate financial statements the value of the preference shares is included under "Capital" together with that of ordinary shares. The equal accounting treatment of the two classes is justified on the basis of the preference Shareholders' repeated expression of their intent to proceed with the conversion and, most recently, the formal assurances of the MEF, as the majority shareholder, that it will take steps to ensure that share capital does not fall below the amount established in the MEF decree of 5 December 2003 even if preference share holders should exercise their right to withdraw;

F) the financial statements for 2008 report net income of €1,389 million and Shareholders' equity of €9,716 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., which, in addition to attending the meetings of the Board of Directors, also included periodic meetings with the heads of the main company departments, as well as the exchange of information with the financial reporting manager and with the independent auditors, KPMG, whose audit records we examined;
- monitored the operation of the internal control and administrative/accounting systems with a view to assessing their appropriateness to company needs, as well as their reliability in representing operational facts and events;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining specific information and assurances from the independent auditors.

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) with regard to the equity investments held by CDP S.p.A., dividends received for 2008 came to about €1,051 million (of which €1,046 million collected by year-end), up 5.4% compared with the 2007 figure of €997 million. The investment in STMicroelectronics Holding N.V. was written down by €502 million, due to the decline in that company's share price. The writedown was recognised in full in the 2008 income statement and as a result the holding is carried out €447 million;
b) following an official Bank of Italy notice that 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 €3,354 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) in 2008, the segregated asset pool established in accordance with Article 75 of Law 289 of 27 December 2002 in order to fund the investments related to the high-speed/high-capacity railway infrastructure was liquidated. The final liquidation accounts, on which the Board of Auditors issued its opinion in a specific report, were approved by the Board of Directors on 9 December 2008;
d) at 31 December 2008, the stock of CDP S.p.A.'s postal funding, including passbook savings accounts and postal savings bonds, amounted to €175 billion, up over 11% on 31 December 2007, when the corresponding figure stood at €157 billion. The failure to completely achieve the gross and net funding

targets for 2008 lead to, among other things, a reduction in the commissions paid to Poste Italiane S.p.A. in the final amount of €75 million for the year;

e) as regards funding under the Separate Account, no new covered bonds were issued in 2008. Information on issues of covered bonds secured by a segregated asset pool of CDP S.p.A. is provided in the notes to the financial statements (part B - information on the balance sheet);

f) under the Ordinary Account, €700 million in securities were issued as part of the Euro Medium Term Notes Programme and €128 million were repurchased. In addition, new financing totalling €100 million was received from the European Investment Bank;

g) net income for 2008 rose by 1.2% with respect to 2007, confirming the overall positive performance of the company, bearing in mind the major impact of the writedown of equity investments noted earlier;

h) 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 €106,863 million 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.

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

- the company responded to the substantial changes introduced to privacy legislation, specifically Article 29 of Decree Law 112/2008, ratified with amendments by Law 133 of 6 August 2008, which, for persons processing certain types of data only, replaces the obligation to prepare an updated Security Policy Document with obligation to self-certify compliance. CDP S.p.A, regardless of the possible application of simplified measures, which will in any case be considered in the future, has updated its Security Policy Document to incorporate any changes, including the measures for data controllers involved in processing data by electronic means with regard to the functions of system administrators;
- monthly reporting to the European Central Bank (through the Bank of Italy) continued, 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 156 of Legislative Decree 58/98. The auditors have made no specific observations that might be reflected in comments or qualifications in their report.

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 2008 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 2008, there were a total of 12 meetings of the Board of Directors, all of which were attended by the Board of Auditors, and 3 Shareholders' Meeting, at which the Board of Auditors was also present. The Board of Auditors held 14 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. The Board also examined, and took specific account of, the report of the State Audit Court on the findings of the examination performed on the financial operations of the Cassa depositi e prestiti S.p.A for the 2004, 2005 and 2006 financial years.

11. We have no comments on compliance with the principles of sound administration, which appear to have been respected at all times.

12. In order to handle the intense activity undertaken, in 2008 CDP S.p.A. continued to renew and develop its structure, including its organisational model, which now consists of 5 divisions and 15 departments, with a workforce of 405 people, of which 30 executives, 137 middle managers and 238 office staff. Training activities comprise in-house courses on specific subjects as well as courses organized by external companies. All told, staff received around 6,000 hours of training in the year, an increase of 30% with respect to 2007. With the assistance of the Italian Banking Association (ABI), an agreement was signed in July 2008 with union organizations representing industry workers to include all non-executive CDP S.p.A. staff in the national collective bargaining agreement for executives and professionals in the banking and financial services sector.

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 annual plan approved by the Board on 30 January 2008. 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. In implementation of Article 154 bis of the

Consolidated Law on Financial Intermediation (the manager responsible for the preparation of corporate financial reports), CDP S.p.A. continued its activities to ensure compliance with Law 262/2005, which in relation to the 2008 financial statements envisaged the preparation of a testing plan to ascertain the effectiveness of the internal control system for financial reporting, to be performed by the Internal Auditing department. The Internal Auditing department was also 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. A particular emphasis has been placed on information technology processes, for which a specific analysis and examination plan has been undertaken in accordance with the applicable standards.

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. Having regard to 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 2008 financial year together with the report on operations submitted by the Board of Directors.

Rome, 7 April 2009.

THE BOARD OF AUDITORS

Dott. Alberto SABATINI	Chairman
Prof. Mario BASILI	Auditor
Dott. Biagio MAZZOTTA	Auditor
Prof. Fabio ALBERTO ROVERSI MONACO	Auditor




Report of the independent Auditors

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 156 and 165 bis 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 2008, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. 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.

Reference should be made to the report dated 11 April 2008 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes.

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 2008 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. 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 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

KPMG

Cassa Depositi e Prestiti S.p.A.
Report of the auditors
31 December 2008

4 The directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements to which it refers, as required by article 156.4-bis.d of Legislative decree no. 58/98. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations is consistent with the separate financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2008.

Rome, 14 April 2009

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

2




Report and Financial Statements 2008

Certification of financial statements

pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

Certification of the separate financial statements at 31 December 2008 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Massimo Varazzani, in his capacity as Managing Director and Angelo Mariano, in his capacity as the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for the preparation of the separate financial statements in 2008.

2. In this regard:

2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the separate financial statements at 31 December 2008 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, which is a generally accepted framework at the international level;

2.2 in 2008 the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting, and continued the upgrading process, which has so far been focused on administrative and accounting procedures without, except for an entity level analysis, undertaking specific activities concerning information technology. The process of upgrading these procedures therefore requires further activities for its completion.

3. In addition, we certify that:

3.1 the separate financial statements:

a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

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

c) provide a true and fair representation of the performance and financial position of the issuer;

3.2 the report on operations contains reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 14 April 2009

Managing Director	Manager responsible for the preparation of the financial reports
Massimo Varazzani	*Angelo Mariano*

This report has been translated into the English language solely for the convenience of international readers.

Report and Financial Statements 2008

Financial statements

For the year ended 31 December 2008

Form and content of the financial statements at 31 December 2008

The financial statements at 31 December 2008 have been prepared in conformity with the applicable regulations and are composed of the:

- Balance sheet;
- Income statement;
- Statement of changes in equity;
- Cash flow statement;
- Notes to the financial statements.

Schedules presenting a comparison with the balance sheet, guarantees and commitments and the income statement at 31 December 2007 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 section "Annexes", which is an integral part of the notes to the financial statements, contains the detailed list of the equity investments held by CDP.

Report and Financial Statements 2008

Financial statements

at 31 December 2008

Balance sheet

Income statement

Statement of changes in equity

Cash flow statement

Balance sheet

(euros)

Assets	31/12/2008	31/12/2007
10. Cash and cash equivalents	105,269,043,064	91,407,672,569
20. Financial assets held for trading	400,990,768	353,727,392
40. Financial assets available for sale	9,775,231,397	15,355,238,072
50. Financial assets held to maturity	205,794,907	-
60. Loans to banks	4,784,305,085	3,884,711,963
70. Loans to customers	84,061,306,451	78,353,918,675
of which securing covered bonds	*16,542,633,865*	*17,679,918,036*
80. Hedging derivatives	100,620,152	828,580,651
100. Equity investments	4,305,253,564	4,806,496,216
110. Property, plant and equipment	207,859,820	208,205,190
120. Intangible assets	6,378,596	5,468,798
130. Tax assets	635,901,612	856,724,975
a) current	543,613,578	530,522,354
b) deferred	92,288,034	326,202,621
150. Other assets	36,245,997	33,472,147
Total assets	**209,788,931,413**	**196,094,216,648**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director

Massimo Varazzani

Balance sheet

(euros)

Liabilities and shareholders' equity	31/12/2008	31/12/2007
10. Due to banks	693,603,829	1,263,143,094
20. Due to customers	92,281,092,694	87,617,083,119
of which amounts to be disbursed on loans securing covered bonds	*1,476,182,991*	*2,004,619,120*
30. Securities issued	103,507,258,860	90,154,580,185
of which covered bonds	*8,287,062,673*	*7,900,926,342*
40. Financial liabilities held for trading	382,376,686	362,440,555
60. Hedging derivatives	1,271,550,763	896,258,908
70. Adjustment of financial liabilities hedged generically (+/-)	16,699,410	(528,636,754)
80. Tax liabilities	926,680,468	1,128,258,051
a) current	570,807,543	489,850,000
b) deferred	355,872,925	638,408,051
100. Other liabilities	984,585,352	842,422,991
110. Staff severance pay	690,848	738,098
120. Provisions	8,005,040	1,883,722
b) other provisions	8,005,040	1,883,722
130. Valuation reserves	1,162,184,469	6,736,284,207
160. Reserves	3,664,760,473	2,746,235,313
180. Share capital	3,500,000,000	3,500,000,000
200. Net income for the period (+/-)	1,389,442,521	1,373,525,159
Total liabilities and shareholders' equity	**209,788,931,413**	**196,094,216,648**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director

Massimo Varazzani

Income statement

(euros)

	31/12/2008	31/12/2007
10. Interest income and similar revenues	8,139,036,190	7,144,197,163
20. Interest expense and similar charges	(5,779,535,533)	(4,937,832,599)
30. Net interest income	**2,359,500,657**	**2,206,364,564**
40. Commission income	6,708,765	5,056,440
50. Commission expense	(736,180,690)	(759,762,126)
60. Net commission income	**(729,471,925)**	**(754,705,686)**
70. Dividends and similar revenues	1,051,256,089	997,365,735
80. Net gain (loss) on trading activities	(12,084,862)	9,441,029
90. Net gain (loss) on hedging activities	(145,073,428)	(55,164,343)
100. Gains (losses) on disposal or repurchase of:	8,027,996	20,137,689
a) loans	7,403,139	20,137,689
b) financial liabilities	624,857	-
120. Gross income	**2,532,154,527**	**2,423,438,988**
130. Net impairment adjustments of:	(23,863,316)	(9,695,622)
a) loans	*(23,863,316)*	*(9,695,622)*
140. Financial income (expense), net	**2,508,291,211**	**2,413,743,366**
150. Administrative expenses:	(65,562,076)	(66,180,773)
a) staff costs	(39,995,503)	(38,606,679)
b) other administrative expenses	(25,566,573)	(27,574,094)
160. Net provisions	(1,214,001)	(1,024,215)
170. Net adjustments of property, plant and equipment	(6,767,142)	(6,156,055)
180. Net adjustments of intangible assets	(1,886,654)	(1,422,729)
190. Other operating income (costs)	889,019	1,580,015
200. Operating costs	**(74,540,854)**	**(73,203,757)**
210. Gains (losses) on equity investments	(504,542,652)	(471,902,451)
240. Gains (losses) on disposal of investments	-	3,364
250. Income (loss) before tax from continuing operations	**1,929,207,705**	**1,868,640,522**
260. Income tax for the period on continuing operations	(539,765,184)	(495,115,363)
270. Income (loss) after tax on continuing operations	**1,389,442,521**	**1,373,525,159**
290. Income (loss) for the period	**1,389,442,521**	**1,373,525,159**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director

Massimo Varazzani

Statement of changes in equity

(thousands of euros)

	Balance at 31.12.07	Changes in opening balance	Balance at 1.1.08	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations	Changes for the year: Changes in reserves	Changes for the year: Equity transactions: Issues of new shares	Changes for the year: Equity transactions: Purchase of own shares	Changes for the year: Equity transactions: Special dividend distribution	Changes for the year: Equity transactions: Changes in equity instruments	Changes for the year: Equity transactions: Derivatives on own shares	Changes for the year: Equity transactions: Stock options	Net income (loss) for the period ended 31.12.2008	Equity at 31.12.2008
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	2,746,235		2,746,235	918,525										3,664,760
b) other														
Valuation reserves:														
a) available for sale	6,566,605		6,566,605			(5,572,569)								994,036
b) cash flow hedges	2,107		2,107			(1,531)								576
c) other reserves														
- revaluation of property	167,572		167,572											167,572
Equity instruments														
Treasury shares														
Net income (loss) for the period	1,373,525		1,373,525	(918,525)	(455,000)								1,389,443	1,389,443
Equity	**14,356,044**		**14,356,044**	**-**	**(455,000)**	**(5,574,100)**							**1,389,443**	**9,716,387**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director

Massimo Varazzani

Statement of changes in equity

(thousands of euros)

	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 at 31.12.07
							Equity transactions							
				Reserves	Dividends ad 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
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

Managing Director

Massimo Varazzani

Cash flow statement (indirect method)

(thousands of euros)

A. Operating activities	31/12/2008	31/12/2007
1. Operations	**2,627,651**	**2,409,988**
- Net income for the year (+/-)	1,389,443	1,373,525
- Gains (losses) on financial assets held for trading and on financial assets recognised at fair value (-/+)	12,085	(9,441)
- Gains (losses) on hedging activities (-/+)	145,073	55,164
- Net impairment adjustments (+/-)	23,863	9,696
- Net value adjustments to property, plant and equipment and intangible assets (+/-)	8,654	7,579
- Net provisions and other costs/revenues (+/-)	7,506	6,448
- Unpaid taxes and duties (+)	539,765	495,115
- Writedowns/writebacks of equity investments (+/-)	504,543	471,902
- Other adjustments (+/-)	(3,281)	-
2. Cash generated by/used in financial assets	**(5,077,815)**	**(2,717,051)**
- Financial assets held for trading	(337,910)	(201,608)
- Financial assets available for sale	(13,852)	(3,223)
- Loans to banks: other	(849,829)	(192,546)
- Loans to customers	(3,876,224)	(2,319,674)
3. Cash generated by/used in financial liabilities	**17,024,239**	**13,862,568**
- Due to banks: other	(569,530)	86,371
- Due to customers	4,664,010	6,583,333
- Securities issued	12,976,756	7,632,677
- Trading financial liabilities	298,497	218,241
- Other liabilities	(345,494)	(658,054)
Cash generated by/used in operating activities	**14,574,075**	**13,555,505**
B. Investing activities		
1. Cash generated by	**-**	**4**
- Sale of equity investments		
- Dividends from equity investments		
- Sale of property, plant and equipment	-	4
2. Cash used in	**(215,033)**	**(16,356)**
- Purchase of equity investments	(3,300)	(8,123)
- Purchase of financial assets held to maturity	(202,514)	-
- Purchase of property, plant and equipment	(6,422)	(6,052)
- Purchase of intangible assets	(2,797)	(2,181)
Cash generated by/used in investing activities	**(215,033)**	**(16,352)**
C. Financing activities		
- Dividend distribution and other allocations	(455,000)	(455,000)
Cash generated by/used in investing activities	**(455,000)**	**(455,000)**
NET CASH GENERATED/USED DURING THE YEAR	**13,904,042**	**13,084,153**

Reconciliation

Cash and cash equivalents at beginning of year	**91,634,997**	**78,550,844**
Total cash generated/used during the year	**13,904,042**	**13,084,153**
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at end of year	**105,539,039**	**91,634,997**

Head of the Administration
& Financial Reporting Department
Angelo Mariano

Managing Director

Massimo Varazzani

Report and Financial Statements 2008

Comparative statements

Balance sheet

(thousands of euros)

Assets	31/12/2008	31/12/2007	Change (+/-)	Change (percent)
10. Cash and cash equivalents	105,269,043	91,407,673	13,861,370	15.2%
20. Financial assets held for trading	400,991	353,727	47,264	13.4%
40. Financial assets available for sale	9,775,231	15,355,238	(5,580,007)	-36.3%
50. Financial assets held to maturity	205,795	-	205,795	n.a.
60. Loans to banks	4,784,305	3,884,712	899,593	23.2%
70. Loans to customers	84,061,306	78,353,919	5,707,387	7.3%
of which securing covered bonds	*16,542,634*	*17,679,918*	(1,137,284)	-6.4%
80. Hedging derivatives	100,620	828,581	(727,961)	-87.9%
100. Equity investments	4,305,254	4,806,496	(501,242)	-10.4%
110. Property, plant and equipment	207,860	208,205	(345)	-0.2%
120. Intangible assets	6,379	5,469	910	16.6%
130. Tax assets	635,902	856,725	(220,823)	-25.8%
a) current	543,614	530,522	13,092	2.5%
b) deferred	92,288	326,203	(233,915)	-71.7%
150. Other assets	36,246	33,472	2,774	8.3%
Total assets	**209,788,932**	**196,094,217**	**13,694,715**	**7.0%**

Balance sheet

(thousands of euros)

Total liabilities and shareholders' equity	31/12/2008	31/12/2007	Change (+/-)	Change (percent)
10. Due to banks	693,604	1,263,143	(569,539)	-45.1%
20. Due to customers	92,281,093	87,617,083	4,664,010	5.3%
of which amounts to be disbursed on loans securing covered bonds	*1,476,183*	*2,004,619*	(528,436)	-26.4%
30. Securities issued	103,507,259	90,154,580	13,352,679	14.8%
of which covered bonds	*8,287,063*	*7,900,926*	386,137	4.9%
40. Financial liabilities held for trading	382,377	362,441	19,936	5.5%
60. Hedging derivatives	1,271,551	896,259	375,292	41.9%
70. Adjustment of financial liabilities hedged generically (+/-)	16,699	(528,637)	545,336	-103.2%
80. Tax liabilities	926,681	1,128,258	(201,577)	-17.9%
a) current	*570,808*	*489,850*	80,958	16.5%
b) deferred	*355,873*	*638,408*	(282,535)	-44.3%
100. Other liabilities	984,585	842,424	142,161	16.9%
110. Staff severance pay	691	738	(47)	-6.4%
120. Provisions	8,005	1,884	6,121	324.9%
b) other provisions	8,005	1,884	6,121	324.9%
130. Valuation reserves	1,162,184	6,736,284	(5,574,100)	-82.7%
160. Reserves	3,664,760	2,746,235	918,525	33.4%
180. Share capital	3,500,000	3,500,000	-	-
200. Net income for the period (+/-)	1,389,443	1,373,525	15,918	1.2%
Total liabilities and shareholders' equity	**209,788,932**	**196,094,217**	**13,694,715**	**7.0%**

Income statement

(thousands of euros)

	31/12/2008	31/12/2007	Change (+/-)	Change (percent)
10. Interest income and similar revenues	8,139,036	7,144,197	994,839	13.9%
20. Interest expense and similar charges	(5,779,536)	(4,937,833)	(841,703)	17.0%
30. Net interest income	**2,359,500**	**2,206,364**	**153,136**	**6.9%**
40. Commission income	6,709	5,056	1,653	32.7%
50. Commission expense	(736,181)	(759,762)	23,581	-3.1%
60. Net commission income	**(729,472)**	**(754,706)**	**25,234**	**-3.3%**
70. Dividends and similar revenues	1,051,256	997,366	53,890	5.4%
80. Net gain (loss) on trading activities	(12,085)	9,441	(21,526)	-228.0%
90. Net gain (loss) on hedging activities	(145,073)	(55,164)	(89,909)	163.0%
100. Gains (losses) on disposal or repurchase of:	8,028	20,138	(12,110)	-60.1%
a) loans	7,403	20,138	(12,735)	-63.2%
d) financial liabilities	625	0	625	n.a.
120. Gross income	**2,532,154**	**2,423,439**	**108,715**	**4.5%**
130. Net impairment adjustments of:	(23,863)	(9,696)	(14,167)	146.1%
a) loans	*(23,863)*	*(9,696)*	*(14,167)*	*146.1%*
140. Financial income (expense), net	**2,508,291**	**2,413,743**	**94,548**	**3.9%**
150. Administrative expenses:	(65,563)	(66,181)	618	-0.9%
a) staff costs	(39,996)	(38,607)	(1,389)	3.6%
b) other administrative expenses	(25,567)	(27,574)	2,007	-7.3%
160. Net provisions	(1,214)	(1,024)	(190)	18.6%
170. Net adjustments of property, plant and equipment	(6,767)	(6,156)	(611)	9.9%
180. Net adjustments of intangible assets	(1,887)	(1,423)	(464)	32.6%
190. Other operating income (costs)	891	1,580	(689)	-43.6%
200. Operating costs	**(74,540)**	**(73,204)**	**(1,336)**	**1.8%**
210. Gains (losses) on equity investments	(504,543)	(471,902)	(32,641)	6.9%
240. Gains (losses) on disposal of investments	0	3	(3)	-100.0%
250. Income (loss) before tax from continuing operations	**1,929,208**	**1,868,640**	**60,568**	**3.2%**
260. Income tax for the period on continuing operations	(539,765)	(495,115)	(44,650)	9.0%
270. Income (loss) after tax on continuing operations	**1,389,443**	**1,373,525**	**15,918**	**1.2%**
290. Net income for the period	**1,389,443**	**1,373,525**	**15,918**	**1.2%**

Report and Financial Statements 2008

Notes to the financial statements

Financial statements at 31 December 2008

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 set out in its circular concerning banking and financial service supervision of 22 December 2005, in force at 31 December 2008, 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 omitted. 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 2008 and 2007 financial years.
Tables with no amounts for either 2008 or 2007 have been omitted.

CDP segregated asset pool

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

At the end of 2008, the segregated asset pool established in accordance with Article 75 of Law 289 of 27 December 2002 in order to fund the investments related to the high-speed/high-capacity Turin-Milan-Naples railway infrastructure (the segregated TAV assets) was liquidated.

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, a detailed list of equity investments held by CDP is attached.

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 at 31 December 2008 and with the Bank of Italy circular of 22 December 2005, in force at 31 December 2008, which establishes the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

Section 2 - General preparation principles

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

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

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

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

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

In February 2009, CDP S.p.A. established a new asset management company denominated "CDP Investimenti SGR S.p.A.", which will mainly operated in the social housing sector. The company's capital, equal to €2 million, will be 70% held by CDP and 15% each by the association of bank foundations (ACRI) and the Italian banking association (ABI). Once authorization is received from the Bank of Italy, the company will manage a fund of funds with an endowment target of at least €1 billion, the units of which will be subscribed by CDP and other institutional investors. The fund will operate throughout Italy, acquiring units or significant stakes, albeit minority holdings, in funds and real estate projects focusing on social housing at the local level, in which bank foundations, local authorities and private entities can invest.

On 12 February 2009, CDP issued floating-rate notes with a nominal value of €700 million under the EMTN Programme through the Ordinary Account. The issue matures on 2 February 2010, although subscribers have a put option that can be exercised in full or in part every two months as from 2 April 2009. The security pays a two-monthly coupon equal to 2-month Euribor plus 65 basis points.

On 12 March 2009, Italy's Competition Authority notified CDP that it had agreed to postpone the deadline it had set for the disposal of the equity investment in ENEL S.p.A.. The final deadline for the sale has therefore been moved to 1 July 2010. The requirement was imposed as a condition on the authorization granted for CDP's acquisition of 29.99% of Terna S.p.A..

In March 2009 the Minister for the Economy and Finance issued the decree implementing Decree Law D.L. 185/2008, which extended the scope of the operations of the Separate Account.
The decree set out the criteria for identifying the operations of public interest promoted by public entities that can be financed through the Separate Account.

In early 2009 CDP also made new investments in Galaxy S.àr.l. totalling about €0.5 million and in the investment funds it holds totalling about €140 thousand.

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.

3 - Financial assets held to maturity

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.
Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.
The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.
Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 - Loans

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

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, as envisaged under paragraph 37 of IAS 27, 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. In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied.
Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Therefore, with the transition to the IFRSs, 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 5 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

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 4.82% for IRAP).
The reduction in the tax rates (previously 33% and 5.25%) does not directly reduce companies' tax liability, as it is part of a broader set of tax changes introduced with the 2008 Finance Act, which significantly revised the relationships between the amounts reported in the financial statements and taxable income, with a considerable impact on recognised deferred taxation as well.

Deferred tax items regard the recognition of the tax effects of temporary differences between the valuation of accounting items under tax regulations (which are used to determine taxable income) and that under statutory reporting regulations (which seek to quantify the result for the year).

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

Deferred tax items are recognised in the tax provision where they represent liabilities, i.e. where they are related to items that will become taxable in future tax periods. Where they represent assets, they are recognised under "Deferred tax assets" in the balance sheet.
If the deferred tax items regard operations that directly affected 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.
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 spot exchange rate in prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

- in the case of monetary instruments, at the spot exchange rate prevailing at the preparation date of the financial statements, recognising exchange rate differences under "Net gain (loss) on trading activities in the income statement;
- in the case of non-monetary instruments, at cost using the exchange rate for the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

17 - Other information

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.

PARTE 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 interest-bearing treasury current account no. 29814 denominated "Cassa DP S.p.A.-*gestione separata*", which holds all liquid balances associated with the operations conducted by CDP in its activities under the Separate Account. At end-2008 the balance on the account was about €102,615 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 €2,654 million.

1.1 Cash and cash equivalents: composition

The following table summarises liquidity at 31 December 2008, including interest accrued and not yet credited on amounts deposited in interest-bearing accounts.

1.1 Cash and cash equivalents: composition

(thousands of euros)

	31/12/2008	31/12/2007
a) Cash	6	5
b) Free deposits with central banks	105,269,037	91,407,667
Total	**105,269,043**	**91,407,673**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2008		31/12/2007	
	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:		**400,991**		**353,727**
1.1 trading		400,991		353,727
1.2 associated with fair value option				
1.3 other				
2. Credit derivatives				
2.1 trading				
2.2 associated with fair value option				
2.3 other				
Total B		**400,991**		**353,727**
Total (A+B)		**400,991**		**353,727**

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

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

(thousands of euros)

	31/12/2008	31/12/2007
A. On-balance sheet financial assets		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers		
2. Equity securities		
a) Banks		
b) Other issuers		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
6. Assets assigned but not derecognized		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total A		
B. Derivatives		
a) Banks	400,991	353,727
b) Customers		
Total B	**400,991**	**353,727**
Total (A+B)	**400,991**	**353,727**

2.3 Financial assets held for trading: derivatives

(thousands of euros)

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2008	31/12/2007
A) LISTED							
1. Financial derivatives:							
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased							
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total A							
B) UNLISTED							
1. Financial derivatives:			400,991			400,991	353,727
• with exchange of principal							
- options purchased							
- other derivatives							
• without exchange of principal							
- options purchased			400,991			400,991	353,727
- other derivatives							
2. Credit derivatives:							
• with exchange of principal							
• without exchange of principal							
Total B			**400,991**			**400,991**	**353,727**
Total (A+B)			**400,991**			**400,991**	**353,727**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	202,014	9,560	201,853	10,175
1.1 Structured securities				
1.2 Other debt securities	202,014	9,560	201,853	10,175
2. Equity securities	9,538,823	9,716	15,132,166	9,716
2.1 Recognised at fair value	9,538,823		15,132,166	
2.2 Recognised at cost		9,716		9,716
3. Units in collective investment undertakings		15,118		1,328
4. Loans				
5. Impaired assets				
6. Assets assigned but not derecognized				
Total	**9,740,837**	**34,394**	**15,334,019**	**21,219**

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

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

(thousands of euros)

	31/12/2008	31/12/2007
1. Debt securities	**211,574**	**212,028**
a) Governments and central banks		
b) Other government agencies	9,560	10,175
c) Banks		
d) Other issuers	202,014	201,853
2. Equity securities	**9,548,539**	**15,141,882**
a) Banks	2,066	2,066
b) Other issuers	9,546,473	15,139,816
- insurance undertakings		
- financial companies	7,650	7,650
- non financial companies	9,538,823	15,132,166
- other		
3. Units in collective investment undertakings	**15,118**	**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	**9,775,231**	**15,355,238**

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

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**212,028**	**15,141,882**	**1,328**		**15,355,238**
B. Increases	**9,394**		**14,374**		**23,768**
B1. Purchases			14,374		14,374
B2. Fair value gains	713				713
B3. Writebacks					
- recognised through income statement					
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes	8,681				8,681
C. Decreases	**9,848**	**5,593,343**	**584**		**5,603,775**
C1. Sales					
C2. Redemptions	1,182				1,182
C3. Fair value losses	647	5,593,343	584		5,594,574
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	8,019				8,019
D. Closing balance	**211,574**	**9,548,539**	**15,118**		**9,775,231**

The significant decline in the balance of the item is due to the fall in the market prices of the shareholdings in Enel S.p.A. and Eni S.p.A..
More specifically, the market value of the investment in Eni S.p.A. remains above the purchase price, where as that for Enel S.p.A. is below the purchase price, although there is no evidence of any lasting impairment.

SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2008		31/12/2007	
	Book value	Fair Value	Book value	Fair Value
1. Debt securities	205,795	197,132	-	
1.1 Structured securities				
1.2 Other debt securities	205,795	197,132	-	
2. Loans				
3. Impaired assets				
4. Assets assigned but not derecognized				
Total	**205,795**	**197,132**	**-**	

During the period, CDP acquired inflation-linked Italian treasury bonds with a nominal value of €200 million in response to the increasing exposure of the balance sheet to inflation due to the issue of postal savings bonds indexed to inflation.

5.2 Financial assets held to maturity: composition by debtor/issuer

5.2 Financial assets held to maturity: composition by borrower/issuer

(thousands of euros)

	31/12/2008	31/12/2007
1. Debt securities	**205,795**	**-**
a) Governments and central banks	205,795	-
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	**205,795**	**-**

5.4 Financial assets held to maturity other than those assigned but not derecognized and impaired assets: annual change

(thousands of euros)

	Debt securities	Loans	Total
A. Opening balance	**-**		**-**
B. Increases	**208,579**		**208,579**
B1. Purchases	202,514		202,514
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes	6,065		6,065
C. Decreases	**2,784**		**2,784**
C1. Sales			
C2. Redemptions			
C3. Writedowns for impairment			
C4. Transfers from other portfolios			
C5. Other changes	2,784		2,784
D. Closing balance	**205,795**		**205,795**

SECTION 6 - LOANS TO BANKS - ITEM 60

6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2008	31/12/2007
A. Claims on central banks	**3,358,655**	**3,057,031**
1. Fixed-term deposits		
2. Reserve requirement	3,358,655	3,057,031
3. Repurchase agreements		
4. Other		
B. Loans to banks	**1,425,650**	**827,681**
1. Current accounts and free deposits	264,777	228,995
2. Fixed-term deposits	631,645	129,355
3. Other financing	529,228	469,331
3.1 repurchase agreements		
3.2 finance leases		
3.3 other	529,228	469,331
4. Debt securities		
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets assigned but not derecognized		
Total (book value)	**4,784,305**	**3,884,712**
Total (fair value)	**4,769,233**	**3,860,485**

Loans to banks are primarily composed of current accounts (€265 million), financing transactions (about €529 million) and the balance on the management account for the reserve requirement (about €3,359 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)

	31/12/2008	31/12/2007
1. Loans with specific fair value hedges:	**116,221**	**60,061**
a) interest rate risk	116,221	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	**116,221**	**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.

7.1 Loans to customers: composition by type

(thousands of euros)

	31/12/2008	31/12/2007
1. Current accounts	93	36
2. Repurchase agreements		
3. Loans	82,051,444	76,880,021
4. Credit cards, personal loans and loans repaid by automatic deductions from wages		
5. Finance leases		
6. Factoring		
7. Other	692,650	805,970
8. Debt securities	1,264,366	557,670
8.1 structured		
8.2 other debt securities	1,264,366	557,670
9. Impaired assets	52,753	110,222
10. Assets assigned but not derecognized		
Total (book value)	**84,061,306**	**78,353,919**
Total (fair value)	**84,035,113**	**77,773,408**

Total writedowns of loans amount to €52.8 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.

7.2 Loans to customers: composition by type of debtor/issuer

7.2 Loans to customers: composition by type of borrower/issuer

(thousands of euros)

	31/12/2008	31/12/2007
1. Debt securities:	**1,264,366**	**557,670**
a) Governments	274,234	
b) Other government agencies	532,607	514,861
c) Other issuers	457,525	42,810
- non-financial companies	457,525	
- financial companies		42,810
- insurance undertakings		
- other		
2. Loans to:	**82,744,187**	**77,735,277**
a) Governments	33,934,883	32,566,716
b) Other government agencies	42,312,526	39,559,274
c) Other	6,496,778	5,609,288
- non-financial companies	6,262,323	5,394,340
- financial companies	193,749	184,747
- insurance undertakings		
- other	40,706	30,200
3. Impaired assets:	**52,753**	**60,971**
a) Governments		
b) Other government agencies	23,676	49,247
c) Other	29,077	11,724
- non-financial companies	7,248	10,998
- financial companies	21,829	
- insurance undertakings		
- other		726
4. Assets assigned but not derecognized:		
a) Governments		
b) Other government agencies		
c) Other		
- non-financial companies		
- financial companies		
- insurance undertakings		
- other		
Total	**84,061,306**	**78,353,919**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2008	31/12/2007
1. Loans with specific fair value hedges:	18,527,794	13,632,954
a) interest rate risk	18,527,794	13,632,954
b) exchange rate risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:	-	-
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**18,527,794**	**13,632,954**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: composition by type of contract and underlying

(thousands of euros)

	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	**85,365**	**15,255**				**100,620**
• with exchange of principal		15,255				15,255
- purchased options						
- other derivatives		15,255				15,255
• without exchange of principal	85,365					85,365
- purchased options						
- other derivatives	85,365					85,365
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**85,365**	**15,255**				**100,620**
Total (A+B) 2008	**85,365**	**15,255**				**100,620**
Total (A+B) 2007	**828,581**	**-**				**828,581**

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

(thousands of euros)

	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	6,612							
3. Held-to-maturity financial assets								
4. Portfolio						2,326		
Total assets	**6,612**					**2,326**		
1. Financial liabilities	76,427						15,255	
2. Portfolio								
Total liabilities	**76,427**						**15,255**	

At 31 December 2008, 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.

Section 10 - Equity investments - Item 100

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

	Registered office	Percent held	Percent 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)

Name	Total assets	Total revenues	Income (loss)	Shareholders' equity	Carrying value	Fair value
A. Wholly-owned subsidiaries	**9,454,765**	**1,494,182**	**327,502**	**2,163,752**	**1,315,200**	**1,401,000**
2. Terna S.p.A. (1)	9,454,765	1,494,182	327,502	2,163,752	1,315,200	1,401,000
B. Joint ventures						
C. Companies under significant influence	**81,723,646**	**17,511,253**	**737,411**	**4,939,169**	**2,990,054**	n.a.
1. Poste Italiane S.p.A. (2)	79,810,073	17,440,732	843,649	3,073,020	2,518,744	n.a.
2. ST Holding N.V. (1)	1,776,443	21	(162,223)	1,760,150	446,787	418,359
3. Galaxy S.àr.l. (3)	118,847	64,836	58,510	98,369	24,523	n.a.
4. Europrogetti & Finanza S.p.A. (2)	13,497	5,614	(2,476)	7,355	-	n.a.
5. Tunnel di Genova (2)	4,786	50	(49)	275	-	n.a.
Total	**91,178,411**	**19,005,435**	**1,064,913**	**7,102,921**	**4,305,254**	**n.a.**

(1) Figures from financial statements at 31/12/08
(2) Figures from financial statements at 31/12/07
(3) Figures from financial statements at 30/06/08

10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2008	31/12/2007
A. Opening balance	**4,806,496**	**5,275,783**
B. Increases	**3,300**	**8,123**
B.1 Purchases	3,300	8,123
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes		
C. Decreases	**504,542**	**477,410**
C.1 Sales		
C.2 Writedowns	504,542	471,903
C.3 Other changes		5,507
D. Closing balance	**4,305,254**	**4,806,496**
E. Total revaluations	**-**	**-**
F. Total writedowns	**976,445**	**471,903**

The writedown of €504.5 million mainly regards the writedown of the equity investment in STH due to the decline in the price of STMicroelectronics shares, which are the only asset held by that company.

10.6 Obligations relating to companies subject to significant influence

CDP is a shareholder of Galaxy S.àr.l., a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector. At 31 December 2008, a total of some €24.5 million had been paid in.
Under internal operating rules, as from the end of the investment period, which terminated on 9 July 2008, additional payments can be requested from the Shareholders only for: (i) payment of the company's running costs (such as, for example, operating expenses and management commissions) and (ii) the completion of investments already improved.

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:

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

(thousands of euros)

	31/12/2008	31/12/2007
A. Operating assets		
1.1 owned	**207,860**	**208,205**
a) land	117,406	117,406
b) buildings	72,172	74,237
c) movables	3,458	3,093
d) electrical plant	4,659	5,396
e) other	10,165	8,073
1.2 acquired under finance leases		
a) land		
b) buildings		
c) movables		
d) electrical plant		
Total A	**207,860**	**208,205**
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)	**207,860**	**208,205**

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

(thousands of euros)

	Land	Building	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**82,392**	**10,364**	**16,621**	**20,657**	**247,441**
A.1 Total net writedowns	-	(8,155)	(7,271)	(11,225)	(12,584)	(39,236)
A.2 Opening net balance	**117,406**	**74,237**	**3,093**	**5,396**	**8,073**	**208,205**
B. Increases	**-**	**413**	**993**	**1,063**	**3,953**	**6,422**
B.1 Purchases			993	1,063	3,953	6,009
B.2 Capitalised improvement costs		413				413
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	**-**	**2,478**	**628**	**1,800**	**1,861**	**6,767**
C.1 Sales						
C.2 Depreciation		2,478	628	1,800	1,861	6,767
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**	**72,172**	**3,458**	**4,659**	**10,165**	**207,860**
D.1 Total net writedowns	-	(10,633)	(7,899)	(13,025)	(14,445)	(46,002)
D.2 Closing gross balance	**117,406**	**82,805**	**11,357**	**17,684**	**24,610**	**253,862**
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)

	31/12/2008		31/12/2007	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	**6,379**		**5,469**	
A.2.1 Assets carried at cost	6,379		5,469	
a) internally-generated intangible assets				
b) other assets	6,379		5,469	
A.2.2 Assets recognised at fair value				
a) internally-generated intangible assets				
b) other assets				
Total	**6,379**		**5,469**	

12.2 Intangible assets: change for the year

(thousands of euros)

	Goodwill	Other internally-generated intangible assets Finite	Other internally-generated intangible assets Indefinite	Other intangible assets: other Finite	Other intangible assets: other Indefinite	Total
A. Opening balance				**9,079**		**9,079**
A.1 Total net writedowns				(3,610)		(3,610)
A.2 Opening net balance				**5,469**		**5,469**
B. Increases				**2,797**		**2,797**
B.1 Purchases				2,797		2,797
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				**1,887**		**1,887**
C.1 Sales						
C.2 Writedowns						
- Amortisation				1,887		1,887
- 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				**6,379**		**6,379**
D.1 Total net writedowns				(5,497)		(5,497)
E. Closing gross balance				**11,876**		**11,876**
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 accruals to the provision for risks and the provision for future liabilities, depreciation and amortisation charges exceeding those recognised for financial reporting purposes and those with deferred deductibility (e.g. those in respect of the revaluation of property), as well as the negative fair value measurement of non-current available-for-sale financial assets, the fair value measurement of derivatives hedging debt 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 mainly regard deferred taxes in respect of off-ledger deductions taken for tax purposes only, accruals to the loan-loss provision as well as the fair value measurement of shareholdings in the AFS portfolio and derivatives hedging cash flow liabilities.

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

(thousands of euros)

	31/12/2008	31/12/2007
1. Opening balance	**325,395**	**245,730**
2. Increases	**8,014**	**121,153**
2.1 Deferred tax assets recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) writebacks	8,009	
d) other		121,153
2.2 New taxes or increases in tax rates	5	
2.3 Other increases		
3. Decreases	**257,468**	**41,488**
3.1 Deferred tax assets derecognised during the year		
a) reversals	257,468	3,996
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		37,492
4. Closing balance	**75,941**	**325,395**

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

(thousands of euros)

	31/12/2008	31/12/2007
1. Opening balance	**545,830**	**457,388**
2. Increases	**73**	**162,321**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) other	73	162,321
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**276,128**	**73,879**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	276,128	167
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		73,712
3.3 Other decreases		
4. Closing balance	**269,775**	**545,830**

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

(thousands of euros)

	31/12/2008	31/12/2007
1. Opening balance	**807**	**28**
2. Increases	**15,701**	**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	15,701	783
2.2 New taxes or increases in tax rates		17
2.3 Other increases		
3. Decreases	**161**	**21**
3.1 Deferred tax assets derecognised during the year		
a) reversals	161	
b) writedowns for supervening non-recoverability		
c) due to changes in accounting policies		
3.2 Reduction in tax rates		21
3.3 Other decreases		
4. Closing balance	**16,347**	**807**

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

(thousands of euros)

	31/12/2008	31/12/2007
1. Opening balance	**92,578**	**350,126**
2. Increases	**66,780**	**3,767**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to changes in accounting policies		
c) other	66,780	3,767
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**73,260**	**261,315**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	73,260	
b) due to change in accounting policies		
c) other		9,088
3.2 Reduction in tax rates		252,227
3.3 Other decreases		
4. Closing balance	**86,098**	**92,578**

13.7 Other information

13.7.1 Deferred tax assets: composition

(thousands of euros)

	31/12/2008
Provisions for liabilities and contingencies	8,203
Depreciation and amortisation	3,642
Financial instruments	58,243
Payables	5,804
Equity investments	15,539
Securities holdings	808
Other	49
Total	**92,288**

13.7.2 Deferred tax liabilities: composition

(thousands of euros)

	31/12/2008
Equity investments	85,874
Securities holdings	22
Depreciation and amortisation	-
Financial instruments	275
Provision for impaired loans	269,702
Total	**355,873**

SECTION 15 - OTHER ASSETS - ITEM 150

15.1 Other assets: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Receivables from MIUR	285	626
2. Receivables from MEF	4,233	3,116
3. Receivables from MIT	87	87
4. Receivables from Poste Italiane S.p.A.	2,945	23,782
5. Other	28,696	5,861
Total	**36,246**	**33,472**

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 transit items being processed in the amount of about €17 million, the receivable in respect of dividends from equity investments in the amount of about €5.3 million and 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)

	31/12/2008	31/12/2007
1. Due to central banks	**19,449**	**318,341**
2. Due to banks	**674,155**	**944,802**
2.1 Current accounts and demand deposits	7,429	4,002
2.2 Fixed-term deposits	85,046	410,275
2.3 Borrowings	565,540	515,002
2.3.1 finance leases		
2.3.2 other	565,540	515,002
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	16,140	15,523
Total	**693,604**	**1,263,143**
Fair value	**693,604**	**1,263,143**

The item "Due to central banks" includes the payable to the Bank of Italy for unpaid direct debits equal to €19.4 million settled in early 2009.
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)

	31/12/2008	31/12/2007
1. Current accounts and demand deposits	81,805,836	76,282,114
2. Fixed-term deposits		
3. Third-party funds under administration		
4. Borrowings		
4.1 finance leases		
4.2 other		
5. Liabilities in respect of commitments to repurchase own equity instruments		
6. Liabilities in respect of assets assigned but not derecognized		
6.1 repurchase agreements		
6.2 other		
7. Other payables	10,475,257	11,334,969
Total	**92,281,093**	**87,617,083**
Fair value	**92,281,093**	**87,617,083**

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)

	31/12/2008		31/12/2007	
	book value	fair value	book value	fair value
A. Listed	**8,287,063**	**8,010,752**	**7,900,926**	**7,902,397**
1. bonds	8,287,063	8,010,752	7,900,926	7,902,397
1.1 structured				
1.2 other	8,287,063	8,010,752	7,900,926	7,902,397
2. other				
2.1 structured				
2.2 other				
B. Unlisted	**95,220,196**	**97,740,122**	**82,253,654**	**80,605,458**
1. bonds	1,905,204	1,861,555	1,291,538	1,291,538
1.1 structured				
1.2 other	1,905,204	1,861,555	1,291,538	1,291,538
2. other	93,314,992	95,878,567	80,962,116	79,313,920
2.1 structured	6,866,122	6,979,978	4,504,760	4,354,090
2.2 other	86,448,870	88,898,589	76,457,356	74,959,829
Total	**103,507,259**	**105,750,874**	**90,154,580**	**88,507,854**

The item includes covered bonds in the amount of €8,287 million, bonds issued under the Euro Medium Term Notes Programme in the amount of €1,905 million and postal savings bonds totalling €93,315 million. During the year, new issues under the EMTN Programme came to €700 million.
Other structured securities report indexed postal savings bonds and the Premia bonds, for which the embedded derivative, whose fair value at 31 December 2008 was €382 million, has been separated from the host contract.

3.3 Securities issued: securities hedged specifically

(thousands of euros)

	31/12/2008	31/12/2007
1. Securities covered by specific fair value hedge	**8,804,336**	**8,846,893**
a) interest rate risk	8,723,706	8,785,367
b) exchange rate risk		
c) multiple risks	80,630	61,526
2. Liabilities covered by specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2008				31/12/2007			
	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			**382,377**				**362,441**	
1.1 Trading								
1.2 Associated with fair value option								
1.3 Other			382,377				362,441	
2. Credit derivatives								
2.1 Trading								
2.2 Associated with fair value option								
2.3 Other								
Total B			**382,377**				**362,441**	
Total (A+B)			**382,377**				**362,441**	

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 and the Premia bonds that was separated from the host contract.

4.4 Financial liabilities held for trading: derivatives

(thousands of euros)

	Interest rates	Foreign currencies and gold	Equity securities	Loans	Other	31/12/2008	31/12/2007
A) Listed							
1. Financial derivatives							
• with exchange of principal							
- options written							
- other derivatives							
• without exchange of principal							
- options written							
- other derivatives							
2. Credit derivatives							
• with exchange of principal							
• without exchange of principal							
Total A							
B) Unlisted							
1. Financial derivatives			**382,377**			**382,377**	**362,441**
• with exchange of principal							
- options written							
- other derivatives							
• without exchange of principal			382,377			382,377	362,441
- options written			382,377			382,377	362,441
- other derivatives							
2. Credit derivatives							
• with exchange of principal							
• without exchange of principal							
Total B			**382,377**			**382,377**	**362,441**
Total (A+B)			**382,377**			**382,377**	**362,441**

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: composition by type of contract and underlying

(thousands of euros)

	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	**1,271,551**					**1,271,551**
• with exchange of principal						
- options written						
- other derivatives						
• without exchange of principal	1,271,551					1,271,551
- options written						
- other derivatives	1,271,551					1,271,551
2. Credit derivatives						
• with exchange of principal						
• without exchange of principal						
Total B	**1,271,551**					**1,271,551**
Total (A+B) 2008	**1,271,551**					**1,271,551**
Total (A+B) 2007	**895,008**	**1,251**				**896,259**

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

(thousands of euros)

	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	1,161,657							
3. Held-to-maturity financial assets								
4. Portfolio								
Total assets	**1,161,657**							
1. Financial liabilities	38,543							
2. Portfolio						71,351		
Total liabilities	**38,543**					**71,351**		

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)

	31/12/2008	31/12/2007
1. Positive adjustments of financial liabilities		528,637
2. Negative adjustments of financial liabilities	16,699	
Total	**16,699**	**528,637**

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

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

Section 8 - Tax liabilities - Item 80

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

SECTION 10 - OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Items being processed	11,408	2,639
2. Amounts due to employees	1,155	1,386
3. Charges for postal funding service	659,775	656,862
4. Tax payables	300,092	165,481
6. Other	12,155	16,056
Total	**984,585**	**842,424**

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 €660 million, in respect of commission expense for the management and placement of postal savings products;
- tax payables totalling about €300 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: change for the year

(thousands of euros)

	31/12/2008	31/12/2007
A. Opening balance	**738**	**726**
B. Increases	**725**	**630**
B.1 Provision for the year	725	630
B.2 Other increases		
C. Decreases	**772**	**618**
C.1 Severance payments	89	45
C.2 Other decreases	683	573
D. Closing balance	**691**	**738**

SECTIONS 12 - PROVISIONS - ITEM 120

12.1 Provisions: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Company pension plans		
2. Other provisions	8,005	1,884
2.1 legal disputes	2,373	1,884
2.2 staff costs	5,632	-
Total	**8,005**	**1,884**

12.2 Provisions: change for the year

(thousands of euros)

	Pensions	Other provisions	Total
A. Opening balance		**1,884**	**1,884**
B. Increases		**7,039**	**7,039**
B.1 Provision for the year		1,289	1,289
B.2 Changes due to passage of time			
B.3 Changes due to changes in discount rate		2	2
B.4 Other increases		5,748	5,748
C. Decreases		**918**	**918**
C.1 Use during the year		725	725
C.2 Changes due the changes in discount rate			
C.3 Other decreases		193	193
D. Closing balance		**8,005**	**8,005**

12.4 Provisions - other provisions

Other provisions regard the provision for pending litigation and that for liabilities in respect of employees.

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

14.1 Shareholders' equity: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Share capital	3,500,000	3,500,000
2. Share premium reserve		
3. Reserves	3,664,760	2,746,235
4. (Treasury shares)		
5. Valuation reserves	1,162,184	6,736,284
6. Equity instruments		
7. Net income (loss) for the year	1,389,443	1,373,525
Total	**9,716,387**	**14,356,044**

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".

In the financial statements for 2006, 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 the financial statements for 2007, 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.

Owing to market conditions and the risk of impacting the public finances, the planned early conversion has not yet been carried out and it has been decided to proceed with the conversion of the CDP preference shares into ordinary shares in the manner and with the timing envisaged in the articles of association.

The MEF, as the majority Shareholders, issued a note on 25 March 2009 reaffirming its intention to take all steps necessary - including drawing on reserves - to ensure that share capital does not fall below the amount established in Article 1, paragraph 1, of the MEF decree of 5 December 2003 even if preference share holders should exercise their right to withdraw rather than allow automatic conversion of their shares into ordinary shares.

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)

	31/12/2008	31/12/2007
Income reserves	**3,664,760**	**2,746,235**
Legal reserve	232,143	163,466
Other reserve	3,432,617	2,582,769

Other reserves mainly regard retained earnings from previous years.

14.7 Valuation reserves: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Financial assets available for sale	994,036	6,566,605
2. Property, plant and equipment	167,572	167,572
3. Intangible assets		
4. Hedging of foreign investments		
5. Cash flow hedges	576	2,107
6. Exchange rate differences		
7. Non-current assets included in discontinuing operations		
8. Special revaluation laws		
Total	**1,162,184**	**6,736,284**

14.8 Valuation reserves: change for the year

(thousands of euros)

	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	**6,566,605**	**167,572**			**2,107**			
B. Increases								
B1. Fair value gains	566							
B2. Other changes	21,291				731			
C. Decreases								
C1. Fair value losses	(5,594,426)				(2,262)			
C2. Other changes								
D. Closing balance	**994,036**	**167,572**			**576**			

14.9 Valuation reserves for financial assets available for sale: composition

(thousands of euros)

	31/12/2008		31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(1,646)		(1,691)
2. Equity securities	996,077		6,568,296	
3. Units in collective investment undertakings		(395)		
4. Loans				
Total	**996,077**	**(2,041)**	**6,568,296**	**(1,691)**

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

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

(thousands of euros)

	Debt securities	Equity securities	Units in collective investments	Loans
1. Opening balance	**(1,691)**	**6,568,296**	**-**	
2. Increases	**566**	**21,123**	**189**	
2.1 Fair value gains	566			
2.2 Reversal to income statement of negative reserves				
- for impairment				
- for realization				
2.3 Other changes		21,123	189	
3. Decreases	**521**	**5,593,342**	**584**	
3.1 Fair value losses	501	5,593,342	584	
3.2 Reversal to income statement of positive reserves: due to realization				
3.3 Other changes	20			
4. Closing balance	**(1,646)**	**996,077**	**(395)**	

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

(thousands of euros)

	Balance at 31/12/2008		Possible uses (*)	Amount available
Share capital		3,500,000	-	
Reserves		3,664,760		
- Legal reserve	*232,142*		B	232,142
- Income reserve	*3,432,618*		A, B, C	3,432,618
Valuation reserve		1,162,184		
- AFS reserve	*994,036*		-	-
- Property, plant and equipment	*167,572*		A, B	
- CFH reserve	*576*		-	-
Total		**8,326,944**		**3,664,760**

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

In previous years, the company elected to exercise 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 and taking account of utilization during the year, is expected to be about €711.03 million in 2008.

Other information

1. Guarantees issued and commitments

(thousands of euros)

	31/12/2008	31/12/2007
1) Financial guarantees issued	102,557	-
a) Banks		
b) Customers	102,557	-
2) Commercial guarantees issued		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	10,044,879	7,300,334
a) Banks		
i) certain use		
ii) uncertain use		
b) Customers	10,044,879	7,300,334
i) certain use	10,044,879	7,300,334
ii) uncertain use		
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	247,276	265,028
Total	**10,394,712**	**7,565,362**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

Portfolio	31/12/2008	31/12/2007
1. Financial assets held for trading		
2. Financial assets recognised at fair value		
3. Financial assets available for sale		
4. Financial assets held to maturity		
5. Loans to banks		
6. Loans to customers	16,542,634	17,679,918
7. Property, plant and equipment		

In past years CDP issued 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.

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)

	Performing financial assets		Impaired financial assets	Olther assets	31/12/2008	31/12/2007
	Debt securities	Loans				
1. Financial assets held for trading						
2. Financial assets available for sale	10,265				**10,265**	**8,959**
3. Financial assets held to maturity	5,687				**5,687**	
4. Loans to banks				146,512	**146,512**	**122,755**
5. Loans to customers	30,152	3,828,757	1,969		**3,860,878**	**3,798,197**
6. Financial assets recognised at fair value						
7. Hedging derivatives						
8. Financial assets assigned but not derecognized						
9. Other assets				4,115,694	**4,115,694**	**3,214,286**
Total	**46,104**	**3,828,757**	**1,969**	**4,262,206**	**8,139,036**	**7,144,197**

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 €3,831 million, represents the revenues on CDP lending activities;
- debt securities: interest income on debt securities, equal to about €46 million;
- other interest income: this is primarily composed of interest income on treasury account no. 29814, equal to about €4,116 million.

1.4 Interest expense and similar charges: composition

(thousands of euros)

	Debt	Securities	Other liabilities	31/12/2008	31/12/2007
1. Due to banks	36,149			**36,149**	**21,738**
2. Due to customers	2,195,958			**2,195,958**	**1,670,827**
3. Securities issued		3,452,969		**3,452,969**	**3,100,766**
4. Financial liabilities held for trading			617	**617**	**592**
5. Financial liabilities at fair value					
6. Financial liabilities in respect of assets assigned but not derecognized					
7. Other liabilities			281	**281**	**-**
8. Hedging derivatives			93,562	**93,562**	**143,909**
Total	**2,232,107**	**3,452,969**	**94,460**	**5,779,536**	**4,937,833**

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about €1,679 million, and interest on loans being repaid but not yet disbursed by CDP, equal to about €515 million.

Interest on debt securities regarded bond issues for about €346 million and postal savings bonds for about €3,105 million.

The negative differences on hedges amounted to about €94 million.

1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2008	31/12/2007
A. Positive differences on:		
A.1 Specific fair value hedges of assets	1,180,150	662,496
A.2 Specific fair value hedges of liabilities	52,785	294,997
A.3 Generic hedges of interest rate risk	257,115	256,930
A.4 Specific cash flow hedges of assets		
A.5 Specific cash flow hedges of liabilities		
A.6 Generic cash flow hedges		
Total positive differences (A)	**1,490,050**	**1,214,423**
B. Negatives differences on:		
B.1 Specific fair value hedges of assets	1,231,363	725,370
B.2 Specific fair value hedges of liabilities	45,886	361,189
B.3 Generic hedges of interest rate risk	305,089	270,473
B.4 Specific cash flow hedges of assets		
B.5 Specific cash flow hedges of liabilities	1,274	1,300
B.6 Generic cash flow hedges		
Total negative differences (B)	**1,583,612**	**1,358,332**
C. Balance (A-B)	**(93,562)**	**(143,909)**

1.6 Interest expense and similar charges

1.6.1 Interest expense on foreign currency liabilities

Interest expense accrued on liabilities denominated in foreign currencies came to about €1.5 million.

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: composition

CDP earned commission income on lending operations amounting to about €3.3 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.

2.1 Commission income: composition

(thousands of euros)

	31/12/2008	31/12/2007
a) guarantees issued		
b) credit derivatives		
c) management, intermediation and advisory services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1. individual		
3.2. collective		
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection		
8. advisory services		
9. distribution of third-party services		
9.1. asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitizations		
f) services for factoring transactions		
g) tax collection services		
h) other	6,709	5,056
Total	**6,709**	**5,056**

2.3 Commission expense: composition

Commission expense mainly regards the charge for the year in respect of the remuneration paid to Poste Italiane S.p.A. for managing postal funding.

The agreement between Poste Italiane and CDP, as amended by subsequent supplementary agreements governing the management and placement of postal savings products, provides for a bonus mechanism based on the achievement of specified targets to determine the remuneration of the services provided by Poste Italiane. Following the partial achievement by Poste Italiane of the funding targets set for 2008, commissions paid by CDP to Poste Italiane were reduced by €75 million.

2.3 Commission expense: composition

(thousands of euros)

	31/12/2008	31/12/2007
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	736,016	759,552
6. off-premises distribution of securities, products and services		
d) collection and payment services	165	210
e) other services		
Total	**736,181**	**759,762**

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2008		31/12/2007	
	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	850,319		810,908	
C. Financial assets recognised at fair value				
D. Equity investments	200,937		186,458	
Total	**1,051,256**		**997,366**	

Dividends regard the share of net income attributable to CDP S.p.A. from its equity investments in Istituto per il Credito Sportivo (about €2 million), ENI S.p.A. (about €540 million), ENEL S.p.A. (about €307 million), Poste Italiane (about €86 million), Terna (about €93 million), STH (about €22 million) and SINLOC (€65,195).

Section 4 - Net gain (loss) on trading activities - Item 80

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B)-(C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
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	**278,561**		**290,646**		**(12,085)**
4.1 Financial derivatives	**278,561**		**290,646**		**(12,085)**
- on debt securities and interest rates					
- on equity securities and equity indices	278,561		290,646		(12,085)
- on foreign currencies and gold					
- other					
4.2 Credit derivatives					
Total	**278,561**		**290,646**		**(12,085)**

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

5.1 Net gain (loss) in hedging activities: composition

(thousands of euros)

	31/12/2008	31/12/2007
A. Income on:		
A.1 Fair value hedges	796,808	850,524
A.2 Hedged financial assets (fair value)	1,918,429	20,347
A.3 Hedged financial liabilities (fair value)	-	284,559
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	3,055	3,063
Total income on hedging activities (A)	**2,718,292**	**1,158,493**
B. Expense on:		
B.1 Fair value hedges	1,883,108	382,954
B.2 Hedged financial assets (fair value)	56,299	826,209
B.3 Hedged financial liabilities (fair value)	920,903	1,431
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	3,055	3,063
Total expense on hedging activities (B)	**2,863,365**	**1,213,657**
C. Net gain (loss) on hedging activities (A-B)	**(145,073)**	**(55,164)**

Section 6 - Gains (losses) on disposal or repurchase - Item 100

6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2008			31/12/2007		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks						
2. Loans to customers	7,403		7,403	20,138		20,138
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**7,403**		**7,403**	**20,138**		**20,138**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities in issue	625		625			-
Total liabilities	**625**		**625**			-

Section 8 - Net impairment adjustments - Item 130

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2008	31/12/2007
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		Interest	Other writebacks	Interest	Other writebacks		
A. Loan to banks									
B. Loan to customers		23,863						23,863	9,696
C. Total		**23,863**						**23,863**	**9,696**

SECTION 9 - GENERAL AND ADMINISTRATIVE EXPENSES - ITEM 150

9.1 Staff costs: composition

(thousands of euros)

	31/12/2008	31/12/2007
1) Employees	**38,764**	**37,611**
a) wages and salaries	28,360	27,667
b) social security contributions	126	113
c) severance pay		
d) pensions	7,656	7,466
e) allocation to staff severance pay provision	725	630
f) allocation to provision for pensions and similar liabilities		
- defined contribution		
- defined benefit		
g) payments to external pension funds		
- defined contribution	695	607
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	1,202	1,128
2) Other personnel	**344**	**175**
3) Board of Directors	**888**	**821**
Total	**39,996**	**38,607**

9.2 Average number of employees by category

Employees	**399**
a) Senior management	31
b) Middle management	125
of which grade 3 and 4	113
c) Other employees	243
Other employees	**5**

9.4 Other employee benefits

(thousands of euros)

	31/12/2008	31/12/2007
Lunch vouchers	474	464
Staff health insurance	712	663
Interest subsidies on loans	7	-
Other benefits	9	
Total	**1,202**	**1,127**

9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2008	31/12/2007
IT costs (licenses, maintenance and consulting)	6,034	8,366
Property expenses	3,415	3,629
Leased land and buildings	47	61
Owned land and buildings	3,368	3,568
- maintenance of owned land and buildings	*2,296*	*2,387*
- operating expenses	*1,072*	*1,181*
Utilities	1,672	1,601
General expenses	6,334	6,439
- consumables and other	*947*	*1,000*
- services	*5,387*	*5,439*
Entertainment and marketing	274	328
Professional and insurance expenses	5,168	4,505
Professional and service costs for personnel	1,152	1,142
Corporate bodies other than BoD	328	395
Indirect taxes and duties	1,190	1,169
Total	**25,567**	**27,574**

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2008 paid for services provided by KPMG S.p.A., the external auditor of CDP S.p.A. and the subsidiary Terna S.p.A..

Fees for auditing and non-audit services

(thousands of euros)

	Service provider	Fees for the year
Auditing and financial statements	KPMG S.p.A.	253
Certification	KPMG S.p.A.	40
Total		**293**

The fees paid to the auditing company regard the annual auditing of the separate and consolidated financial statements, the auditing of the separate and consolidated half-year financial reports, the certification of the accounting separation schedules and the report on the liquidation of the segregated TAV asset pool.

Section 10 - Provisions (net) - Item 160

10.1 Provisions (net): composition

(thousands of euros)

	31/12/2008	31/12/2007
Review of existing provision and discounting	1,214	189
Provision for disputes arising in the year	-	835
Total	**1,214**	**1,024**

Section 11 - Net adjustments of property, plant and equipment - Item 170

11.1 Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c) (c)	Net adjustments (a+b-c)
A. Property, plant and equipment	6,767			6,767
A.1 owned	6,767			6,767
- operating assets	6,767			6,767
- investment property				
A.2 acquired under finance leases				
- operating assets				
- investment property				
Total	**6,767**			**6,767**

Section 12 - Net adjustments of intangible assets - Item 180

12.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c) (c)	Net adjustments (a+b-c)
A. Intangible assets	1,887			1,887
A.1 Owned	1,887			1,887
- generated internally				
- other	1,887			1,887
A.2 Acquired under finance leases				
Total	**1,887**			**1,887**

Section 13 - Other operating costs and income - Item 190

13.1 Other operating costs: composition

(thousands of euros)

	31/12/2008	31/12/2007
Operating costs in respect of supply chain	1,030	434
Total	**1,030**	**434**

13.2 Other operating income: composition

(thousands of euros)

	31/12/2008	31/12/2007
Income from adjustment of liability items	60	795
Income for corporate offices paid to employees	246	388
Sundry reimbursements	1,098	408
Reimbursement of expenses incurred for Min. Univ. and Research agreement	380	392
Other income for services rendered	137	31
Total	**1,921**	**2,014**

Section 14 - Gains (losses) on equity investments - Item 210

14.1 Gains (losses) on equity investments: composition

(thousands of euros)

	31/12/2008	31/12/2007
A. Gains		
1. Revaluations		
2. Gains on disposals		
3. Writebacks		
4. Other increases		
B. Losses	**504,543**	**471,902**
1. Writedowns		
2. Impairments	504,543	471,902
3. Losses on disposals		
4. Other decreases		
Net gain (loss)	**504,543**	**471,902**

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

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

17.1 Gains (losses) on disposal of investments: composition

(thousands of euros)

	31/12/2008	31/12/2007
A. Land and buildings		
- Gains on disposal		
- Losses on disposal		
B. Other assets	-	3
- Gains on disposal	-	4
- Losses on disposa	-	(1)
Net gain (loss)	**-**	**3**

Section 18 - Income tax for the period on continuing operations - Item 260

18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2008	31/12/2007
1. Current taxes (-)	(570,828)	(489,850)
2. Changes in current taxes from previous periods (+/-)	4,463	3,512
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(249,454)	79,665
5. Change in deferred tax liabilities (+/-)	276,054	(88,442)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(539,765)	(495,115)

Current taxation regards IRES and IRAP for the year, calculated on the basis of the current tax rates of 27.5% and 4.82% respectively.

The change in current taxes with respect to previous years reflects the adjustment of the provision for taxes, estimated in recognising the accrual for taxes, to the actual tax liability due on the basis of the tax return submitted to the Revenue Agency.

In the year ended 31 December 2008, the determination of current and deferred taxation was heavily affected by the changes introduced with Law 244/2007 (the 2008 Finance Act), which in addition to modifying tax rates to the level indicated above, also substantially change the existing correlations between the amounts reported in the financial statements and taxable income.

For entities such as CDP that prepare their financial statements on the basis of international accounting standards, the above rules seek to align tax regulations with statutory reporting rules by way of recognition, in the determination of income for IRES purposes, of the qualification, measurement and classification criteria of the above accounting standards.

This also holds for the tax on the value of production (IRAP), which is calculated using the amounts reported in the income statement supplemented by a number of additional factors established in the tax regulations.
The impact of the new rules on deferred tax items is especially significant.
For many of the temporary differences recognised in previous years owing to the irrelevance of certain accounting events for tax purposes, the principle of realigning tax values with statutory reporting values led to their reversal in 2008.
In particular, the temporary differences in respect of the fair value measurement of hedging derivatives (a reduction of €787 million) and the underlying debt securities (a reduction of €854 million) were virtually eliminated, with a consequent reduction in the balance sheet items for deferred tax assets and the provision for deferred taxes.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognized

(thousands of euros)

Income (loss) before taxes	**1,929,208**
IRES theoretical tax liability (27,5% rate)	**530,532**
dividends excluded 95%	(273,245)
dividends not collected excluded 95%	(1,395)
writedown of equity investments	138,749
non-deductible costs	837
non-deductible interest 3%	47,681
tax-exempt income	(2,221)
IRES Actual tax liability	**440,938**

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 Investments division, the Development Policies & 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 articles of association 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 Strategic Projects 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, the Managing Director and the Director General, where envisaged, 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. Accordingly, for the purposes of accounting separation, the costs and revenues of the Finance division allocable to the segments are broken down into Separate Account, Ordinary Account and Joint Services depending on the specific activity to which they refer (with the exception of the postal savings sector, which operates exclusively under the Separate Account, as noted above).

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	8,048,578	92,932	-	-2,474	**8,139,036**
- of which in respect of internal transactions	*1,559*	*915*	-	*-2,474*	-
Interest expense and similar charges	-5,693,872	-88,137	-1	2,474	**-5,779,536**
- of which in respect of internal transactions	*-915*	*-1,559*	-	*2,474*	-
Net interest income	**2,354,706**	**4,796**	**-1**	**-**	**2,359,501**
Net commissions	**-732,751**	**3,369**	**-90**	**-**	**-729,472**
Dividends and similar revenues	1,051,256	-	-	-	**1,051,256**
Net gain (loss) on trading activities	-11,742	-343	-	-	**-12,085**
Net gain (loss) on hedging activities	-143,237	-1,836	-	-	**-145,073**
Gains (losses) on disposal or repurchase of loans	7,391	637	-	-	**8,028**
Gross income	**2,525,622**	**6,623**	**-91**	**-**	**2,532,155**
Net impairment adjustments of loans	-23,529	-334	-	-	**-23,863**
Administrative expenses	-15,238	-2,760	-47,564	-	**-65,562**
Other operating income (costs)	174	121	594	-	**889**
Operating income	**2,487,028**	**3,651**	**-47,060**	**-**	**2,443,618**

A.2 Distribution by segment: balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Loans to customers	81,865,624	2,195,676	7	84,061,306
Due to customers	92,281,052	41	-	92,281,093
Securities issued	101,602,055	1,905,204	-	103,507,259
Cash and cash equivalents and net interbank position *	109,364,177	4,040	-8,472	109,359,744

* 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 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, monitoring use of economic capital and participating in capital management activities.
Risk Management is also responsible for providing the company with certified calculation models.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules prepared by the Risk Management department and approved by the Board of Directors.
They envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management 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 senior management.

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.

The Ordinary account grants corporate and project financing for initiatives concerning the delivery of public services.

2. Credit risk management policies

2.1 Organisational aspects

As part of pre-lending assessments, the Risk Management department plays a complementary role to that of assessing creditworthiness, which is performed by the Credit department, primarily focusing on risk concentration and the risk/return profile of new loans. The Rules also give Risk Management responsibility 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 credit risk management and control policies for the Separate Account, CDP adopts a system for lending to regional and local governments, under which each loan is allocated to a uniform risk category, defining the level of risk associated with individual authorities appropriately with the aid of specific quantitative parameters for each type and size of authority.

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

CDP has also adopted the "International Municipal Model" developed by Standard & Poor's for larger local governments since the calculation of the internal rating requires data for financial variables that smaller entities might not measure adequately.

As regards the calculation of portfolio credit risk, for the Ordinary Account CDP uses a validated proprietary model to support and monitor 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 concentration limits based on the gross nominal amounts of transactions and credit equivalents.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.
In addition to normal guarantee requirements, mainly in operations under the Ordinary Account, other options include contractual clauses requiring borrowers to comply with financial covenants that enable CDP to monitor credit risk more closely over the life of an operation.

As regards bank counterparties in transactions in hedging derivatives, in view of the ISDA contracts signed, netting arrangements are also used. All the contracts are based on the 2002 ISDA agreement.
Credit Support Annexes have also been signed in order to strengthen credit risk mitigation, with the periodic exchange of collateral.

The arrangement is based on the standard format recommended by ISDA.

2.4 Impaired assets

In 2008 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, making it possible to control credit quality, specifying 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.
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

A.1.1 Distribution of financial assets by portfolio and credit quality (book value)

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions	Country risk	Other assets	Total
1. Financial assets held for trading						400,991	400,991
2. Financial assets available for sale						9,775,231	9,775,231
3. Financial assets held to maturity						205,795	205,795
4. Loans to banks						4,784,305	4,784,305
5. Loans to customers	24,130	7,181		21,441		84,008,554	84,061,306
6. Financial assets designated at fair value							
7. Financial assets being divested							
8. Hedging derivatives						100,620	100,620
Total 31/12/2008	**24,130**	**7,181**		**21,441**		**99,275,496**	**99,328,248**
Total 31/12/2007	**2,767**	**11,702**		**46,502**		**98,715,206**	**98,776,177**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

(thousands of euros)

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	(net exposure)
1. Financial assets held for trading							400,991	400,991
2. Financial assets available for sale					9,775,231		9,775,231	9,775,231
3. Financial assets held to maturity					205,795		205,795	205,795
4. Loans to banks					4,784,305		4,784,305	4,784,305
5. Loans to customers	129,007	(76,255)		52,752	84,008,554		84,008,554	84,061,306
6. Financial assets designated at fair value								
7. Financial assets being divested								
8. Hedging derivatives							100,620	100,620
Total 31/12/2008	**129,007**	**(76,255)**		**52,752**	**98,773,885**		**99,275,496**	**99,328,248**
Total 31/12/2007	**111,517**	**(50,546)**		**60,971**	**98,715,206**		**98,715,206**	**98,776,177**

A.1.3 On-balance-sheet and off-balance-sheet exposure to banks: gross and net values

(thousands of euros)

	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	4,786,371			4,786,371
Total A	**4,786,371**			**4,786,371**
B. Off-balance-sheet exposures				
a) Impaired				
b) Other	461,599			461,599
Total B	**461,599**			**461,599**

A.1.6 On-balance-sheet and off-balance-sheet exposures to customers: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures				
a) Bad debts	74,707	(50,577)		24,130
b) Substandard loans	32,859	(25,678)		7,181
c) Restructured positions				
d) Past due positions	21,441			21,441
e) Country risk				
f) Other assets	93,987,514			93,987,514
Total A	**94,116,521**	**(76,255)**		**94,040,266**
B. Off-balance-sheet exposures				
a) Impaired	1,557			1,557
b) Other	10,424,660			10,424,660
Total B	**10,426,217**			**10,426,217**

A.1.7 On-balance-sheet exposures to customers: changes in gross impaired positions exposed to country risk

(thousands of euros)

	Bad debts	Substandard loans	Resctructured positions	Past due positions	Country risk
A. Opening gross exposure	**29,169**	**35,845**		**46,502**	
- of which: exposures assigned but not derecognized					
B. Increases	**46,385**	**1,382**		**12,096**	
B.1. from performing loans	43,724			12,096	
B.2 transfers from other categories of impaired positions	2,254				
B.3 other increases	407	1,382			
C. Decreases	**(847)**	**(4,368)**		**(37,157)**	
C.1. to performing loans	(726)	(313)		(36,928)	
C.2. writeoffs	(111)	(10)			
C.3. collections		(1,792)		(229)	
C.4. assignments					
C.5. transfers to other categories of impaired positions		(2,253)			
C.6. other decreases	(10)				
D. Closing gross exposure	**74,707**	**32,859**		**21,441**	
- of which: exposures assigned but not derecognized					

A.1.8 On-balance-sheet exposures to customers: changes in total adjustments

(thousands of euros)

	Bad debts	Substandard loans	Resctructured positions	Past due positions	Country risk
A. Total opening adjustments	**26,402**	**24,144**			
- of which: exposures assigned but not derecognized					
B. Increases	**24,411**	**1,860**			
B.1 writedowns	2,266	1,860			
B.2 transfers from other categories of impaired positions	316				
B.3 other increases	21,829				
C. Decreases	**(236)**	**(326)**			
C.1 writebacks from valuations	(125)				
C.2 writebacks from collections					
C.3 writeoffs	(111)	(10)			
C.4 transfers to other categories of impaired positions		(316)			
C.5 other decreases					
D. Total closing adjustments	**50,577**	**25,678**			
- of which: exposures assigned but not derecognized					

A.2 Classification of exposures on the basis of external ratings

A.2.1 Distribution of on-balance-sheet exposures and off-balance-sheet exposure by external rating grades

(thousands of euros)

	External rating grades						Not rated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. On-balance-sheet exposures	**46,298,976**	**18,577,261**	**247,913**			**58,887**	**33,643,601**	**98,826,638**
B.Derivatives	**365,668**	**135,942**						**501,610**
B.1 Financial derivatives	365,668	135,942						501,610
B.2 Credit derivatives								
C. Guarantees issued							**102,557**	**102,557**
D. Commitments to disburse funds	**2,011,097**	**2,939,356**	**40,770**				**5,292,424**	**10,283,647**
Total	**48,675,741**	**21,652,559**	**288,683**			**58,887**	**39,038,582**	**109,714,452**

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured on-balance-sheet exposures to banks and customers

(thousands of euros)

		Collateral			Unsecured guarantees								Total 31/12/2008
					Credit derivatives				Guarantees				
	Value of exposure	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	1,161,538	193,687	53,042	64,126					323,763	167,966		459,959	**1,262,543**
1.2 partially secured	76,495,923			10,040,949									**10,040,949**

A.3.2 Secured off-balance-sheet exposures to banks and customers

(thousands of euros)

		Collateral			Unsecured guarantees								Total 31/12/2008
					Credit derivatives				Guarantees				
	Value of exposure	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	1,559,222	140,971	264,241	51,424					1,060,513			89,063	**1,606,212**
1.2 partially secured													

A.3.3 Impaired secured on-balance-sheet exposures to banks and customers

(thousands of euros)

	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%																					
2.4. up to 50%	21,279	430			430															**430**	-

B. Distribution and concentration of lending

B.1 On-balance-sheet and off-balance-sheet exposures to customers by sector

(thousands of euros)

	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					3,454	(1,220)		2,234	43,657	(21,829)		21,828
A.2 Substandard loans					25,061	(25,061)						
A.3 Restructured positions												
A.4 Past due positions					21,442			21,442				
A.5 Other	34,423,039			34,423,039	42,846,566			42,846,566	418,532			418,532
Total A	**34,423,039**			**34,423,039**	**42,896,523**	**(26,281)**		**42,870,242**	**462,189**	**(21,829)**		**440,360**
B. Off-balance-sheet exposure												
B.1 Bad debts												
B.2 Substandard loans												
B.3 Other impaired assets					1,557			1,557				
B.4 Other	1,183,341			1,183,341	6,551,713			6,551,713	287,288			287,288
Total B	**1,183,341**			**1,183,341**	**6,553,270**			**6,553,270**	**287,288**			**287,288**
Total (A+B) 31/12/2008	**35,606,380**			**35,606,380**	**49,449,793**	**(26,281)**		**49,423,512**	**749,477**	**(21,829)**		**727,648**
Total (A+B) 31/12/2007	**33,479,476**			**33,479,476**	**44,758,563**	**(24,720)**		**44,733,842**	**885,216**	**-**		**885,216**

B.1 On-balance-sheet and off-balance-sheet exposures to customers by sector

(thousands of euros)

	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					27,596	(27,529)		67				
A.2 Substandard loans					7,798	(617)		7,181				
A.3 Restructured positions												
A.4 Past due positions												
A.5 Other					16,258,671			16,258,671	40,707			40,707
Total A					**16,294,065**	**(28,146)**		**16,265,919**	**40,707**			**40,707**
B. Off-balance-sheet exposures												
B.1 Bad debts												
B.2 Substandard loans												
B.3 Other impaired assets												
B.4 Other					2,368,310			2,368,310	34,007			34,007
Total B					**2,368,310**	**-**		**2,368,310**	**34,007**			**34,007**
Total (A+B) 31/12/2008					**18,662,375**	**(28,146)**		**18,634,229**	**74,714**			**74,714**
Total (A+B) 31/12/2007					**22,328,312**	**(25,725)**		**22,302,587**	**22,406**	**(101)**		**22,305**

B.3 On-balance-sheet and off-balance-sheet exposures to customers by geographical area

(thousands of euros)

	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	31,050	2,301	43,657	21,829						
A.2 Substandard loans	32,859	7,181								
A.3 Restructured positions										
A.4 Past due positions	21,442	21,442								
A.5 Other	93,979,387	93,979,387	8,127	8,127						
Total A	**94,064,738**	**94,010,311**	**51,784**	**29,956**						
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets	1,557	1,557								
B.4 Other	10,309,170	10,309,170	100,492	100,492	14,998	14,998				
Total B	**10,310,727**	**10,310,727**	**100,492**	**100,492**	**14,998**	**14,998**				
Total (A+B) 31/12/2008	**104,375,465**	**104,321,038**	**152,276**	**130,448**	**14,998**	**14,998**				
Total (A+B) 31/12/2007	**101,204,694**	**101,154,148**	**267,425**	**267,425**	**1,854**	**1,854**				

B.4 On-balance-sheet and off-balance-sheet exposures to banks by geographical area

(thousands of euros)

	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	4,154,726	4,154,726	631,645	631,645						
Total A	**4,154,726**	**4,154,726**	**631,645**	**631,645**						
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	41,987	41,987	419,611	419,611						
Total B	**41,987**	**41,987**	**419,611**	**419,611**						
Total (A+B) 31/12/2008	**4,196,713**	**4,196,713**	**1,051,256**	**1,051,256**						
Total (A+B) 31/12/2007	**3,837,090**	**3,837,090**	**1,050,195**	**1,050,195**						

C. Securitisations and asset disposals

C.1 Securitisations

Qualitative disclosures

At the end of 2002, the 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

C.1.1 Exposures in respect of securitizations by quality of securitized assets

(thousands of euros)

	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:					**193,653**	**193,653**												
a) impaired																		
b) other					193,653	193,653												
B. With third-party underlying assets:	**202,014**	**202,014**																
a) impaired																		
b) other	202,014	202,014																

C.1.2 Exposures in respect of main own securitizations by type of securitized assets and type of exposure

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit line					
	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.					193,653													
- 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																		

C.1.3 Exposures in respect of main third-party securitizations by type of securitized assets and type of exposure

(thousands of euros)

	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	202.014																	

C.1.4 Exposures in respect of securitizations by portfolio of financial assets and type

(thousands of euros)

	Financial assets held for trading	Financial assets recognized at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2008	31/12/2007
1. On-balance-sheet exposures			**202.014**		**193.653**	**395.667**	**386.525**
- senior			202.014			202.014	201.853
- mezzanine							
- junior					193.653	193.653	184.672
2. Off-balance-sheet exposures							
- senior							
- mezzanine							
- junior							

C.1.7 Servicer activities - collections on securitized assets and redemption of securities issued by vehicle

(thousands of euros)

	Securitized assets (end-period figure)		Collections in the year		Percent 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	637.454		191.968						

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

As part of its maturity transformation activities, CDP is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality.
This risk can affect the profits and economic value of CDP.

Since its transformation into a company limited by shares, Cassa depositi e prestiti has faced unusual circumstances in terms of controlling and measuring interest rate risk, both in respect of the substantial volumes of existing unhedged positions and the special characteristics of its products.

This situation has made it necessary, as well as advisable, to adopt best practices in dealing with interest rate risk. Traditional measurement techniques for interest rate risk on the banking book, based on gap analysis, are not sufficient to capture the risk profile of interest-bearing postal savings bonds: the presence of large volumes of assets with an early redemption option is one of the recognised cases in which such models are not recommended.
CDP calculates exposure and risk metrics on the basis of the measurement of all balance sheet items - an approach termed the "economic value perspective" - and measures the changes in the value of those items in response to small changes (sensitivity analysis) and large charges (stress testing) in risk factors.

The transition from the exposure measurements obtained from the sensitivity and stress analyses to the risk metrics involves assigning a probability to possible market scenarios: this gives a statistical distribution of the value of the balance sheet items. This monitoring structure is translated into the calculation of value at risk (VaR), which summarises the outcome of the simulations performed in a single value.

While aware of the limits of any composite metric, CDP uses VaR because it has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry) in a single value;
- it makes it possible, by way of backtesting, to check the hypotheses underpinning the calculations and simulations.

CDP supplements the VaR approach, which offers a view of risk exposure on an unchanged-portfolio basis, with a dynamic ALM system (DALM). The system enables the company to simulate, under various market scenarios, the impact of corrective hedging on the exposure to risk and on net interest income within the long-term horizon of the business plan, given the pricing strategies adopted for its products.

The Rules set two VaR limits, one for the banking book, the other for the trading book.
Under the Separate Account, CDP seeks to exploit "natural hedge relationships" between fixed-rate assets and liabilities. Hedging therefore regards subsets of asset or liabilities depending on the sign of the net exposure, with a view to limiting the overall VaR.
After undergoing backtesting, the filtered historical simulation methodology used by CDP to calculate VaR proved to be adequate even in financial crises, with the number of exceptions in line with expectations.
During the financial crisis, VaR rose dramatically, correctly reflecting the explosion in the volatility of risk factors.

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

The measurement and monitoring of interest rate risk is performed by the Risk Management department for top management, which reports periodically to the Board of Directors.

B. Fair value hedges

The strategies underlying fair value hedging are aimed at reducing interest rate risk metrics and differ in part for the two Accounts.

The Ordinary Account is normally hedged against interest rate risk at the origination stage. As regards the liability side, structured floating-rate issues were hedged with interest rate swaps linked to 6-month Euribor plus a spread, while on the asset side fixed-rate loans were hedged with amortising IRSs in which CDP pays fixed and receives floating.
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, hedges may regard a uniform aggregate of loans.

The Separate Account faces special circumstances in view of the substantial volume of unhedged exposures that pre-dated the transformation of CDP into a corporation.
As regards financial liabilities, in 2005, with a negative exposure to a reduction in interest rates, CDP undertook a programme of hedging interest rate risk on a portfolio of postal savings bonds using roller-coaster IRSs in which CDP receives fixed and pays 12-month Euribor plus a spread.
Issues of fixed-rate covered bonds in euros were systematically transformed into floating rates using IRSs at the origination stage.

As regard financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features.
The programme was implemented using amortising IRSs in which CDP pays fixed and receives 6-month Euribor plus a spread.

In 2007 and 2008, part of new fixed-rate lending continued to be hedged, together with transactions regarding existing fixed-rate loans.

C. Cash flow hedges

At 31 December 2008, 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

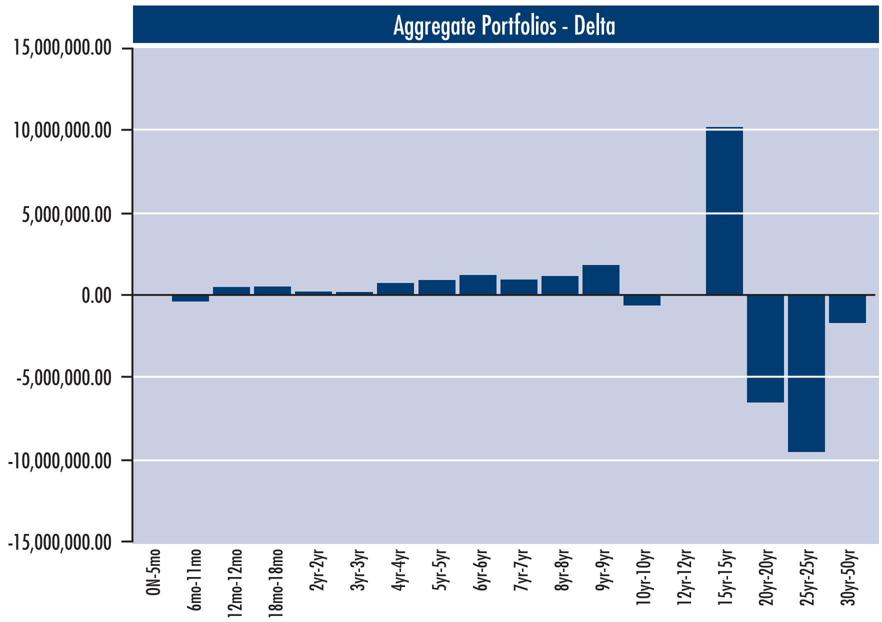
As discussed above, CDP has implemented a DALM system that simulates the impact of alternative scenarios.

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 2008

RiskFactors	Delta
ON-5mo	-21,520.28
6mo-11mo	-369,311.68
12mo-12mo	473,558.93
18mo-18mo	501,551.65
2yr-2yr	202,375.38
3yr-3yr	164,863.11
4yr-4yr	712,085.34
5yr-5yr	883,198.01
6yr-6yr	1,186,760.71
7yr-7yr	916,665.94
8yr-8yr	1,143,874.22
9yr-9yr	1,798,097.69
10yr-10yr	-628,400.38
12yr-12yr	-21,961.98
15yr-15yr	10,135,350.90
20yr-20yr	-6,463,182.96
25yr-25yr	-9,473,258.91
30yr-50yr	-1,677,994.69



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 - as it did in 2008 - 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 Premia bonds to the Dow Jones EUROSTOXX 50 index.

CDP uses a portfolio insurance approach to protect against the equity risk in respect of listed companies (both in associates and other companies).

B. Hedging price risk

The price risk associated with issues of indexed savings bonds and the 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

1. Banking book: on-balance-sheet exposures in equity securities and units of collective investment undertakings

(thousands of euros)

	Book value	
	Listed	Unlisted
A. Equity securities	**9,538,823**	**9,716**
A.1 Shares	9,538,823	9,716
A.2 Innovative capital instruments		
A.3 Other equities		
B. Units in collective investment undertakings		**15,118**
B.1 Italian		15,118
- harmonized open		
- non harmonized open		
- closed		15,118
- restricted		
- speculative		
B.2 Other EU		
- harmonized		
- non harmonized open		
- non harmonized closed		
B.2 Non-EU		
- open		
- closed		
Total	**9,538,823**	**24,834**

2.5 Exchange rate risk

Qualitatives disclosures

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

In 2008 CDP accrued a temporary exposure in dollars associated with the deferred payment of a part of the dividends of ST Holding.

B. Hedging exchange rate risk

The exchange rate risk in respect of the fixed-rate covered bond in yen (issued in 2007) was hedged with a cross currency swap.

QUANTITATIVE DISCLOSURES

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
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			**79,277**			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities			79,277			
C.4 Other financial liabilities						
D. Financial derivatives			**79,277**			
- Options			-			
- long positions						
- short positions						
- Other derivatives			79,277			
- long positions			79,277			
- short positions						
Total assets			**79,277**			
Total liabilities			**79,277**			
Difference (+/-)			**-**			

2.6 Derivatives

A. Financial derivatives

A.2.1 Hedging

(thousands of euros)

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement												
2. Interest rate swap		33,695,766								33,695,766		34,484,908
3. Domestic currency swap												
4. Currency i.r.s.						79,277				79,277		60,632
5. Basis swap		321,500								321,500		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		**34,017,266**				**79,277**				**34,096,543**		**34,995,540**
Average values		**34,476,087**				**69,955**				**34,546,042**		**30,007,378**

A.2.2 Other derivatives

(thousands of euros)

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other		31/12/2008		31/12/2007	
	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				20,968,615						20,968,615		9,336,663
- plain vanilla				20,968,615						20,968,615		9,336,663
- exotic												
- written				20,258,730						20,258,730		10,057,758
- plain vanilla				20,258,730						20,258,730		10,057,758
- exotic												
12. Forward contracts												
- purchases												
- sales												
- foreign currency vs foreign currency												
13. Other derivatives contracts												
Total				**41,227,345**						**41,227,345**		**19,394,421**

A.3 Financial derivatives: purchases and sales of underlyings

(thousands of euros)

	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other assets		31/12/2008		31/12/2007	
	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						79,277				79,277		60,632
- purchases						79,277				79,277		60,632
- sales												
- foreign currency vs foreign currency												
2. Transactions without exchange of principal		33,695,766								33,695,766		34,334,907
- purchases		14,692,609								14,692,609		15,403,831
- sales		19,003,157								19,003,157		18,931,076
- foreign currency vs foreign currency												
B.2 Other derivatives												
1. Transactions with exchange of principal												
- purchases												
- sales												
- foreign currency vs foreign currency												
2. Transactions without exchange of principal				41,227,345		-				41,227,345		19,394,421
- purchases				20,968,615						20,968,615		9,336,663
- sales				20,258,730						20,258,730		10,057,758
- foreign currency vs foreign currency												

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

(thousands of euros)

	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 B 31/12/2008														
Total B 31/12/2007														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		70,368	23,591		400,991	1,428,554		15,255	5,946				79,769	1,047,929
B.4 Financial companies		14,998	2,500										7,809	4,658
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other														
Total B 31/12/2008		**85,366**	**26,091**		**400,991**	**1,428,554**		**15,255**	**5,946**				**87,578**	**1,052,587**
Total B 31/12/2007		**828,580**	**219,116**		**353,727**	**539,364**							**339,717**	**681,966**

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

(thousands of euros)

	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 31/12/2008														
Total A 31/12/2007														
B. Banking book														
B.1 Governments and central banks														
B.2 Government agencies														
B.3 Banks		(1,075,155)	303,298										(271,241)	499,588
B.4 Financial companies		(196,395)	48,882										(39,422)	15,895
B.5 Insurance undertakings														
B.6 Non-financial companies														
B.7 Other				(382,377)										
Total A 31/12/2008		**(1,271,550)**	**352,180**	**(382,377)**									**(310,663)**	**515,483**
Total A 31/12/2007		**(895,009)**	**216,779**	**(362,441)**		**593,737**		**(1,250)**	**3,032**				**(333,547)**	**296,324**

A.6 Residual life of over-the-counter financial derivatives: notional values

(thousands of euros)

	To 1 year	From 1 year 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	3,046,995	8,440,721	22,529,550	34,017,266
B.2 Financial derivatives on equity securities and equity indices	1,235,026	22,143,183	8,850,521	32,228,730
B.3 Financial derivatives on exchange rates and gold			79,277	79,277
B.4 Financial derivatives on other assets				
Total 31/12/2008	**4,282,021**	**30,583,904**	**31,459,348**	**66,325,273**
Total 31/12/2007	**1,148,392**	**17,773,779**	**35,188,719**	**54,110,890**

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.
Beginning on 15 September 2008, the date on which the bankruptcy of Lehman Brothers was announced, the funding conditions faced by CDP in the capital market changed radically, impacting the funding decisions for the Ordinary Account.

Quantitatives disclosures

1. Distribution of financial assets and liabilities assets by residual maturity - currency: eur

(thousands of euros)

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years
On-balance-sheet assets									
A.1 Government securities					3,159				476,870
A.2 Listed debt securities				4,514			1,222	202,821	2,941
A.3 Other debt securities			478	2,922		4,530	34,020	221,446	685,380
A.4 Units in collective investment undertakings									15,118
A.5 Loans									
- banks						7,280	7,361	261,956	178,346
- customers	247,639		4,338	26,818	97,683	157,274	3,506,082	14,302,303	61,099,386
On-balance-sheet liabilities									
B.1 Deposits									
- banks	7,429	317,233				1,801		16,140	351,000
- customers	92,281,093								
B.2 Debt securities				151,389	4,447	11,546	2,498,811	6,765,071	614,689
B.3 Other liabilities	93,314,992				984,488				
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions									
- short positions				2,532					63,695
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions	10,292,154								
- short positions									

1.2 Distribution of financial assets and liabilities assets by residual maturity - currency: yen

(thousands of euros)

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years
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				1,353					79,277
B.3 Other liabilities									
Off-balance-sheet transactions									
C.1 Financial derivatives with exchange of principal									
- long positions				1,353					79,277
- short positions									
C.2 Deposits and loans to receive									
- long positions									
- short positions									
C.3 Irrevocable commitments to disburse funds									
- long positions									
- short positions									

2. Sectoral distribution of financial liabilities

(thousands of euros)

	Governments and central banks	Other government agencies	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Due to customers	4,397,779	5,952,933	103,156		33,542	81,793,682
2. Securities issued			437,680			103,069,579
3. Financial liabilities held for trading			2,027			380,350
4. Financial liabilities recognised at fair value						
Total 31/12/2008	**4,397,779**	**5,952,933**	**542,863**		**33,542**	**185,243,611**
Total 31/12/2007	**4,679,611**	**6,296,565**	**119,903**	**530**	**265,065**	**166,772,430**

3. Geographical distribution of financial liabilities

(thousands of euros)

	Italy	Other European countries	Americas	Asia	Rest of world
1. Due to customers	92,281,093				
2. Due to banks	149,390	191,412			352,801
3. Securities issued	101,495,265	2,011,993			
4. Financial liabilities held for trading	382,377				
5. Financial liabilities recognised at fair value					
Total 31/12/2008	**194,308,125**	**2,203,405**	**-**	**-**	**352,801**
Total 31/12/2007	**169,248,081**	**10,130,465**	**15,187**	**500**	**3,014**

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:

- 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 of new models;
- detailed documentation of processes, models and codes.

In 2007 and 2008, CDP reviewed internal procedures as part of the "Manager responsible for preparing corporate financial reports" project. The most significant sources of risk, mitigation and control measures and related documentation were all identified.

As regards the potential losses that could be caused by the interruption of operations or the unavailability of systems, CDP is planning a project to develop an emergency plan to limit losses in situations of serious interruptions.

As regards pending litigation, at 31 December 2008 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 2008, 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

Remuneration of directors and statutory auditors

(thousands of euros)

	31/12/2008
a) Directors	888
b) Statutory auditors	112
Total	**1,000**

Remuneration of key management

(thousands of euros)

	31/12/2008
a) short-term benefits	4,525
b) post-employment benefits	63
c) other long-term benefits	-
d) severance benefits	124
e) share-based payments	-
Total	**4,712**

Remuneration paid to directors and statutory auditors

(thousands of euros)

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Board of directors				
Franco Bassanini	Chairman	12/11/08-31/12/08	2009	147
	Deputy chairman	01/01/08-11/11/08		
Alfonso Iozzo	Chairman	01/01/08-11/11/08	2009	213
Massimo Varazzani	Managing director	12/11/08-31/12/08	2009	68
Vittorio Grilli	Director	01/01/08-31/12/08	2009	(**)
Nunzio Guglielmino	Director	01/01/08-31/12/08	2009	35
Luisa Torchia	Director	01/01/08-31/12/08	2009	35
Fiorenzo Tasso	Director	12/11/08-31/12/08	2009	5
Renato Cambursano	Director	01/01/08-11/11/08	2009	12
Francesco Giovannucci	Director	01/01/08-31/12/08	2009	35
Gianfranco Imperatori	Director	01/01/08-31/12/08	2009	35
Gianfranco Viesti	Director	01/01/08-31/12/08	2009	35
Supplementary members for administration of Separate Account (Art. 5.8, Decree Law 269/2003)				
Edoardo Grisolia	Director (1)	01/01/08-31/12/08	2009	(**)
Maria Cannata	Director (2)	01/01/08-31/12/08	2009	(**)
Isaia Sales	Director	01/01/08-31/12/08	2009	35
Francesco Scalia	Director	01/01/08-31/12/08	2009	35
Giuseppe Pericu	Director	01/01/08-31/12/08	2009	35
Board of auditors				
Alberto Sabatini	Chairman	01/01/08-31/12/08	2009	27
Mario Basili	Auditor	01/01/08-31/12/08	2009	(**)
Fabio Alberto Roversi Monaco	Auditor	01/01/08-31/12/08	2009	20
Antonello Arru	Auditor	01/01/08-31/12/08	2009	20
Biagio Mazzotta	Auditor	01/01/08-31/12/08	2009	(**)

(*) 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

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 2008 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:

Transactions with Ministry for the Economy and Finance

(thousands of euros)

	2008
Cash and cash equivalents	105,269,037
Financial assets held to maturity	205,795
Loans to customers	34,209,117
Other assets	4,641
Due to customers	4,315,236
Other liabilities	55
Interest income and similar revenues	6,050,393
Commission income	3,000
Interest expense	(212,757)

Transactions with subsidiaries

CDP has determined that it exercises 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:

Transactions with associates

(thousands of euros)

	2008
Loans to customers	1,532,979
Other assets	2,945
Other liabilities	659,775
Interest income and similar revenues	38,747
Commission expense	(1,289,548)
of which: subject to amortisation	(553,532)

Report and Financial Statements 2008

Annexes

Annex 1
List of equity investments

Annex 1

List of equity investments

(thousands of euros)

	Registred office	Percent held	Book value
A. Listed companies			
1. Eni S.p.A.	Rome	9.99%	6,700,827
2. Enel S.p.A.	Rome	10.14%	2,837,997
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%	446,787
3. Galaxy S.àr.l.	Luxembourg	40.00%	24,523
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%	-
7. Istituto per il Credito Sportivo	Rome	21.62%	2,066
8. Tunnel di Genova S.p.A.	Genoa	33.33%	-

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