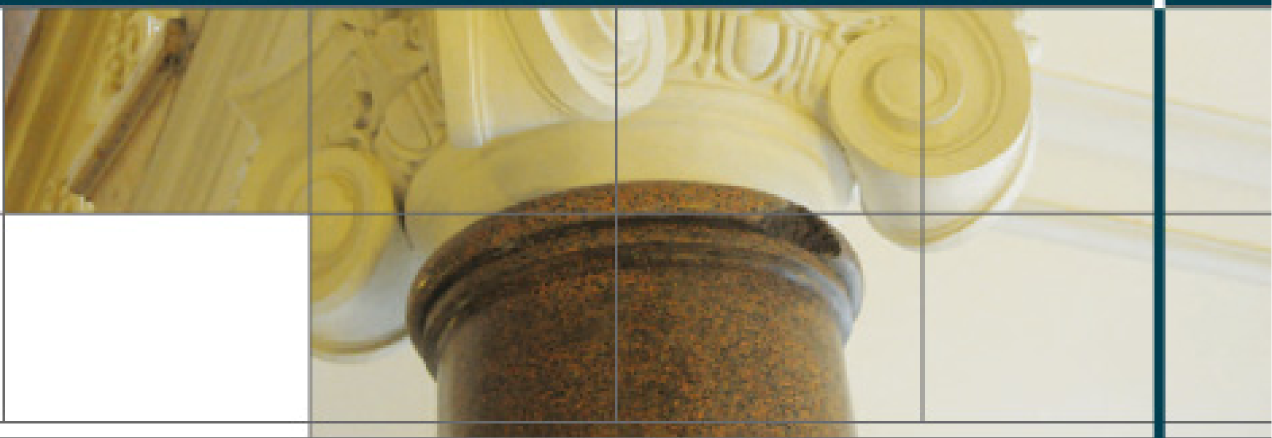
Cassa depositi e prestiti

CDP SpA
Report and Financial Statements

at 31 December 2009



Financial Statements 2009

Cassa depositi e prestiti società per azioni

REGISTERED OFFICE

ROME– Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 80199230584

Registered with Chamber of Commerce of Rome at no. REA 1053767

SHARE CAPITAL

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

Tax code 80199230584 - VAT registration no. 07756511007

Board of Directors (in office at 31 December 2009)

Franco Bassanini	*Chairman*	
Massimo Varazzani	*Chief Executive Officer*	
Francesco Giovannucci	*Director*	
Ettore Gotti Tedeschi	*Director*	*(1)*
Vittorio Grilli	*Director*	
Nunzio Guglielmino	*Director*	
Fiorenzo Tasso	*Director*	
Luisa Torchia	*Director*	
Gianfranco Viesti	*Director*	

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

State Accountant General	*Director*	*(2)*
Director General of the Treasury	*Director*	*(3)*
Isaia Sales	*Director*	
Francesco Scalia	*Director*	
Giuseppe Pericu	*Director*	

(1) At its meeting of 29 April 2009, the Board appointed Ettore Gotti Tedeschi to replace Gianfranco Imperatori.
(2) Edoardo Grisolia, delegate of the State Accountant General.
(3) Maria Cannata, delegate of the Director General of the Treasury.

Preference Shareholders Support Committee (in office at 31 December 2009)

Mario Nuzzo	*Chairman*	
Teresio Barioglio	*Member*	
Pier Giuseppe Dolcini	*Member*	
Andrea Filtri	*Member*	*(4)*
Amedeo Grilli	*Member*	
Francesco Lorenzetti	*Member*	
Antonio Marotti	*Member*	
Massimo Paniccia	*Member*	
Marco Parlangeli	*Member*	
Stefano Poli	*Member*	
Roberto Saro	*Member*	

Steering Committee

Giuliano Segre	*Chairman*
Carlo Colaiacovo	*Member*
Adriano Giannola	*Member*
Matteo Melley	*Member*
Antonio Miglio	*Member*
Francesco Parlato	*Member*
Antimo Prosperi	*Member*
Massimo Varazzani	*Member*

(4) On 10 December 2009 Andrea Filtri was appointed to replace the resigning member Davide Tinelli.

Board of Auditors

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

Parliamentary Supervisory Committee

Tommaso Foti	*Chairman*
Massimo Bitonci	*Deputy Chairman*
Salvatore Cultrera	*Secretary for Confidential Matters*
Pietro Franzoso	*Parliamentary member*
Oriano Giovannelli	*Parliamentary member*
Cinzia Bonfrisco	*Parliamentary member*
Paolo Franco	*Parliamentary member*
Giovanni Legnini	*Parliamentary member*
Valter Zanetta	*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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(YEAR ENDED 31 DECEMBER 2009)

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FINANCIAL HIGHLIGHTS

MAIN INDICATORS

HIGHLIGHTS

(millions of euros)

	2009	2008
RECLASSIFIED BALANCE SHEET DATA		
Total assets	227,054	209,789
Cash and cash equivalents	118,380	106,863
Loans to customers and banks	85,178	82,237
Equity investments and shares	18,271	13,869
Postal funding	190,785	175,116
Other direct funding	17,396	20,018
Shareholders' equity	12,170	9,716
RECLASSIFIED PERFORMANCE DATA		
Net interest income	1,994	2,360
Gross income	2,162	2,532
Operating income	2,091	2,444
Net income	1,725	1,389

FLOWS OF NEW LOANS 2009

(millions of euros)

	Total 2009
Loans to public entities	6,125
Economic support	2,412
Financing of infrastructure and public works	2,914
- of which: for projects promoted by public entities	*1,000*
- of which: to companies for works used to deliver public services	*1,914*
Equity investments and funds	3,370
Total by business line	**14,821**

MAIN INDICATORS

(units; percentages)

	2009	2008
PERFORMANCE RATIOS		
Spread on interest-bearing assets - liabilities	1.1%	1.4%
Cost/income ratio	3.7%	2.9%
ROE	17.7%	9.7%
CREDIT RISK RATIOS		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.183%	0.184%
Net writedowns/Net loans to customers and banks	0.001%	0.029%
RATING		
Standard & Poor's	A+	
Fitch Ratings	AA-	
Moody's	Aa2	
OPERATING STRUCTURE		
Average no. of employees	411	399

1. PRESENTATION OF THE COMPANY

1.1 CDP'S ROLE AND MISSION

1.1.1 PRESENTATION OF THE COMPANY AND THE NEW REGULATORY FRAMEWORK

Cassa Depositi e Prestiti S.p.A. is the result of the transformation of CDP S.p.A. from an agency that was part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003, ratified, with amendments, by Law 326 of 24 November 2003, as amended. Subsequent decrees issued by the Minister for the Economy and Finance implemented the decree law and established the assets and liabilities of CDP 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.

The Decree Law outlines the new company's main lines of activity, which maintain continuity with CDP S.p.A.'s mission prior to the transformation. Thereafter, CDP considerably expanded its institutional mission and areas of expertise to seize the opportunities presented by recent regulatory developments.

Overall, these recent innovations have allowed the use of postal savings to directly finance private-sector parties involved in investment projects "promoted" by public entities (Decree Law 185/2008, ratified with Law 2/2009), to help small and medium-sized enterprises ("SMEs") overcome the temporary lack of medium and long-term credit or to strengthen capital and foster aggregation initiatives (Decree Law 5/2009, ratified with Law 33/2009 and subsequently amended by the 2010 Finance Act, the text of which was approved with Law 191/2009), to support the areas of Abruzzo hit by the earthquake (Decree Law 39/2009, ratified with Law 77/2009), and to provide support for the international expansion of enterprises backed by SACE S.p.A. guarantees or insurance (Decree Law 78/2009, ratified with Law 102/2009). CDP took advantage of these new opportunities to expand the scope of its operations, amending its articles of association accordingly.

Specifically, as to the funding of infrastructure and other public works, Article 22 of Decree Law 185/2008, ratified with Law 2/2009, allows the use of postal savings to finance all other operations set out in the articles of association that are in the public interest and that are promoted by the state, local authorities, other public entities and public-law entities, taking into account the economic and financial sustainability of each such operation. The decree of 12 March 2009 of the Minister for the Economy and Finance identified the following categories of operations "promoted" by public bodies, assumed to be in the public interest:

- recipients of long-term grants and state or Community subsidies;
- projects included in the promoters' programmes, plans or other planning mechanisms;
- projects co-financed by the European Investment Bank (EIB);
- projects carried out under agreements between EU member states or institutions;
- projects intended to accomplish the bodies' institutional duties;
- projects carried out through the concession of public assets, tenders for works or services, public works;
- projects carried out via public-private partnerships (PPP)

As regards economic support measures, Article 3.4-bis of Decree Law 5/2009, ratified with Law 33/2009, and subsequently amended by Law 191/2009, allows the use of postal savings to provide financing to small and medium-sized enterprises (SMEs). This will be accomplished through the banking system (to which CDP has made up to €8 billion available). Additional support will be provided through the subscription of investment funds that seek to strengthen the capital and promote the aggregation of smaller enterprises (for whom CDP has allocated €250 million). CDP will participate in investment funds whose purpose coincides with its own, such as the "Fondo Italiano di Investimento per le PMI", a fund for investing in Italian SMEs.

In addition, in order to promote the reconstruction of the areas of Abruzzo hit by earthquakes in April 2009, Article 3.3 of Decree Law 39/2009, ratified with Law 77/2009, authorises CDP to provide loans to banks operating in the stricken areas. Banks must use these funds to make loans to people affected by the earthquakes. These loans will be repaid using a tax credit mechanism and may be backed by the state.

Finally, Article 8 of Decree Law 78/2009, ratified with Law 102/2009, authorizes and governs the activities of CDP in support of SACE S.p.A. to create an integrated "export-bank" system operating on market terms and conditions. The public-interest operations that CDP can engage in using postal savings include projects to support the international expansion of enterprises that are guaranteed or insured by SACE.

Therefore, CDP's corporate purpose, as set out by Article 3.1 of the articles of association, includes the following activities.

1) Any sort of financing of the state, regions, local authorities, public entities and public law bodies by using funds redeemable by way of postal savings passbooks and interest bearing postal bonds, guaranteed by the state and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds deriving from the issue of notes, the taking on of loans and other financial transactions, which may be guaranteed by the state.
2) Any sort of financing using funds guaranteed by the state, directed at public-interest initiatives "promoted" by the entities referred to in the previous point, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A., or carried out in favour of small and medium-sized enterprises for the purpose of supporting the economy. The financial transactions may be conducted either directly (if for an amount equal to or greater than €25 million) or through the banking system, with the exception of operations in favour of SMEs, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company whose corporate purpose achieves one or more of the institutional missions of CDP. Financial transactions carried out for operations "promoted" by the entities referred to in the point above or directed at supporting the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE S.p.A.), may be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality.
3) Any sort of financing of projects, plants, networks and other infrastructure intended to supply public services and for the reclaiming of land, using funds derived from the issue of notes, the taking on of loans and other financial transactions, without state guarantee, without raising funds first-hand and by means of fund-raising exclusively from institutional investors.

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).

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, within the context of a separate accounting and organisational system, they preserve the financial stability of the organisation over the long term while ensuring a return on investment for the shareholders.

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.

During 2009, the shareholders amended the article of association to take advantage of the new business opportunities for CDP opened up by regulatory changes. The shareholders voted unanimously in favour of these amendments, with this support due in part to the need for a quorum of 85% of the share capital for Extraordinary Shareholders' resolutions under the articles of association. The shareholders also decided to impose limitations on the use of postal savings that are stricter than the minimum requirements under the law, for example, a €25 million minimum is required for direct funding by CDP of operations promoted by public entities.

On the operations side, the CDP Extraordinary Shareholders' Meeting of 13 May 2009 approved the amendments to the corporate purpose section of CDP's articles of association to take advantage of the opportunities offered by the provisions of Article 22 of Decree Law 185/2008, ratified with Law 2/2009 (financing for projects "promoted" by public entities) and Article 3.4-bis of Decree Law 5/2009, ratified with Law 33/2009 (funds for lending to SMEs) in particular.
At their 23 September 2009 meeting, the shareholders further expanded the use of postal savings to support the international expansion of enterprises where

guaranteed or insured by SACE S.p.A. (pursuant to Article 8 of Decree Law 78/2009).
Lastly, in January 2010 the shareholders once again amended the articles of association to take account of the new opportunities offered by the 2010 Finance Law (ratified with Law 191/2009). The articles of association were amended to allow CDP to participate in investment funds whose purpose coincides with those of CDP, such as the "Fondo Italiano di Investimento per le PMI".

Finally, the shareholders approved the following amendments to the articles of association in 2009:

- postponement of the date starting on which preferred shares will automatically be converted into ordinary shares by 3 years (1 January 2013) and elimination of the minimum preference dividend awarded to holders of these shares starting from 2009 (Article 34 of the articles of association);
- extension of the duration of the company from 2050 to 2100, consistent with CDP's nature as a long-term investor;
- bringing the articles of association into compliance with the Consolidated Law on Financial Intermediation, as amended following the implementation of the Transparency Directive (Directive 2004/109/EC). Specifically, the changes regard the deadline for convening the Ordinary Shareholders' Meeting (Article 11.4) and the manager responsible for the preparation of the corporate financial reports (Article 24-bis).

1.1.2 2009-2011 BUSINESS PLAN

The recent extension of CDP's scope of operations as a result of changes made to its articles of association in order to take advantage of the opportunities offered by regulatory changes has required the company to update its strategy and medium and long-term targets. These changes were incorporated into the 2009-2011 business plan approved by the Board of Directors in September 2009.

The plan takes account of the above changes to the articles of association, which significantly expanded CDP's scope of operations and set out the possibilities of the company's new activities in addition to establishing the new organisational model and future investments.

Specifically, alongside its institutional mission of providing direct financial support to public entities by financing projects for the delivery of local public services, and offering postal savings products (which are characterised by their low risk profile), CDP may also offer financing for infrastructure projects, keeping in mind the consistency between the investment made and the general interest and acting as a complement to other private lending institutions. CDP therefore serves as a bridge between the government's implementation of its planning decisions (without worsening the public debt) and the participation of private investors in these infrastructure projects (taking appropriate steps to achieve a balance between the time horizon and the level of risk of the investment).

To achieve these goals within the time horizon considered, the Plan requires CDP to make available direct resources of €50 billion (equal to more than 3% of Italy's GDP). These resources could mobilise an additional €20-25 billion in private capital. In addition, it is conservatively estimated that the Public Works Guarantee Fund (FGOP) could provide a further €20 billion in guarantees for works.

(billions of euros)

Business lines	**Amounts available 2009-2011**
Loans to public entities	18
Economic support	13
Financing of infrastructure and public works	12
- of which: for projects promoted by public entities	*6*
- of which: to companies for works used to deliver public services	*6*
Export bank with SACE	3
Equity investments and funds	3
Real estate investment and services	1
Total on-balance-sheet lending	**50**
Public Works Guarantee Fund (FGOP)*	2

* This would permit guarantees to be issued for a total amount estimated at €20 billion

CDP is therefore committed to working in partnership with private investors, mainly with the banking system, to mobilise greater resources than those CDP makes available directly and to adequately spread out its exposure in order to diversify specific risks. From an organisational standpoint, CDP is striving to maintain a streamlined structure that is flexible and modular, but still capable of achieving its mission.

To achieve these objectives, the company revamped and, where necessary, created various product lines that correspond to its lines of activity. Specifically:

Lending to public entities (€18 billion available for 2009-2011), through the use of postal savings, in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination.
CDP's objective is to strengthen its position as a key partner for public entities, which remain CDP's primary customer category.
In an environment where public finance restrictions limit the ability of these entities to take on debt, CDP will pursue this goal by strengthening its relationship with its customers, by improving the range of products it offers and by achieving greater efficiency in the lending process. CDP aims to expand its market share in this area from 41% to over 44% by 2011.

Financing for projects "promoted" by public entities (€6 billion available for 2009-2011), through the use of postal savings.
Operations promoted under the decree of the Minister for the Economy and Finance specified above fall under a broader framework of projects carried out via public-private partnership concerning the construction of infrastructure and public works. CDP's strategic priority focuses on investment in infrastructure and networks in the areas of transportation, energy, telecommunications and water services or those required for providing public services or performing a public body's institutional mission, that are built or operated by non-government entities. Moreover, CDP provides industrial loans or funding for research to manufacturing and service firms, with preference given to those carried out in conjunction with the EIB.
In carrying out these operations, CDP plays a complementary role to banks by offering financing amounting to no more than 50% for each project (in line with the EIB model). As stated in its article of association, CDP will only offer direct financing for major projects (greater than €25 million). Smaller operations will be funded by CDP through banks, which will be responsible for managing the relationship between the parties involved. CDP will assess the financial sustainability and the creditworthiness of the debtors and/or guarantors for each loan, with the power to determine how it will provide financing and the terms of the loan.

Financing for works, plants, networks and other infrastructure for the delivery of public services and reclamation works (€6 billion available for 2009-2011), using funding without government guarantee.
CDP continues to directly support enterprises in building works, plants, networks and other infrastructure for the delivery of public services and reclamation works, in line with Decree Law 269/2003.

It will continue to operate in the areas of providing funding for corporate customers (e.g. public utilities, companies operating in the transport and integrated logistics sector, universities, construction firms) and providing project financing for infrastructure works, that ensure an adequate return on the capital used in lending. CDP therefore strives to support major infrastructure projects, particularly in sectors requiring a high level of investment, such as highways, incinerator plants, regasifiers and subway systems.
While until now operations have focused largely on medium and long-term financing, the option of offering short-term financing in preparation for a more extensive medium and long-term operation exists. CDP's goal is to double its current market share to 7% by the end of 2011.

Programmes to support the economy (€13 billion available for 2009-2011), primarily through postal savings.
CDP intends to provide active support to national development policies through its management of economic support instruments, created under special legislation, acting primarily through the banking system.
This line of activity encompasses new major financing made available through banks to support SMEs (€8 billion available) and for the reconstruction of the areas of Abruzzo hit by the earthquake (€2 billion available).
The goal is to establish other funds alongside the existing Revolving Fund to support enterprises and investment in research (FRI), such as the Regional FRI (to promote investment in production and research) and the Revolving Fund for Strategic Infrastructures (FRIS) (for building strategic infrastructures of national importance contained in the Framework Infrastructure Act). To these are added the Kyoto Fund for financing measures meant to implement the terms of the Kyoto Protocol to the United Nations Framework Convention on Climate Change of 11 December 1997. CDP also plans to establish the Public Works Guarantee Fund (FGOP) (authorised with the 2008 Finance Act, Article 2.264 to provide guarantees on behalf of entities involved in building and operating these works in order to ensure the financial equilibrium of the projects.

Financing for international expansion of enterprises with SACE guarantee (€3 billion available for 2009-2011), funded through postal savings.
CDP finances operations for the international expansion of Italian enterprises, where guaranteed or insured by SACE (the integrated export bank system). A subsequent decree of the Minister for the Economy and Finance authorises and regulates the work done by CDP on behalf of SACE S.p.A. to render this system operational.

This work requires that the loan be structured based on the type of financing requested by the customer, that the terms offered by CDP do not distort competition, and SACE guarantees or insures each operation financed. Financing can be granted either directly (for amounts of at least €25 million) or indirectly through banks.

<u>Real estate investment and services</u> (€1 billion available for 2009-2011), funded through postal savings.
CDP directly invests funds for the development of social housing programmes, through funds managed by CDP Investimenti SGR, the new management company established for this purpose, and the provision of real estate advisory service to entities.
In doing this, CDP operates in accordance with the "Housing Plan" (pursuant to Article 58 of Decree Law 112/2008, ratified with Law 133 of 6 August 2008), which aims to improve the local housing market and pro-actively support entities in developing the ability to enhance the value of, transform and manage their holdings.

<u>Equity investments and funds</u>: in addition to managing the equity investments transferred in the course of transforming the company into a joint-stock company or purchased subsequently (Eni S.p.A., Poste Italiane S.p.A., Terna S.p.A. and STM), CDP pursued international initiatives in cooperation with other institutions under the "Long-Term Investors Club" project established by CDP, the EIB, Caisse des Dépôts et Consignations (CDC), and Kreditanstalt für Wiederaufbau (KfW) in April.
The Club's main goal is to underscore the importance of long-term investors for European financial stability and economic growth, a strategic role in the current crisis. Through the Club, members will reinforce their reciprocal ties by promoting common initiatives and will foster the search for long-term investments.
Current initiatives include CDP's participation in the Marguerite Fund, formed to finance programmes in the energy, environmental and transport sectors in the EU countries. The fund was formed with the support of the Italian government. EIB serves as the fund manager and CDP, CDC, KfW, Istituto de Crédito Oficial - ICO (Spain) and Powszechna Kasa Oszczędności Bank Polski - PKO (Poland) are sponsors. The European Commission is also expected to take part through an initial contribution.
Likewise, CDP, in cooperation with CDC, CDG (Morocco) and EFG-Hermes (Egypt), is launching the InfraMed Infrastructure Fund ("IIF") to finance

sustainable urban development and energy and transport infrastructures in countries, within the framework of the Mediterranean Union.

1.2 DEVELOPMENTS IN THE ORGANISATIONAL MODEL

The changes to CDP's organisational model outlined in the business plan, to support the strategic lines it defines, fall within a broader project aimed at completing the transition to a form that is more in line with that required by a modern financial services enterprise, which must always be able to meet unplannable needs in a timely and efficient manner.

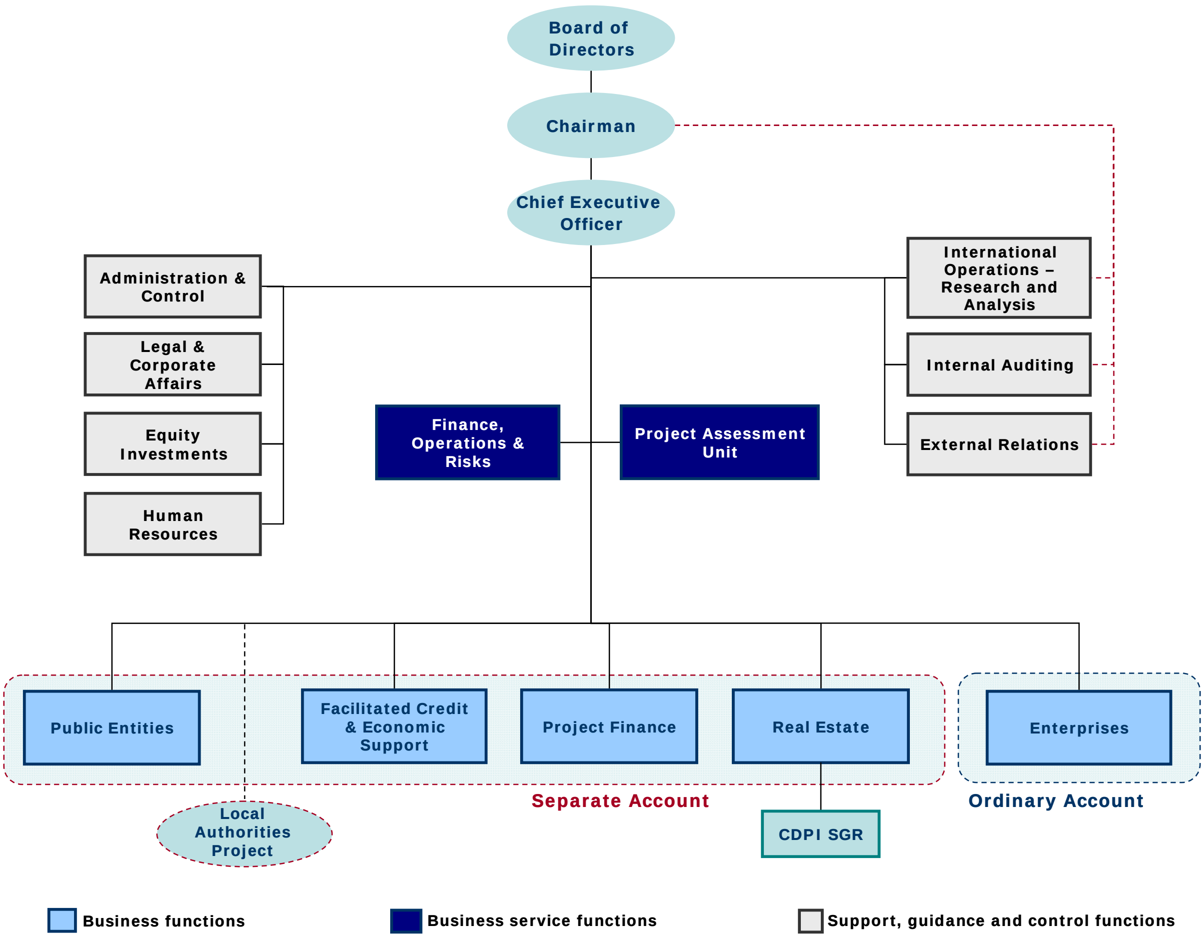
In light of the foregoing, the organisational changes under the Plan consist in the shift from an approach that integrates the entire cycle of service to the customer within a single business unit, to a "service-centric" approach that calls for the specialisation and organisational separation of front-office and back-office activities. By centralising the latter under a more "industrial-scale" approach, savings can be achieved in providing the service to the customer and ensure benefits in terms of economies of scale and operational flexibility. The change will also make monitoring functions more effective and will curb the growth in the size of the structure even though CDP's strategic duties have expanded.

The complexity and sensitivity of the transformation and the simultaneous need to ensure continuity in daily operations and in the quality of the service provided customers made taking a gradual, stepped approach necessary in moving towards the new model, using sequential stages.
During the first stage, which essentially coincided with the drawing up of the business plan, the "radical" changes involved in the new organisational design were identified, which were then translated into the current corporate organisation chart.
The structure was completed in early 2010 and the lower-tier organisational relationships were defined.

CDP also began a review of the main processes affected by these strategic and organisational changes, establishing operational and organisational guidelines for the new Credit Process. This is an integral part of the reorganisation effort, the final implementation of which involved the drafting and approval of CDP's Lending Rules, in effect from 1 January 2010. The guidelines set out the standards that the units involved must follow in lending operations – in the different forms in which CDP may conduct its business – and define the criteria for access to credit, in light of the evolution of the corporate mission and the new organisational structure. The document represents the reference framework for the assumption and management of credit risks, establishing the main credit policies for the various business sectors and the roles, duties and responsibilities of the individual participants in the process.

1.3 THE ORGANISATION CHART

The CDP organisation chart as of 31 March 2010 is as follows.



1.4 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:

- for accounting purposes, 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, in general, the units responsible for providing financing to public entities and public-law bodies, 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 financing 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, steering, control and support for the company in the light of the company's unique status;
- the existence of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to 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.

With regard to CDP S.p.A.'s lines of activity at 31 December 2009, which were partially revised under the business plan, the "lending to public entities", "real estate investment and services", "financing for projects promoted by public entities" and "programmes to support the economy" lines of business come under the Separate Account, while "financing for works, plant, networks and other infrastructure for the delivery of public services and reclamation works" come under the Ordinary Account.
Joint Services include the service departments, the support, steering and control departments, and the governance and control bodies.

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.

The contribution of the Separate Account and the Ordinary Account to CDP S.p.A.'s performance is detailed in the annexes to the financial statements.

2. THE GENERAL MACROECONOMIC SITUATION

2.1 THE MACROECONOMIC FRAMEWORK

The recovery in the global economy, which nonetheless contracted by 0.8% in 2009 as a whole, began in the summer of 2009 and continued through the rest of the year.[1]

During the last four months of 2009, the decline in GDP slowed in the U.S. (-0.7%), the euro area (-1.8%) and Japan (-1.8%), while growth accelerated in the Asian emerging economies (+3.6%) and Latin America (+3.1%).[2] Global trade also began expanding again, although it remained about 10% below the level of the previous year.

In the fourth quarter, industrial production continued its recovery and confidence began to return. Strains lessened on international financial markets and banks began easing their lending conditions.
In this environment, inflation remained moderate despite gradually rising prices for oil and other raw materials. Market expectations point to a continuation of the expansionary monetary policy stance of central banks. Interbank rates on the London market are expected to develop as follows: for the US dollar, from 1.1% in 2009 to 0.7% in 2010; for the euro, from 1.2% in 2009 to 1.3% in 2010; and for the yen, from 0.7% in 2009 to 0.6% in 2010.[3]

Thus, although the outlook for the global economy improved during the year, broad uncertainty remains as to the pattern and pace of the recovery, both for the financial markets and for the real economy.
The main critical factors concern: the deterioration in the public finances of the more advanced economies; the high levels of private-sector debt (which could limit consumption); the difficulties on the labour market; the low level of capacity utilisation (which tends to hold back capital expenditure); and excess supply on the real estate market (which tends to discourage construction investment).

[1] Source: IMF, World Economic Outlook, January 2010.
[2] See previous note.
[3] See previous note.

Nonetheless, the consensus forecasts for 2010 have been revised upwards. The latest forecasts of the International Monetary Fund are for growth of 3.9% in the global economy (compared with a contraction of 0.8% in 2009). Forecasts show growth of 2.1% for the more advanced economies (against a decline of 3.2% in 2009) and 6% for the emerging and developing economies (compared with 2.1% in 2009). Therefore, for 2010 and 2011, growth is expected to remain weak overall.

In this context, Italy’s GDP returned to growth in the summer and continued expanding at a moderate pace in the autumn months as well (with GDP growth in the third quarter of 2009 of 0.6% over the previous quarter).[4]
Inflation rose in the latter part of the year, although it remained at 0.8% for the year (compared with 3.3% in 2008). The Bank of Italy expects inflation to remain below 2% over the next two years. However, the modest uptick in industrial production (+4.4% in the third quarter over the previous period) and in exports (+2.5% in the third quarter over the previous period) did not continue through the autumn, and both consumption (+0.3% in the third quarter over the previous period) and investment (+0.3% in the third quarter over the previous period) remained weak.[5]

Over the next two years, the domestic components of demand are not expected to contribute much to growth, which will therefore depend on the recovery in foreign demand, assuming that the global economy is able to return to rapid growth. Overall, the Bank of Italy expects the Italian economy to grow by 0.7% for the year, before accelerating to 1% in 2011.

Bank lending has continued growing swiftly, although it is slowing due to greater prudence in demand for credit by businesses and consumers as a result of the recession. The slowdown was sharpest in lending to smaller businesses. The periodic survey on lending conducted by the Bank of Italy also shows a gradual tightening of lending conditions. Other surveys show that the percentage of businesses struggling to obtain financing is rising. Banks in Italy, as in other countries, are adapting their assets to the difficulties in funding and to the rising cost of such funding. The lessening of tensions on the financial and money markets and the strengthening of bank capital, facilitated by the measures taken by the Italian Government and the Bank of Italy, could help ease credit conditions.

[4] Source: Bank of Italy, Economic Bulletin, January 2010.
[5] See previous note.

The key critical issues for the banking industry in 2010 could therefore emerge not so much in the supply of credit, but rather in the risk of default of a significantly larger-than-normal number of businesses. In many industries, turnover has fallen by 20-30% (and by much more in the automotive and home appliance industries). As the Bank of Italy recently noted, the demand for credit, which posted a recovery in the second half of 2009, came in conjunction with a sharply negative contribution from investment. Loan applications have been driven by the need to finance working capital and by widespread recourse to the restructuring and consolidation of bank borrowing. Based on empirical data from the banking industry, it is estimated that about 1% of loans to SMEs could deteriorate into bad debts.[6] This crisis would be a source of concern both in terms of margins for the banking industry (which would not be sufficient to absorb these losses without a further severe erosion of capital) and in terms of employment levels among SMEs, which would decline significantly.

2.2 THE FINANCIAL MARKET AND RATES

Conditions in the domestic and international financial markets are showing signs of improvement.

At the end of the year, despite the fact that the balance sheets of the leading central banks have remained essentially unchanged, the Federal Reserve declared that it was no longer necessary to renew, beyond their February expiration, the majority of the facilities introduced during the crisis to provide liquidity to the markets. In the second half of February 2010, the US central bank raised the discount rate by a quarter point, to 0.75%.

Conversely, the European Central Bank (ECB) kept its official policy rate at 1.0%. At the end of the year, the ECB also took a number of decisions regarding the implementation of monetary policy, so as to begin gradually removing extraordinary refinancing operations that are no longer considered indispensable, while confirming the commitment of the Eurosystem to provide the liquidity needed by the banking system within the euro area. The abundance of liquidity for short-term loans contributed to keeping interest rates on the interbank market at very low levels.

Improvements continued in the capitalisation of the leading international banks, which, as a group, reported better-than-expected profits in the third quarter of

[6] ABI, 2009 Annual Report.

2009. Announced or recognised writedowns of financial instruments declined significantly during the same period and were nil in the fourth quarter. In the second half of the year, several European banks carried out recapitalisation transactions, turning to the market in most cases. The premiums on credit default swaps of the leading international banks, which in October had already returned to the levels seen just prior to the Lehman Brothers collapse, continued to decline in the last quarter as well, but remain well above the levels of the first half of 2007.

Since mid-October, yields on ten-year government bonds in the United States and United Kingdom rose by about 40 basis points to 3.8% and 4.2%, respectively. In the euro area and Japan, on the other hand, yields remained stable at around 3.4% and 1.3%, respectively.

Equity prices in the leading industrial countries rose rapidly during the spring and summer before stabilising in the last quarter of 2009. From the lows reached in March, stock market indices posted gains of between 50% and 70%. Risk premiums on corporate bonds declined in all ratings classes and in all of the leading countries. The decline for non-financial, high-yield corporate bonds denominated in euros and in dollars was about 1.8 percentage points, falling to 6.7 and 6.0 points, respectively. Risk premiums on higher-rated bonds (BBB) declined by about 0.5 percentage points to return to levels near those seen at the start of 2008 (at 1.5 and 1.9 points).

Financial conditions remained favourable in the leading emerging countries as well, as they continued to benefit from substantial inflows of portfolio investment from abroad, driven by both the improved growth outlooks in many of these economies, as well as by low interest rates in the more advanced countries and a general reduction in risk aversion.

The period of weakness of the dollar was interrupted at the end of the year, with the dollar appreciating by some 5% against both the euro and the yen in early January. Conversely, the dollar has remained stable since October against the currencies of the leading emerging countries, whose tendency to appreciate was in many cases countered by central bank intervention.

In general, over the medium to long term, uncertainty remains concerning the methods, timing and effects of the deleveraging process, both for private-sector debt (banks, businesses and households) and public debt.

2.3 PUBLIC FINANCES

The economic forecasts released in the autumn of 2009 by the European Commission point to a sharp worsening in the public finances in the euro area as a result of the international financial crisis, with an increase in public budget deficits from 2.3% in 2008 to 7.0% in 2009.
This deterioration is due in part to the effect of the automatic stabilisers, as well as to the measures adopted by the various governments in order to support the economy, but also reflects a greater-than-expected decline in revenues following the economic slowdown. The deficit could fall slightly below 7% of GDP in 2011 with the recovery of economic activity and the conclusion of the temporary measures. Nonetheless, the ratio of debt-to-GDP will continue to rise.

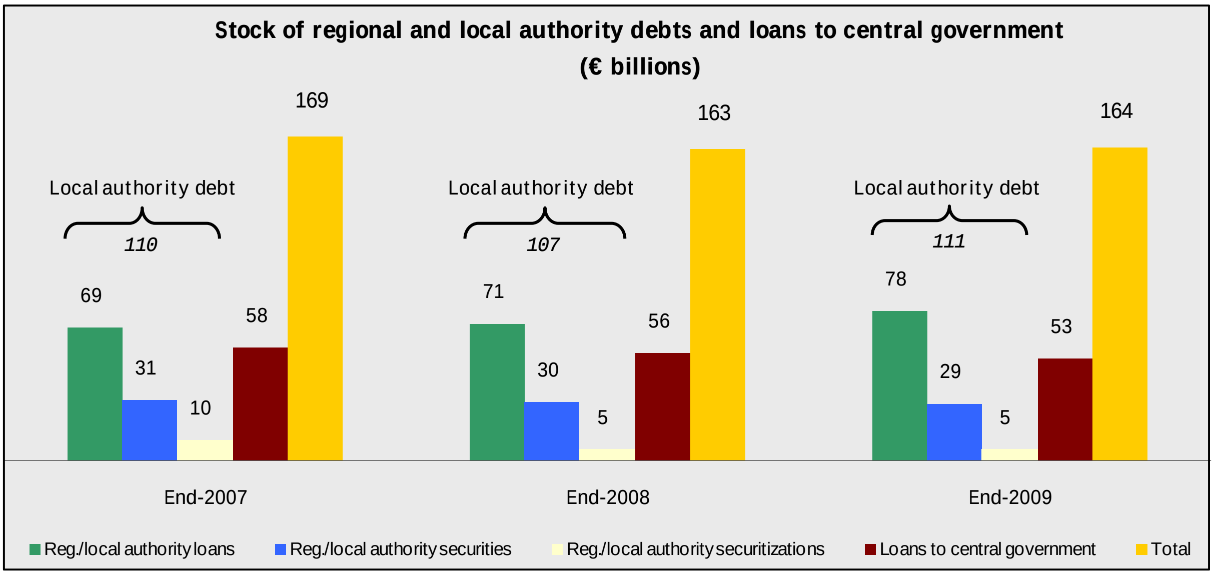
In Italy, the figures published by ISTAT in March 2010 show that net general government borrowing reached 5.3% of GDP in 2009, a significant worsening from the same period of 2008 (when the figure was 2.7% of GDP).
Based on the forecast figures, in December 2009 the European Council had begun an excessive deficit procedure against Italy. At that time, the Council called for Italy to bring its deficit back to below 3% of GDP by 2012.
Based on figures published by the Bank of Italy in the January 2010 issue of its Economic Bulletin, the debt-to-GDP ratio for 2009 is estimated to have risen by about 10 points (up from 105.8% in 2008).

At 31 December 2009, the stock of loans to local and regional authorities reached €78 billion, an increase of 8.6% over the same figure posted at the end of 2008 (€71 billion).

As at the same date, the stock of securities issued by local and regional authorities came to €29 billion, for a reduction of 5.4% in 2009 compared with the figure at the end of 2008 (€30 billion) due to the progressive redemption of securities in issue, which was not offset by a corresponding volume of new issues.

Total debt for these local and regional government entities therefore reached €111 billion, including the securitisation transactions recognised as debt in addition to the bonds and other securities issued. The total stock of debt rose 3.7% from its level at the end of 2008 (€107 billion). This increase was due to the rise in the stock of loans seen throughout 2009, which more than offset the decline in total securities issued.

At 31 December 2009, loans with costs borne by central government totalled €53 billion, for a decline of 5.1% from the stock at the end of 2008, due mainly to the repayment of principle, which was not offset by new debt.



Source: The Bank of Italy – supplements to the Statistical Bulletin

The breakdown of the debt of the local and regional authorities by financial instrument reveals the growing importance of loans issued by CDP S.p.A. and other monetary financial institutions (totalling 69.9% of total debt, compared with 66.8% at the end of 2008) and a decline in the stock of bond issues in 2009 (equal to 25.8% of all debt, compared with 28.2% at the end of 2008). At the same date, securitisation transactions by local authorities, which, according to Eurostat criteria, are to be considered as debt, decreased to 4.4% of total debt, compared with 5% at the end of 2008.

With regard to legislative developments, with Law 42/2009 the Government received enabling authority to issue legislative decrees to implement Article 119 of the Italian constitution with regard to fiscal federalism. The measure defines the fundamental principles upon which the new system for financing local and regional government is to be based, as well as new criteria regarding the coordination of the public finances, tax resources and tax equalisation.

For 2009, the rules of the domestic Stability Pact were defined with Decree Law 112/2008, ratified with amendments with Law 133/2008. Regarding the Pact objectives for the regions and the autonomous provinces, the use of the "expenditure" criterion was retained pending the results of the testing of the financial balances envisaged under Law 296/2006.

For the local authorities segment (provinces and municipalities with populations of more than 5,000 people), the "financial balance" of final revenues less final expenditure has been retained. This is calculated on a "mixed accounting" basis, using assessments and commitments (accrual accounting) for current expenditure and receipts and payments (cash accounting), net of loans received and granted, for capital expenditure. The target balance is obtained by summing the 2007 balance, calculated on a mixed basis, with an amount equal to the contribution of each local authority to the overall budget package for the segment, which depends on the sign of the balance for 2007 and compliance with the Pact in the same year.

Law 133/2008 also touched on the unified treasury procedures for local authorities, extending, as of 1 January 2009, the mixed unified treasury system, as defined in Article 7 of Legislative Decree 279/1997, to local authorities. In addition, the legislation has redefined the revenues that must be paid into the state provincial treasury, specifying solely amounts originating from the state budget.

2.4 Public-interest investments in public-private partnerships

The public-private partnership (PPP) is one of the mechanisms that local authorities have, since the second half of the 1990s, turned to as a means of reviving public infrastructure, given the stringent budget constraints imposed on those authorities by the Stability and Growth Pact.

PPPs represent a set of organisational procedures and solutions through which public and private entities join forces to execute and manage public works, thereby leveraging synergies in planning, organisation and financing. This approach includes project financing, which in other countries has been able to achieve the dual goal of containing public spending and increasing efficiency in the delivery of public services.

The European Commission's Green Paper on public-private partnerships states that PPPs "describe a form of cooperation between the public authorities and economic operators [which aims] to fund, construct, renovate or operate an infrastructure or the provision of a service". It further states that PPPs are characterised by: (a) the duration of the relationship between partners; (b) the method of funding the project, which is ensured by the private section, at least in part; (c) the role of the economic operator in the various phases of the project; (d) the distribution of risks between the public and private partner, based on the capacity of each party to assess, control and manage such risks. Generally speaking, a distinction may be made between: (a) PPPs of a purely contractual nature, in which the partnership is based solely on contractual links (public tenders and concessions); and (b) PPPs of an institutional nature, which involve cooperation within a distinct entity (a mixed company for the management of public services).

The growth of PPPs in Europe over the last decade is, however, attributable not only to the need to tap private funding in order to cope with the budgetary restrictions imposed upon the Member States, but also a desire to benefit from the know-how and operating methods of the private sector in public life.
The effects of the financial crisis on the public accounts of most of the advanced economies have, therefore, increased the propensity of governments to turn to financial instruments that can attract private capital. Nonetheless, the credit crunch and the prospects for future increases in interest rates on bank loans, together with the reduced availability of private-sector risk capital, has led to a slowdown in PPP and project finance (PF) initiatives, particularly in relation to large-scale projects.

Despite these factors, last year the Italian PPP market posted strong rates of growth. At the end of 2009, the PPP market comprised 225 projects with an investment of €537 million. Compared with the previous year, the number of projects increased by 102, while their value rose by about €350 million (+186%). The cause of this growth in investment was the strong recovery in works worth more than €5 million: 19 projects totalling €450 million, compared with 8 totalling €114 million in 2008 and 14 totalling €294 million in 2009.[7]

One of the features of Italy's PPP market is the growing use of build and operate concessions to award public works contracts. PPP calls for tenders accounted for about 14% of all public works tenders in 2003. Today, that proportion has grown to 20%, with 2,312 tenders for PPP operations with a total value in excess of €33 billion.[8] During the same period, the ratio of PPP calls for tenders to the number of tenders adjudicated was an average of 53%.

In terms of the various segments that make up the PPP market, of particular note is the period of expansion being seen in single-tender PF initiatives, which

[7] Source: for the figures provided below, unless specified otherwise, Unioncamere and Rome Chamber of Commerce, Project Financing, National Observatory, CRESME figures, December 2009.
[8] Source: Department of Economic Policy Planning & Coordination, Project Finance Unit, *Partenariato Pubblico-Privato in Italia. Stato dell'arte, futuro e proposte*, February 2010.

went from 5 projects totalling €12 million in 2008 to 18 tenders totalling €318 million in investment in 2009. The number of two-stage PF operations has declined sharply in conjunction with the growth in single-tender projects: the selection of proposals has declined from three to just one; tenders have declined from nine to three. As for the other segments of the PPP market, "traditional" build and operate concessions are also growing, as are service concessions, while other PPP tenders have declined in number but increased in value.
At the end of 2009, activities at the municipal level saw 192 projects for a total investment of €317 million, an increase of 88 projects and €182 million over 2008. Such projects accounted for 85% of the total PPP market in terms of number of opportunities (the same as for the previous year), and 59% in terms of value. The numbers are also positive for the other local and national bodies promoting PPP initiatives, with 33 projects totalling €220 million, compared with 19 totalling €54 million in 2008.

A snapshot of the potential PPP market by project value continues to show a majority of small to medium-sized projects. In addition, as mentioned previously, there are numerous medium to large-scale projects of greater than €5 million, and this number has grown from 8 to 19. By segment, in 2009 networks led the way in terms of both number of opportunities and amount of investment, with 62 projects and €250 million.
As these figures show, PPP is becoming an established mechanism in Italy, although still less common than in other countries. A number of structural factors continue to hold back the rise of PPP in Italy: the absence, in certain cases, of a framework for the stable, independent rate regulation; imperfect institutional mechanisms for allocating project risks, which investors would like to overcome through public guarantees, which few bodies are able to provide.
The uncertain development of the legislative framework has also been a critical issue, often disorienting the market. In any event, emphasis has been placed on aspects related to the construction of public works, to the detriment of a governance structure focused more closely on the operation of such works, which should be as efficient as possible and based on market principles.
Finally, it is necessary to increase the capacity of a number of government bodies to identify needs and priorities in relation to the services to be provided, as well as to communicate their decisions to the market and to manage the complex procedures that PPPs entail, while interacting effectively with the private-sector partner.
Useful ideas to boost the PPP market could come from an analysis of the success stories seen in many industrial and emerging countries, where over the last decade PPP programmes have been launched and helped to raise, in some cases substantially, the level of the country's infrastructure endowment.

Indeed, although the approaches adopted differ in response to their specific institutional and legislative contexts, the common denominator of the successful experiences is the keen commitment of central and local government and the selection of projects at the local and segment level.
In light of such experience, it is to be hoped that Italy can continue the process of reform aimed at enhancing the efficiency of the tools for coordinating and promoting PPPs, while also refining the “instrumentation” available to governments (e.g. guidelines for adopting consistent rules, standardised contracts).

RESULTS OF CASSA DEPOSITI E PRESTITI

3. PERFORMANCE AND FINANCIAL POSITION

In order to facilitate understanding of our results for the period, the balance sheet and income statement shown below have been reclassified on the basis of operational criteria.
For the sake of full disclosure, a reconciliation of the standard and reclassified statements is also provided, in accordance with Bank of Italy Circular no. 262/2005 as amended, with a detailed breakdown of the accounts and related reclassifications.

Overall, in 2009 about €15 billion in resources were mobilised, helping to achieve results that generally exceeded the targets set out in the business plan for all lines of business.

Flows of new loans 2009

(billions of euros)

	2009 planned	2009 actual
Loans to public entities	5.4	6.1
Economic support*	n/s	2.4
Financing of infrastructure and public works	2.2	2.9
- of which: for projects promoted by public entities	*0.5*	*1.0*
- of which: to companies for works used to deliver public services	*1.7*	*1.9*
Export bank with SACE*	n/s	-
Equity investments and funds	3.2	3.4
Total by business line		**14.8**

* In preparing the business plan, no forecasts were developed for the economic support and export bank lines concerning the temporal allocation of the amounts available for 2009-2011, equal to €13 billion and €3 billion respectively.

Despite the significantly adverse economic environment, CDP's performance was positive and better than expected.
Due to a number of non-recurring factors, which are described in greater detail below, overall performance for 2009 posted a clear improvement over the previous year.

The figures presented below regard both CDP as a whole and the individual business units responsible for the areas of business specified above. For more information on the methods of allocating results to the various units, see the notes to the financial statements (Operating segments).

Business lines	Business unit responsible
Loans to public entities	Public Entities
Economic support	Facilitated Credit and Economic Support
Financing of infrastructure and public works	
- of which: for projects promoted by public entities	Project Finance
- of which: to companies for works used to deliver public services	Enterprises
Equity investments and funds	

3.1 RECLASSIFIED BALANCE SHEET

3.1.1 ASSETS

The assets of CDP from the reclassified balance sheet can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	31/12/2009	31/12/2008	% change
ASSETS			
Cash and cash equivalents	118,380	106,863	10.8%
Loans to customers and banks	85,178	82,237	3.6%
Debt securities	692	662	4.5%
Equity investments and shares	18,271	13,869	31.7%
Assets held for trading and hedging derivatives	1,200	502	139.3%
Property, plant and equipment and intangible assets	210	214	-1.7%
Accrued income, prepaid expenses and other non-interest-bearing assets	2,450	4,770	-48.6%
Other assets	673	672	0.1%
Total assets	**227,054**	**209,789**	**8.2%**

As at the end of 2009, total assets came to €227 billion, an increase of 8% over the previous year, when the total was €210 billion.

On the whole, this increase was due mainly to the change in cash and cash equivalents (particularly the balance on the treasury account), which exceeded €118 billion (+11% over 2008). This increase was due to the substantial flow of net funding from postal savings in 2009.

The stock of loans to customers and to banks, which came to just over €85 billion, increased from the end of 2008 (+3.6%), but at a slower pace than the previous year, which featured a number of large transactions that were not repeated in 2009.

The stock of debt securities came to €692 million, essentially unchanged, with the exception of the purchase of a new security, which had a residual value at 31 December 2009 of about €30 million.

There was a significant increase in the carrying amount of equity investments and shares, which went from approximately €14 billion at the end of 2008 to more than €18 billion by the end of 2009 (+32%).
This change was due to the increase in CDP's equity interest in Enel S.p.A. (including the portion attributable to the Ministry for the Economy and Finance, from which the related option rights were acquired), as well as to the rise in the market value of the shares in Eni S.p.A. and Enel S.p.A. and the increase in the investment in STMicroelectronics Holding N.V.

Assets held for trading and hedging derivatives posted an increase of more than €700 million. This increase was due mainly to the new explicit options purchased to hedge the corresponding embedded component of equity-linked notes (indexed bonds and *Premia* bonds), as well as to the change in the fair value of all explicit options. The balance also reflects the positive performance of the fair value of derivative instruments used to hedge financial risks, which is offset in the value of the hedged underlyings.

The total balance of non-current assets came to €210 million, €204 million related to property, plant and equipment and the remainder to intangible assets. More specifically, there was a generalised decline in capital expenditure during the year (in the amount of €5.3 million for 2009 compared with €9.2 million in 2008). This reduction was mainly the net result of a reduction in investment for the extraordinary renovation of properties owned by CDP and an increase in purchases of software licences during the year.

Accrued income, prepaid expenses and other non-interest-bearing assets declined by more than €2 billion from 2008, due mainly to the reduction in CDP's receivable for interest accrued on the balance of the treasury account. This aggregate also includes the fair value of the loans hedged for financial risk using derivative instruments (down on 2008), as well as the reduction in the receivable due from Poste Italiane related to the settlement of postal savings funding flows.

Finally, other assets include the balance of current and deferred tax assets, as well as payments on account for withholdings on interest related to postal passbook savings and other minor assets.

On the whole, the volume of new lending for 2009 came to about €14,821 million. This figure is largely accounted for by new lending to public entities (€6 billion, or 41% of the total), as well as new equity investments and fund investments (more than €3 billion, or 23% of the total).
In the other areas of business, new loans were granted to finance public works and infrastructure totalling some €3 billion (20% of the total), €1 billion of which related to public-interest projects "promoted" by public entities. In addition, new loans were granted in the amount of €2 billion (16% of the total) for new operations aimed at supporting the economy (SME financing and reconstruction in Abruzzo), in addition to the contribution of existing funds.

Therefore, as at 31 December 2009, loans to customers and banks totalled €85,178 million, up on the level of 2008.
The greatest contribution continued to come from the Public Entities business unit, although there was also an increase in the relative weight of lending for the Enterprises and the Facilitated Credit and Economic Support units.

Stock of loans to customers and banks

(millions of euros)

	31/12/2009	31/12/2008	% change
Public Entities	80,788	79,334	1.8%
Facilitated Credit and Economic Support	1,055	404	161.2%
Enterprises	3,336	2,306	44.7%
Other loans	-	194	N/S
Total loans to customers and banks	**85,178**	**82,237**	**3.6%**

The contribution of the new activities to support the economy is even more evident when considering commitments to be disbursed, with the balance reaching a total of €14,023 million at 31 December 2009, up 39% over 2008 due in part to the contribution of the commitments already undertaken within the Project Finance unit.

Commitments to disburse funds

(millions of euros)

	31/12/2009	31/12/2008	% change
Public Entities	9,026	7,698	17.2%
Facilitated Credit and Economic Support	2,596	1,061	144.7%
Enterprises (includes guarantees)	1,401	1,339	4.6%
Project Finance	1,000	-	N/S
Total commitments to disburse funds	**14,023**	**10,098**	**38.9%**

3.1.2 Liabilities and equity

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

Reclassified balance sheet

(millions of euros)

	31/12/2009	31/12/2008	% change
LIABILITIES AND SHAREHOLDERS' EQUITY			
Funding	210,633	195,603	7.7%
- of which: postal funding	*190,785*	*175,116*	*8.9%*
- of which: funding from banks	*2,452*	*470*	*421.8%*
- of which: funding from customers	*9,191*	*10,119*	*-9.2%*
- of which: funding from bonds	*8,205*	*9,899*	*-17.1%*
Liabilities held for trading and hedging derivatives	1,675	1,671	0.3%
Accrued expense, defered income and other non-interest-bearing liabilities	770	879	-12.3%
Other liabilities	1,254	985	27.4%
Provisions, taxes and staff severance pay	551	935	-41.1%
Shareholders' equity	12,170	9,716	25.3%
Total liabilities and shareholders' equity	**227,054**	**209,789**	**8.2%**

The increase in liabilities from the previous year was due mainly to the high level of net new funding from postal savings in 2009; the stock of such funding, comprising postal passbook savings accounts and postal savings bonds, reached €191 billion, compared with the €175 billion of 2008 (+9%).

To a lesser extent, the increase in funding was also attributable to the increase in funding from banks, which came to €2.5 billion, up nearly €2 billion from 2008. This increase was due to the new draws on EIB lines of financing (more than €850 million), as well as to interbank deposits received (about €600 million) and

Credit Support Annex deposits received as part of collateral agreements (more than €500 million).

Total postal savings and funding from banks more than offset the reduction in funding from customers and net funding from bonds. Funding from customers, related to the portion of specific-purpose loans in repayment as at 31 December 2009 and not yet disbursed, declined by about €1 billion due to the effect of the flow of disbursements that was not offset by a corresponding flow of new loans to be disbursed. The decline in net funding from bonds (in the amount of €1.7 billion) was due to the initial redemptions of covered bonds issued (in the amount of €2 billion), which was only partially offset by net funding through EMTN issues (+€300 million from 2008). Nonetheless, the flow of funding from the EMTN programme in 2009 continued in line with the related Ordinary Account lending.

Liabilities held for trading and hedging derivatives were essentially stable compared with 2008. This aggregate includes both the negative fair value of derivative instruments used to hedge financial risks and the measurement of the options component to be unbundled from the indexed bonds and the *Premia* bonds.

Accrued expenses, deferred income and other non-interest-bearing liabilities posted a decline compared with 2008, ascribable mainly to the reduction in certain liabilities to customers to be settled, the amount of which was only partially offset by an increase in the fair value of the funding being hedged.

The change in other liabilities came to about €300 million, due mainly to the increase in CDP’s liability to Poste Italiane S.p.A. in respect of remuneration for placement services and accounting and administration services for postal savings for 2009.

Provisions, taxes and staff severance pay totalled €551 million, attributable mainly to provisions for tax, which include payables related to current and deferred taxes for the year. The significant decline from 2008 is mostly due to the recognition in 2009 of the effects of the discharge of the tax liability on tax-deferred reserves resulting from off-ledger deductions made in 2004-2007 related to writedowns of loans to customers made for tax purposes only. This discharge of the liability, which is to be completed in 2010 with payment of a one-off tax, resulted in the elimination of the deferred taxes recognised in relation to such deductions. Nonetheless, in 2009 there was a lower tax effect than in 2008, when there were certain negative income components in respect of writedowns of equity investments that were not deductible for tax purposes.

Finally, shareholders' equity at the end of 2009 came to more than €12 billion. The increase over 2008 (+25%) was due both to the growth in reserves related to retained earnings from the previous year and to the increase in the market value of the shares in Eni S.p.A. and Enel S.p.A.

3.1.3 Balance sheet ratios

Main indicators (reclassified data)

	2009	2008
Loans to customers and banks/Total assets	37.5%	39.2%
Loans to customers and banks/Postal funding	44.6%	47.0%
Equity investments and shares/Shareholders' equity	1.5x	1.4x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.183%	0.184%
Net bad debts and substandard loans/Net loans to customers and banks	0.041%	0.038%
Net writedowns/Net loans to customers and banks	0.001%	0.029%

In 2009, funding from postal savings again outpaced the increase in new loans to customers and banks. This resulted in an increase in CDP's liquidity and a consequent increase in the ratio of liquidity to total assets, as well as growth in the ratio of the stock of postal savings funding to total loans to customers and banks.

The ratio of equity investments and securities to the company's total equity increased slightly due to new investments CDP made during the year, as well as to the increase in the market value in the investments in Eni S.p.A. and Enel S.p.A.

Finally, writedowns related to the deterioration in the credit quality of counterparties were virtually zero and concerned cases that were essentially unrelated to CDP's core lending activities.

3.2 Reclassified income statement

3.2.1 Financial performance

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

Reclassified income data

(millions of euros)

	31/12/2009	31/12/2008	% change
Net interest income	1,994	2,360	-15.5%
Dividends	971	1,051	-7.6%
Net commissions	(909)	(729)	24.7%
Other net revenues	106	(149)	-171.2%
Gross income	2,162	2,532	-14.6%
Net writedowns	(1)	(24)	-94.9%
Overheads	(80)	(74)	8.0%
Operating income	2,091	2,444	-14.4%
Net income	**1,725**	**1,389**	**24.1%**

The results achieved in 2009 were, on the whole, positive and better than expected, considering the difficult macroeconomic environment and the negative impact, for both CDP and the entire banking system, of the decline in margins resulting from the low levels to which interest rates fell.

Net interest income, in particular, came to €1,994 million, a decline of 16% from 2008 due to the reduction in the margin between lending and funding. In line with the trend in market interest rates, the decline in the return on assets was greater than and out of step with the decline in the cost of funding, given the all-time lows reached by the yields on postal savings.

Gross income also declined (-15%) to €2,162 million.
In addition to the change in net interest income, this reduction can be attributed to the decline in dividends (-8% due to a decrease in the earnings of the various equity investments and a general decline in payouts) and to an increase in commissions on postal savings (+25% in net commission expense). However, this was mitigated by the positive performance of hedging and trading activities (included among other net revenues), which was largely due to the non-recurring effect of the fair value measurement of certain derivative instruments, which were no longer treated under hedge accounting rules in view of their closure, which took place between the end of 2009 and the start of 2010.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of non-current assets.

Breakdown of overheads

(thousands of euros)

	31/12/2009	31/12/2008	% change
Staff costs	**45,273**	**40,715**	**11.2%**
Other administrative expenses	**25,560**	**24,586**	**4.0%**
Professional and financial services	5,909	5,548	6.5%
IT expenses	6,271	5,588	12.2%
General services	6,372	6,820	-6.6%
Entertainment and marketing expenses	1,647	1,834	-10.2%
Information resources and databases	1,144	1,073	6.7%
Utilities, taxes and other expenses	3,967	3,501	13.3%
Corporate bodies expenses	251	221	13.2%
Total administrative expenses	**70,833**	**65,300**	**8.5%**
Net adjustments of non-current assets	9,012	8,654	4.1%
Total	**79,845**	**73,954**	**8.0%**

The final figures for 2009 show staff costs of €45 million, an increase of about 11% over 2008. This change was due mainly to charges recognised in relation to a plan of consensual early termination of employment for a number of employees, which was completed at the end of 2009, as well as to an increase in expenses due to the greater average number of CDP employees in 2009 compared with 2008 and, to a lesser extent, to an increase in costs resulting from application of provisions in the renewed collective bargaining agreement for the industry for the full year.

Other administrative expenses, in the amount of €26 million, rose slightly (+4%) over 2008. This trend was due mainly to a series of legal and technical services associated with new IT spending for the year.

As a result, net income at 31 December 2009 came to €1,725 million, an increase of 24% over 2008 (€1,389 million).

Excluding non-recurring factors that affected performance positively in 2009 (i.e. recognition of the liberation of tax-deferred reserves in the amount of €113 million and the measurement of a number of derivatives no longer recognised under hedge accounting in the amount of about €98 million, which, net of tax effects, increased net income by €179 million) and negatively in 2008 (i.e. the writedown of the indirect investment in STMicroelectronics N.V. in the amount of €502 million), net income for the period would have declined in line with the trend in net interest income, which was due to the aforementioned developments in market interest rates, as well as the decline in dividends received from equity investments and the increase in commissions paid to Poste Italiane S.p.A. for the placement and management of postal savings products.

CDP's performance can also be analysed based on the contribution of each business unit to the main components of gross income, and specifically:

Reclassified income statement by business unit

(millions of euros)

	Public Entities	Facilitated Credit and Economic Support	Enterprises	Corporate Centre	Total CDP
Net interest income	393	3	19	1,579	1,994
Gross income	396	4	23	1,739	2,162
Operating income	**386**	**1**	**22**	**1,682**	**2,091**

The greatest contribution comes from the Public Entities unit, which contributed about 20% of net interest income and more than 18% of total operating income. The contribution of the Facilitated Credit and Economic Support and Enterprises units is still limited, although it did expand compared with previous years. In 2009, the contribution of the Project Finance unit to financial performance is still insignificant, given that it was launched in the latter part of the year. Finally, the Corporate Centre unites the components of earnings attributable to equity investments, treasury operations and funding activities, as well as costs related to the service and support units and other revenues and expenses not otherwise allocable.

3.2.2 PERFORMANCE INDICATORS

Main indicators (reclassified data)

	2009	2008
Net interest income/Gross income	92.2%	93.2%
Net commissions/Gross income	-42.1%	-28.8%
Other revenues/Gross income	49.8%	35.6%
Commission expense/Postal funding	0.5%	0.4%
Spread interest-bearing assets - liabilities	1.1%	1.4%
Cost/income ratio	3.7%	2.9%
Cost/income ratio (including commission expense on postal funding)	32.4%	25.0%
Net income/Opening shareholders' equity (ROE)	17.7%	9.7%
Net income/Average shareholders' equity (ROAE)	15.8%	11.5%

Analysing these indicators, we see that the contribution of net interest income to CDP revenues remained essentially stable from 2008. While dividends for 2009 were almost entirely offset by the increase in commissions on postal savings management, a significant non-recurring contribution came from the net result on hedging and trading activities.

There was also a narrowing of the spread between lending and funding from 2008 (going from 1.4% to 1.1%) due to the trend in market rates, with an imbalanced impact on assets and liabilities (including funding from postal savings, on which interest is at an all-time low).

We have also seen a slight deterioration in the indicators of operating efficiency, such as in the cost-to-income ratio, due to the decline in revenues and the increase in operating costs. This effect is amplified if we include the postal savings management commissions, which also increased relative to revenues.

Finally, return on equity (ROE) for 2009 came to 17.7%, a marked increase over the same figure for 2008 of 9.7%. This indicator reflects both the significant increase in net income in 2009 compared with 2008 and the reduction in equity recorded in 2008 due to developments in stock prices that year. The performance gain was smaller if measured in terms of return on average equity (ROAE), which went from 11.5% to 15.8%.

3.3 RECONCILIATION OF THE RECLASSIFIED FINANCIAL STATEMENTS

The following is a reconciliation between the financial statements required under Bank of Italy circular 262/2005, as amended, and the statements that have been reclassified on the basis of operational criteria.

These reclassifications mainly concerned:

- the allocation of interest-bearing amounts into separate aggregates from the non-interest-bearing items;
- the revision of the portfolios for IAS/IFRS purposes, reclassifying them into uniform aggregates by both product and area of business.

Balance sheet - Assets

		ASSETS - Reclassified schedules							
(millions of euros)	31/12/2009	Cash and cash equivalents	Loans to customers and banks	Debt securities	Equity investments and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing assets	Other assets
ASSETS									
10 Cash and cash equivalents	114,689	113,330						1,358	
20 Financial assets held for trading	869					869			
40 Financial assets available for sale	13,991			206	13,784			1	
50 Financial assets held to maturity	205			200				6	
60 Loans to banks	5,974	5,050	913					12	
70 Loans to customers	85,624		84,265	285				1,073	
80 Hedging derivatives	332					332			
100 Equity investments	4,487				4,487				
110 Property, plant and equipment	204						204		
120 Intangible assets	7						7		
130 Tax assets	600								600
150 Other assets	73								73
Total assets	**227,054**	**118,380**	**85,178**	**692**	**18,271**	**1,200**	**210**	**2,450**	**673**

Balance sheet - Liabilities and shareholders' equity

(millions of euros)	31/12/2009	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Provisions, taxes and staff severance pay	Shareholders' equity
		LIABILITIES AND SHAREHOLDERS' EQUITY - Reclassified schedules					
Liabilities and shareholder's equity							
10 Due to banks	2,674	2,475		200			
20 Due to customers	100,460	100,288		172			
30 Securities issued	108,269	107,871		398			
40 Financial liabilities held for trading	783		783				
60 Hedging derivatives	826		826				
70 Adjustment of financial liabilities hedged generically	66		66				
80 Tax liabilities	541					541	
100 Other liabilities	1,254				1,254		
110 Staff severance pay	1					1	
120 Provisions	9					9	
130 Valuation reserves	2,136						2,136
160 Reserves	4,809						4,809
180 Share capital	3,500						3,500
200 Net income for the period	1,725						1,725
Total liabilities and shareholders' equity	**227,054**	**210,633**	**1,675**	**770**	**1,254**	**551**	**12,170**

4. OPERATING PERFORMANCE

4.1 FINANCING ACTIVITIES AND FINANCIAL SERVICES

4.1.1 PERFORMANCE OF THE LOAN PORTFOLIO – PUBLIC ENTITIES

The Public Entities unit, which is derived from the former Public Investments division, is responsible for lending the public entities and public-law bodies using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the CDP's Separate Account.

The main credit products that the Public Entities unit provides include: ordinary loans and flexible specific-purpose loans for local authorities; loans without a pre-repayment grace period disbursed in one or more instalments for regional governments; real estate and unsecured loans for other non-territorial public entities.

The following are the financial highlights for 2009 for the Public Entities unit related to the reclassified balance sheet and income statement, together with a number of key indicators.

Public Entities - Highlights

(millions of euros; %)

	2009	2008
BALANCE SHEET		
Loans to customers and banks	80,788	79,334
Amounts to disburse on loans in repayment	9,143	10,041
Commitments to disburse funds	9,026	7,698
INCOME DATA		
Net interest income	393	
Gross income	396	
Operating income	386	
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.083%	0.082%
Net writedowns/Net loans to customers and banks	0.001%	0.003%
Performance ratios		
Spread on interest-bearing assets - liabilities	0.5%	
Cost/income ratio	2.4%	
MARKET SHARE	41.9%	40.8%

At the end of 2009, loans to customers and banks totalled €80,788 million, including adjustments for IAS/IFRS purposes, for an increase of 1.8% over 2008 (€79,334 million). The pace of growth in the portfolio diminished compared with 2007-2008 due to a reduction in disbursements (of loans in the grace period or loans for immediate disbursement) in 2009 compared with the previous year, when there was a significant level of loans granted for immediate disbursement.

Including disbursement commitments, excluding IAS/IFRS adjustments, the total stock came to €88,617 million, for a 3% increase over 2008 (€86,019 million). The change can be attributed to new lending, which contributed to increasing the total stock, more than offsetting payments received in 2009.

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

(millions of euros)

	31/12/2009	31/12/2008	% change
Local authorities	44,219	43,143	2.5%
Regions and autonomous provinces	22,129	21,871	1.2%
Other public entities and public-law bodies	13,243	13,306	-0.5%
Total amounts disbursed or in repayment	**79,591**	**78,321**	**1.6%**
IAS/IFRS adjustments	1,197	1,013	18.1%
Total loans to customers and banks	**80,788**	**79,334**	**1.8%**
Total amounts disbursed or in repayment	**79,591**	**78,321**	**1.6%**
Commitments to disburse funds	9,026	7,698	17.2%
Total loans (including commitments)	**88,617**	**86,019**	**3.0%**

At the end of 2009, in line with the objectives of the business plan, CDP's market share, as a proportion of the total debt of local and regional authorities and loans with repayment charged to central government, increased to 41.9% from 40.8% at the end of 2008.

Loan amounts to be disbursed, including commitments, increased by 2.4% (from €17,739 million at 31 December 2008 to €18,169 million at 31 December 2009).

Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2009	31/12/2008	% change
Amounts to disburse on loans in repayment	9,143	10,041	-8.9%
Commitments to disburse funds	9,026	7,698	17.2%
Total amounts to disburse (including commitments)	**18,169**	**17,739**	**2.4%**

This performance was the net effect of the increase in disbursement commitments (+17.2%) and the decrease in amounts to be disbursed on loans in repayment (-8.9%), which was the result of new loans granted exceeding total disbursements.

As the table below shows, nearly all loans to customers and banks continue to represented by specific-purpose loans.

Public Entities - Stock of Loans to customers and banks by product

(millions of euros)

Product	31/12/2009	31/12/2008	% change
Specific-purpose loans	78,671	77,413	1.6%
Advances	15	27	-42.0%
Securities	904	881	2.6%
Total	**79,591**	**78,321**	**1.6%**

In 2009, new lending granted declined with respect to the previous year, going from €8,046 million to €6,125 million, a reduction of around 24%. The decrease was essentially due to the smaller contribution of loans granted to regions and autonomous provinces in 2009 compared with 2008, when a number of large transactions were recognised at the end of the year.
However, the local authorities segment performed well, with new lending going from €3,354 million in 2008 to €3,539 million in 2009, excluding the €478 million advance disbursed during the previous year to the City of Rome in accordance with Article 78.8 of Decree Law 112/08, which was also repaid during that year (+6%).

The breakdown by type of borrower and by geographical area shows a prevalence of financing for local authorities (58%, for a total of €3,539 million, 30% of which for authorities in northern Italy). A total of €1,619 million in financing was granted to other beneficiaries (26% of the total and, again, primarily in northern Italy), with 16% of the total going to regions and autonomous provinces for a total of €966 million.

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	North	Centre	South	Total 2009
Local authorities	1,854	532	1,153	3,539
Regions and autonomous provinces	800	16	150	966
Other public entities and public-law bodies	1,536	62	21	1,619
Total	**4,190**	**610**	**1,324**	**6,125**

A breakdown of financing by type of project shows that loans were mainly granted for projects with sundry purposes (largely comprising loans for large-scale works or differentiated investment programmes, accounting for 36% of the total), for road and transport projects (22% of the total compared with 16% in 2008), school and university building (11% of the total compared with 8% in

2008), and for social building projects (10% of the total compared with 8% in 2008).

Public Entities - Flow of new loans by purpose

(millions of euros)

	Total 2009
Public and social building	617
School and university building	695
Sports, recreational and lodging facilities	221
Healthcare building	127
Natural disaster restoration works	16
Road and transport	1,347
Water projects	38
Sanitation projects	92
Energy projects	105
Other public works	600
Loans for sundry projects *	2,210
Total investments	**6,067**
Recognised off-balance-sheet liabilities and other liabilities	58
Total	**6,125**

** Also includes loans for major public works not included in the other categories*

A breakdown of new loans granted by product shows that most were ordinary specific-purpose loans (both fixed and floating rate), which account for about 47% of the total. These are followed by loans without a pre-repayment grace period (39%), of which 21% related to operations charged to the state, which are granted based on public tenders awarded to CDP. A smaller contribution came from flexible loans (9%) and from unsecured and real estate loans (5%), with the latter going to non-territorial public entities.

Public Entities - Flow of new loans by product

(millions of euros)

	Total 2009
Ordinary loans	2,897
Flexible loans	534
Unsecured and real estate loans	326
Loans without pre-repayment grace period	2,368
of which: loan contracts awarded in tenders	*1,259*
Total	**6,125**

In 2009, loan disbursements totalled €5,645 million, down 14% from 2008. However, excluding the extraordinary item related to the aforementioned advance to the City of Rome in the second quarter of 2008, the decline narrows to just 7%. In any event, the decrease is due to the reduced contribution in 2009 of new transactions for immediate disbursement.

Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

	North	Centre	South	Total 2009
Local authorities	1,633	762	1,238	3,634
Regions and autonomous provinces	970	66	200	1,237
Other public entities and public-law bodies	557	153	64	775
Total	**3,161**	**981**	**1,503**	**5,645**

Regarding other financing within the Public Entities unit, the balance of advances from the Revolving Fund for Project Development (equal to the amount disbursed from this fund) came to €15 million at 31 December 2009, compared with €27 million at the end of 2008. In 2009, the amount of financing granted from this fund came to about €5 million, with disbursements of about €4 million.

The loan portfolio of the Public Entities unit also includes the subscription of securities issued by public entities and other public-law bodies as an alternative to specific-purpose loans. At the end of 2009, the stock of such securities totalled €904 million, a 2.6% increase over 2008. In 2009, CDP subscribed for a total of €43 million in newly issued securities, which more than offset the redemptions recorded for securities already held.

In terms of the Public Entities unit's contribution to CDP's performance in 2009, net interest income for the unit came to €393 million, in addition to €3 million in commission income for the period. Gross income thus totalled €396 million, accounting for 18% of the total for CDP as a whole. Taking account of overheads specific to the Public Entities unit, its overall contribution to income comes to €386 million.
Translating this performance in terms of the spread between interest-bearing assets and interest-bearing liabilities, the margin came to 50 basis points, compared with 110 basis points for CDP.
The cost-to-income ratio for the unit thereby comes to 2.4%, compared with 3.7% for CDP as a whole.

Finally, the credit quality of the Public Entities unit's loan portfolio in 2009 showed a low level of problem positions, essentially unchanged compared with 2008.

Customer-related initiatives in 2009 included efforts to support the public entities affected by the earthquake which struck the Abruzzo region in April.
Specifically, CDP authorised:

1) the immediate deferment for one year of payment deadlines for loan instalments and grace-period interest due in 2009 on existing loans,

without the application of additional interest (the instalments due on 30 June and 31 December 2009 were thereby deferred by one year and are to be paid together with the payments due on 30 June and 31 December 2010);

2) the possibility of renegotiating said loans, including a significant extension of their term and the consequent reduction in the size of instalments;
3) the possibility of granting new financing based on subsidised terms and conditions compared with those normally applied for territorial authorities, with such financing to be used for the reconstruction in the affected areas, much like similar initiatives carried out in the past in response to other natural disasters.

RATE POLICY

In 2009, the policy for setting interest rates for Separate Account financing continued to follow the line set down in previous years, which were introduced following the transformation of CDP into a joint-stock company and the issuance of the decree of the Ministry for the Economy and Finance of 6 October 2004, based on which the terms applied to the financial products under the Separate Account were adjusted to market conditions rapidly and flexibly, within the scope of the guidelines established for such purpose.

In the latter part of the previous year, due to the financial crisis, there was a drastic increase in the spreads of medium and long-term government bonds against Euribor, which brought the rates and spreads offered on CDP's specific-purpose loans up to the maximum cost allowed (set out in the notice of the Ministry for the Economy and Finance published in "Gazzetta Ufficiale" no. 168 of 19 July 2008, which had already raised the previous ceilings established in the Notice published in "Gazzetta Ufficiale" no. 262 of 8 November 1999).

In response, on 9 April 2009, the MEF took action with a new notice regarding rate ceilings, introducing a new criterion for the calculation of the maximum total annual cost of loans. Based on this criterion, the cost for fixed-rate transactions cannot exceed that obtained, for the various maturities, from the product of the MTSIg index (based on the term of the loan) and a specific coefficient. For floating-rate transactions, the maximum cost is calculated based on 6-month Euribor plus a spread that varies with the term of the loan. The use of these new parameters translated into higher maximum interest rates and spreads than were previously in effect, but were in line with the changes in the market rates for the same period.

In July 2009, the MEF issued a further notice that made a number of changes both to the coefficients for fixed-rate loans and the spreads for floating-rate loans.
Finally, on 12 November 2009, one last notice again changed the benchmark parameters, as well as the segmentation of loan maturities. Specifically, for fixed-rate loans, the maximum total annual cost is calculated on the basis of the swap rate plus a specific spread that varies in relation to the term of the loan. For floating-rate loans, 6-month Euribor has been retained, but the spreads have been changed. These changes brought about an average reduction in maximum interest rates and spreads compared with those previously in effect.

Based on these notices, the interest rates and spreads for all products offered by CDP were updated, generally on a weekly basis and, in any event, maintaining the method adopted in 2008. This made it possible to ensure consistency among the financial conditions offered for each type of product, while complying with the above rules. During the year, CDP also conducted *ad hoc* pricings that were financially equivalent to those for standard loans for the purpose of participating in calls for tender for the assignment of financing with costs borne by the state, taking due account of the various financial structures and the type of borrower.

4.1.2 PERFORMANCE OF THE LOAN PORTFOLIO – FACILITATED CREDIT AND ECONOMIC SUPPORT

The goal of CDP is to actively support Italy's development policies through the management of subsidised lending, based on specific legislation, and economic support mechanisms, which CDP has implemented as a result of recent changes to its articles of association.

Thus, the Facilitated Credit and Economic Support unit is responsible for managing the subsidised instruments using primarily CDP resources (the Revolving Fund to support enterprises and research investment), while also taking advantage of a lesser amount of public funding (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund).
These are flanked by "mass" programmes in support of the economy, with the launch of the business lines dedicated to SME financing (with total resources of €8 billion) and financing for the reconstruction of the areas of the Abruzzo region affected by the earthquake (resources of €2 billion).

In this context, CDP acts as a vehicle for aid and incentives from the public sector to the private sector, while also providing broader support to the economy through the banking industry. This unit originated from the former Development

Policies Management and Support division and has been enhanced with new products and new areas of business.

The following are the financial highlights for 2009 for the Facilitated Credit and Economic Support unit, summarised in the balance sheet and income statement reclassified on an operational basis, together with a number of indicators.

Faciliated Credit and Economic Support - Highlights

(millions of euros; %)

	2009	2008
BALANCE SHEET		
Loans to customers and banks	1,055	404
Amounts to disburse	47	78
Commitments to disburse funds	2,596	1,061
INCOME DATA		
Net interest income	3	
Gross income	4	
Operating income	1	
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.269%	0.016%
Net writedowns/Net loans to customers and banks	0.010%	0.000%
Performance ratios		
Spread on interest-bearing assets - liabilities	0.3%	
Cost/income ratio	62.7%	

In 2009, in order to establish the general principles for disbursing loans to SMEs and to support the Abruzzo region, specific agreements were reached with the Italian Banking Association (ABI).

In May 2009, CDP signed an agreement with ABI that governs the operation of the first €3 billion of financing for SMEs. Under the general principles of the agreement, CDP disburses financing to banks with funds originating from postal savings, thereby enabling the banks to provide businesses with medium-term liquidity.
In addition, under a framework agreement reached in June between ABI and SACE S.p.A., the latter can issue guarantees of up to 50% to banks granting loans to businesses.
Finally, in February 2010, a new agreement was signed by CDP and the ABI that establishes the criteria for allocating and using the second tranche of €5 billion, in addition to the remainder, as of 28 February 2010, of the initial €3 billion tranche. Under this new agreement, beginning on 1 March 2010, banks can sign new financing agreements with CDP and avoid interruptions in the disbursement of financing to businesses. The latter accord provides for: 1) the division of the

funding into three parts (the first, in the amount of €3 billion, is to be allocated based on the market share of each bank; the second, in an amount equal to the unused portion of the first tranche as of 28 February 2010, is to be allocated to the banks that have used, in whole or in part, the portion of the first tranche that was assigned to them; the third, in the amount of €2 billion, is to be made available to the banks that have finished the previous portions resources taken up by them, in compliance with certain concentration limits); 2) a specific contract period based on the part involved; 3) three different contract terms and different payment structures, based on which the cost for the banks will also vary.

Regarding support for the reconstruction of the areas affected by the earthquake that hit the Abruzzo region, on 3 July CDP signed the first agreement with ABI for the financing of home repairs in those areas. The total resources CDP has made available (€2 billion) are distributed through banks operating in the region and are being repaid through the tax credit mechanism. On 20 October, an agreement was also signed that reinforces the effects of the agreement described above, broadening both the scope of action and the population of beneficiaries, albeit with no change to the resources available.

The stock of loans to customers and banks by this unit at the end of 2009 came to €1,057 million, up on its level at the end of 2008 thanks to the contribution of the new economic support mechanisms.

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

(millions of euros)

	31/12/2009	31/12/2008	% change
FRI loans	556	321	73.6%
SME loans	414	0	n/s
Abruzzo earthquake reconstruction loans	6	0	n/s
Intermodal systems loans (article 38.6, Law 166/02)	79	84	-6.2%
Demolition fund disbursements	0	0	n/s
Total amounts disbursed or in repayment	**1,057**	**405**	**160.8%**
IAS/IFRS adjustments	(2)	(1)	63.7%
Total loans to customers and banks	**1,055**	**404**	**161.2%**
Total amounts disbursed or in repayment	**1,057**	**405**	**160.8%**
Commitments to disburse funds	2,596	1,061	144.7%
Total loans (including commitments)	**3,652**	**1,466**	**149.2%**

There was a significant increase in amounts to be disbursed, including commitments, attributable to the new mechanisms, with the total rising from €1 billion to more than €2 billion by the end of 2009.

Facilitated Credit and Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2009	31/12/2008	% change
Amounts to disburse *	47	78	-39.8%
Commitments to disburse funds	2,596	1,061	144.7%
Total amounts to disburse (including commitments)	**2,643**	**1,139**	**132.1%**

* State funds managed by CDP

This volume of business was achieved with new lending granted in the amount of €2,243 million, related largely to loans to small and medium-sized enterprises, in addition to disbursements from the demolition fund and on behalf of the state, bringing the total for 2009 to €2,412 million. Of the new lending, a total of €679 million were disbursed during the year.

Facilitated Credit and Economic Support - Flow of new loans by product

(millions of euros)

	Total 2009
FRI loans	268
SME support loans	1,958
Abruzzo earthquake reconstruction loans	17
Demolition fund disbursements	0
Disbursements on behalf of third parties	169
Total	**2,412**

Facilitated Credit and Economic Support - Flow of disbursements by product

(millions of euros)

	Total 2009
FRI loans	259
SME loans	414
Abruzzo earthquake reconstruction loans	6
Total	**679**

In 2009, a total of €1,958 million in loans were granted to support SMEs, €1,508 million of which to banks and banking groups and €450 million to mutual banks through ICCREA, which is equal to the total resources allocated to this segment. Of the new lending, a total of €414 million was actually disbursed in 2009. The volume of disbursements in 2009 was relatively low, presumably due to the time needed for the banking system to bring this new product for SMEs into full operation. As confirmation of this, the level of disbursements in the first part of 2010 has increased significantly.

Facilitated Credit and Economic Support - Flow of new loans to SMEs by bank counterparty

(millions of euros)

	Loans agreed	Amount available	% amount used	Loans granted
Cooperative banks through ICCREA	450	450	100%	87
Banking groups and banks	1,508	2,550	59%	327
Total	**1,958**	**3,000**	**65.3%**	**414**

The first loans have also been agreed, for a total of €17 million as at the close of 2009, in support of reconstruction of the areas affected by the earthquake in Abruzzo. Of this total, €6 million has already been disbursed.

Regarding the mechanisms already in place for the Revolving Fund in support of business and research investment (FRI), total loans authorised and approved by the relevant ministries came to €2,522 million as at 31 December 2009, with a stock of €1,653 million granted (with a flow of €268 million for 2009). The stock of loans disbursed as at the end of 2009 came to €556 million, with disbursements for the year totalling €259 million.

Facilitated Credit and Economic Support - Flow of new FRI loans by subsidy law

(millions of euros)

Subsidy law	Total 2009
Law 488/92 (Artisans)	2
Law 488/92 (Tourism, industry and trade)	132
Law 46/82 (FIT - PIA Innovation - Industrial districts)	12
Legislative Decree 297/99 (FAR)	45
Assistance mechanism no. 110/01 - Land Reorganisation (ISMEA)	76
Total	**268**

In terms of the Facilitated Credit and Economic Support unit's contribution to CDP's performance in 2009, net interest income for the unit came to €3 million, in addition to €1 million in commission income for the period. Gross income thus totalled €4 million, accounting for 0.2% of the total for CDP as a whole. Taking account of overheads specific to the Facilitated Credit and Economic Support unit, its overall contribution to income amounted to €1 million.
Translating this performance in terms of the spread between interest-bearing assets and interest-bearing liabilities, the margin came to 30 basis points, compared with 110 basis points for CDP.
As such, the cost-to-income ratio of 62.7% for this unit was higher than that of CDP as a whole.

Finally, regarding the credit quality of the loan portfolio for the Facilitated Credit and Economic Support unit, there was a slight increase in bad debts attributable to the FRI, for which CDP will nonetheless benefit from the state guarantee.

4.1.3 Performance of the loan portfolio – Project Finance

Established in 2009, the Project Finance unit seeks to intervene directly in a select number of general public interest projects that can be initiated rapidly (financing of projects sponsored by public entities), acting with a long-term vision and verifying financial sustainability.

In this context, in July CDP reached a framework agreement with the EIB in order to develop and consolidate partnerships in Italy in the area of financing government agencies, public companies, local authorities and business groups. Within the framework of these co-financing activities, there is also the possibility of joint action in selecting projects (with a particular emphasis on infrastructure projects), conducting loan origination, identifying loan types, and providing the final beneficiaries with the funds needed on the best terms possible.

The unit began operations at the end of 2009, with the first loan granted going to Autostrade per l'Italia S.p.A. The total amount was €1 billion, half of which backed by a SACE guarantee.

New loans were also authorised for a total of €650 million related to regasification terminal projects and for motorway concession holders. As regards authorised loans to be executed, in February 2010, a transaction was finalised with Satap S.p.A. in the amount of €450 million.
Towards the close of 2009, a number of applications were also received for infrastructure projects, which are to be verified and, if eligible, submitted for loan origination processing.

During the year, the rules of the Public Works Guarantee Fund (FGOP) were approved, enabling operations to begin. The fund was established with the 2008 Finance Act (Article 2.264 *et seq*.) and is further governed by the decree of the Ministry for the Economy and Finance of 16 September 2009.
The objective of the fund is to issue guarantees in favour of both public and private-sector entities involved in building and operating public works in order to safeguard the financial equilibrium of the projects. This guarantee is given in respect of obligations undertaken by a given contracting authority in accordance with an agreement for the granting of the concession for the construction and operation of infrastructure works, including works on which construction is already under way.
Specifically, the guarantee given by CDP will, for the moment, be limited solely to the obligation of the contracting authority to pay the concession holder, upon expiration of the concession agreement and in the absence of a new concession holder, an amount commensurate to the value of the project that has not been depreciated by the end of the concession period.
The rules, which were approved by the CDP Board of Directors on 26 October 2009, set a number of operating thresholds for the fund and specify the

conditions for issuing guarantees, such as coverage of the project's entire financing requirements, the feasibility of the works, and verification of the financial plan. Regarding the financial conditions, remuneration for CDP will be commensurate with the work guaranteed and the conditions of financial stability, as well as with the credit rating of the applicants.
The size of the fund is currently €2 billion, which will make it possible to issue guarantees totalling an estimated €20 billion. Preparatory assessment activities for the issue of the first guarantees for motorway projects are currently under way.

4.1.4 PERFORMANCE OF THE LOAN PORTFOLIO – ENTERPRISES

The operations of the Enterprises business unit, formerly the Infrastructure and Strategic Projects division, regard the financing, on a project or corporate finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (water sector - integrated water services, gas transport and distribution networks, local and national transportation networks, production, transport and distribution of energy).

The following are the financial highlights for 2009 for the Enterprises unit, summarised in the balance sheet and income statement reclassified on an operational basis, together with a number of indicators.

Enterprises - Highlights

(millions of euros; %)

	2009	2008
BALANCE SHEET		
Loans to customers and banks	3,336	2,306
Commitments to disburse and guarantees	1,401	1,339
INCOME STATEMENT		
Net interest income	19	
Gross income	23	
Operating income	22	
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	-	-
Performance ratios		
Spread on interest-bearing assets - liabilities	0.7%	
Cost/income ratio	8.6%	
MARKET SHARE	5.0%	3.3%

At the end of 2009, the stock of loans disbursed totalled €3,336 million, including IAS adjustments, an increase of about 45% over the same figure at the end of 2008 (€2,306 million).

As at the same date, loans granted came to €4,691 million, for a 31% increase over 31 December 2008 (€3,594 million). This figure also includes disbursement commitments and guarantees.

Enterprises - Stock of loans to customers and banks

(millions of euros)

	31/12/2009	31/12/2008	% change
Project finance	193	118	63.9%
Corporate finance	3,047	2,087	46.0%
Securities	50	50	0.0%
Total amounts disbursed or in repayment	**3,290**	**2,255**	**45.9%**
IAS/IFRS adjustments	46	51	-9.8%
Total loans to customers and banks	**3,336**	**2,306**	**44.7%**
Total amounts disbursed or in repayment	**3,290**	**2,255**	**45.9%**
Commitments to disburse and guarantees	1,401	1,339	4.6%
Total loans (including commitments)	**4,691**	**3,594**	**30.5%**

The operations of this area of business concern investments in works for the provision of public services, with a target market comparable to that of medium and long-term lending by banks and by CDP to non-financial companies in specific industries (public works, transport vehicles, energy-related projects, transport-related services, and land, sea and air transport), as reported in the supplement to the Bank of Italy's Statistical Bulletin. At the end of 2009, CDP's overall market share in this segment came to 5%, compared with 3.3% at the end of 2008.

The significant increase in both loans granted and loans disbursed was due to the large flow of new lending throughout 2009, which remained at the same high levels reached in 2008 and more than offset the volume of repayments (which were also significant). As noted for the previous year as well, the greatest contribution came from corporate finance operations and was concentrated in a number of large-value transactions.

More specifically, in 2009 new loans were granted totalling €1,914 million (+2.7% over 2008), nearly all of which in corporate loans.

Enterprises - Flow of new loan agreements

(millions of euros)

	Total 2009
Project finance	17
Corporate finance	1,897
Total	**1,914**

Disbursements for 2009 in respect of new loans and those from previous years totalled €1,744 million (+57% over 2008). Here, too, the largest increase in operations was seen mainly in the form of corporate loans.

Enterprises - Flow of new disbursements

(millions of euros)

	Total 2009
Project finance	104
Corporate finance	1,640
Total	**1,744**

During the year, new financing granted was mainly to companies in the following industries: electrical power, local multi-utilities, airspace defence and safety, and water service management.
On the disbursement side, drawings on financing granted in 2008 were completed in favour of companies working on high-speed, high-capacity railway lines. Disbursements also concerned financing granted both in previous years and during the year under review (primarily in electrical power, aerospace defence and security, and local multi-utilities).

In terms of the Enterprises unit's contribution to CDP's performance in 2009, net interest income for the unit came to €19 million, in addition to €4 million in commission income for the period. Gross income thus totalled €23 million, accounting for 1.1% of the total for CDP as a whole. Taking account of overheads specific to the Enterprises unit, its overall contribution to total CDP income decreases to €22 million.
Translating this performance in terms of the spread between interest-bearing assets and interest-bearing liabilities, the margin came to 70 basis points, compared with 110 basis points for CDP.
The cost-to-income ratio for the unit thereby comes to 8.6%, compared with 3.7% for CDP as a whole.

Finally, the Enterprise unit's loan portfolio has no problem positions.

4.1.5 The export-bank system

In February 2010, pending publication of the decree of the Minister for the Economy and Finance implementing Decree Law 78/2009 (ratified with Law 102/2009), an agreement was signed with SACE S.p.A. regarding "export-bank" operations.
This system makes it possible to finance the international expansion and export operations of Italian businesses and their foreign subsidiaries at competitive

costs, as well as other operations of strategic importance to Italy's economy in terms of economic security and the stimulation of production and employment.

The agreement establishes the type of operations that fall within SACE's scope of business that can be financed by CDP, as well as the procedures for joint action, and provides for CDP to provide banks with the funds needed to finance eligible operations, on the condition that they are insured or guaranteed by SACE. In order to make the final cost of the operation more competitive, the funding agreement between CDP and the bank will specify the maximum spread, inclusive of any commissions and fees, that the bank may add to the cost of funding.
The agreement also establishes that CDP may finance, either directly or through SACE and including by way of subscription of bonds, operations with a value of more than €25 million in the event that the banking system is unable to do so given the timing or size of the operations or when such operations are of strategic importance to the country. This, too, is subject to SACE issuing guarantees or insurance to back CDP's financing.

The signing of the agreement was preceded by an initial financing transaction by CDP in support of SACE S.p.A., which took place in the latter part of 2009. The transaction involved Fincantieri Group supplies to the Carnival Group abroad totalling about €1.5 billion.

4.1.6 Real estate investment and services

Increasingly stringent budget constraints have made it necessary for government, and local authorities in particular, to adopt – taking advantage of the options made available by the new legislative framework – new approaches for raising funds without new borrowing, but rather through programmes to develop and/or dispose of real estate not used for operations.
Article 58 of Decree Law 112/2008 (the "Housing Plan"), ratified with Law 133/2008, contains measures to foster the development and disposal of property owned by territorial authorities.

In order to support local authorities in the process of leveraging their real estate assets, in the first part of 2009 the Real Estate unit was created with the mission of assisting public bodies in the technical, financial, administrative and procedural activities needed to manage the projects.

CDP provides assistance through specific protocols of understanding, while investments can be channelled through funds managed by CDP Investimenti SGR, which was established specifically for such purpose.

In 2009, efforts continued in support of the local authorities in Italy with the signing of additional protocols of understanding, following the first experience of working with the City of Milan, which began in 2007.
The local authorities with which CDP signed protocols in 2009 were:

1. the City of Venice;
2. the City of Palermo.

On 27 February 2009, the protocol was signed with the City of Venice in order to leverage a portion of the city's real estate portfolio, which was enacted by establishing a seeded real estate investment fund.
More specifically, the assets selected are in need of significant levels of development, making this a "development" real estate fund. The total value of the operation is about €85 million. In this case as well, a portion of the property portfolio (worth €42 million, or 50% of the total) was transferred to the fund in exchange for the city subscribing for the corresponding fund units. Whereas the remainder was sold to the fund for cash. The City of Venice has also expressed its intention to hold the units in the fund until at least 31 December 2012, while reserving the option to place them with qualified investors following said date.

On 23 September 2009, the protocol of understanding was signed with the City of Palermo regarding a feasibility study by CDP to identify potential means of developing a portfolio of real estate assets specified by the city. Work on the preparation of this feasibility study is currently under way.

Regarding real estate investment activities, in 2009 CDP Investimenti SGR was established, with CDP holding a 70% controlling interest and the remainder divided equally between Associazione delle Fondazioni Bancarie e Casse di Risparmio (ACRI) and the Italian Banking Association (ABI). In January 2010, the Bank of Italy authorised the company to provide collective asset management services and it is therefore entered in the register of asset management companies (Articles 34 and 35 of Legislative Decree 58/98). The management company promotes and manages the Fondo Investimenti per l'Abitare fund, the rules of which were approved by the Bank of Italy in March 2010.
The fund is to invest around 90% of its assets in units of real estate funds, while the remainder may be invested in real estate directly. The fund may operate throughout Italy, taking significant minority stakes in local social housing

investment funds in which bank foundations, local authorities and private parties are allowed to invest.
In addition to CDP, this fund also calls for the participation of other public and private investors, and the management fund intends to participate in the public procedure for the subscription of part of the fund by the Ministry for Infrastructure, so as to achieve total commitments to the fund of at least €2 billion.
In order to facilitate the imminent start of operations, the first round of fund-raising for the fund is to take place with the subscription of a €1 billion stake by CDP, which has already been approved by the Board of Directors.

4.2 TREASURY AND FUNDING ACTIVITIES

4.2.1 TREASURY MANAGEMENT AND SHORT-TERM FUNDING

With regard to the investment of financial resources, provided below are the aggregates related to cash and cash equivalents, along with an indication of the alternative forms of investing financial resources, such as debt securities not related to customer financing activities.

Stock of investments of financial resources

(millions of euros)

	31/12/2009	31/12/2008	% change
Cash and cash equivalents	118,380	106,863	10.8%
- Treasury current account, other liquidity and deposits - Separate Account	*113,330*	*102,615*	*10.4%*
- Reserve requirement	*3,701*	*3,354*	*10.4%*
- Deposits (assets) - Ordinary Account	*441*	*264*	*66.7%*
- Deposits (assets) on Credit Support Annex transactions	*908*	*630*	*44.0%*
Debt securities	692	662	4.5%
Total	**119,071**	**107,525**	**10.7%**

Stock of short-term funding from banks

(millions of euros)

	31/12/2009	31/12/2008	% change
Deposits and repurchase agreements - Separate Account	141	0	n/s
Deposits and repurchase agreements - Ordinary Account	450	0	n/s
Deposits (liabilities) on Credit Support Annex transactions	625	85	637.1%
Total	**1,217**	**85**	**n/s**
Net interbank position - Ordinary Account	-10	264	n/s
Net deposits on Credit Support Annex transactions	283	546	-48.2%

Funds raised by CDP through the Separate Account, which comes mainly from postal savings, are deposited in a current account with the Central State Treasury pending disbursements of loans to customers, unless they are used for other forms of investment of liquidity discussed below.
At the end of 2009, the balance of this account came to €113 billion, a marked increase (+10.4%) over 2008 (when the balance was €103 billion). Most of the change was due to the increase in net funding from postal savings products, which was greater than the growth in loans to customers.

CDP has been subject to the minimum reserve requirement since 2006. It came to €3,701 million at the end of 2009, an increase of 10.4% over 2008 (about €3,354 million). Here, too, the increase was due mainly to the significant increase in postal savings. The liabilities of CDP S.p.A. that are currently subject to the reserve requirement continue to be deposits with a maturity of less than two years, as well as deposits owned by monetary financial institutions that are not subject to the reserve requirement. 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.

Regarding the deposits in respect of transactions supported by Credit Support Annexes (CSA), which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, at the end of 2009 there was a net creditor balance of €283 million, down from the €546 million posted at the end of 2008. This change is attributable both to new guarantee agreements signed during the year and to the change in fair value of the derivative instruments associated with these deposits. CSA deposits are also managed in a manner that ensures the accounting separation between the two Accounts.

For treasury management operations under the Ordinary Account, CDP uses money market instruments such as current accounts and repurchase agreements in order to optimise funding and investment. In order to invest any excess liquidity at short term, CDP has also used floating-rate government securities. The net position in deposits and repurchase agreements at the end of 2009 was a negative €10 million, compared with the positive €264 million at the end of 2008.

For the Separate Account, investments in asset-backed securities and securities issued by public entities were maintained in the portfolio from the end of 2008, for a carrying amount of €206 million, in addition to inflation-linked bonds with a carrying amount of €455 million. In 2009, as part of the closure of a portfolio of

loans that had previously been securitised, CDP also purchased a security issued by the special-purpose vehicle CPG and guaranteed by loans from another securitised portfolio, for a residual value of about €30 million as at 31 December 2009.
CDP also financed the inflation-linked bonds with repurchase agreements. The balance of this aggregate was €141 million at the end of 2009.

4.2.2 DEVELOPMENTS IN MEDIUM AND LONG-TERM FUNDING

With regard to funding under the Separate Account other than postal savings, no new issues were made as part of the covered bond programme in 2009. Conversely, on 31 July 2009, a total of €2 billion in bonds were redeemed when the first issue reached its natural maturity (having been issued on 15 February 2006).
Repayment of the bonds is secured by assets and rights in the segregated asset pool established pursuant to Article 5.18 of Decree Law 269/2003; these and the debt covered by the assets are shown separately in the CDP S.p.A. financial statements.

As regards funding not backed by state guarantee, which falls under the Ordinary Account, new issues in 2009 under the Euro Medium-Term Notes (EMTN) programme had a total nominal value of €1,550 million, with the characteristics shown in the table below.

Flow of new medium/long-term funding

(millions of euros)

EMTN issues	Issue / funding date	Nominal value	Financial terms and conditions (post hedging)
Issue (maturing 02-Feb-2010)	12/Feb/09	700	2-month Euribor + 0.65%
Issue (maturing 24-Apr-2012)	24/Apr/09	500	6-month Euribor + 1.28%
Issue (maturing 28-Jan-2011)	28/Jul/09	100	6-month Euribor + 0.55%
Issue (maturing 15-Dec-2014)	15/Dec/09	250 *	6-month Euribor + 0.48%
Total		**1,550**	

* Value in euros of issue of $376.5 million

The new funding is to be used to finance infrastructure projects under the Ordinary Account. During the year, a partial buyback of previously issued securities was carried out in the amount of €450 million, while €800 million in securities were redeemed, bringing total net funding in 2009 to €300 million.

Other developments in 2009 included the first issue in dollars for a total of $377 million (€250 million), as well as a fixed-rate yen-denominated bond with a nominal value of ¥13 billion (about €102 million), which took effect as from January 2010.

During the year, an agreement was reached with the EIB for the financing of the three-year development plan for Enel's distribution network. Under the agreement, the EIB will provide CDP with €800 million in funds (disbursed in their entirety at year end, €85 million of which drawn on previous lines of financing), which will be lent to the Enel Group for investments scheduled to be made by Enel Distribuzione during the period 2009-2011.

A similar agreement was also reached to finance the four-year development plan of Terna, the independent operator of Italy's power grid. Under the agreement, the EIB will provide CDP with €500 million in funds to be lent to the Terna Group for investments scheduled to be made during the period 2008-2011.
Finally, in October, CDP signed an agreement with the EIB to finance the investments of Autostrade per l'Italia in order to expand the Florence-Bologna section of the A1 motorway. Under the agreement, the EIB will provide CDP with €500 million in funds (€150 million of which were disbursed as at December 2009) to help finance the execution of the works, the total cost of which is estimated at some €3 billion.

In 2009 CDP also requested new disbursements on the existing lines of credit with the EIB for a total of €854 million, as reported in the table below.

Flow of new medium/long-term funding

(millions of euros)

EIB credit line	Issue/ funding date	Nominal value	Financial terms and conditions
Drawing (maturing 29-Dec-2028)	10/Jul/09	300	6-month Euribor + 0.60%
Drawing (maturing 29-Dec-2028)	15/Oct/09	400	6-month Euribor + 0.51%
Drawing (maturing 15-Jun-2029)	10/Dec/09	4	fixed rate of 4.068%
Drawing (maturiing 19-Dec-2034)	29/Dec/09	150	6-month Euribor + 0.431%
Total		**854**	

For the sake of full disclosure, the table below shows CDP's overall position in terms of medium and long-term funding as at 31 December 2009, compared with the end of 2008, by product type.
The changes in the balances represent the net effect of new drawings and the consequent increase in nominal values less principal repayments, as discussed above.

Stock of medium/long-term funding

(millions of euros)

	31/12/2009	31/12/2008	% change
Medium/long-term funding from banks	**1,205**	**351**	**243.3%**
EIB credit line	1,205	351	243.3%
Funding from bonds	**8,205**	**9,899**	**-17.1%**
Covered bond programme	6,044	8,035	-24.8%
- Securities issued	*6,064*	*8,064*	*-24.8%*
- IAS/IFRS adjustment	*(20)*	*(29)*	*-32.7%*
EMTN issues	2,161	1,864	16.0%
- Securities issued	*2,166*	*1,866*	*16.1%*
- IAS/IFRS adjustment	*(4)*	*(2)*	*157.2%*
Total funding from banks and funding from bonds	**9,410**	**10,250**	**-8.2%**

4.2.3 DEVELOPMENTS IN POSTAL SAVINGS

At 31 December 2009, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP S.p.A., came to €190,785 million, compared with the €175,116 million of the end of 2008, for an increase of about 9% year on year.

More specifically, the carrying amount of postal passbook savings accounts reached €91,120 million, while postal savings bonds, which are measured at amortised cost, came to €99,665 million (+11.4% and +6.8%, respectively, from 31 December 2008).

Stock of postal savings

(millions of euros)

	31/12/2009	31/12/2008	% change
Postal passbook savings accounts	91,120	81,801	11.4%
Postal savings bonds	99,665	93,315	6.8%
Total	**190,785**	**175,116**	**8.9%**

During the year, net new funding from passbooks came to €8,380 million, compared with €4,310 million in 2008[9], nearly doubling net funding thanks to the significant increase in the first part of 2009.

Gross capitalised interest totalled €1,286 million, which is subject to 27% withholding tax pursuant to Article 26.2 of Presidential Decree 600/73.

Examining the various types of passbooks offered by CDP S.p.A., registered passbooks continued to dominate in 2009, accounting for nearly the entire stock, with an increase over 2008. Conversely, bearer passbooks made a marginal

[9] Please note that the comparative figures for net funding in 2008 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). Including this factor, net funding from passbook savings accounts in 2008 would have been €4,637 million.

negative contribution to net funding, with the end-period stock falling to €416 million.

Passbook savings accounts

(millions of euros)

	31/12/2008	Net funding	Reclassifications and adjustments	Interest 01/01/2009-31/12/2009	Withholdings	31/12/2009
Registered passbook accounts	81,367	8,402	0	1,281	-346	90,704
Bearer passbook accounts	433	-22	0	6	-2	416
Total	**81,801**	**8,380**	**0**	**1,286**	**-347**	**91,120**

For registered passbooks, 2009 saw the continuation of the expansion in passbooks for minors (+21%) and in ordinary passbooks (+12%). However, the stock data also reflect reclassifications of about €100 million due to passbook holders reaching adulthood, with the transformation of their accounts into ordinary passbooks.

Registered passbook accounts - Stock

(millions of euros)

	31/12/2008	Net funding	Reclassifications and adjustments	Interest 01/01/2009-31/12/2009	Withholdings	31/12/2009
Ordinary	78,191	8,190	100	1,228	-332	87,378
Time deposits	5	0	0	0	0	4
Minors	1,536	398	-100	33	-9	1,858
Judicial	1,635	-186	0	20	-5	1,464
Total	**81,367**	**8,402**	**0**	**1,281**	**-346**	**90,704**

Bearer passbooks, on the other hand, declined by around 4% from their 2008 level.

Bearer passbook accounts - Stock

(millions of euros)

	31/12/2008	Net funding	Reclassifications and adjustments	Interest 01/01/2009-31/12/2009	Withholdings	31/12/2009
Ordinary	433	-22	0	6	-2	415
Time deposits	1	0	0	0	0	1
Total	**433**	**-22**	**0**	**6**	**-2**	**416**

Ordinary registered passbooks continue to make the greatest contribution to net funding, increasing by 93% over 2008. The contribution from passbooks for minors also grew (+33% over 2008), while net funding from judicial passbooks was negative.

Registered passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2009
Ordinary	77,136	68,946	8,190
Time deposits	0	0	0
Minors	663	265	398
Judicial	469	655	-186
Total	**78,268**	**69,866**	**8,402**

Net flows for bearer passbooks were negative, although their contribution was marginal compared with the other passbook types.

Bearer passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2009
Ordinary	130	152	-22
Time deposits	0	0	0
Total	**130**	**152**	**-22**

There was an overall increase of 7% in the stock of postal savings bonds from 2008 thanks to positive net funding in 2009, although funding levels declined from the previous year (going from €10,234 million in 2008 to €4,205 million in 2009). The substantial level of funding in 2008 was due to the replacement of new CDP bonds in the presence of large redemptions of MEF bonds, the amount of which was lower in 2009.
The 2009 stock also includes transaction costs resulting from the application of the IAS/IFRS, consisting of the distribution commissions for all types of bond and the value of the embedded options separated out of indexed bonds and *Premia* bonds.
The carrying amount at 31 December 2009 reached about €100 billion.

Postal savings bonds - CDP stock

(millions of euros)

	31/12/2008	Net funding	Withholdings	Transaction costs	Accrued for year	31/12/2009
Ordinary bonds	63,494	2,834	-49	-346	2,293	68,226
Fixed-term bonds	2,886	-1,875	-65	0	71	1,016
Indexed bonds	4,909	887	-2	-132	194	5,855
Premia bonds	1,957	2,439	0	-314	100	4,182
Inflation indexed bonds	8,828	2,669	-10	-166	279	11,599
Bonds for minors	1,392	576	0	-11	67	2,024
18-month bonds	9,849	-3,326	-32	-19	290	6,761
Total	**93,315**	**4,205**	**-159**	**-990**	**3,294**	**99,665**

The total volume of subscriptions for the year came to €21,551 million, a decline of around 22% from the previous year (€27,692 million). This decrease was due to the aforementioned reduction in the amount of redemptions of MEF bonds in 2009, which contribute to the level of new subscriptions for CDP.

Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 2009
Ordinary bonds	8,446	5,611	2,834
Fixed-term bonds	2 *	1,877	-1,875
Indexed bonds	1,556	669	887
Premia bonds	2,811	371	2,439
Inflation indexed bonds	5,370	2,701	2,669
Bonds for minors	619	43	576
18-month bonds	2,748	6,075	-3,326
Total	**21,551**	**17,347**	**4,205**

* The figure regards recovery of amounts in respect of old subscriptions of postal savings bonds

More specifically, investors continue to show a great deal of interest in inflation-linked bonds (with subscriptions of €5,370 million and net funding of €2,669 million) and in the equity-linked products related to the indexed bonds and *Premia* bonds (with total subscriptions of €4,366 million and net funding in excess of €3,326 million). Nonetheless, traditional ordinary bonds continue to be well received, with subscriptions of €8,446 million and net funding for CDP of €2,834 million, although overall net funding (CDP+MEF) was a negative €2,779 million. By contrast, investor interest in 18-month bonds diminished, with subscriptions coming to €2,748 million and net redemptions of €3,326 million.

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

(millions of euros)

	CDP Subscriptions	CDP Redemptions	MEF redemptions	Net funding 2009 (CDP+MEF)
Ordinary bonds	8,446	5,611	5,613	-2,779
Fixed-term bonds	2 *	1,877	1,432	-3,307
Indexed bonds	1,556	669	0	887
Premia bonds	2,811	371	0	2,439
Inflation indexed bonds	5,370	2,701	0	2,669
Bonds for minors	619	43	0	576
18-month bonds	2,748	6,075	0	-3,326
Total	**21,551**	**17,347**	**7,045**	**-2,840**

* The figure regards recovery of amounts in respect of old subscriptions of postal savings bonds

Redemptions of bonds held by the MEF totalled more than €7 billion, a significant decline from 2008 (-64%), the figures for which also included ordinary redemptions totalling €4.9 billion of fixed-term bonds represented by physical certificates without a specified denomination belonging to the AE series held by financial institutions, for which there were no plans for replacement with new CDP bonds.

As a result, net funding from postal savings bonds (CDP+MEF) came to a negative €2.8 billion due to the significant volume of redemptions not offset by a corresponding volume of new subscriptions.
Therefore, CDP net funding came to a positive €12,585 million, with overall net funding from postal savings products also being positive at €5,540 million, a significant increase over 2008 (a negative €4,810 million[10]), thanks to the significant contribution of passbook savings accounts mentioned earlier.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 2009 (CDP+MEF)
Postal savings bonds	-2,840
- of which: pertaining to CDP	*4,205*
- of which: pertaining to MEF	*-7,045*
Passbook savings accounts	8,380
CDP net funding	12,585
MEF net funding	-7,045
Total	**5,540**

Finally, the "Librettopostale CARD" was launched in 2009. This electronic chip card was developed for holders of ordinary registered passbook savings accounts. Passbooks accounts have thus been enhanced with an electronic debit card, making them more versatile and closer to the needs of customers, particularly for the most disadvantaged segments.
The card is entirely free of charge and enables users to check the balance of their passbook account and past transactions without having to go into the post office, as well as to make deposits and withdrawals at any post office and withdrawals at all Postamat automated teller machines.

4.2.4 Renewal of the agreement with Poste Italiane S.p.A.

On 30 July, the agreement with Poste Italiane S.p.A. governing the placement and administration of postal savings products for 2009 was signed.
The agreement establishes the criteria for determining remuneration for the placement and administration of postal savings products and sets the net funding objectives that Poste Italiane was to achieve during the year.

[10] Net of adjustments in respect of "dormant" deposits and the redemption of the MEF's fixed-term bonds represented by physical certificates without a specified denomination belonging to the AE series, the actual level of net funding for 2008 would have been a positive €431 million.

As concerns placement activity, the criteria adopted in the agreement continue to link the funding within a framework of specified objectives. For accounting and administrative services, on the other hand, remuneration is based on the average daily stock for passbook savings accounts, while the placement commission for savings bonds includes accounting and administration services.

Nonetheless, total remuneration falls within a broader framework linked to the overall performance of net funding.
More specifically, a range of compensation has been established which specifies a minimum total commission (to cover the costs incurred by Poste Italiane in providing the service) and a maximum (to safeguard CDP's profitability and financial stability) based on the levels of total net funding achieved by the end of the year.
Therefore, the total amount paid to Poste Italiane is equal to the sum of the commissions for the placement of each type of postal savings bond and the management of passbooks, adjusted up or down in relation to the actual level of total net funding for the year.

As a result, the total commission expense accrued in relation to postal savings payable to Poste Italiane for 2009 came to €1,600 million.

Finally, on 10 March 2010, a new agreement was reached between CDP and Poste Italiane. The accord establishes the remuneration to Poste Italiane S.p.A. for the current year for the placement and administration of postal savings products. The calculation of payment is subject to achieving specific net funding targets, plus a premium linked to the composition of gross funding achieved through savings bonds.

4.3 EQUITY INVESTMENTS

CDP's portfolio of equity investments at 31 December 2009 consisted principally of: 1) equity interests 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; 2) a 29.99% stake in Terna S.p.A., acquired from Enel S.p.A. in September 2005; 3) an indirectly-held stake of around 14% of STMicroelectronics N.V., which was acquired from Finmeccanica S.p.A. in December 2004 (around 10%) and December 2009 (around 4%).

Equity investments and financial assets available for sale

(thousands of euros)

	31/12/2008		Change		31/12/2009	
	% holding	Book value	from inv./disinv. (*)	from measurement	% holding	Book value
A. Listed companies						
1 Eni S.p.A.	9.99%	6,700,827	-	424,306	9.99%	7,125,132
2 Enel S.p.A.	10.14%	2,837,997	3,158,366	611,684	17.36%	6,608,047
3 Terna S.p.A.	29.99%	1,315,200	-	-	29.99%	1,315,200
B. Unlisted companies						
1 Poste Italiane S.p.A.	35.00%	2,518,744	-	-	35.00%	2,518,744
2 STMicroelectronics Holding N.V.	30.00%	446,787	179,202	-	50.00%	625,990
3 Galaxy S.àr.l. SICAR	40.00%	24,523	1,047	-	40.00%	25,569
4 SINLOC S.p.A.	11.85%	5,507	-	-	11.85%	5,507
5 F2i SGR S.p.A.	14.29%	2,143	-	-	14.29%	2,143
6 Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
7 CDP Investimenti SGR S.p.A.	n.a.	n.a.	1,400	n.a.	70.00%	1,400
8 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	n.a.	n.a.	500	n.a.	16.67%	500
9 Europrogetti & Finanza S.p.A. in liquidation	31.80%	-	-	-	31.80%	-
10 Tunnel di Genova S.p.A.	33.33%	-	-	-	33.33%	-
Total		**13,853,793**	**3,340,514**	**1,035,990**		**18,230,297**

(*) Increase/decrease in equity investment

The entire portfolio is worth a total of €18,230 million, an increase of around €4,377 million (31.6%) compared with 31 December 2008.
This change may essentially be ascribed to a number of investments made over the year: 1) subscription of the Enel S.p.A. capital increase in June 2009; 2) acquisition of a 20% stake in STMicroelectronics Holding N.V. ("STH") from Finmeccanica S.p.A; 3) a start-up investment of 70% of CDP Investimenti SGR S.p.A.; 4) subscription of CDP's share of the capital increases undertaken by Galaxy S.àr.l. SICAR; 5) joining other European institutional investors in establishing the "2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa" (the "Marguerite Fund"), including the payment for the fund's first call up of funds from investors.

As regards the Enel capital increase, in May 2009 the Enel Board of Directors resolved to increase the company's share capital up to a ceiling of €8 billion. The company subscribed the capital increase in June, prior to its July 2009 closure, which concluded with the full subscription of newly-issued ordinary shares amounting to around €8 billion. After acquiring the rights held by the Ministry for the Economy and Finance for a total value of around €666 million, CDP subscribed newly-issued Enel shares worth a total of around €2.5 billion, thereby increasing the company's overall investment to 17.36% of Enel's share capital.

As regards the acquisition of STH shares, on 22 December 2009 CDP and Finmeccanica S.p.A. signed a contract for CDP to acquire shares corresponding to around 3.7% of STM's share capital for a total of around €172 million (in addition to an earn-out for Finmeccanica that will be triggered if, in March 2011, the STM share price exceeds an agreed threshold). Following completion of this transaction, CDP owns 50% of STH and, indirectly, 13.77% of STM.

CDP's consolidated financial statements are prepared using the formats established for banks in Bank of Italy Circular no. 262 of 22 December 2005, consolidating the assets, liabilities, costs and revenues of CDP Investimenti SGR and the Terna Group on a line-by-line basis, even though Terna prepares its own consolidated accounts on the basis of the formats envisaged for non-financial companies under applicable accounting standards. For other equity investments in companies over which CDP S.p.A. does not exercise control, the following accounting rules apply: fair value measurement for investments classified as available-for-sale assets, and equity accounting for investments in associated companies.
In the separate financial statements, equity investments in subsidiaries and associates are recognised at cost and adjusted for any impairment, while investments classified as available-for-sale assets continue to be carried at fair value. As regards the income statement, in the separate financial statements, dividends from equity investments are recognised as revenues regardless of classification, rather than recognising CDP S.p.A.'s share of the net income of the investee.

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

- the investments in Terna S.p.A. and in CDP Investimenti SGR S.p.A. are classified as investments in subsidiaries and carried at purchase cost;
- the investments in Poste Italiane S.p.A., STMicroelectronics Holding N.V., Galaxy S.àr.l. SICAR, Europrogetti & Finanza S.p.A. in liquidation and Tunnel di Genova S.p.A. are classified as investments in associates and are therefore carried at purchase cost, net of writedowns;
- investments in Eni S.p.A., Enel S.p.A., SINLOC S.p.A., F2i SGR S.p.A., Istituto per il Credito Sportivo and the 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa 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 as of 31 December 2009, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the shares held in Galaxy S.àr.l. SICAR, F2i SGR S.p.A. and CDP Investimenti SGR S.p.A., which fall under the Ordinary Account.

Dividends regard the accrued share for 2009 of €971 million (out of total dividends collected of €975 million), primarily attributable to the equity investments held in Eni S.p.A. (€460 million), Enel S.p.A. (€345 million), Terna S.p.A. (€101 million) and Poste Italiane S.p.A. (€52 million). Though this remains a substantial amount, the figure decreased by 7.8% compared with the previous year (€1,051 million) as a result of lower profits at the individual investee companies, and general downward trend in payouts.

4.3.1 Subsidiaries and associates

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 country's electricity transmission grid (NTN). As from 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 NTN planning and development activities. At the end of 2008, Terna acquired a very large portion of high voltage network from Enel S.p.A., which brought its total electricity line network to over 61,700 kilometres. This transaction made Terna one of the world's leading transmission operators (in terms of the number of kilometres of power lines owned). 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.

CDP Investimenti SGR S.p.A. ("CDPI SGR")

The asset management company CDP Investimenti SGR S.p.A. was established in February 2009 in order to boost the social housing sector in Italy through the establishment and management of a real estate fund reserved for institutional investors who operate in this sector. CDP S.p.A. holds a 70% shareholding in the company's capital, which amounts to a total of €2 million. The Associazione delle

Fondazioni Bancarie e Casse di Risparmio (ACRI), and the Italian Banking Association (ABI) each hold a 15% stake.
In January 2010, the company received Bank of Italy authorisation to engage in collective asset management, and the company was entered in the register of asset management companies (pursuant to Articles 34 and 35 of Legislative Decree 58/98). CDPI SGR is therefore now promoting and managing the newly-established Fondo Investimenti per l'Abitare fund, after the fund regulations received Bank of Italy approval in March 2010.

<u>Poste Italiane S.p.A. ("Poste Italiane")</u>
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 14,000 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.

<u>STMicroelectronics Holding N.V. ("STH")</u>
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. ("STM"), which is a world leader in semiconductor research and production.
The STM Group was established in June 1987 following the merger of the Italian company SGS Microelettronica and the French firm Thomson Semiconducteurs.

<u>Galaxy S.àr.l. SICAR ("Galaxy")</u>
Galaxy, a Luxembourg firm, makes equity or quasi-equity investments in transportation infrastructure, particularly within Italy, 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. Shareholders made a total commitment of €250 million, of which CDP subscribed €100 million. At 31 December 2009, the total investment called up by the fund amounted to €64

million, with an investment period that closed in July 2008. In July 2009, the company adopted the legal form of a venture capital investment company (SICAR), pursuant to Article 1(1) of the Luxembourg law of 15 June 2004.

Europrogetti & Finanza S.p.A. in liquidation ("EPF")
This company, in which leading banks and financial institutions hold stakes, was established in 1995 pursuant to Decree Law 26/1995 (ratified under Law 95 of 29 March 1995). In view of the company's lack of growth prospects, on 28 January 2009 the Shareholders' Meeting resolved to place EPF into voluntary liquidation pursuant to Article 2484.1, 6), of the Italian Civil Code.

Tunnel di Genova S.p.A. ("TdG")
This company was established to coordinate activities for the design, construction and operation of underground and underwater links between the western and eastern sections of Genoa.

4.3.2 OTHER 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 in the petrochemical industry. The company is known for the excellence of its skill base and its strong international market position. Eni has a presence in some 70 countries, and has about 79,000 employees. 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 23 countries, an installed capacity of around 95 GW, and serves around 61 million consumers with electricity and gas. Group businesses are handled by the following divisions: Generation and Energy Management; Engineering and Innovation; Sales; Infrastructure and Networks; International; Iberia and Latin America; and Renewable Energy.
The company's shares are traded on the Milan Etock Exchange.

Sistema Iniziative Locali S.p.A. (“SINLOC”)

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

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), the first fund specialising in infrastructure assets.

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 Act. It provides medium- and long-term financing to public and private borrowers for the design and construction of sports facilities. Since 2004, it has also been authorised to provide financing for cultural initiatives.

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

Together with other European public financial institutions, on 3 December 2009 CDP S.p.A. launched the “2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa”, a Luxembourg-registered closed-end variable capital investment fund which has been set up to act as a catalyst for investment in infrastructure associated with climate change, energy security and European-wide networks. The fund will undertake equity or quasi-equity investments in companies that own or manage infrastructure in the transportation and energy sectors, with a special focus on renewable energy. CDP S.p.A. has committed to a maximum investment of €100 million, out of the fund’s expected total of around €1.5 billion once the current fund-raising round has been completed.

4.3.3 INVESTMENT FUNDS SUBSCRIBED

Investment funds

(thousands of euros)

			31/12/2008	Change		31/12/2009
	Sector	Number of units	Book value	from inv./disinv.	from measurement	Book value
1. PPP Italia	Infrastructure and PPP projects	350	580	1,038	(265)	1,353
2. Abitare Sociale 1	Social housing	98	4,949	0	(42)	4,906
3. F2i Fondi Italiani per le Infrastrutture SGR	Infrastructure					
- A Units		150	9,589	28,462	(4,189)	33,862
- C Units		16	n.a.	203	(23)	180
Total			**15,118**	**29,702**	**(4,519)**	**40,301**

CDP S.p.A.'s participation as a subscriber to investment funds is designed to facilitate investments in physical and social infrastructure at various levels:

- local, in cooperation with local authorities and foundations, who have a close understanding of the local area. In this sphere, CDP also promotes public-private partnerships (PPPs);
- national, focusing on major works in cooperation 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 has subscribed the following investment funds: PPP Italia, Abitare Sociale 1, and Fondi Italiani per le Infrastrutture (F2i). Units held in these funds are recognised as available-for-sale financial assets.

For the purposes of the separation of organisation and accounting, investments in investment funds and private equity funds come under the Ordinary Account and are therefore wholly financed by funding raised under that Account.

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

PPP Italia

PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs). The Fund's purpose is to make equity or quasi-equity investments through selected minority stakes in the following sectors: (i) civil construction (schools, hospitals, public office buildings, etc.), (ii) the environment and urban regeneration, (iii) transportation and public utilities, and (iv) power generation projects that use renewable sources. The fund totals €120 million, of which CDP S.p.A. has subscribed units totalling €17.5 million. The fund started up operations in 2006 and is currently in the investment stage, which will be completed in December 2012 (unless extended for a further year). At 31 December 2009, the fund had called up around €17.2 million, corresponding to 14.3% of the overall commitment.

Abitare Sociale 1

The Fondo Abitare Sociale 1 is an Italian closed-end ethical real estate fund promoted by the Cariplo Foundation in partnership with the Lombardy regional government 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 partnership with the service and public sectors. This will also include rent control for properties built using fund assets. The initiative primarily targets students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties. The fund has total assets of €85 million. As at 31 December 2009, around €21.3 million of this total had been called up, corresponding to 25.0% of the total commitment; CDP is involved through a financial commitment of €20 million. The Fund started up operations in 2007 and is currently in the investment stage, which is scheduled to be completed in March 2012.

F2i - Fondi Italiani per le Infrastrutture ("F2i")

The purpose of the F2i fund is to invest in infrastructure, particularly in the areas of transportation, gas and energy transport, media and telecommunications, power generation (from renewable sources), and social and local public services. The F2i fund was authorised by the Bank of Italy in August 2007. On completion of fund-raising in February 2009, the fund had total resources of around €1.85 billion. CDP S.p.A. subscribed A-class units in the F2i fund corresponding to a financial commitment of €150 million. As a sponsor of the initiative, CDP S.p.A. also subscribed F2i C-class units corresponding to a financial commitment of €0.8 million. The fund is currently in its investment phase, which is scheduled to be completed in February 2013 (unless extended by up to a maximum of two years). At 31 December 2009, around €470 million had been committed to the fund, corresponding to 25.4% of the total commitment.

4.4 RISK MONITORING, CONTROLS AND SUPPORT ACTIVITIES

4.4.1 RISK MONITORING

4.4.1.1 Credit risk

In 2009, CDP drafted new Lending Rules establishing the principles to be followed in lending to public sector borrowers and private or mixed public/private enterprises. The Lending Rules came into effect on 1 January 2010 and therefore also regulate the new lines of business outlined in the 2009-2011 business plan.
In 2009, CDP also developed a credit scoring model to improve assessment of the creditworthiness of counterparties, including local and regional governments.
The amount of problem loans remains limited with respect to the overall stock of loans.

4.4.1.2 Counterparty risk associated with derivative transactions

Over the year, the number of counterparties involved in Credit Support Annexes increased significantly with a view to mitigating risks through the exchange of collateral. Steps were also taking during the year to increase the frequency of exchanges between CDP and counterparties; on some contracts, settlement of margin payments were increased from a monthly basis to a fortnightly or weekly basis.

4.4.1.3 Interest rate risk

The markets gradually normalised during the course of 2009, after the severe strains that affected the market from September 2008 onwards. Though not without the occasional setback, this process has continued but has yet to reach completion, despite the substantial flow of liquidity injected into the system by central banks.
Swap rates for the most significant maturities for CDP closed 2009 up very slightly on year-end 2008, having fluctuated over the course of the year.
Against this backdrop, CDP gradually accrued a moderately positive exposure to a rise in interest rates, owing both to developments in rate-sensitive assets and liabilities, and the company’s decision to close the hedge portfolio against ordinary bonds early.

Overall exposure to interest rates[11] rose from -€0.5 million at year-end 2008 to +€9 million at year-end 2009.
Exposure to inflation, mainly regarding issues of postal savings bonds indexed to the consumer price index for blue-collar and office worker households expanded from -€2.3 million at the end of 2008 to -€4.9 million at the end of 2009.
Despite the fact that CDP had accrued a moderately positive exposure to parallel shifts in the yield curve, interest rate VaR[12] (entirely associated with the banking book exposure, as there was no trading activity) has gradually diminished, reflecting an end of the exceptional market conditions experienced in 2008.
The number of overshoots found during backtesting for 2009 and the two-year period 2008-2009 was statistically in line with the confidence interval adopted (99%).

4.4.1.4 Liquidity risk

CDP's main source of funding is state-backed postal savings funds, which is wholly repayable on demand (passbook savings accounts) or in any event redeemable early (bonds).
In 2009, despite the significant impetus that CDP gave to lending, the balance held on the treasury current account, on which this funding is held, increased further, ensuring ample coverage of the funding liability.

The conditions on CDP's fund-raising on the capital market, which is used to finance lending under the Ordinary Account, improved substantially compared with the acute stage of the credit crisis, though spreads continue to be relatively high compared with the period prior to the crisis.

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

4.4.1.5 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 might be generated by disputes with customers and employees are also insignificant.

[11] Defined as exposure to an increase of 1 basis point in zero-coupon yields across all maturities.
[12] Value at Risk, a metric that takes into account exposure to all risk factors, their volatility and how they interact. CDP calculates VaR to over a confidence interval of 99% at a 10-day horizon. This means that CDP's VaR represents a loss of value that would only be exceeded in the least favourable 1% of cases over a 10-day time horizon. VaR calculations adopt a statistical model that uses historic market data to estimate the distribution of future profits and losses.

With regard to Separate Account customers, at 31 December 2009, 38 suits were pending with a total estimated liability of no more that €40 thousand. There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or compliance with related laws and regulations.
There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.
As regards company disputes not related to customer operations, as at 31 December 2009, 47 lawsuits were pending (of which 43 regarding labour issues), for which the total estimated liability does not exceed €1.6 million.

4.4.2 Report on corporate governance and ownership structure: Main characteristics of the risk management and internal control system with regard to separate and consolidated-level financial disclosure, pursuant to article 123-bis.2 b) of the Consolidated Law on Financial Intermediation

4.4.2.1 The internal control system

CDP 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 compliance with corporate strategies and targets set by company management.

First level controls (line controls) are conducted by operational and administrative units. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.
Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement methodologies and verify that the limits set for operational departments are respected, as well as verifying that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets.
Finally, third level controls are performed by the Internal Auditing unit, which reports directly to the Chief Executive Officer and the Chairman of the Board of Directors. These controls consist of ongoing independent verification of CDP's operational activities and processes, with the objective of preventing or identifying risks and irregularities.

The Internal Auditing unit assesses the overall internal control system and its ability to ensure that corporate processes are efficient and effective, safeguard company and investor assets, guarantee the reliability and integrity of accounting and management information, and compliance with internal and external regulations and management guidelines.

Internal Auditing draws on the available information to assess the risks generated by corporate activities and processes in terms of their potential to negatively impact the ability to achieve the company's strategic, operational, reporting and compliance objectives. The Internal Auditing unit subsequently uses this assessment to prepare an audit plan, which is approved by the Board of Directors.
Critical issues identified during examinations are quickly brought to the attention of the relevant company units so that they can implement corrective actions. These actions are subsequently checked by Internal Auditing in its follow-up activities.

The Board of Directors and the Board of Auditors are briefed on a quarterly basis of the unit's assessments of the internal control system and the findings of inspections.

Finally, Internal Auditing advises CDP units on enhancing the effectiveness of internal control activities, and assists the manager in charge of preparing company financial reports (the financial reporting manager) and the Supervisory Body established pursuant to Legislative Decree 231/01.

4.4.2.2 Systems for managing financial and operational risks

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

In order to manage risks regarding positions under the Ordinary Account and Separate Account lending to private borrowers pursuant to Decree Law 185 of 29 November 2008, CDP uses a validated proprietary model to calculate portfolio credit risk, taking account of Separate Account exposures to public entities.

Counterparty risk associated with derivative transactions is monitored on a weekly basis by the Risk Management unit using a proprietary tool.

The Risk Management unit monitors interest rate risk on the structural portfolio on a daily basis, using a proprietary system based on an economic value approach.
CDP also uses a dynamic ALM system (DALM) to generate multi-year simulations of risk exposure and net interest income, using a variety of interest rate scenarios.

In order to monitor the liquidity risk of the Separate Account, Risk Management regularly analyses the volume of liquid assets compared with the volume of demand liabilities and liabilities exposed to the risk of early repayment, verifying compliance with the limits established under the Risk Management Rules.
A new proprietary tool was added in 2009 to generate liquidity gap analyses for the Ordinary Account in order to identify short-, medium- and long-term imbalances.

Finally, towards the end of 2009 an operational risk assessment project was launched with a view to identifying appropriate mitigation mechanisms, where necessary.

4.4.2.3 Compliance system pursuant to Legislative Decree 231/01

CDP S.p.A. has adopted a compliance system (an "organisation, management and control model pursuant to Legislative Decree 231/2001"). Approved by the Board of Directors in January 2006, the model identifies the company areas and operations that are most exposed to the risk of criminal activity as defined in the decree, along with the principles, rules and regulations for the control system introduced to supervise "sensitive" operating activities.
The Supervisory Board is tasked with overseeing the operation of and compliance with the model and with updating its content and assisting the competent company bodies in the task of implementing the model correctly and effectively.
CDP's Supervisory Body has three members: an expert in legal affairs, an expert in economic issues, and the head of Internal Auditing, who are appointed by the Chairman of the Board of Directors. The Supervisory Body was first established in 2004 and reappointed in 2007 at the end of its three-year term. In 2008, a new external member joined the Board to replace a member who had resigned.
The Supervisory Body has drafted its own internal rules and defined the approach to be followed in supervising the model. As noted above, it has been supported by the Internal Auditing unit in ongoing, independent monitoring of the appropriate operation of company processes, as well as oversight of the

internal control system as a whole. The Supervisory Body met on six occasions during 2009.
The principles of Cassa Depositi e Prestiti's compliance model can be viewed in the "Chi siamo" section of the corporate website at: http://www.cassaddpp.it/cdp/Areagenerale/Chisiamo/index.htm.

4.4.2.4 Key characteristics of the risk and internal control management systems with regard to the financial reporting process

1) Introduction

Cassa Depositi e Prestiti S.p.A. is fully aware that financial reporting plays a key role in establishing and maintaining positive relations between the company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up to ensure that information is reliable, accurate and timely, in compliance with the applicable accounting standards.
The company's control system is structured to comply with the model adopted in the CoSO Report,[13] and as such is subdivided into five components (control environment, risk assessment, control activity, information and communication, and monitoring), which function at the organisational unit and/or operating/administrative process level, depending on their characteristics.
In line with the model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.
The company has adopted the internationally-recognised Control Objectives for Information and related Technology (CObIT) framework to assess and organise its internal control system in the information and communication technology area. The initial phase of system implementation is now complete, following the definition of the maturity model. This model has been used to gauge CDP's general level of maturity, and to draw up strategies that ensure alignment. The upgrade process is currently under way.

2) Description of the key characteristics of the existing risk management and internal control system with regard to financial reporting

A risk-based approach has been chosen for the internal control system applied to the financial reporting process, in which the focus is on the key administrative and accounting procedures for CDP financial reporting. In addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

[13] Committee of Sponsoring Organisations of the Treadway Commission.

The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.
This analysis is undertaken by verifying the presence of appropriate elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

At process level, the approach consists of an assessment phase to identify specific risks which, if the risk event were to occur, might prevent the rapid and accurate identification, measurement, processing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.
The process level analysis is structured as follows:

- an initial phase identifies risks and defines control objectives in order to mitigate those risks;
- a second phase regards identification and evaluation of controls by:
    - identifying the type of control;
    - evaluating the potential effectiveness of the control activity in risk mitigation terms;
    - assessment/presence of control record;
    - formulation of an overall judgement by correlating the control's potential effectiveness and the traceability of the control;
    - identification of key controls;
- the third phase consists of identifying areas of improvement regarding the control:
    - traceability of the control;
    - design of the control.

Monitoring the effective operation of the control system is another key component of the CoSO Report framework. This activity is undertaken on a regular basis, addressing the periods covered by the reporting.

The CDP S.p.A. monitoring phase is structured as follows:

- sampling of items for testing;
- test execution;
- weighting of any anomalies detected, and an associated assessment.

In order to ensure that the system described above functions properly, CDP has established a system for the integrated action of multiple units/functions. The Organisational Development unit is responsible for process design and formalisation; the financial reporting manager's function is involved during the risk assessment phase; and the Internal Auditing unit is responsible for the monitoring and assessment phase.

The Board of Directors and the Board of Auditors are briefed on a quarterly basis of Internal Auditing's assessments of the internal control system and the findings of inspections. In compliance with the related internal rules, at every balance sheet date the financial reporting manager reports to the Board of Directors on the outcome of his activities, any shortcomings that may have been detected, and initiatives undertaken to address them.

4.4.2.5 Independent auditors

CDP's financial statements are audited by KPMG S.p.A. During the course of the financial year, the independent auditors are responsible for verifying that the company keeps its accounts properly and that it appropriately records events that occur during the year in the company's accounts. Furthermore, the independent auditors check that the individual and consolidated financial statements are consistent with the records in the accounts and audits conducted, and that these documents comply with applicable regulations. The independent auditors issue an opinion on the individual and consolidated financial statements, and on the half-year interim report. The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

The current independent auditors were appointed in execution of a resolution of the April 2007 Shareholders' Meeting, which engaged the company to audit the financial statements and accounts for the 2007-2010 period.

4.4.2.6 Manager responsible for the preparation of the company's financial reports

As of closure of the 2009 financial year, the manager responsible for the preparation of the financial reports (the financial reporting manager) was the head of the Administration and Control department.

For more information on the experience requirements and methods for appointing and substituting the financial reporting manager, the provisions of Article 24-bis of CDP S.p.A.'s articles of association are reported below.

<u>Article 24-bis CDP S.p.A. articles of association</u>

1. Subject to the prior opinion of the Board of Auditors, the Board of Directors appoints the manager responsible for the preparation of the financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years to perform the duties assigned to such manager under Article 154-bis of Legislative Decree 58 of 24 February 1998.
2. The manager responsible for the preparation of the financial reports shall meet the integrity requirements provided for the Directors.
3. The manager responsible for the preparation of the financial reports shall be chosen in accordance with criteria of professional experience and competence from among the managers who have global experience of at least 3 years in the administrative area at consulting firms or companies or professional firms.
4. The manager responsible for the preparation of the financial reports may be replaced by the Board of Directors only for just subject, having obtained the prior opinion of the Board of Auditors.
5. The appointment of the manager responsible for the preparation of the financial reports shall lapse if such manager should not continue to meet any of the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.

In order to ensure that the financial reporting manager has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the company, and to ensure that such manager is able to perform the duties of the position, including in relations with other company bodies, in July 2007 the Board Of Directors approved the "Internal Rules for the Financial Reporting Manager Function".

In addition to holding a senior management position reporting directly to top management, the financial reporting manager may:

- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the company's administrative and control bodies;
- audit any company process that impacts the reporting process;
- make use of other company units to design and amend processes (Organisational Development) and check the adequacy and effective application of procedures (Internal Auditing);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved overall budget.

4.4.2.7 Insider register

In 2007, in its role as a party with a controlling relationship over Terna S.p.A. (listed on the stock exchange organised by Borsa Italiana S.p.A.) and in compliance with Article 115-bis of the Consolidated Law on Financial Intermediation, CDP has set up a "Register of persons with access to Terna S.p.A. privileged information", and approved the rules for maintaining this register.

Subsequently, in compliance with requirements of Luxembourg law applicable to instruments listed in Luxembourg (regarding the bonds issued under the EMTN programme), CDP also set up a "Register of persons with access to Cassa Depositi e Prestiti S.p.A. privileged information", governed by the related rules.

In both cases, the rules governing these registers comply with regulations and procedures for storing and updating the register concerned.
Among other things, the rules establish criteria for identifying which parties, owing to their position or the duties that they perform on a regular or occasional basis, have access to privileged information directly or indirectly concerning CDP, Terna and their subsidiaries. They also set out criteria regarding the prerequisites and timing of entry in the register, as well as obligations on registered parties, and penalties applicable to breaches of such obligations under each set of regulations and applicable law.
The Legal and Corporate Affairs unit is responsible for maintaining and updating both of these registers.

4.4.2.8 Code of Ethics

With a resolution taken by the Board of Directors on 17 January 2006, CDP adopted a Code of Ethics that establishes a set of values accepted and shared throughout the entire organisation that inform how CDP conducts its business.

The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. According to the Code, in-house and external relations shall be conducted on the principles of honesty, moral integrity, transparency, reliability and a sense of responsibility. The Code is binding on all directors, all CDP employees and everybody who works for the company, regardless of the nature or duration of their relationship.

The principles and provisions of the Code disseminated primarily through publication on the corporate intranet. A copy of the Code is also given to all new employees. Compliance with the Code is an essential part of contractual obligations, and is governed by a disciplinary code.

In 2009 there were no breaches of the Code by CDP employees or associates.

4.4.3 COMMUNICATIONS

An "External Relations" unit was established in 2009. The new unit absorbed the previous External Communication area, and further extended its activities. The unit's objective is to enhance and promote the company's image, activities and products through relations with institutions, key stakeholders and the media.

Institutional relations

This area involves management of relations with key institutional stakeholders (shareholders, ministries, members of Parliament, investee companies, and supervisory authorities), and building long-term working relationships with domestic and international institutional bodies.

The main objective is to raise the profile of the "new CDP" among stakeholders, highlighting Cassa's enhanced capacity for funding investments and public interest works. These activities have given rise to a number of initiatives, including advertising campaigns and company roadshows.

External communication

The focus here is on consolidating CDP's image among traditional customers, public entities and postal savers, as well as promoting new initiatives for financing public interest projects and the opportunities that these initiatives open up for private enterprise. External communication activities span media relations, corporate communications and web communication.

In 2009, media relations featured campaigns through the main media explaining new laws that affect CDP, including interviews and press conferences.

During the year, CDP ran the “Reacting to the Crisis” advertising campaign, in partnership with ABI and SACE, under the patronage of the Ministry for the Economy and Finance. The campaign was conceived to inform the public about new opportunities for Italian companies and families to improve access to credit and liquidity, at a critical time for the domestic and international economy. These instruments were activated and bolstered by the government in 2009, and delivered via CDP and SACE, with support from banks.
In support of postal funding activities, the unit supported Poste Italiane in a marketing campaign designed to improve perceptions of the safety of postal savings bonds and passbooks by focusing on the reliability of the issuer (CDP) and the state guarantee. Similar initiatives were undertaken to develop the image and launch of the “Librettopostale CARD”, an electronic chip card for holders of ordinary registered postal passbook accounts.

CDP’s participation at events confirmed the company’s focus on its traditional clientele. Once again in 2009, CDP was at its headline events, including the annual assembly of the National Association of Italian Municipalities (ANCI), the National Association of Small Italian Municipalities (ANCI Piccoli Comuni), and the Association of Local Authority Accounting Professionals (ARDEL). CDP was also the main sponsor of the MEF-OECD workshop on “development opportunities to boost the L’Aquila regional economy in the wake of the earthquake”, and held corporate events associated with its participation (together with the EIB and other leading European public financial institutions) in the “Marguerite” and “Inframed” infrastructure funds, and in the Long-Term Investors Club.

Finally, in 2009 a press campaign ensured the constant presence of CDP in the financial press, specialist business press and on multimedia information platforms.
As regards mandatory financial publicity, the goal of achieving complete transparency of financial terms and conditions for customers (loans to local authorities) and savers (postal savings bonds and passbooks) was pursued through a constant presence in major economic and financial media.
Targeted investments were also made in communication directed at traditional customers.

As regards web communication, in 2009 an initial radical overhaul of CDP’s website was completed, covering both its graphics and the adoption of a more functional navigation model, as well as the creation of reserved access areas to enable interactive customer relationships.

4.4.4 Human resource management

4.4.4.1 The workforce

At 31 December 2009 CDP S.p.A. had 414 employees:

- 37 executives
- 146 middle managers
- 231 office staff.

The workforce increased by nine employees compared with the previous year.
The average age of employees was 47. The percentage of university graduates increased by two points to 46% of the total.
Staff recruitment in 2009 focused on strengthening company skills by adding specialist employees and high-potential young employees to a number of units. Recruitment benefited from a constant increase in the number of candidates who applied on their own initiative and were added to the company database.
Finally, following the liquidation of Europrogetti & Finanza, in application of the agreement reached with the other shareholders, CDP S.p.A. began hiring the first employees from that company in proportion to its share.

4.4.4.2 Personnel training and management

During the course of 2009, CDP S.p.A. continued its assessment, management and training activities.
Training focused on updating specialist knowledge and providing technical training to foster the development of professional skills within the company. A further focus was on the corporate training development path for managerial staff, with the support of the national fund for continuous training in the banking and insurance industries. A total of around 6,000 hours of training were provided in 2009.

4.4.4.3 Industrial relations

In implementation of the accord reached with the unions on 24 July 2008, 2009 saw full application to company employees of the national collective bargaining agreement for executives and professional employees of banks, financial and ancillary services companies.

In implementation of the business plan, in the final quarter of the year early retirement incentive procedures were begun for employees who will be eligible as at 31 December 2010 for seniority or old-age pensions.
Twenty-seven employees applied for early retirement, and will be leaving active service by 30 September 2010.

4.4.5 IT SYSTEMS AND INTERNAL PROJECTS

Projects undertaken in 2009 were targeted at implementing application solutions to support CDP's new lines of activity, and increasing automation in existing operational processes.

In the lending sector, the allocation of funds to support SMEs and urgent interventions in favour of those affected by the earthquake in the Abruzzo Region prompted a number of changes to systems, notably upgrades to procedures for managing relations with the banking sector. As part of this process, loans were renegotiated with municipalities affected by the earthquake via a web application which enabled these towns to file applications and access simulations that interfaced directly with the CDP system.
Support functions for managing the Revolving Fund for enterprises were completed, as were initiatives to manage a number of loans granted out of the fund. Also in 2009, research work began on designing and implementing an application solution to support management of Kyoto Fund loans.

In the finance sector, a feasibility study was completed for the "Finance Systems Integration" project, while the related project for completing the front-office system and achieving integration with the finance operations back-office system began.
Other work was carried out to support treasury activities and management of open market operations with the ECB.
A reporting function was implemented for postal savings, and the forecasting subsystem underwent further refinement.

In the Risk Management sector, work was completed on systems for date input to the proprietary credit risk monitoring model.

Work is close to completion on the measures needed to ensure compliance with statutory reporting obligations and on the outsourcing of services for management of the entire money laundering, tax register and financial investigations reporting process prior to the Bank of Italy's 1 June 2010 deadline.

In the sphere of security, contracts have been awarded for the first stage of the Identity and Access Management (IAM) project. Identity and access management is a core part of data security. The main objectives of the project are to define and standardise identity management procedures and centralise data input from a variety of system technologies in order to manage this information centrally and in a unified manner (during this initial stage, the process covers procedures which use "standard" authentication systems). System testing is now close to completion.

4.4.6 STATE OF IMPLEMENTATION OF THE PROVISIONS OF LEGISLATIVE DECREE 196 OF 30 JUNE 2003

Article 26 of Annex B to the Data Protection Act (Legislative Decree 196 of 30 June 2003) requires data controllers to state in the report accompanying the financial statements, if required, whether the Security Policy Document has been drafted or amended.

CDP S.p.A. prepared its Security Policy Document and in subsequent years has disclosed in its report accompanying the financial statements when the Document was drafted and amended.

The main amendments to the Security Policy Document in 2009 concerned elements introduced under the Data Protection Authority measure of 27 November 2008, as amended in a later provision dated 25 June 2009 ("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 simplification measures" (Article 29 of Decree Law 112/2008; Law 133/2008).

In view of its findings, and regardless of the possible application of simplified measures, the company monitored new regulatory developments (Law 166 of 20 November 2009, and Law 15 of 4 March 2009) and Authority guidelines, and updated its Security Policy Document, which the company views as a useful data security enhancement tool.

5. RELATIONS WITH THE MEF

5.1 RELATIONS WITH THE CENTRAL STATE TREASURY

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

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

5.2 AGREEMENTS WITH THE MEF

In accordance with the above MEF decree CDP continued to manage the administrative and accounting aspects of the relationships transferred to the MEF at the end of 2003. These activities are governed by two agreements with the MEF that set out the guidelines for the exercise of the functions performed by CDP and the fees due for such services. Both of these agreements came to an end during the year, and were renewed on 23 December 2009, retaining the existing terms and conditions. These new agreements are currently undergoing Supervisory Body approval.

The first agreement governs the methods by which CDP manages existing relations as of the transformation date, resulting from the postal savings bonds transferred to the MEF (Article 3.4, c) under the ministerial decree cited above).
Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane 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 and stocks;
- monitoring and management of the treasury accounts established for the purpose.

The second agreement concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4, a), b), e), g), h) and i) in the above ministerial decree.
Here, too, guidelines were provided to help with the management activities by surveying such activities.
In line with Article 4.2 of the aforementioned decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, to represent the MEF in legal and other matters, to fulfil obligations, and to exercise powers and rights in the management of relations connected with the activities transferred.
CDP also provides the MEF with the following services:

- a detailed report on the activities performed;
- 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.

5.3 MANAGEMENT ON BEHALF OF THE MEF

With the procedures defined in these agreements, and in line with the provisions of the MEF decree of 5 December 2003, in 2009 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 €18,311 million at 31 December 2009, compared with €20,172 million at year-end 2008. The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €89,713 million, compared with €89,846 million at 31 December 2008.
In accordance with the above-mentioned ministerial 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 €3,261 million at 31 December 2009; the natural gas infrastructure programme for the South, which had resources totalling €336 million; and resources for territorial agreements and area contracts, which came to €564 million.

6. OUTLOOK FOR 2010

As regards the outlook, CDP S.p.A. will continue along the path outlined in the 2009-2011 business plan, in accordance with the company's mission and the strategic objectives defined therein. The 2010 budget essentially confirms the plan targets and trends for growth and development across CDP's various lines of business.

On the asset side, we expect liquidity to increase in 2010 as a result of higher amounts of net funding from postal savings, and reasonably strong growth in loans. This conclusion is drawn partly on the basis of the large number of loan transactions approved in 2009 (the contracts for which are being completed in early 2010) and good levels of disbursements associated with the newly-introduced measures to support the economy, the effects of which are already being felt in early 2010. Furthermore, pursuant to Antitrust Authority instructions, CDP must dispose of its equity stake in Enel S.p.A. by 1 July 2010.

On the liability side, CDP expects overall funding to increase compared with 2009, almost entirely as a result of the forecast for positive postal funding performance, as MEF-issued bonds are gradually replaced by new CDP-issued bonds.

On the other hand, 2010 earnings are forecast to reflect a further narrowing in margins between lending and funding compared with 2009, as a result of the significant and prolonged fall in market interest rates, which leaves no latitude for further reductions in the rates offered on funding (which are already at historic lows). That said, the company confirms the overall earnings targets set in the 2009-2011 business plan, particularly in view of the fact that the 2009 results exceeded expectations.

After the downturn in early 2009, the market prices of shares held by CDP recovered over the remainder of the year. As a result, market values now exceed book values for all of CDP's equity investments.
Nevertheless, given the persistent uncertainty surrounding the world economy, share prices could experience another downturn in 2010. This might entail significant writedowns on equity investments, which may be of sufficient size to require a reduction in the company's level of capitalisation.

Furthermore, a renewed reduction in the level of remuneration of assets compared with expectations would directly result in a drop in earnings, given the lack of scope for further reductions in funding costs mentioned above.

7. PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

We hereby submit for shareholder approval the financial statements for 2009, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

We also submit for shareholder approval the following proposal for the allocation of 2009 earnings, which total €1,724,620,650. Pursuant to Article 30 of the articles of association, having deducted the amount to be allocated to the legal reserve, we propose to allocate the net income to holders of ordinary and preference shares proportionate to the capital represented, for a total of €300,000,000. Of this, €90,000,000 is to be distributed to preference shareholders and €210,000,000 to ordinary shareholders. Furthermore, pursuant to the articles of association empowering the Shareholders' Meeting to allocate a portion of net income to reserves, we propose the establishment of a stabilisation reserve for equity investments totalling €300,000,000. It is further proposed to retain a total of €1,038,389,617 in earnings. 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	1,724,620,650
Legal reserve	86,231,032
Income available for distribution	**1,638,389,617**
Dividend:	300,000,000
- of which: income attributable to preference shares	*90,000,000*
- of which: income attributable to ordinary shares	*210,000,000*
Equity investment stabilisation reserve	300,000,000
Retained earnings	1,038,389,617
RESIDUAL INCOME	**0**
Dividend per share	0.857
Dividend as percentage of share capital	8.57%

Rome, 28 April 2010

The Chairman
Franco Bassanini

REPORT OF THE BOARD OF AUDITORS

Shareholders,

in the course of the financial year ending 31 December 2009, 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. DEM/1025564 of 6 April 2001 and subsequent updates.

We preface our remarks as follows:

A) the financial statements for 2009 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 as amended;

B) the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been examined by KPMG in the performance of its auditing activities pursuant to Article 155 of Legislative Decree 58/98 (the Consolidated Law on Financial Intermediation);

C) the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, 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 subsequently reimbursed on a pro-rated basis by the Ordinary Account;

D) in the separate financial statements the value of the preference shares is included, as in previous years, under "Share 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, which the amendments to the articles of association approved in 2009 postponed until 1 January 2013;

E) in March 2009, the Competition Authority approved the request to extend the deadline it had set for the sale of the equity investment in

Enel S.p.A. by twelve months to 1 July 2010: by that date CDP will have to sell its entirely stake in Enel.

F) the financial statements for 2009 report net income of €1,725 million and shareholders' equity of €12,170 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;
- monitored compliance with the law and the articles of association, conformity with the principles of sound administration and in particular the appropriateness of the organisational, administrative and accounting arrangements adopted by the company with respect to its effective operations;
- 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 communications 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) in September 2009 the Board of Directors approved the company's 2009-2011 business plan, which takes account of the regulatory changes that significantly expanded CDP's activity in favour of the economic and social development of the country. The Plan sets out the prospects of the various CDP business lines, establishes the organisational model and the investments required to support the pursuit of its mission;

b) the portfolio of equity investments amounted to €18,230 million, an increase of around €4,377 million (31.6%) compared with 31 December 2008. This change can essentially be ascribed to a number of investments made over the year:

   i) subscription of the Enel S.p.A. capital increase in June 2009, with the exercise of its own option rights and those acquired from the Ministry for the Economy and Finance (for a total of around €666 million). Following the subscription of the capital increase for a price of around €2.5 billion, CDP S.p.A. held about 17.36% of Enel's share capital.

   ii) acquisition, in December 2009, of a 20% stake in STMicroelectronics Holding N.V. from Finmeccanica S.p.A, corresponding to about 3.7% of STM, for a price of €172 million. Following completion of this transaction, CDP S.p.A. owns 50% of STH. The indirect holding of CDP in STM, held through STH and STMicroelectronics Holding II N.V., therefore comes to 13.77%;

   iii) the establishment in February 2009 of CDP Investimenti SGR S.p.A., an asset management company intended to promote rent-controlled residential housing (social housing) in Italy. CDP S.p.A. holds a 70% shareholding in the company's capital, which amounts to a total of €2 million. On 11 January 2010, CDPI SGR received Bank of Italy authorisation to engage in collective asset management, and was therefore entered in the register of asset management companies;

c) during 2009, major amendments were made to the articles of association to bring CDP's corporate purpose into line with the changes introduced with Decree Law 185/2008 (Article 22), ratified with Law 2 of 28 January 2009, Decree Law 5/2009 (Article 3.4-bis), ratified with Law 33 of 9 April 2009 and subsequently amended by Law 191/2009, and Decree Law 78/2009 (Article 8 - "export-bank system"), ratified with Law 102 of 3 August 2009.

   In essence, CDP S.p.A. can also use postal savings to grant loans to public or private entities for operations envisaged in the articles of association that are in the public interest and that are promoted by entities belonging to the public sector, taking account of the economic and financial sustainability of each such project and the creditworthiness of the parties involved. Within the new scope of operations envisaged in the law and the articles of association, an initial loan of €1,000 million was granted to Autostrade per l'Italia

S.p.A., of which half secured by a SACE guarantee, and loans totalling €1,958 million were granted through banks to support SMEs;

d) at the end of 2009, the stock of postal savings, comprising postal passbook savings accounts and postal savings bonds pertaining to CDP S.p.A., reached €191 billion, an increase of more than 9% compared with the €175 billion posted at 31 December 2008. Net funding through bonds and passbooks rose by the substantial amount of €12,585 million in the year;

e) with regard to funding under the Separate Account other than postal savings, no new issues were made as part of the covered bond programme in 2009. Conversely, on 31 July 2009, a total of €2 billion in bonds were redeemed when the first issue reached its natural maturity.

   Repayment of outstanding bonds is secured by assets and rights in the segregated asset pool established pursuant to Article 5.18 of Decree Law 269/2003; these and the debt covered by the assets are shown separately in the CDP S.p.A. financial statements;

f) within the Ordinary Account, new issues under the Euro Medium-Term Notes programme amounted to €1,550 million, while buybacks under the same programme came to €450 million and redemptions to €800 million. During 2009 CDP requested new disbursements from the credit facilities held with the European Investment Bank totalling €854 million;

g) the financial statements for 2009 also report the effects of the discharge of the tax liability on tax-deferred reserves resulting from off-ledger deductions made in 2004-2007 related to writedowns of loans to customers made for tax purposes only.

   This discharge of the liability, which is to be completed in 2010 with payment of a special one-off tax, resulted in the elimination of the deferred taxes recognised in relation to such deductions;

h) net income for 2009 rose by 24.1% on the previous year. The improvement was attributable to the effect of the writedown of €502 million recognised on the equity investment in STMicroelectronics Holding N.V. in 2008;

i) the substantial stock of liquidity at the end of the year, which under the statements reclassified on an operational basis came to €118,380 million, including the reserve requirement, is consistent with the role performed by CDP S.p.A. pursuant to Article 5.7 of Decree Law 269 of 30 September 2003.

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 describe the main transactions conducted with third parties, outlining their characteristics and their economic impact. We also ascertained 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 Consolidated Law of Financial Intermediation). 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 Italian Civil Code.
6. The Board of Auditors received no reports or complaints of alleged irregularities.
7. No other engagements were awarded to KPMG in 2009 other than those regarding auditing and certification services associated with the auditing engagement.
8. During the period, no engagements were awarded to parties with ongoing relationships with KPMG.
9. The Board of Auditors was not asked to provide opinions mandated by law during the year.
10. In 2009, there were a total of 11 meetings of the Board of Directors and 3 Shareholders' Meetings, all of which were attended by the Board of Auditors. The Board of Auditors held 12 meetings. All of the latter's 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 the Support Committee, while also preparing our own minutes, which were sent to the Chairman of the company, the MEF, and the State Audit Court. 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 2007 and 2008 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 and new scope of operations envisaged in the expanded articles of association following the changes in the legislative framework, in 2009 CDP S.p.A. continued to renew and develop its structure, including its organisational model, which now consists of 5 business functions, 9 business support functions and 7 support, guidance and control functions, with a workforce of 414 people, of whom 37 executives, 146 middle managers and 231 office staff. In addition, in the final quarter of the year early retirement incentive procedures were begun for employees who will be eligible as at 31 December 2010 for seniority or old-age pensions.

    In 2009 work continued on assessing training needs and implementing training projects.

    Training focused on updating specialist knowledge and providing technical training as well as developing positions skills. Training investment was aimed not only at professional skills but also at instilling values, boosting motivation and improving organisational behaviour, with the objective of fostering the development and integration of CDP S.p.A.'s staff.

    Some 6,000 hours of total training were provided.

    The initiatives mainly regarded:

    - updating on the regulatory and financial issues directly pertaining to the activity of CDP;
    - specific professional updating on the basis of job duties;
    - institutional role training;
    - procedural training to support process innovation;
    - IT and language training.

    During the year an institutional training programme was designed and implemented for the professional development of management with the support of the national fund for continuous training in the banking and insurance industries.

    The training programme involved management staff and the first two modules were conducted during the year.

13. We monitored the adequacy of the internal control system and can report that during 2009 control and follow-up activities by Internal Auditing proceeded normally. The unit's work was based on the preliminary analysis of company risks, in line with the objectives set out in the annual plan approved by the Board of Directors on 27 January 2009. 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 2009 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 Internal Auditing. The latter also continued to provide support to the Supervisory Body envisaged in Legislative Decree 231/01, and was designated as the 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 S.p.A. units.
15. Where necessary, the company issued appropriate instructions to subsidiaries to ensure compliance with statutory disclosure requirements.
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 supervisory activities, we did not find any omissions, censurable facts or irregularities that would need to be reported to the control bodies or in this document.
19. Considering the preliminary information received from the financial reporting manager concerning the activities performed, which indicate the absence of critical issues, 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 2009 financial year together with the report on operations submitted by the Board of Directors.

Rome, 8 April 2010

THE BOARD OF AUDITORS

Alberto SABATINI Chairman

Mario BASILI	Auditor
Biagio MAZZOTTA	Auditor
Antonio Angelo ARRU	Auditor
Francesco BILOTTI	Auditor

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
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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 (now article 14 of Legislative decree no. 39 of 27 January 2010)

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 2009, comprising the balance sheet, income statement, statement of comprehensive income, 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.

We carried out our audit of the separate financial statements as at and for the year ended 31 December 2009 in compliance with legislation ruling during the year.

Reference should be made to the report dated 14 April 2009 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes that have been restated to reflect the changes in the presentation of financial statements introduced by IAS 1.

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 2009 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 2009, the results of its operations and its cash flows for the year then ended.

KPMG

Cassa Depositi e Prestiti S.p.A.
Report of the auditors
31 December 2009

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 and its specific section on corporate governance and ownership structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. 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 and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2009.

Rome, 12 April 2010

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

2

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS
pursuant to Article 154-bis of Legislative Decree 58/98

Certification of the separate financial statements 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 Chief Executive Officer, and Andrea Novelli, in his capacity as the manager responsible for the preparation of the financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis, 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 2009.

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 2009 was based on a process developed by Cassa Depositi e Prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;

2.2 in 2009 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 of administrative and accounting procedures, beginning to extend the scope of the process to encompass 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 a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 12 April 2010

Chief Executive Officer	Manager responsible for the preparation of the financial reports
Massimo Varazzani	*Andrea Novelli*

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

FINANCIAL STATEMENTS

(YEAR ENDED 31 DECEMBER 2009)

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

The financial statements at 31 December 2009 have been prepared in conformity with the applicable regulations and are composed of:

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

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 – Comprehensive income
PART E – Information on risks and related hedging policies
PART F – Capital
PART H – Transactions with related parties
PART L – Operating segments

The section "Annexes", which is an integral part of the notes to the financial statements, includes a list of equity investments held by CDP and the separate schedules showing the contribution of the Separate Account and the Ordinary Account to company results.

FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement

(euros)

BALANCE SHEET

	Assets	31/12/2009	31/12/2008
10.	Cash and cash equivalents	114,688,739,285	105,269,043,064
20.	Financial assets held for trading	868,511,043	400,990,768
40.	Financial assets available for sale	13,991,312,479	9,775,231,397
50.	Financial assets held to maturity	205,285,358	205,794,907
60.	Loans to banks	5,974,479,656	4,784,305,085
70.	Loans to customers	85,623,841,033	84,061,306,451
	of which securing covered bonds	*15,293,457,623*	*16,542,633,865*
80.	Hedging derivatives	331,603,338	100,620,152
100.	Equity investments	4,486,902,309	4,305,253,564
110.	Property, plant and equipment	203,917,935	207,859,820
120.	Intangible assets	6,571,704	6,378,596
130.	Tax assets	599,747,355	635,901,612
	a) current	573,810,266	543,613,578
	b) deferred	25,937,089	92,288,034
150.	Other assets	72,970,939	36,245,997
	Total assets	**227,053,882,434**	**209,788,931,413**

(euros)

BALANCE SHEET

	Liabilities and shareholders' equity	31/12/2009	31/12/2008
10.	Due to banks	2,674,297,280	693,603,829
20.	Due to customers	100,459,935,780	92,281,092,694
	of which amounts to be disbursed on loans securing covered bonds	*1,099,699,241*	*1,476,182,991*
30.	Securities issued	108,268,862,199	103,507,258,860
	of which covered bonds	*6,382,221,908*	*8,287,062,673*
40.	Financial liabilities held for trading	782,976,639	382,376,686
60.	Hedging derivatives	825,662,805	1,271,550,763
70.	Adjustment of financial liabilities hedged generically (+/-)	66,477,577	16,699,410
80.	Tax liabilities	541,399,082	926,680,468
	a) current	410,472,190	570,807,543
	b) deferred	130,926,892	355,872,925
100.	Other liabilities	1,254,387,345	984,585,352
110.	Staff severance pay	697,292	690,848
120.	Provisions	8,974,217	8,005,040
	b) other provisions	8,974,217	8,005,040
130.	Valuation reserves	2,136,388,575	1,162,184,469
160.	Reserves	4,809,202,993	3,664,760,473
180.	Share capital	3,500,000,000	3,500,000,000
200.	Net income for the period (+/-)	1,724,620,650	1,389,442,521
	Total liabilities and shareholders' equity	**227,053,882,434**	**209,788,931,413**

(euros)

INCOME STATEMENT

		31/12/2009	31/12/2008
10.	Interest income and similar revenues	7,559,832,232	8,139,036,190
20.	Interest expense and similar charges	(5,565,695,035)	(5,779,535,533)
30.	**Net interest income**	**1,994,137,197**	**2,359,500,657**
40.	Commission income	8,248,760	6,708,765
50.	Commission expense	(917,567,977)	(736,180,690)
60.	**Net commission income**	**(909,319,217)**	**(729,471,925)**
70.	Dividends and similar revenues	971,150,211	1,051,256,089
80.	Net gain (loss) on trading activities	117,638,074	(12,084,862)
90.	Net gain (loss) on hedging activities	(26,116,592)	(145,073,428)
100.	Gains (losses) on disposal or repurchase of:	14,605,104	8,027,996
	a) loans	13,653,125	7,403,139
	b) financial assets available for sale	951,979	-
	d) financial liabilities	-	624,857
120.	**Gross income**	**2,162,094,777**	**2,532,154,527**
130.	Net impairment adjustments of:	(1,218,345)	(23,863,316)
	a) loans	*(1,218,345)*	*(23,863,316)*
140.	**Financial income (expense), net**	**2,160,876,432**	**2,508,291,211**
150.	Administrative expenses:	(71,036,279)	(65,562,076)
	a) staff costs	(44,502,974)	(40,102,503)
	b) other administrative expenses	(26,533,305)	(25,459,573)
160.	Net provisions	374,188	(1,214,001)
170.	Net adjustments of property, plant and equipment	(6,662,052)	(6,767,142)
180.	Net adjustments of intangible assets	(2,349,819)	(1,886,654)
190.	Other operating income (costs)	1,238,866	889,019
200.	**Operating costs**	**(78,435,096)**	**(74,540,854)**
210.	Gains (losses) on equity investments	-	(504,542,652)
250.	**Income (loss) before tax from continuing operations**	**2,082,441,336**	**1,929,207,705**
260.	Income tax for the period on continuing operations	(357,820,686)	(539,765,184)
270.	**Income (loss) after tax on continuing operations**	**1,724,620,650**	**1,389,442,521**
290.	**Income (loss) for the period**	**1,724,620,650**	**1,389,442,521**

(thousands of euros)

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2009	31/12/2008
10.	**Income (loss) for the period**	**1,724,621**	**1,389,443**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	973,580	(5,572,569)
60.	Cash flow hedges	624	(1,531)
110.	**Total other comprehensive income net of taxes**	**974,204**	**(5,574,100)**
120.	**Comprehensive income (items 10+110)**	**2,698,825**	**(4,184,657)**

(thousands of euros)

STATEMENT OF CHANGES IN EQUITY

	Balance at 31.12.08	Changes in opening balance	Balance at 1.1.09	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations	Changes for the period: Changes in reserves	Changes for the period – Equity transactions: Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2009	Shareholders' equity at 31.12.09
Share capital:														
a) ordinary shares	2,450,000		2,450,000											2,450,000
b) preference shares	1,050,000		1,050,000											1,050,000
Share premium reserve														
Reserves:														
a) income	3,664,760		3,664,760	1,144,443										4,809,203
b) other														
Valuation reserves:														
a) available for sale	994,036		994,036										973,580	1,967,616
b) cash flow hedges	576		576										624	1,200
c) other reserves														
- revaluation of property	167,572		167,572											167,572
Equity instruments														
Treasury shares														
Income (loss) for the period	1,389,443		1,389,443	(1,144,443)	(245,000)								1,724,621	1,724,621
Shareholders' equity	**9,716,387**		**9,716,387**	**-**	**(245,000)**								**2,698,825**	**12,170,212**

(thousands of euros)

STATEMENT OF CHANGES IN EQUITY

	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 period: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of own shares	Equity transactions: Special dividend distribution	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Comprehensive income for 2008	Shareholders' equity at 31.12.08
Share capital:														
a) ordinary shares	2,450,000		2,450,000											2,450,000
b) preference 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														
Income (loss) for the period	1,373,525		1,373,525	(918,525)	(455,000)								1,389,443	1,389,443
Shareholders' equity	**14,356,044**		**14,356,044**	**-**	**(455,000)**								**(4,184,657)**	**9,716,387**

(thousands of euros)

CASH FLOW STATEMENT (indirect method)

A. OPERATING ACTIVITIES	31/12/2009	31/12/2008
1. Operations	**1,803,417**	**2,627,651**
- net income for the year (+/-)	1,724,621	1,389,443
- gains (losses) on financial assets held for trading and on	(117,638)	-
financial assets/liabilities at fair value (-/+)	-	12,085
- gains (losses) on hedging activities (-/+)	26,117	145,073
- net impairment adjustments (+/-)	1,218	23,863
- net value adjustments to property, plant and equipment and intangible assets (+/-)	9,012	8,654
- net provisions and other costs/revenues (+/-)	7,418	7,506
- unpaid taxes and duties (+)	357,821	539,765
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	-	504,543
- other adjustments (+/-)	(205,152)	(3,281)
2. Cash generated by/used in financial assets	**(6,380,249)**	**(5,077,815)**
- financial assets held for trading	(263,405)	(337,910)
- financial assets at fair value	-	-
- financial assets available for sale	(3,187,346)	(13,852)
- loans to banks: on demand	-	-
- loans to banks: other	(1,018,508)	(849,829)
- loans to customers	(1,680,358)	(3,876,224)
- other assets	(230,632)	-
3. Cash generated by/used in financial liabilities	**14,602,423**	**17,024,239**
- due to banks: on demand	-	-
- due to banks: other	1,981,922	(569,530)
- due to customers	8,178,843	4,664,010
- securities issued	4,674,964	12,976,756
- financial liabilities held for trading	314,123	298,497
- financial liabilities at fair value	-	-
- other liabilities	(547,429)	(345,494)
Cash generated by/used in operating activities	**10,025,591**	**14,574,075**
B. INVESTING ACTIVITIES		
1. Cash generated by	**-**	**-**
- sale of equity investments	-	-
- dividends from equity investments	-	-
- sale of property, plant and equipment	-	-
2. Cash used in	**(186,912)**	**(215,033)**
- purchase of equity investments	(181,649)	(3,300)
- purchase of financial assets held to maturity	-	(202,514)
- purchase of property, plant and equipment	(2,720)	(6,422)
- purchase of intangible assets	(2,543)	(2,797)
Cash generated by/used in investing activities	**(186,912)**	**(215,033)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(245,000)	(455,000)
Cash generated by/used in financing activities	**(245,000)**	**(455,000)**
CASH GENERATED/USED DURING THE YEAR	**9,593,679**	**13,904,042**

RECONCILIATION

Cash and cash equivalents at beginning of year	**105,539,039**	**91,634,997**
Total cash generated/used during the year	**9,593,679**	**13,904,042**
Cash and cash equivalents: effects of changes in exchange rates	**-**	**-**
Cash and cash equivalents at end of year	**115,132,718**	**105,539,039**

NOTES TO THE

FINANCIAL STATEMENTS

(FINANCIAL STATEMENTS AT 31 DECEMBER 2009)

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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, updated to 18 November 2009, 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 Union.

Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

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

as well as the *Implementation Guidance and Basis for Conclusions* adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.

The financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes to the financial statements and related annexes, as well as the directors' report on operations. Pursuant to IAS 1 Revised, the financial statements also include the statement of comprehensive income with the related comparative figures.

The financial statements present a clear, true and fair overview of the company's financial performance and standing.

The account balances correspond with the company's accounting records and fully reflect the transactions conducted during the year.

BASIS OF PRESENTATION

The balance sheet and the income statement are expressed in euros, whereas the other financial statements and the tables in the notes to the financial statements are expressed in thousands of euros.

Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated without a sign, while costs are shown in parentheses.

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

The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet and the positive balance on bank accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 20 "Due to banks" of liabilities.

COMPARISON AND DISCLOSURE

As detailed below, the notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation the company's financial performance and standing.

The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.

For the purposes of comparison, the tables in the notes to the financial statements present the figures for both the 2009 and 2008 financial years.

Tables with no amounts for either 2009 or 2008 have been omitted.

CDP SEGREGATED ASSET POOLS

CDP holds the covered bond segregate 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 than 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 – Other information.

AUDITING OF THE FINANCIAL STATEMENTS

The CDP financial statements have been audited by KPMG S.p.A. 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 the equity investments held by CDP is annexed to this report.
Statements showing the contribution of the Separate Account and the Ordinary Account are also annexed to this report.

PART A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 31 December 2009 and with the Bank of Italy circular of 22 December 2005 updated to 18 November 2009, which establishes the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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

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

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

The financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.
Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.
Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

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

SECTION 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

During the period between the reporting date for the financial statements and their approval by the Board of Directors on 31 March 2010, no events occurred that would require an adjustment to the figures approved or the provision of additional information.

SECTION 4 – OTHER ISSUES

RECLASSIFICATION OF DATA

In compliance with the amendments made to Bank of Italy circular 262/2005 in 2009 and in order to ensure comparability with the previous year, the comparative figures for 2008 in respect of remuneration paid to members of the Board of Auditors were reallocated to item "150.a Staff costs" of the income statement from item "150.b Other administrative expenses".

FIRST-TIME ADOPTION/RECENTLY ADOPTED ACCOUNTING STANDARDS

The company adopted the following international accounting standards and interpretations for the first time as from 1 January 2009:

"Amendments to IAS 1 - Presentation of financial statements": this introduces a new method of presentation of financial statements, with a particular impact on the presentation of income statement data for the period through "comprehensive income", which provides for separate reporting of profit and loss for the period and of profit and loss recognised as a change in equity ("other comprehensive income"). The standard gives companies the option of presenting this information in one "statement of comprehensive income", or in two separate statements presented together:

- one statement ("income statement"), which shows the components of profit and loss for the period; and
- a second statement ("statement of comprehensive income") which, starting with the net income (loss) for the period, includes gains and losses recognised directly in equity (OCI - other comprehensive income).

The company, in line with the instructions issued by the Bank of Italy, has elected to present comprehensive income for the year in two separate statements. IAS 1 Revised also eliminated the option of disclosing changes in shareholders' equity items and transactions with owners in the notes to the financial statements and rather requires this information to be presented in a separate statement.

"Amendments to IFRS 7 - Financial instruments: disclosures": the amendments introduce a three-level hierarchy for classifying assets and liabilities measured at fair value and providing the related disclosures. This hierarchy reflects the availability of observable market data to be used in determining fair value. The amendments also introduce new disclosure requirements, with the information to be presented in table form, for assets and liabilities measured at fair value for each of the three levels in the hierarchy, with the extension of disclosure requirements for financial instruments measured at fair value on the basis of inputs not based on observable market data. The disclosure requirements for liquidity risk were also amended to reflect the manner in which such risk is managed. The application of the amendments on a prospective basis did not have a material impact for the company.

OTHER INFORMATION

The separate financial statements for 2009 of CDP S.p.A. are subject to approval and authorisation for publication by the Shareholders' Meeting of 28 April 2010.

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 written down in the event of impairment losses.
If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.
Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

2 - FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at

fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out 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.
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 securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent 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 undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss regardless of other valuation considerations. Whether the decrease in fair value is "significant" or "prolonged" is assessed separately using appropriate thresholds.
Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under "Net impairment adjustments of financial assets available for sale" (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities. Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement. The 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 is retained, the asset remains on the balance sheet even if official title has been transferred.

3 - FINANCIAL ASSETS HELD TO MATURITY

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

expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 - Loans

The term "loans" refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as "loans and receivables", for which the company has a right to receive future cash flows.
Loans are 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 made to public entities and public-law bodies under CDP's Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after detailed verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.
Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion. CDP's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment plan begins as from the 1 July or 1 January following the execution of the loan contract. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a “short-term” receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.
When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.
Loans granted by CDP to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.
The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.
The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.
Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. 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, also undergo 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 derivatives transactions.
"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (i.e. the reserve requirement).

6 - Hedging transactions

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.
A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.
If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and, in the case of cash flow hedges, any reserve is reversed to profit or loss. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the 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, paragraph 1, and IAS 31, paragraph 1.
Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing 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.
In accordance with IAS 27, paragraph 37, equity investments are initially recognised and subsequently carried at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.

Where there is evidence that the value of an equity investment 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 or prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged.
In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.
Equity investments are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

8 - PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs. In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied.
Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation.
The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Therefore, with the transition to the IFRSs, CDP separated the value of land from the value of buildings based on appraisals that were previously used in 2005 for the purpose of revaluing company properties that had been recognised in the 2004 financial statements, pursuant to the provisions of the 2006 Finance Act. Land is considered to have an indefinite life and, as such, is not depreciated.
Buildings are depreciated over a 33-year period, which is considered to be the

useful life of the buildings themselves.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives. 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.
"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets that have not been completed or are

undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation 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).
Deferred tax items regard the recognition of the effects of temporary differences between the valuation of accounting items under tax regulations (which are used to determine taxable income) and that under statutory reporting regulations (which seek to quantify the result for the year).
More specifically, "taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.
Deferred tax items are recognised in the tax provision where they represent liabilities, i.e. where they are related to items that will become taxable in future tax periods. Where they represent assets, i.e. the are related to items that will be deductible in future tax periods, they are recognised under "Deferred tax assets" in the balance sheet.
If the deferred tax items regard operations that directly affected 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”. 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.

14 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts 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 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 Italian 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 provision for staff severance pay is negligible given that 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 or to INPS in accordance with the applicable legislation.

Therefore, the effects of the application of IAS 19 are not significant.

INTEREST INCOME AND EXPENSE

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivative.

COMMISSIONS

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

DIVIDENDS

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

A.3 – DISCLOSURES ON FAIR VALUE MEASUREMENT

A.3.2 Hierarchy of fair value inputs

A.3.2.1 Portfolios: breakdown by level of fair value inputs

(thousands of euros)

A.3.2.1 PORTFOLIOS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	31/12/2009			31/12/2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading		868,551			400,991	
2. Financial assets at fair value						
3. Financial assets available for sale	13,932,295	8,500	50,517	9,740,837	9,560	24,834
4. Hedging derivatives		331,026	577		100,620	
Total	**13,932,295**	**1,208,077**	**51,094**	**9,740,837**	**511,171**	**24,834**
1. Financial liabilities held for trading		9,135	773,842			382,377
2. Financial liabilities at fair value						
3. Hedging derivatives		825,663			1,271,495	56
Total		**834,798**	**773,842**		**1,271,495**	**382,433**

A.3.2.2 Change for the year in financial assets at fair value (Level 3)

(thousands of euros)

A.3.2.2 CHANGE FOR THE YEAR IN FINANCIAL ASSETS AT FAIR VALUE (LEVEL 3)

	FINANCIAL ASSETS			
	held for trading	**at fair value**	**available for sale**	**hedging**
1. Opening balance			**24,834**	**-**
2. Increases			**30,202**	**577**
2.1 Purchases			30,202	
2.2 Profits taken to:				577
2.2.1 Income statement				577
- of which: capital gains				*577*
2.2.2 Shareholders' equity	x	x		
2.3 Transfers to other levels				
2.4 Other increases				
3. Decreases				
3.1 Sales				
3.2 Repayments				
3.3 Losses taken to:			**4,519**	
3.3.1 Income statement				
- of which: capital losses				
3.3.2 Shareholders' equity	x	x	4,519	
3.4 Transfers to other levels				
3.5 Other decreases				
4. Closing balance			**50,517**	**577**

A.3.2.3 Change for the year in financial liabilities at fair value (Level 3)

(thousands of euros)

A.3.2.3 CHANGE FOR THE YEAR IN FINANCIAL LIABILITIES AT FAIR VALUE (LEVEL 3)

	FINANCIAL LIABILITIES		
	held for trading	at fair value	hedging
1. Opening balance	**382,377**		**56**
2. Increases	**391,465**		
2.1 Purchases	306,829		
2.2 Losses taken to:	84,636		
2.2.1 Income statement	84,636		
- of which: capital losses	*84,636*		
2.2.2 Shareholders' equity	x	x	
2.3 Transfers to other levels			
2.4 Other increases			
3. Decreases			**56**
3.1 Sales			
3.2 Repayments			
3.3 Profits taken to:			56
3.3.1 Income statement			56
- of which: capital gains			*56*
3.3.2 Shareholders' equity	x	x	
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance	**773,842**		-

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

The liquid assets of CDP S.p.A. are mainly held in 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 the end of 2009 the balance on the account was about €113,330 million.

As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest on account no. 29814 at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

Interest accrued on account no. 29814 and paid subsequent to the reporting date amounted to about €1,358 million.

1.1 Cash and cash equivalents: composition

The following table summarises liquidity at 31 December 2009, including interest accrued and not yet credited on amounts deposited in interest-bearing accounts.

(thousands of euros)

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	31/12/2009	31/12/2008
a) Cash	7	6
b) Free deposits with central banks	114,688,732	105,269,037
Total	**114,688,739**	**105,269,043**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance-sheet financial 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						
Total A						
B Derivatives						
1. Financial derivatives:		868,511			400,991	
1.1 trading		868,511			400,991	
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		**868,511**			**400,991**	
Total (A+B)		**868,511**			**400,991**	

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

The item also includes the interest rate swaps entered into to hedge the postal savings bonds classified under financial assets held for trading with a view to their closure.

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

(thousands of euros)

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

	31/12/2009	31/12/2008
A. ON-BALANCE-SHEET FINANCIAL ASSETS		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
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		
Total A		
B. DERIVATIVES		
a) Banks	868,511	400,991
- fair value	868,511	400,991
b) Customers		
- fair value		
Total B	**868,511**	**400,991**
Total (A+B)	**868,511**	**400,991**

SECTION 4 – FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	31/12/2009			31/12/2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities	199,116	8,500		202,014	9,560	
2. Equity securities						
2.1 At fair value	13,733,179			9,538,823		
2.2 At cost			10,216			9,716
3. Units in collective investment undertakings			40,301			15,118
4. Loans						
Total	**13,932,295**	**8,500**	**50,517**	**9,740,837**	**9,560**	**24,834**

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

(thousands of euros)

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

	31/12/2009	31/12/2008
1. Debt securities	**207,616**	**211,574**
a) Governments and central banks		
b) Other government agencies	8,500	9,560
c) Banks		
d) Other	199,116	202,014
2. Equity securities	**13,743,395**	**9,548,539**
a) Banks	2,066	2,066
b) Other issuers	13,741,329	9,546,473
- insurance undertakings		
- financial companies	8,150	7,650
- non financial companies	13,733,179	9,538,823
- other		
3. Units in collective investment undertakings	**40,301**	**15,118**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**13,991,312**	**9,775,231**

4.4 Financial assets available for sale: change for the year

(thousands of euros)

4.4 FINANCIAL ASSETS AVAILABLE FOR SALE: CHANGE FOR THE YEAR

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**211,574**	**9,548,539**	**15,118**		**9,775,231**
B. Increases	**175,664**	**4,194,856**	**29,702**		**4,400,222**
B1. Purchases	175,000	3,158,866	29,702		3,363,568
B2. Fair value gains	664	1,035,990			1,036,654
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes					-
C. Decreases	**179,622**	**-**	**4,519**		**184,141**
C1. Sales	175,048				175,048
C2. Repayments	1,222				1,222
C3. Fair value losses			4,519		4,519
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	3,352				3,352
D. Closing balance	**207,616**	**13,743,395**	**40,301**		**13,991,312**

The substantial increase is attributable to the participation of CDP in the capital increase of Enel S.p.A., including the portion pertaining to the Ministry for the Economy and Finance, with a total commitment for CDP of €3,158 million, and to the rise in the market prices of the shareholdings in Enel S.p.A. and Eni S.p.A.

SECTION 5 – FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

5.1 Financial assets held to maturity: composition by type

(thousands of euros)

5.1 FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY TYPE

	31/12/2009				31/12/2008			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities								
- structured								
- other	205,285	215,133			205,795	197,132		
2. Loans								
Total	**205,285**	**215,133**			**205,795**	**197,132**		

Key
FV = fair value
BV = book value

The item includes inflation-linked Treasury bonds with a nominal value of €200 million acquired in 2008 in response to the increasing exposure of the balance sheet to Italian inflation due to the issue of postal savings bonds indexed to inflation.

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

(thousands of euros)

5.2 FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY DEBTOR/ISSUER

	31/12/2009	31/12/2008
1. Debt securities	**205,285**	**205,795**
a) Governments and central banks	205,285	205,795
b) Other government agencies		
c) Banks		
d) Other		
2. Loans to		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		

5.4 Financial assets held to maturity: change for the year

(thousands of euros)

5.4 FINANCIAL ASSETS HELD TO MATURITY: CHANGE FOR THE YEAR

	Debt securities	Loans	Total
A. Opening balance	**205,795**		**205,795**
B. Increases	**-**		**-**
B1. Purchases			
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes			
C. Decreases	**510**		**510**
C1. Sales			
C2. Repayments			
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other changes	510		510
D. Closing balance	**205,285**		**205,285**

SECTION 6 – LOANS TO BANKS – ITEM 60

6.1 Loans to banks: composition by type

(thousands of euros)

6.1 LOANS TO BANKS: COMPOSITION BY TYPE

	31/12/2009	31/12/2008
A. Claims on central banks	**3,703,220**	**3,358,655**
1. Fixed-term deposits		
2. Reserve requirement	3,703,220	3,358,655
3. Repurchase agreements		
4. Other		
B. Loans to banks	**2,271,260**	**1,425,650**
1. Current accounts and free deposits	441,427	264,777
2. Fixed-term deposits	907,947	631,645
3. Other financing	921,886	529,228
3.1 Repurchase agreements		
3.2 Finance leasing		
3.3 Other	921,886	529,228
4. Debt securities		
4.1 Structured		
4.2 Other debt securities		
Total (book value)	**5,974,480**	**4,784,305**
Total (fair value)	**5,976,482**	**4,769,233**

Loans to banks are primarily composed of the balance on the management account for the reserve requirement of about €3,703 million, loans amounting to about €922 million, deposits (cash collateral) at banks to hedge the credit risk on derivatives of about €908 million and current account balances totalling €441 million.

6.2 Loans to banks: assets hedged specifically

(thousands of euros)

6.2 LOANS TO BANKS: ASSETS HEDGED SPECIFICALLY

	31/12/2009	31/12/2008
1. Loans with specific fair value hedges:	**107,853**	**116,221**
a) interest rate risk	107,853	116,221
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	**107,853**	**116,221**

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 public entities and public-law bodies that were subscribed as part of financing transactions with customers. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

7.1 LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	31/12/2009		31/12/2008	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Current accounts	84		93	
2. Repurchase agreements				
3. Loans	84,171,757	46,402	82,051,444	52,753
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other	86,936		692,650	
8. Debt securities	1,318,662		1,264,366	
8.1 Structured				
8.2 Other debt securities	1,318,662		1,264,366	
Total (book value)	**85,577,439**	**46,402**	**84,008,553**	**52,753**
Total (fair value)	**88,120,934**	**46,402**	**83,982,360**	**52,753**

Net impaired exposures in respect of loans came to €46.4 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 carry out a collective writedown of the loan portfolio.

"Other" includes net funding from postal savings products that has not yet been deposited on the CDP's treasury account.

7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

7.2 LOANS TO CUSTOMERS: COMPOSITION BY DEBTOR/ISSUER

	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**1,318,662**	**-**	**1,264,366**	
a) Governments	274,312		274,234	
b) Other government agencies	609,151		532,607	
c) Other issuers	435,199		457,525	
- non financial companies	49,358		457,525	
- financial companies	385,841			
- insurance undertakings				
- other				
2. Loans to:	**84,258,777**	**46,402**	**82,744,187**	**52,753**
a) Governments	33,231,368		33,934,883	
b) Other government agencies	44,278,780	5,466	42,312,526	23,676
c) Other	6,748,629	40,936	6,496,778	29,077
- non financial companies	6,701,434	18,783	6,262,323	7,248
- financial companies	-	21,829	193,749	21,829
- insurance undertakings				
- other	47,195	324	40,706	
Total	**85,577,439**	**46,402**	**84,008,553**	**52,753**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

7.3 LOANS TO CUSTOMERS: ASSETS HEDGED SPECIFICALLY

	31/12/2009	31/12/2008
1. Loans with specific fair value hedges:	**16,808,271**	**18,527,794**
a) interest rate risk	16,808,271	18,527,794
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	**16,808,271**	**18,527,794**

SECTION 8 – HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

8.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

	31/12/2009			NV	31/12/2008			NV
	L1	L2	L3	31/12/2009	L1	L2	L3	31/12/2008
A. Financial derivatives		**331,026**	**577**	**7,648,103**		**100,620**		**3,470,791**
1) Fair value		319,100	577	7,573,005		85,365		3,391,514
2) Cash flow		11,926		75,098		15,255		79,277
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**331,026**	**577**	**7,648,103**		**100,620**		**3,470,791**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

(thousands of euros)

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

	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	969			x		x		x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other						x		x	
Total assets	**969**								
1. Financial liabilities	309,716			x	8,992	x	11,926	x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	**309,716**				**8,992**		**11,926**		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

At 31 December 2009, the only open cash flow hedge regarded 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

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

Name	Registered office	% holding	% of votes
A. Wholly-owned subsidiaries			
1. Terna S.p.A.	Rome	29.99%	29.99%
2. CDP Investimenti SGR S.p.A.	Rome	70.00%	70.00%
B. Joint ventures			
1. STMicroelectronics Holding N.V.	Amsterdam	50.00%	50.00%
C. Companies under significant influence			
1. Poste Italiane S.p.A.	Rome	35.00%	35.00%
2. Galaxy S.àr.l. SICAR	Luxembourg	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidation	Rome	31.80%	31.80%
4. Tunnel di Genova S.p.A.	Genoa	33.33%	33.33%

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

(thousands of euros)

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

Name	Total assets	Total revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
A. Wholly-owned subsidiaries	**9,321,579**	**1,789,180**	**770,660**	**2,503,181**	**1,316,600**	
1. Terna S.p.A. (1)	9,319,649	1,789,172	770,954	2,501,475	1,315,200	x
2. CDP Investimenti SGR S.p.A. (1)	1,930	8	(294)	1,706	1,400	x
B. Joint ventures	**770,012**	**2**	**(81,942)**	**768,065**	**625,990**	
1. STMicroelectronics Holding N.V. (1)	770,012	2	(81,942)	768,065	625,990	x
C. Companies under significant influence	**86,007,936**	**9,573,633**	**430,153**	**4,020,079**	**2,544,312**	
1. Poste Italiane S.p.A. (2)	85,896,520	9,530,622	467,645	3,944,747	2,518,744	
2. Galaxy S.àr.l. SICAR (2)	93,133	37,347	(34,967)	67,702	25,568	
3. Europrogetti & Finanza S.p.A. in liquidation (3)	13,497	5,614	(2,476)	7,355	-	
4. Tunnel di Genova S.p.A. (3)	4,786	50	(49)	275	-	
Total	**96,099,527**	**11,362,815**	**1,118,871**	**7,291,325**	**4,486,902**	

(1) Figures from financial statements at 31/12/09
(2) Figures from financial statements at 30/06/09
(3) Figures from financial statements at 31/12/07

10.3 Equity investments: change for the year

(thousands of euros)

10.3 EQUITY INVESTMENTS: CHANGE FOR THE YEAR

	31/12/2009	31/12/2008
A. Opening balance	**4,305,254**	**4,806,496**
B. Increases	**181,648**	**3,300**
B.1 Purchases	181,648	3,300
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		**504,542**
C.1 Sales		
C.2 Writedowns		504,542
C.3 Other decreases		
D. Closing balance	**4,486,902**	**4,305,254**
E. Total revaluations		**-**
F. Total writedowns	**976,445**	**976,445**

At the end of 2009 CDP acquired about 3.7% of STMicroelectronics N.V. from Finmeccanica S.p.A. for a total of about €172 million (as well as the grant to Finmeccanica of an earn-out if the price of STM should exceed the agreed threshold level in March 2011). Following completion of the transaction, CDP holds 50% of STMicroelectronics Holding N.V.

10.6 Obligations relating to companies subject to significant influence

CDP is a shareholder of Galaxy S.àr.l. SICAR, a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector. At 31 December 2009, a total of some €25.6 million had been paid in.
Under the shareholders agreement, as from the end of the investment period, which terminated on 9 July 2008, additional payments can be requested from the shareholders only for: (i) payment of the company's running costs (such as, for example, operating expenses and management commissions) and (ii) the completion of investments already approved.

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 period-end breaks down as follows:

(thousands of euros)

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

	31/12/2009	31/12/2008
A. Operating assets		
1.1 owned	**203,918**	**207,860**
a) land	117,406	117,406
b) buildings	69,874	72,172
c) movables	3,317	3,458
d) electrical plant	3,143	4,659
e) other	10,178	10,165
1.2 acquired under finance leases		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
Total A	**203,918**	**207,860**
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)	**203,918**	**207,860**

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

(thousands of euros)

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

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**82,805**	**11,357**	**17,684**	**24,610**	**253,862**
A.1 Total net writedowns	-	(10,633)	(7,899)	(13,025)	(14,445)	(46,002)
A.2 Opening net balance	**117,406**	**72,172**	**3,458**	**4,659**	**10,165**	**207,860**
B. Increases	**-**	**189**	**544**	**195**	**1,792**	**2,720**
B.1 Purchases		189	544	195	1,792	2,720
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes						
C. Decreases	**-**	**2,487**	**685**	**1,711**	**1,779**	**6,662**
C.1 Sales						
C.2 Depreciation		2,487	685	1,711	1,779	6,662
C.3 Writedowns for impairment recognised in						
a) equity						
b) income statement						
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) investment property						
b) assets held for sale						
C.7 Other changes						
D. Closing net balance	**117,406**	**69,874**	**3,317**	**3,143**	**10,178**	**203,918**
D.1 Total net writedowns	-	(13,120)	(8,584)	(14,736)	(16,224)	(52,664)
D.2 Closing gross balance	**117,406**	**82,994**	**11,901**	**17,879**	**26,402**	**256,582**
E. Measurement at cost						

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

12.1 Intangible assets: composition by category

Intangible assets break down as follows:

(thousands of euros)

12.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	31/12/2009		31/12/2008	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x		x	
A.2 Other intangible assets	**6,572**		**6,379**	
A.2.1 Assets carried at cost	6,572		6,379	
a) internally-generated intangible assets				
b) other assets	6,572		6,379	
A.2.2 Assets recognised at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**6,572**		**6,379**	

12.2 Intangible assets: change for the year

(thousands of euros)

12.2 INTANGIBLE ASSETS: CHANGE FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance				**11,876**		**11,876**
A.1 Total net writedowns				(5,497)		(5,497)
A.2 Opening net balance				**6,379**		**6,379**
B. Increases				**2,543**		**2,543**
B.1 Purchases				2,543		2,543
B.2 Increases in internally generated intangible assets	x					
B.3 Writebacks	x					
B.4 Fair value gains						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases				**2,350**		**2,350**
C.1 Sales						
C.2 Writedowns						
- Amortisation	x			2,350		2,350
- Impairment						
+ equity	x					
+ income statement						
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Closing net balance				**6,572**		**6,572**
D.1 Total net writedowns				(7,847)		(7,847)
E. Closing gross balance				**14,419**		**14,419**
F. Measurement at cost						

Key
DEF: definite life
INDEF: indefinite life

12.3 Other information

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

a) intangible assets were not revalued;

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

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

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

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

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

13.1 Deferred tax assets: composition

Deferred tax assets arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will become deductible in periods following the period in which they are recognised. They mainly regard accruals to the provision for risks and the provision for future employee expenses, depreciation/amortisation charges with deferred deductibility, fair value measurement of non-current available-for-sale financial assets and 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 regard the fair value measurement of available-for-sale investments and securities and derivatives hedging cash flows in respect of financial liabilities (cash flow hedges).

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

(thousands of euros)

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

	31/12/2009	31/12/2008
1. Opening balance	**75,941**	**325,395**
2. Increases	**2,069**	**8,014**
2.1 Deferred tax assets recognised during the year		
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks	2,069	8,009
d) other		
2.2 New taxes or increases in tax rates		5
2.3 Other increases		
3. Decreases	**54,369**	**257,468**
3.1 Deferred tax assets derecognised during the year		
a) reversals	54,369	257,468
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**23,641**	**75,941**

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

(thousands of euros)

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

	31/12/2009	31/12/2008
1. Opening balance	**269,775**	**545,830**
2. Increases	**28**	**73**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	28	73
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**269,775**	**276,128**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	73	276,128
b) due to change in accounting policies		
c) other	269,702	
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**28**	**269,775**

The decrease mainly regard deferred tax liabilities in respect of tax-suspended reserves that will be discharged in 2010 with payment of the one-off tax envisaged under current regulations.

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

(thousands of euros)

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

	31/12/2009	31/12/2008
1. Opening balance	**16,347**	**807**
2. Increases	**1,461**	**15,701**
2.1 Deferred tax assets recognised during the year		
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	1,461	15,701
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**15,512**	**161**
3.1 Deferred tax assets derecognised during the year		
a) reversals	15,512	161
b) writedowns for supervening non-recoverability		
c) due to changes in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**2,296**	**16,347**

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

(thousands of euros)

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

	31/12/2009	31/12/2008
1. Opening balance	**86,098**	**92,578**
2. Increases	**44,801**	**66,780**
2.1 Deferred tax liabilities recognised during the year		
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	44,801	66,780
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**73,260**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals		73,260
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**130,899**	**86,098**

13.7 Other information

(thousands of euros)

13.7.1 DEFERRED TAX ASSETS: COMPOSITION

	31/12/2009	31/12/2008
Provisions for liabilities and contingencies	2,467	8,203
Depreciation and amortisation	3,616	3,642
Financial instruments	13,167	58,243
Payables	4,360	5,804
Financial assets available for sale	1,649	15,539
Securities holding	646	808
Other	32	49
Total	**25,937**	**92,288**

(thousands of euros)

13.7.2 DEFERRED TAX LIABILITIES: COMPOSITION

	31/12/2009	31/12/2008
Financial assets available for sale	130,251	85,874
Securities holding	75	22
Financial instruments	573	275
Provision for impaired loans	-	269,702
Other	28	
Total	**130,927**	**355,873**

SECTION 15 – OTHER ASSETS – ITEM 150

15.1 Other assets: composition

(thousands of euros)

15.1 OTHER ASSETS: COMPOSITION

	31/12/2009	31/12/2008
1. Receivables from Min. Univ. and Research	329	285
2. Receivables from MEF	7,098	4,233
3. Receivables from MIT	118	87
4. Receivables from equity investments	28	2,945
5. Payments on account for withholding tax on interest on postal passbook savings accounts	60,732	-
6. Other	4,666	28,696
Total	**72,971**	**36,246**

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

The main items under this heading are:

- receivables from Ministry of Education, Universities and Research: this item relates mainly to advances paid on behalf of 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 equity investments: the balance at the end of 2009 concerns receivables due from the subsidiary CDPI SGR S.p.A. in respect of reimbursements of seconded personnel and services provided by CDP;
- advance payments in respect of withholding tax on interest earned on postal passbook savings accounts: the balance at 31 December 2009 represents the excess paid to the tax authorities as an advance compared with withholdings made in 2009 on interest accrued on postal passbook savings accounts;
- other: the item mainly comprises receivables in respect of dividends from equity investments in the amount of about €2 million, the receivable from INPDAP for advances paid on employee pensions for the years 1985 -1992 of about €625 thousand and sundry other advance payments.

LIABILITIES

SECTION 1 – DUE TO BANKS – ITEM 10

1.1 Due to banks: composition by type

(thousands of euros)

1.1 DUE TO BANKS: COMPOSITION BY TYPE

	31/12/2009	31/12/2008
1. Due to central banks	**24,128**	**19,449**
2. Due to banks	**2,650,169**	**674,155**
2.1 Current accounts and demand deposits	425,852	7,429
2.2 Fixed-term deposits	625,165	85,046
2.3 Borrowings	1,582,372	565,540
2.3.1 Repurchase agreements	188,660	
2.3.2 Other	1,393,712	565,540
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	16,780	16,140
Total	**2,674,297**	**693,604**
Fair value	**2,674,297**	**693,604**

The item “Due to central banks” includes the payable to the Bank of Italy for unpaid direct debits equal to €24 million settled in early 2010.

Fixed-term deposits refer to cash collateral under Credit Support Annexes securing the credit risk on derivatives.

Other borrowings regard loans from the EIB and amounts to be transferred to counterparties in a non-recourse assignment of receivables.

Other amounts due to banks include the payable for options with deferred premiums.

SECTION 2 – DUE TO CUSTOMERS – ITEM 20

2.1 Due to customers: composition by type

(thousands of euros)

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

	31/12/2009	31/12/2008
1. Current accounts and demand deposits	91,108,472	81,805,836
2. Fixed-term deposits		
3. Borrowings		
3.1 Repurchase agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	9,351,464	10,475,257
Total	**100,459,936**	**92,281,093**
Fair value	**100,459,936**	**92,281,093**

"Current accounts and demand deposits" regard the balance at the end of 2009 of postal passbooks.

SECTION 3 – SECURITIES ISSUED – ITEM 30

3.1 Securities issued: composition by type

(thousands of euros)

3.1 SECURITIES ISSUED: COMPOSITION BY TYPE

	31/12/2009				31/12/2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	8,603,652	6,303,240	1,676,155	611,247	10,192,267	7,928,999	1,588,894	354,415
1.1 structured								
1.2 other	8,603,652	6,303,240	1,676,155	611,247	10,192,267	7,928,999	1,588,894	354,415
2. Other securities	99,665,210			103,679,661	93,314,992			95,878,567
2.1 structured	10,037,547			17,750,863	6,866,122			6,979,978
2.2 other	89,627,663			85,928,798	86,448,870			88,898,589
Total	**108,268,862**	**6,303,240**	**1,676,155**	**104,290,908**	**103,507,259**	**7,928,999**	**1,588,894**	**96,232,982**

The item includes covered bonds in the amount of €6,382 million, bonds issued under the Euro Medium-Term Notes programme totalling €2,221 million and postal savings bonds of €99,665 million. During the year, €2 billion in covered bonds were redeemed following maturity, while €1,550 million in new bonds were issued under the EMTN programme.

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

3.3 Securities issued: securities hedged specifically

(thousands of euros)

3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

	31/12/2009	31/12/2008
1. Securities covered by specific fair value hedges	**7,959,850**	**8,804,336**
a) interest rate risk	7,623,552	8,723,706
b) exchange rate risk		
c) multiple risks	336,298	80,630
2. Securities covered by specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	31/12/2009					31/12/2008				
	NV	FV			FV *	NV	FV			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					x					x
3.1.2 Other					x					x
3.2 Other securities										
3.2.1 Structured					x					x
3.2.2 Other					x					x
Total A										
B. Derivatives										
1. Financial derivatives			9,135	773,842					382,377	
1.1 Trading	x				x	x				x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		9,135	773,842	x	x			382,377	x
2. Credit derivatives										
2.1 Trading	x				x	x				x
2.2 Associated with fair value option	x				x	x				x
2.3 Other	x				x	x				x
Total B	x		**9,135**	**773,842**	x	x			**382,377**	x
Total (A+B)	x		**9,135**	**773,842**	x	x			**382,377**	x

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

L1 = Level 1
L2 = Level 2
L3 = Level 3

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

SECTION 6 – HEDGING DERIVATIVES – ITEM 60

6.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

6.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

	31/12/2009			NV	31/12/2008			NV
	L1	L2	L3	31/12/2009	L1	L2	L3	31/12/2008
A. Financial derivatives		**825,663**		**17,164,524**		**1,271,495**	**56**	**30,475,650**
1) Fair value		825,663		17,164,524		1,271,495	56	30,475,650
2) Cash flow								
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**825,663**		**17,164,524**		**1,271,495**	**56**	**30,475,650**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

(thousands of euros)

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

	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	824,940			x		x		x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other						x		x	
Total assets	**824,940**								
1. Financial liabilities	446			x	277	x		x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	**446**				**277**				
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

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

7.1 Value adjustments of hedged financial liabilities

(thousands of euros)

7.1 VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES

	31/12/2009	31/12/2008
1. Positive adjustments of financial liabilities		
2. Negative adjustment of financial liabilities	66,478	16,699
Total	**66,478**	**16,699**

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

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in the second half of 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

SECTION 8 – TAX LIABILITIES – ITEM 80

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

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: composition

(thousands of euros)

10.1 OTHER LIABILITIES: COMPOSITION

	31/12/2009	31/12/2008
1. Items being processed	4,445	11,408
2. Charges for postal funding service	918,044	659,775
3. Tax payables	317,212	300,092
4. Other	14,686	13,310
Total	**1,254,387**	**984,585**

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 €918 million, in respect of the management and placement of postal savings products;
- tax payables totalling about €317 million, mainly regarding the tax on interest paid on postal savings bonds and the tax to discharge the tax liability on tax-suspended reserves, which will be paid in June 2010;
- other items are mainly composed of trade payables 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)

11.1 STAFF SEVERANCE PAY: CHANGE FOR THE YEAR

	31/12/2009	31/12/2008
A. Opening balance	**691**	**738**
B. Increases	**823**	**725**
B.1 Provision for the year	823	725
B.2 Other increases		
C. Decreases	**817**	**772**
C.1 Severance payments	2	89
C.2 Other decreases	815	683
D. Closing balance	**697**	**691**

SECTION 12 – PROVISIONS – ITEM 120

12.1 Provisions: composition

(thousands of euros)

12.1 PROVISIONS: COMPOSITION

	31/12/2009	31/12/2008
1 Company pension plans		
2. Other provisions	8,974	8,005
2.1 legal disputes	1,589	2,373
2.2 staff costs	6,975	5,632
2.3 other	410	
Total	**8,974**	**8,005**

12.2 Provisions: change for the year

(thousands of euros)

12.2 PROVISIONS: CHANGE FOR THE YEAR

	Pensions	Other provisions	Total
A. Opening balance		**8,005**	**8,005**
B. Increases		**7,444**	**7,444**
B.1 Provision for the year		7,385	7,385
B.2 Changes due to passage of time		47	47
B.3 Changes due to changes in discount rate		12	12
B.4 Other increases			
C. Decreases		**6,475**	**6,475**
C.1 Use during the year		5,292	5,292
C.2 Changes due to changes in discount rate		29	29
C.3 Other decreases		1,154	1,154
D. Closing balance		**8,974**	**8,974**

12.4 Provisions – Other provisions

Other provisions regard provisions accrued for likely tax liabilities.

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

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

The share capital of €3,500,000,000 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.

14.2 Share capital - Number of shares: change for the year

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

	Ordinary	**Other**
A. Shares at start of the 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		

14.4 Income reserves: additional information

(thousands of euros)

14.4 INCOME RESERVES: ADDITIONAL INFORMATION

	31/12/2009	31/12/2008
Income reserves	**4,809,203**	**3,664,760**
Legal reserve	301,615	232,143
Other	4,507,588	3,432,617

We provide the following information required by Article 2427.7-bis of the Italian Civil Code.

(thousands of euros)

	Balance at 31/12/2009		Possible uses (*)	Amount available
Share capital		3,500,000	-	
Reserves		4,809,203		
- Legal reserve	*301,615*		B	232,142
- Other income reserves	*4,507,588*		A, B, C	3,432,618
Valuation reserves		2,136,389		
- AFS reserve	*1,967,616*		-	-
- Property revaluation reserve	*167,572*		A, B	
- CFH reserve	*1,201*		-	-
Total		**10,445,592**		**3,664,760**

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

Following the company's decision to discharge – through payment of a specific one-off tax in 2010 – the tax liability in respect of tax-suspended reserves arising from loan writedowns not taken to the income statement but reported in section EC of the income tax return, reserves in the amount of about €711 million will be freed of tax liabilities.

OTHER INFORMATION

1. Guarantees issued and commitments

(thousands of euros)

1. GUARANTEES ISSUED AND COMMITMENTS

	31/12/2009	31/12/2008
1) Financial guarantees issued	135,307	102,557
a) Banks		
b) Customers	135,307	102,557
2) Commercial guarantees issued		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds	13,938,926	10,044,879
a) Banks		
i) certain use		
ii) uncertain use		
b) Customers	13,938,926	10,044,879
i) certain use	13,938,926	10,044,879
ii) uncertain use		
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	316,821	247,276
Total	**14,391,054**	**10,394,712**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

Portfolio	31/12/2009	31/12/2008
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale		
4. Held-to-maturity financial assets	131,000	
5. Loan to banks		
6. Loan to customers	15,424,458	16,542,634
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 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 amounts due 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 Italian Civil Code be kept for the segregated portfolio.

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest income and similar revenues: composition

(thousands of euros)

1.1 INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Debt securities	Borrowings	Other	31/12/2009	31/12/2008
1 Financial assets held for trading					
2 Financial assets available for sale	4,943			**4,943**	**10,265**
3 Financial assets held to maturity	4,266			**4,266**	**5,687**
4 Loan to banks		20,916	54,975	**75,891**	**146,512**
5 Loan to customers	48,418	3,924,069		**3,972,487**	**3,860,878**
6 Financial assets at fair value					
7 Hedging derivatives	x	x			
8 Other assets	x	x	3,502,245	**3,502,245**	**4,115,694**
Total	**57,627**	**3,944,985**	**3,557,220**	**7,559,832**	**8,139,036**

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

- loans to banks and customers: interest income on loans by CDP amounted to about €3,945 million;

- debt securities: interest income on debt securities amounted to about €57.6 million;

- other interest income: this is primarily composed of interest income on current account no. 29814, equal to about €3,502 million.

1.4 Interest expense and similar charges: composition

(thousands of euros)

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Payables	Securities	Other	31/12/2009	31/12/2008
1 Due to central banks		x			
2 Due to banks	14,080	x		14,080	36,149
3 Due to customers	1,584,644	x		1,584,644	2,195,958
4 Securities issued	x	3,614,231		3,614,231	3,452,969
5 Financial liabilities held for trading			640	640	617
6 Financial liabilities at fair value					
7 Other liabilities and funds	x	x	325	325	281
8 Hedging derivatives	x	x	351,775	351,775	93,562
Total	1,598,724	3,614,231	352,740	5,565,695	5,779,536

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about €1,286 million and interest on loans being repaid but not yet disbursed by CDP, equal to about €297 million.

Interest on debt securities regarded bond issues for about €315 million and postal savings bonds for about €3,294 million.

The negative differences on hedges amounted to about €352 million.

1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

1.5 INTEREST EXPENSE AND SIMILAR CHARGES: DIFFERENCES ON HEDGING TRANSACTIONS

	31/12/2009	31/12/2008
A. Positive differences on hedging transactions	100,740	75,288
B. Negative differences on hedging transactions	452,515	168,850
C. Balance (A-B)	**(351,775)**	**(93,562)**

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: composition

During the period, CDP earned commission income on lending operations amounting to about €4.6 million and commission income of €3 million relating to the agreement signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the ministerial decree of 5 December 2003.

(thousands of euros)

2.1 COMMISSION INCOME: COMPOSITION

	31/12/2009	31/12/2008
a) guarantees issued	324	
b) credit derivatives		
c) management, intermediation and advisory services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1. individual		
3.2. collective		
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection and transmission		
8. advisory services		
8.1. concerning investments		
8.2. concerning financial structure		
9. distribution of third-party services		
9.1. asset management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other		
d) collection and payment services		
e) servicing activities for securitizations		
f) services for factoring transactions		
g) tax collection services		
h) management of multilateral trading systems		
i) holding and management of current accounts		
j) other services	7,925	6,709
Total	**8,249**	**6,709**

2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to about €917 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

(thousands of euros)

2.3 COMMISSION EXPENSE: COMPOSITION

	31/12/2009	31/12/2008
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	917,237	736,016
6. off-premises distribution of securities, products and services		
d) collection and payment services	180	165
e) other services	150	
Total	**917,567**	**736,181**

SECTION 3 – DIVIDENDS AND SIMILAR REVENUES - ITEM 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	31/12/2009		31/12/2008	
	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	808,550		850,319	
C Financial assets at fair value				
D Equity investments	162,600	x	200,937	x
Total	971,150		1,051,256	

Dividends mainly regard the accrued share attributable to CDP S.p.A. from its equity investments in Istituto per il Credito Sportivo (about €2.5 million), Eni S.p.A. (about €460 million), Enel S.p.A. (about €345 million), Poste Italiane S.p.A. (€52.5 million), Terna S.p.A. (about €101 million), STMicroelectronics Holding N.V. (about €8 million) and SINLOC S.p.A. (€474 thousand).

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

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	x	x	x	x	
4. Derivatives					
4.1 Financial derivatives					
- on debt securities and interest rates	15,763	96,904			112,667
- on equity securities and equity indices	91,448		86,477		4,971
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
Total	**107,211**	**96,904**	**86,477**		**117,638**

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

5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

	31/12/2009	31/12/2008
A. Income on:		
A.1 Fair value hedges	446,608	796,808
A.2 Hedged financial assets (fair value)	8,171	1,918,429
A.3 Hedged financial liabilities (fair value)		
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	7,095	3,055
Total income on hedging activities (A)	**461,874**	**2,718,292**
B. Expense on:		
B.1 Fair value hedges	9,344	1,883,108
B.2 Hedged financial assets (fair value)	302,559	56,299
B.3 Hedged financial liabilities (fair value)	168,993	920,903
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	7,095	3,055
Total expense on hedging activities (B)	**487,991**	**2,863,365**
C. Net gain (loss) on hedging activities (A-B)	**(26,117)**	**(145,073)**

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

6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

6.1 GAINS (LOSSES) ON DISPOSAL OR REPURCHASE: COMPOSITION

	31/12/2009			31/12/2008		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1 Loans to banks						
2 Loans to customers	13,653		13,653	7,403		7,403
3 Financial assets available for sale	952		952			
3.1 Debt securities	952		952			
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4 Financial assets held to maturity						
Total assets	**14,605**		**14,605**	**7,403**		**7,403**
Financial liabilities						
1 Due to banks						
2 Due to customers						
3 Securities issued				625		625
Total liabilities				**625**		**625**

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

8.1 NET IMPAIRMENT ADJUSTMENTS OF LOANS: COMPOSITION

	Writedowns			Writebacks				31/12/2009	31/12/2008
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks									
- Borrowings									
- Debt securities									
B. Loans to customers		(1,752)		534				(1,218)	(23,863)
- Borrowings		(1,752)		534				(1,218)	(23,863)
- Debt securities									
C. Total		**(1,752)**		**534**				**(1,218)**	**(23,863)**

A = interest
B = other writebacks

SECTION 9 – GENERAL AND ADMINISTRATIVE EXPENSES – ITEM 150

9.1 Staff costs: composition

(thousands of euros)

9.1 STAFF COSTS: COMPOSITION

	31/12/2009	31/12/2008
1) Employees	**42,576**	**38,862**
a) wages and salaries	29,781	28,458
b) social security contributions	140	126
c) severance pay		
d) pensions	7,927	7,656
e) allocation to staff severance pay provision	823	725
f) allocation to provision for pensions and similar liabilities		
- defined contribution		
- defined benefit		
g) payments to external pension funds		
- defined contribution	796	695
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	3,109	1,202
2) Other personnel in service	**622**	**344**
3) Board of Directors and Board of Auditors	**1,254**	**995**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(44)**	**(172)**
6) Reimbursement of expenses for third-party employees seconded to the company	**95**	**74**
Total	**44,503**	**40,103**

9.2 Average number of employees by category

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

Employees	**411**
a) Senior management	34
b) Middle management	142
- *of which: of which grade 3 and 4*	*112*
c) Other employees	235
Other personnel	**7**

9.4 Other employee benefits

(thousands of euros)

9.4 OTHER EMPLOYEE BENEFITS

	31/12/2009	31/12/2008
Lunch vouchers	500	474
Staff health insurance	750	712
Interest subsidies on loans	22	7
Other benefits	1,837	9
Total	**3,109**	**1,202**

9.5 Other administrative expenses: composition

(thousands of euros)

9.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	31/12/2009	31/12/2008
IT costs (licences, maintenance and consulting)	6,590	6,034
Property expenses	2,892	3,415
Leased land and buildings	62	47
Owned land and buildings	2,830	3,368
- maintenance of owned land and buildings	1,583	2,296
- operating expenses	1,247	1,072
Utilities	1,437	1,672
General expenses	6,612	6,334
- consumables and other	1,128	947
- services	5,484	5,387
Entertainment and marketing	401	274
Professional and insurance expenses	5,660	5,168
Professional and service costs for personnel	1,386	1,152
Corporate bodies other than BoD	251	221
Indirect taxes and duties	1,304	1,190
Total	**26,533**	**25,460**

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2009 paid for services provided by KPMG S.p.A., the external auditor.

(thousands of euros)

FEES FOR AUDITING AND NON-AUDIT SERVICES

	Service provider	Fees for the year
Auditing and financial statements	KPMG S.p.A.	256
Certification	KPMG S.p.A.	15
Total		**271**

The fees paid in 2009 to the auditing firm regard auditing of the annual separate and consolidated financial statements, auditing of the separate and consolidated half-year financial statements and certification of the statements for the separated accounts.

SECTION 10 – NET PROVISIONS – ITEM 160

10.1 Net provisions: composition

(thousands of euros)

10.1 NET PROVISIONS: COMPOSITION

	31/12/2009	31/12/2008
Review of existing provision and discounting	(374)	1,214
Other pending litigation		
Total	**(374)**	**1,214**

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

11.1 Net adjustments of property, plant and equipment: composition

(thousands of euros)

11.1 NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net income (a+b-c)
A Property, plant and equipment	**6,662**			**6,662**
A.1 owned	6,662			6,662
- operating assets	6,662			6,662
- investment property				
A.2 Acquired under finance leases				
- operating assets				
- investment property				
Total	**6,662**			**6,662**

SECTION 12 – NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 180

12.1 Net adjustments of intangible assets: composition

(thousands of euros)

12.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net gain (loss) (a+b-c)
A Intangible assets	**2,350**			**2,350**
A.1 Owned	2,350			2,350
- internally generated				
- other	2,350			2,350
A.2 Acquired under finance leases				
Total	**2,350**			**2,350**

SECTION 13 – OTHER OPERATING COSTS AND INCOME– ITEM 190

13.1 Other operating costs: composition

(thousands of euros)

13.1 OTHER OPERATING COSTS: COMPOSITION

	31/12/2009	31/12/2008
Operating costs in respect of supply chain	110	1,030
Total	**110**	**1,030**

13.2 Other operating income: composition

(thousands of euros)

13.2 OTHER OPERATING INCOME: COMPOSITION

	31/12/2009	31/12/2008
Income from adjustment of liability items	98	60
Income for corporate offices paid to employees	183	246
Sundry reimbursements	359	1,098
Reimbursement of expenses incurred for Min. Univ. and Research agreement	300	380
Other income from services	409	137
Total	**1,349**	**1,921**

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

14.1 Gains (losses) on equity investments: composition

(thousands of euros)

14.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: COMPOSITION

	31/12/2009	31/12/2008
A. Gains		
1. Revaluations		
2. Gains on disposals		
3. Writebacks		
4. Other		
B. Losses	**-**	**504,543**
1. Writedowns		
2. Impairments		504,543
3. Losses on disposals		
4. Other		
Net gain (loss)	**-**	**504,543**

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

18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

18.1 INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS: COMPOSITION

	31/12/2009	31/12/2008
1 Current taxes (-)	(567,088)	(570,828)
2 Change in current taxes from previous periods (+/-)	(8,180)	4,463
3 Reduction of current taxes for the year (+)		
4 Change in deferred tax assets (+/-)	(52,300)	(249,454)
5 Change in deferred tax liabilities (+/-)	269,747	276,054
6 Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(357,821)	(539,765)

Current taxation regards IRES (corporate income tax) and IRAP (regional business tax) 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 preparing the financial statements, to the actual tax liability due on the basis of the tax return subsequently submitted to the Revenue Agency, which regarded the recognition of positive income components in 2009.

The change in deferred taxes for 2009 shows a substantial decrease in both deferred tax assets and provisions for deferred tax liabilities.

The reduction in deferred tax assets (€66 million) is essentially attributable to the reversal of temporary differences deductible in subsequent years in respect of the fair value measurement of macro-hedges of postal savings bonds (€51 million) and the elimination of the fair value measurements, recognised in equity, of the investment in Enel S.p.A. (€15 million).

As regards deferred tax liabilities, the decline in 2009 (€225 million) is largely ascribable to the combined effect of the reduction in deferred taxes (€270 million) in respect of the off-ledger accruals on loans to customers (which the company decided to realign to their statutory values by way of payment, by 16 June 2010, of the related one-off tax) and the recognition of additional deferred tax liabilities (€44 million) in respect of the fair value measurement recognised in equity of shares in Eni and Enel.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

Income (loss) before taxes	**2,082,441**
IRES theoretical tax liability (27.5% rate)	**572,671**
dividends excluded 95%	(253,188)
dividends not collected excluded	(525)
non-deductible costs	1,304
non-deductible interest 4%	61,223
tax-exempt income	(6,015)
deductible costs	(2,246)
IRES Actual tax liability	**373,224**

PART D – COMPREHENSIVE INCOME

(thousands of euros)

DETAILED BREAKDOWN OF COMPREHENSIVE INCOME

		Gross amount	Income taxes	Net amount
10.	**Net income (loss) for the period**	**2,082,442**	**(357,821)**	**1,724,621**
	Other comprehensive income			
20.	Financial assets available for sale:			
	a) fair value changes	1,032,134	(58,554)	973,580
	b) reversal to income statement			
	- impairment adjustments			
	- gain/loss on realisation			
	c) other changes			
30.	Property, plant and equipment			
40.	Intangible assets			
50.	Hedging of investment in foreign operation:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
60.	Cash flow hedges:			
	a) fair value changes	922	(298)	624
	b) reversal to income statement			
	c) other changes			
70.	Exchange rate differences:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
80.	Non-current assets held for sale:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
90.	Actuarial gains (losses) on defined benefit plans			
100.	Valuation reserves of equity investments accounted for with equity method (pro rata)			
	a) fair value changes			
	b) reversal to income statement			
	- impairment adjustments			
	- gain/loss on realisation			
	c) other changes			
110.	**Total other comprehensive income**	**1,033,056**	**(58,852)**	**974,204**
120.	**Comprehensive income (items 10+110)**	**3,115,498**	**(416,673)**	**2,698,825**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

The Risk Management department is responsible for measuring and controlling actual and prospective exposures to interest rate, price, exchange rate, credit, liquidity and operational risks, enforcing compliance with the limits approved by the Board of Directors.
Risk Management also monitors use of economic capital and participates in capital management activities, as well as providing the company with certified calculation models.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules 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.

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.

Although currently limited, exposures under the Separate Account to the main banking groups operating in Italy (through which CDP channels various types of financing envisaged in the 2009-2011 business plan) are expected to become substantial, as are those to private-sector parties involved in public interest projects promoted by public entities.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, drawing on funding not guaranteed by the State, in competition with the banking system.

2. Credit risk management policies

2.1 Organisational aspects

As part of pre-lending assessments, the Risk Management department focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. Risk Management also monitors 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.
It is also responsible for validating and/or developing rating models and methods. Ultimate responsibility for the assignment of ratings is held by the Credit department.
The principles followed by CDP in its lending activities are set out in the Lending Rules.

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.

A new system, already examined by the CDP Board of Directors, is currently being implemented within the new Lending Rules.

For the Ordinary Account and lending for projects promoted by public entities pursuant to Decree Law 185 of 29 November 2008, CDP uses a validated proprietary model to calculate portfolio credit risk.

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 and those for non-public entities under the Separate Account, other options include contractual clauses requiring borrowers to comply with financial covenants that make it possible 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, which involve the periodic exchange of collateral, are also used to strengthen credit risk mitigation.

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

2.4 Impaired financial assets

In 2009 the new organisational process for the end-period measurement of the CDP loan portfolio became operational. In addition to Administration and Control, participants in the process include the functions involved in loan monitoring and the assessment of the creditworthiness of counterparties.

CDP's approach to credit assessment 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 impaired positions 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

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions	Other assets	Total
1. Financial assets held for trading					868,511	868,511
2. Financial assets available for sale					207,616	207,616
3. Financial assets held to maturity					205,285	205,285
4. Loan to banks					5,974,480	5,974,480
5. Loan to customers	25,538	9,709		11,155	85,577,439	85,623,841
6. Financial assets at fair value						
7. Financial assets being divested						
8. Hedging derivatives					331,603	331,603
Total at 31/12/2009	**25,538**	**9,709**	**-**	**11,155**	**93,164,934**	**93,211,336**
Total at 31/12/2008	**24,130**	**7,181**	**-**	**21,441**	**89,711,839**	**89,764,591**

(thousands of euros)

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

	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				x	x	868,511	868,511
2. Financial assets available for sale				207,616		207,616	207,616
3. Financial assets held to maturity				205,285		205,285	205,285
4. Loan to banks				5,974,480		5,974,480	5,974,480
5. Loan to customers	167,533	(121,130)	46,402	85,577,439		85,577,439	85,623,841
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	331,603	331,603
Total at 31/12/2009	**167,533**	**(121,130)**	**46,402**	**91,964,820**	**-**	**93,164,934**	**93,211,336**
Total at 31/12/2008	**129,007**	**(76,255)**	**52,752**	**89,210,228**	**-**	**89,711,839**	**89,764,591**

(thousands of euros)

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

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Past due positions			x	
e) Other assets	5,974,480	x	-	5,974,480
Total A	**5,974,480**	**-**	**-**	**5,974,480**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired			x	
b) Other	2,631,853	x	-	2,631,853
TOTAL B	**2,631,853**	**-**	**-**	**2,631,853**
TOTAL A+B	**8,606,333**	**-**	**-**	**8,606,333**

(thousands of euros)

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

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	121,393	(95,854)	x	25,539
b) Substandard loans	34,985	(25,276)	x	9,709
c) Restructured positions			x	-
d) Past due positions	11,155		x	11,155
e) Other assets	85,990,341	x		85,990,341
Total A	**86,157,874**	**(121,130)**	**-**	**86,036,744**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	2,028		x	2,028
b) Other	12,640,466	x		12,640,466
TOTAL B	**12,642,494**	**-**	**-**	**12,642,494**

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**118,364**	**32,859**	**-**	**21,442**
- *of which: exposures assigned but not derecognised*				
B. Increases	**3,029**	**4,578**	**-**	**11,155**
B.1 transfers from performing positions	635	3,402		10,782
B.2 transfers from other categories of impaired positions				
B.3 other increases	2,394	1,176		373
C. Decreases	**(1)**	**(2,452)**	**-**	**(21,442)**
C.1. to performing loans		(1,091)		(21,442)
C.2. writeoffs				
C.3. collections		(1,361)		
C.4. assignments				
C.5. transfers to other categories of impaired positions				
C.6. other decreases	(1)			
D. Closing gross exposure	**121,392**	**34,985**	**-**	**11,155**
- *of which: exposures assigned but not derecognised*				

(thousands of euros)

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

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**94,235**	**25,678**	**-**	**-**
- *of which: exposures assigned but not derecognised*				
B. Increases	**1,753**	**-**	**-**	**-**
B.1 writedowns	1,753			
B.2 transfers from other categories of impaired positions				
B.3 other increases				
C. Decreases	**(133)**	**(402)**	**-**	**-**
C.1 writebacks from valuations	(133)	(402)		
C. 2 writebacks from collection				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions				
C.5 other decreases				
D. Total closing adjustments	**95,855**	**25,276**	**-**	**-**
- *of which: exposures assigned but not derecognised*				

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

(thousands of euros)

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

	External rating grades						Not rated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. On-balance-sheet exposures	**39,710,631**	**15,391,116**	**713,059**	**20,359**		**35,064**	**36,140,994**	**92,011,223**
B. Derivatives	**557,021**	**639,881**					**3,212**	**1,200,114**
B.1 Financial derivatives	557,021	639,881					3,212	1,200,114
B.2 Credit derivatives								-
C. Guarantees issued							**135,307**	**135,307**
D. Commitments to disburse funds	**3,779,614**	**4,325,198**	**162,167**	**7,572**	**-**	**-**	**5,664,375**	**13,938,926**
Total	**44,047,266**	**20,356,195**	**875,226**	**27,931**	**-**	**35,064**	**41,943,888**	**107,285,570**

A.3 DISTRIBUTION OF SECURED EXPOSURES BY TYPE OF GUARANTEE

(thousands of euros)

A.3.2 SECURED CREDIT EXPOSURES TO CUSTOMERS

	Net exposure	Collateral (1)			Unsecured guarantees (2)									Total (1)+(2)
						Credit derivatives				Guarantees				
						Other derivatives								
		Land and buildings	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures:														
1.1 fully secured	2,499,764	147,653	57,597	110,325						755,587	180,700	51,590	1,239,111	**2,542,563**
- of which: impaired	*5,334*									*5,334*				***5,334***
1.2 partially secured	77,104,913			9,143,402								6,021		**9,149,423**
- of which: impaired	*2,367*													
2. Secured off-balance-sheet credit exposures:														
2.1 fully secured	1,554,847	37,290	157,403	36,300						1,004,113	344,759		55,680	**1,635,545**
- of which: impaired														
2.2 partially secured														
- of which: impaired														

B. DISTRIBUTION AND CONCENTRATION OF LENDING

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR (BOOK VALUE)

(thousands of euros)

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR (BOOK VALUE)

	Governments			Other government agencies			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
A. On-balance-sheet exposures																		
A.1 Bad debts			x	2,367	(1,087)	x	21,829	(65,486)	x			x	1,342	(29,281)	x			x
A.2 Substandard loans			x	661	(25,061)	x			x			x	9,048	(215)	x			x
A.3 Restructured positions			x			x			x			x			x			x
A.4 Past due positions			x	2,438	-	x			x			x	8,393	-	x	324		x
A.5 Other	33,710,965	x	-	44,896,431	x	-	584,957	x	-		x		6,750,792	x	-	47,195	x	-
Total A	**33,710,965**	**-**	**-**	**44,901,897**	**(26,148)**	**-**	**606,786**	**(65,486)**	**-**	**-**	**-**	**-**	**6,769,575**	**(29,496)**	**-**	**47,519**	**-**	**-**
B. Off-balance-sheet exposures																		
B.1 Bad debts			x			x			x			x			x			x
B.2 Substandard loans			x			x			x			x	586	-	x			x
B.3 Other impaired assets			x			x			x			x	1,442		x			x
B.4 Other	1,902,669	x	-	6,842,268	x	-	122,913	x	-		x		3,745,916	x	-	26,700	x	-
Total B	**1,902,669**	**-**	**-**	**6,842,268**	**-**	**-**	**122,913**	**-**	**-**	**-**	**-**	**-**	**3,747,944**	**-**	**-**	**26,700**	**-**	**-**
Total (A+B) at 31/12/2009	**35,613,634**	**-**	**-**	**51,744,165**	**(26,148)**	**-**	**729,699**	**(65,486)**	**-**	**-**	**-**	**-**	**10,517,519**	**(29,496)**	**-**	**74,219**	**-**	**-**
Total (A+B) at 31/12/2008	**35,606,380**	**-**	**-**	**49,423,512**	**(26,281)**	**-**	**704,881**	**(21,829)**	**-**	**-**	**-**	**-**	**9,095,406**	**(28,146)**	**-**	**74,714**	**-**	**-**

B.2 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA (BOOK VALUE)

(thousands of euros)

B.2 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA (BOOK VALUE)

	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	3,709	(30,368)	21,829	(65,486)						
A.2 Substandard loans	9,709	(25,276)								
A.3 Restructured positions										
A.4 Past due positions	11,155									
A.5 Other	85,982,753		7,588	-						
Total A	**86,007,326**	**(55,644)**	**29,417**	**(65,486)**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans	586									
B.3 Other impaired assets	1,442									
B.4 Other	12,516,158	-	49,344	-	74,964					
Total B	**12,518,186**	**-**	**49,344**	**-**	**74,964**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2009	**98,525,512**	**(55,644)**	**78,761**	**(65,486)**	**74,964**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2008	**94,759,447**	**(54,426)**	**130,448**	**(21,829)**	**14,998**	**-**	**-**	**-**	**-**	**-**

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA (BOOK VALUE)

(thousands of euros)

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA (BOOK VALUE)

	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
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	5,066,502	-	907,977							
Total A	**5,066,502**	**-**	**907,977**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	1,684,371	-	947,482							
Total B	**1,684,371**	**-**	**947,482**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2009	**6,750,873**	**-**	**1,855,459**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2008	**4,196,713**	**-**	**1,051,256**	**-**						

C. SECURITISATIONS AND ASSET DISPOSALS

C.1 SECURITISATIONS

QUALITATIVE DISCLOSURES

At the end of 2002, CDP carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1. special corporations or consortiums operated by local authorities, consortiums of local authorities, and public or private limited companies operating public services (portfolio extinguished on 1 July 2009);
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.

As regard the obligations of CDP, which are defined in the assignment contract, under which CDP has made certain representations and guarantees to CPG, taking on specified costs, expenses and liabilities associated with the portfolios, please note that the operation and the flows linked to all the securitised portfolios are proceeding regularly.
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.

In 2009, with the extinguishment of the bonds issued in respect of the securitised portfolio of loans to the operators of public services, the portfolio was closed and the residual assets were transferred to CDP as the deferred price for the transaction. In addition to liquidity, the residual assets transferred to CDP include loans not yet past due to operators of public services and a security issued by the securitised portfolio of receivables due from AEM Elettricità S.p.A., the value of which at the end of 2009 came to €29.9 million.

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

QUANTITATIVE DISCLOSURES

(thousands of euros)

C.1.1 EXPOSURES IN RESPECT OF SECURITISATIONS BY QUALITY OF SECURITISED ASSETS

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:						**29,888**												
a) Impaired																		
b) Other						29,888												
B. With third-party underlying assets:	**199,116**	**199,116**																
a) Impaired																		
b) Other	199,116	199,116																

(thousands of euros)

C.1.2 EXPOSURES IN RESPECT OF MAIN OWN SECURITISATIONS BY TYPE OF SECURITISED ASSETS AND TYPE OF EXPOSURE

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A. Fully derecognised																		
A.1 CPG - Società di cartolarizzazione a r.l.																		
- Long-term loans					29,888													
B. Partially derecognised																		
B.1 name of securitisation 1																		
- type of asset																		
B.2 name of securitisation 2																		
- type of asset																		
B.3 name of securitisation ..																		
- type of asset																		
C. Not derecognised																		
C.1 name of securitisation 1																		
- type of asset																		
C.2 name of securitisation 2																		
- type of asset																		
C.3 name of securitisation ..																		
- type of asset																		

(thousands of euros)

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

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A.1 - S.C.C.I - Social security receivables	199,116																	

(thousands of euros)

C.1.4 EXPOSURES IN RESPECT OF SECURITISATIONS BY PORTFOLIO AND TYPE

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2009	31/12/2008
1. On-balance-sheet exposures			**199,116**		**29,888**	**229,004**	**395,667**
- senior			199,116			199,116	202,014
- mezzanine							
- junior					29,888	29,888	193,653
2. Off-balance-sheet exposures							
- senior							
- mezzanine							
- junior							

(thousands of euros)

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

	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					senior		mezzanine		junior	
	Impaired	Performing	Impaired	Performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
CPG - Società di cartolarizzazione a r.l.		334,254		154,110						

C.3 COVERED BOND TRANSACTIONS

To fund its lending activities under the Separate Account, in 2004 CDP launched a programme for the emission of up to €20 billion in covered bonds secured by assets consisting of CDP loans to or guaranteed by Italian regional and local governments. The operation was conducted on the basis of Article 5.18 of Decree Law 269/03, pursuant to which CDP "may pledge its assets and legal relationships to satisfy the rights of the holders of securities it issues".

This instrument limited the exposure to market and refinancing risks, ensuring a closer matching of assets and liabilities (thanks to the relatively long-term maturities of the fixed-rate securities issued), with a consequent reduction of the cost of related hedging transactions. It also gave CDP access to a broad, diversified pool of investors not to be found among traditional subscribers of postal savings products. This form of funding does not benefit from a State guarantee, but its cost is still lower than the cost of any unsecured bonds the company might issue.

Since the start of the programme, four public issues have been carried out with a total overall value of €8 billion (at present, following the redemption of €2 billion on 31 July 2009, the nominal value of the securities issued comes to €6 billion) as well as a privately-placed yen-denominated issue equal to about €64 million.

Since 2007, issues under the programme have been suspended and under current conditions there appear to be no market opportunities that would counsel additional issues of covered bonds.

SECTION 2 – MARKET RISKS

2.1 INTEREST RATE AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. General aspects

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

2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

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

As part of its 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 changes (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.

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.
Operational responsibility for managing interest rate risk lies with the Finance department.
The measurement and monitoring of interest rate risk are performed by the Risk Management department for top management, which reports periodically to the Board of Directors.

The components of price risk associated with large listed equity investments regard adverse movements in stock prices. This could produce – as it did in 2008 and the first part of 2009 – 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.

B. Fair value hedges

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

The lending and funding of the Ordinary Account are 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 (IRSs) 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 bond 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 joint-stock company.
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 (qualified as a macro fair value hedge) on a portfolio of postal savings bonds using roller-coaster IRSs in which CDP receives fixed and pays 12-month Euribor plus a spread.
Between the end of 2009 and early 2010, CDP terminated all hedges of the portfolio, realising a mark-to-market gain. This move, which was only partially offset by the termination of a number of hedges of assets, enabled CDP to obtain a moderate positive exposure to a rise in interest rates, an optimal situation given the overall ALM position and macroeconomic conditions.

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.

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. These transactions are not subject to hedge accounting: the embedded options sold and the options purchased are both recognised at fair value.
The notional of the options purchased for each issue is calculated on the basis of the proprietary model of customer redemption behaviour.

C. Cash flow hedges

At 31 December 2009, 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

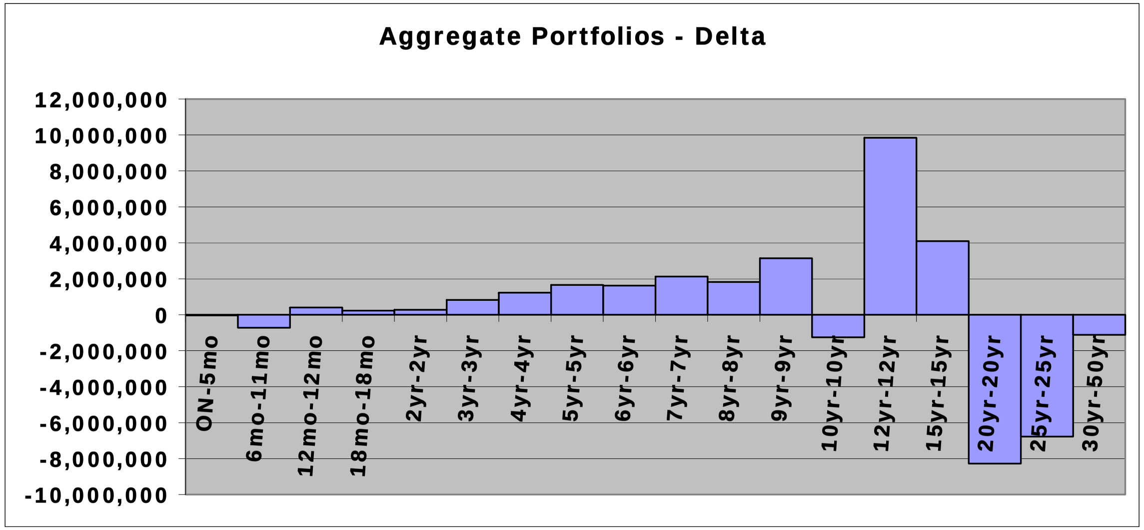
1. Banking book: distribution of financial assets and liabilities by residual maturity (repricing date)

The following figure shows an analysis of interest rate risk sensitivity developed on the basis of internal models.

Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2009

Risk Factors	Delta
ON-5mo	-28,438
6mo-11mo	-723,854
12mo-12mo	409,598
18mo-18mo	227,907
2yr-2yr	273,833
3yr-3yr	828,653
4yr-4yr	1,227,809
5yr-5yr	1,652,920
6yr-6yr	1,623,602
7yr-7yr	2,126,078
8yr-8yr	1,820,416
9yr-9yr	3,140,928
10yr-10yr	-1,254,005
12yr-12yr	9,848,591
15yr-15yr	4,091,089
20yr-20yr	-8,277,218
25yr-25yr	-6,768,526
30yr-50yr	-1,115,144



2.3 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

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

In 2009 CDP accrued a temporary exposure in dollars associated with the deferred payment of a part of the dividends of STMicroelectronics Holding N.V.

B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (a covered bond issue and two bond issues under the EMTN programme) was hedged with cross currency swaps.

QUANTITATIVE DISCLOSURES

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

	Currency					
	US dollar	**Pound sterling**	**Yen**	**Canadian dollar**	**Swiss franc**	**Other**
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities						
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	259,756		76,379			
C.4 Other financial liabilities						
D. Other liabilities	**259,756**		**76,379**			
E. Financial derivatives:						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions	259,756		76,379			
+ short positions						
Total assets	**259,756**		**76,379**			
Total liabilities	**259,756**		**76,379**			
Difference (+/-)	**-**		**-**			

2.6 DERIVATIVES

A. FINANCIAL DERIVATIVES

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

(thousands of euros)

A.2.1 HEDGING

	31/12/2009		31/12/2008	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates				
a) Options				
b) Swaps	24,390,885		34,017,266	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Exchange rates and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	434,000		79,277	
4. Commodities				
5. Other underlyings				
Total	**24,824,885**		**34,096,543**	
Average values	**29,460,714**		**30,007,378**	

(thousands of euros)

A.2.2 OTHER DERIVATIVES

	31/12/2009		31/12/2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates				
a) Options				
b) Swaps	1,320,434			
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options	71,423,822		41,227,345	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Exchange rates and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**72,744,256**		**41,227,345**	
Average values	**56,985,801**		**30,310,883**	

(thousands of euros)

A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	Positive fair value			
	31/12/2009		31/12/2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging				
a) Options				
b) Interest rate swaps	310,685		134,695	
c) Cross currency swaps	20,918		21,201	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives				
a) Options	851,685		382,377	
b) Interest rate swaps	16,826			
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**1,200,114**		**538,273**	

(thousands of euros)

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	Negative fair vlue			
	31/12/2009		31/12/2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging				
a) Options				
b) Interest rate swaps	825,385		381,083	
c) Cross currency swaps	277			
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives				
a) Options	784,205		1,814,865	
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**1,609,867**		**2,195,948**	

(thousands of euros)

A.7 OVER-THE-COUNTER FINANCIAL DERIVATIVES - BANKING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2) Equity securities and equity indices							
- notional value	28,983,474						
- positive fair value							
- negative fair value	784,204						
- future exposure							
3) Exchange rates and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4) Other							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

(thousands of euros)

A.8 OVER-THE-COUNTER FINANCIAL DERIVATIVES - BANKING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

Contracts covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
- notional value			22,096,699	3,614,620			
- positive fair value			219,402	108,109			
- negative fair value			723,539	101,846			
2) Equity securities and equity indices							
- notional value			36,824,600	388,000			
- positive fair value			831,105	20,580			
- negative fair value							
3) Exchange rates and gold							
- notional value			434,000				
- positive fair value			20,918				
- negative fair value			277				
4) Other							
- notional value							
- positive fair value							
- negative fair value							

(thousands of euros)

A.9 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	To 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	1,379,282	8,117,073	16,214,964	25,711,319
B.2 Financial derivatives on equity securities and equity indices	4,756,427	47,271,333	8,154,015	60,181,775
B.3 Financial derivatives on exchange rates and gold		261,275	172,724	433,999
B.4 Financial derivatives on other assets				
Total 31/12/2009	**6,135,709**	**55,649,681**	**24,541,703**	**86,327,093**
Total 31/12/2008	**4,282,021**	**30,583,904**	**31,459,348**	**66,325,273**

C. FINANCIAL AND CREDIT DERIVATIVES

(thousands of euros)

C.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE AND FUTURE EXPOSURE BY COUNTERPARTY

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Bilateral financial derivatives agreements							
- positive fair value			674,181	120,823			
- negative fair value			326,572	93,980			
- future exposure			1,455,132	25,642			
- net counterparty risk			2,067,104	93,521			
2) Bilaterial credit derivatives agreements							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3) Cross product agreements							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

SECTION 3 – LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

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

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting an approach similar to that of ordinary banks.
Risk Management prepares liquidity gap analyses that identify any potential shortfalls at short, medium and long term.

Current management of treasury activities by Finance enables CDP to raise funds on the interbank market as well, using deposits and repos, for both the Separate and Ordinary Accounts.

QUANTITATIVE DISCLOSURES

(thousands of euros)

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY - CURRENCY: EUR

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets										
A.1 Government securities					3,794		3,794		500,000	
A.2 Other debt securities			4,643	2,673	164	18,179	109,256	434,495	667,272	
A.3 Units in collective investment undertakings										40,802
A.4 Loans										
- banks							31,095	264,880	145,148	
- customers	154,096		3,974	65	23,710	26,721	3,535,519	17,107,442	64,371,727	
On-balance-sheet liabilities										
B.1 Deposits										
- banks	221,708	50,005	147,382	625,165	396,036	3,291	23,229	118,053	1,100,679	
- customers	100,459,936									
B.2 Debt securities						150,000	1,350,000	6,050,000	365,500	
B.3 Other liabilities	99,718,037									
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions	16,826				113,274	506,082	72,307	350		
- short positions	375			34,779	656	214,922	217,299			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	14,255,747									
- short positions										
C.5 Financial guarantees issued	135,307									

(thousands of euros)

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

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
On-balance-sheet liabilities										
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities				1,398			454		173,178	
B.3 Other liabilities										
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions				1,398			454		173,178	
- short positions			97,626							
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions			97,626							
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										

(thousands of euros)

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY - CURRENCY: USD

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
On-balance-sheet liabilities										
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities					558				261,745	
B.3 Other liabilities										
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions					558				261,746	
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocabile commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										

SECTION 4 – OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. 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;
- 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.

In the final part of 2009 an operational risk assessment and mitigation project was launched, which will also draw on the information already collected as part of internal audit activities and the financial reporting manager project.

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.

PART F – CAPITAL

SECTION 1 – CAPITAL

QUALITATIVE DISCLOSURES

Pending the issuance of specific measures in this area by the Bank of Italy, CDP is subject to "informational" supervision only.

Accordingly, in 2009, in agreement with the Bank of Italy, CDP did not calculate supervisory capital or the related supervisory capital requirements.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of key management personnel

(thousands of euros)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

	31/12/2009
a) directors	1,100
b) statutory auditors	107
Total	**1,207**

(thousands of euros)

REMUNERATION OF KEY MANAGEMENT

	31/12/2009
(a) short-term benefits	4,932
(b) post-employment benefits	69
(c) other long-term benefits	-
(d) severance benefits	199
(e) share-based payments	-
Total	**5,200**

(thousands of euros)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/09-31/12/09	2009	228
Massimo Varazzani	Chief Executive Officer	01/01/09-31/12/09	2009	533
Vittorio Grilli	Director	01/01/09-31/12/09	2009	(**)
Nunzio Guglielmino	Director	01/01/09-31/12/09	2009	35
Luisa Torchia	Director	01/01/09-31/12/09	2009	35
Fiorenzo Tasso	Director	01/01/09-31/12/09	2009	35
Francesco Giovannucci	Director	01/01/09-31/12/09	2009	35
Gianfranco Imperatori	Director	01/01/09-23/04/09		11
Ettore Gotti Tedeschi	Director	29/04/09-31/12/09	2009	24
Gianfranco Viesti	Director	01/01/09-31/12/09	2009	35
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/03)				
Edoardo Grisolia	Director (1)	01/01/09-31/12/09	2009	(**)
Maria Cannata	Director (2)	01/01/09-31/12/09	2009	(**)
Isaia Sales	Director	01/01/09-31/12/09	2009	35
Francesco Scalia	Director	01/01/09-31/12/09	2009	35
Giuseppe Pericu	Director	01/01/09-31/12/09	2009	35
Board of Auditors				
Alberto Sabatini	Chairman	01/01/09-31/12/09	2009	27
Mario Basili	Auditor	01/01/09-31/12/09	2009	(**)
Fabio Alberto Roversi Monaco	Auditor	01/01/09-31/12/09	2009	20
Antonio Angelo Arru	Auditor	01/01/09-31/12/09	2009	20
Biagio Mazzotta	Auditor	01/01/09-31/12/09	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

Certain transactions between CDP and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions. In any event, 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 2009 CDP had the following transactions with the parent, subsidiaries and associates.

Transactions with the Ministry for the Economy and Finance

The main transactions conducted with the Ministry for the Economy and Finance regarded the liquidity held on the treasury account and lending transactions.

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 at the 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 mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

As regards receivables in respect of loans, it should be noted that more than 40% of CDP's portfolio is repaid by the state.

CDP also manages loans and postal savings products owned by the MEF, for which it receives a fee established in a specific contract.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Ministry for the Economy and Finance	31/12/2009
Cash and cash equivalents	114,688,733
Financial assets held to maturity	205,285
Loans to customers	33,723,232
Other assets	7,545
Due to customers	3,978,787
Other liabilities	55
Interest income and similar revenues	5,046,313
Commission income	3,031
Interest expense and similar charges	(116,394)

Transactions with subsidiaries

Transactions with Terna S.p.A.

In 2009, Terna S.p.A. subscribed EMTN bonds issued by CDP in the nominal amount of €700 million, which were repaid in full during the year. Also during the year, CDP granted financing of up to €500 million to Terna S.p.A., which had not been disbursed as of 31 December 2009.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Terna S.p.A.	**31/12/2009**
Other assets	1,153
Commission income	1,653
Interest expense	(3,075)
Commitments in respect of loans to disburse	500,000

Transactions with CDPI SGR S.p.A.

The only transactions with the subsidiary CDPI SGR S.p.A. regarded administrative and accounting services provided by CDP and CDP personnel seconded to CDPI.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with CDPI SGR S.p.A.	**31/12/2009**
Other assets	29
Administrative expenses (reimbursement expenses - seconded personnel)	9
Other operating income	20

Transactions with associates

Transactions with associates are entirely accounted for by relations with Poste Italiane S.p.A., including both the placement and management service for postal savings products and loans granted by CDP.

The service provided by Poste Italiane is remunerated with an annual commission set in a specific agreement between the parties.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Poste Italiane S.p.A.	31/12/2009
Loans to customers	766,537
Other liabilities	918,044
Interest income and similar revenues	32,712
Commission expense	(1,600,000)
of which: subject to amortisation	(682,763)

PART L – OPERATING SEGMENTS

This section of the notes to the financial statements has been drafted in compliance with IFRS 8 - Operating Segments, in force since 1 January 2009 in replacement of IAS 14 - Segment Information.

CDP is organised into five business units through which the company pursues its activities. More specifically:

- direct lending to public entities ("Public Entities" business unit);
- financing for projects sponsored by public entities ("Project Finance" business unit);
- financing for works, plant, networks and other infrastructure used to deliver public services or for reclamation projects ("Enterprises" business unit);
- management of facilitated credit and economic support mechanisms ("Facilitated Credit and Economic Support" business unit);
- real estate investment and services ("Real Estate" business unit).

The above business units are supported by other units that perform service, support, guidance and control functions. They are grouped within the Corporate Centre.

Public Entities

The Public Entities unit is responsible for lending the public entities and public-law bodies using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the CDP's Separate Account.

Project Finance

Established in 2009, the Project Finance unit seeks to intervene directly in a select number of general public interest projects that can be initiated rapidly (financing of projects sponsored by public entities), acting with a long-term vision and verifying financial sustainability.

Enterprises

The operations of the Enterprises business unit regard the financing, on a project or corporate finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (water sector - integrated water services, gas transport and distribution networks, local and national transportation networks, production, transport and distribution of energy).

Facilitated Credit and Economic Support

The Facilitated Credit and Economic Support business unit is responsible for managing facilitated credit mechanisms that draw primarily on CDP resources (the Revolving Fund to support enterprises and investment in research) and, on a residual basis, State funds (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund). In 2009 these were joined by general economic support programmes, with the start up of activities dedicated to lending to SMEs and the reconstruction of the areas of Abruzzo affected by the earthquake.

Real Estate Investment and Services

This unit helps local authorities leverage their real estate holdings. CDP acts as a direct investor in funds for the development of social housing initiatives and as a provider of real estate advisory services.

Results by operating segment are presented on the basis of the above organisational structure. In line with the report on operations, the income statement presents reclassified data and is in line with the internal reporting system used by management in its decision-making process.

This presentation makes it possible to determine the contribution of each business unit to the overall performance of CDP. Note that in 2009 the contribution of the Real Estate and Project Finance units (launched in the closing months of 2009) was marginal.

Construction of the balance sheet by business unit

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual business units, with which the related revenues and expenses are correlated.

More specifically, the aggregates for "loans to customers and banks" (for amounts disbursed or being repaid) and "cash and cash equivalents and interbank deposits" represent the stock of assets related to the specific operating activities of each business unit. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Corporate Centre. That aggregate includes a structure for the management of equity investments and investment funds held by CDP and a unit dedicated to funding and treasury operations.

Construction of the income statement by business unit

The operating result of the business units was constructed on the basis of the following criteria.

As regards net interest income, the contribution of each business unit is calculated on the basis of internal transfer rates ("ITRs") differentiated by product and maturity. In determining the ITRs, it is assumed that each lending transaction is funded using a hypothetical market transaction with the same financial characteristics but the opposite sign. This system is based on the CDP's organisational model, which has a specific structure devoted to treasury management (the treasury pool) within the Corporate Centre.

For the other aggregates of the income statement, each business unit is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs, initially recognised under the Corporate Centre, is allocated to each business unit on the basis of their actual use of resources or services. The Corporate Centre is allocated the revenues and expenses directly attributable to the units that make up the aggregate, as well as the costs for utilities, taxes and general services that were not allocated to any specific unit.

In view of the significant development of the operations of CDP and individual lines of business planned for 2010, the rationale underlying the accounting procedures outlined here will be reviewed.

For more information on developments in the operations of the individual business units, please see the report on operations.

Reclassified balance sheet

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Enterprises	Corporate Centre	Total CDP
Cash and cash equivalents	-	42,204	-	118,337,658	118,379,862
Loans to customers and banks	79,533,250	1,056,596	3,289,795	1,298,540	85,178,181
Debt securities	-	-	-	691,520	691,520
Equity investments and shares	-	-	-	18,270,598	18,270,598
Funding	-	-	-	210,632,843	210,632,843
- of which: postal funding	-	-	-	*190,784,915*	*190,784,915*
- of which: funding from banks	-	-	-	*2,451,858*	*2,451,858*
- of which: funding from customers	-	-	-	*9,190,578*	*9,190,578*
- of which: funding with bonds	-	-	-	*8,205,493*	*8,205,493*

Reclassified income statement

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Enterprises	Corporate Centre	Total CDP
Interest income	392,968	3,429	18,524	1,579,216	1,994,137
Dividends	-	-	-	971,150	971,150
Net commissions	3,152	160	4,882	(917,513)	(909,319)
Other net revenues	-	-	-	106,127	106,127
Gross income	396,120	3,590	23,406	1,738,979	2,162,095
Net writedowns	(1,109)	(109)	-	-	(1,218)
Overheads	(9,509)	(2,182)	(2,024)	(66,130)	(79,845)
Operating income	**385,917**	**1,299**	**21,771**	**1,682,093**	**2,091,079**

ANNEXES

ANNEX 1

LIST OF EQUITY INVESTMENTS

ANNEX 2

ACCOUNTING SEPARATION STATEMENTS

Annex 1

(thousands of euros)

LIST OF EQUITY INVESTMENTS

Name	Registered office	% holding	Book value
A. Listed companies			
1. Eni S.p.A.	Rome	9.99%	7,125,132
2. Enel S.p.A.	Rome	17.36%	6,608,047
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. STMicroelectronics Holding N.V.	Amsterdam	50.00%	625,990
3. Galaxy S.àr.l. SICAR	Luxembourg	40.00%	25,569
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. in liquidation	Rome	31.80%	-
7. Istituto per il Credito Sportivo	Rome	21.62%	2,066
8. Tunnel di Genova S.p.A.	Genoa	33.33%	-
9. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
10. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Luxembourg	16.67%	500

Annex 2

SEPARATION OF ACCOUNTS

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

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

Separate Account

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

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

- financing in any form, including the acquisition of trade receivables, for the state, regional governments, local authorities, public bodies and public-law entities using repayable funds raised from postal savings bonds and passbook savings accounts that benefit from state guarantees and are distributed through Poste Italiane S.p.A. or its subsidiaries, and funds raised from the issue of securities, borrowing and other financial operations with state guarantees. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;
- financing in any form, including the acquisition of trade receivables, the issue of guarantees, the acquisition of equity capital or debt capital, the subscription of investment fund units. Each of the above financial transactions shall be entered into with the entities referred to in the previous point or used for public interest operations promoted by the latter, in accordance with the criteria established in the decree of the Minister for the Economy and Finance adopted pursuant to Article 5.11, e) of the Decree Law or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A., or carried out in favour of small and medium-sized enterprises for the purpose of

supporting the economy. The financial transactions shall be carried out using the funds referred to in the previous point and may be conducted either directly or through the banking system, with the exception of operations in favour of small and medium-sized enterprises, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company as referred to in Article 33 of Legislative Decree 58 of 24 February 1998, as amended, whose corporate purpose achieves one of the institutional missions of Cassa Depositi e Prestiti S.p.A. Direct financial transactions must involve an amount equal to or greater than €25,000,000.00 (twentyfivemillion/00). Financial transactions carried out for operations promoted by the entities referred to in the previous point or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A., may be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality. The management of such activities is carried out pursuant to Article 6. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;

- the acquisition of equity investments transferred or contributed to CDP by one or more decrees of the Minister for the Economy and Finance pursuant to Article 5.3, b) of Decree Law 269, the management of which complies with the criteria provided for in the decree of the Minister for the Economy and Finance referred to in Article 5.11, d) of Decree Law 269, as well as any increase in the equity investments transferred during the transformation of CDP into a joint-stock company;
- the management, where assigned by the Minister for the Economy and Finance, of the functions, assets and liabilities of CDP, prior to its transformation, transferred to the MEF pursuant to Article 5.3, a) of Decree Law 269, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- the provision of assistance and consulting to the parties listed in the first point or to support the operations or the parties listed in the first or second points.

As regards the organisational structure of CDP, the Separate Account includes the following units: Public Entities, Local Authorities Project, Facilitated Credit and Economic Support, Project Finance, Real Estate, the Parliamentary Supervisory Committee and the postal savings activities of the Finance unit.

Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. While not specifically cited in Article 5 of Decree Law 269, the latter represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account.

Specifically, pursuant to Article 5.7, b) of Decree Law 269, CDP's articles of association include among the activities designed to achieve its mission that are not assigned to the Separate Account:

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

From an organisational standpoint, the activities of the Enterprises business unit are included in the Ordinary Account

Joint Services

Joint Services include the service units and units with support, guidance and control functions, the corporate bodies and bodies provided for in the articles of association (except for the Parliamentary Supervisory Committee, which regards the Separate Account), the offices of the Chairman, the Chief Executive Officer and the Director General, where the latter position is filled. With regard to the Equity Investments unit and the Finance unit, for the purposes of accounting separation, their costs and revenues are broken down into Separate Account, Ordinary Account and Joint Services depending on the specific activity to which they refer (with the exception of the postal savings activities performed within the Finance unit, which belong exclusively to the Separate Account, as noted above).

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

Reclassified balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	117,964,477	415,573	(188)	118,379,862
Loans to customers and banks	81,878,069	3,300,112	-	85,178,181
Debt securities	691,520	-	-	691,520
Equity investments and shares	18,201,185	69,413	-	18,270,598
Funding	206,816,168	3,816,675	-	210,632,843
- of which: postal funding	*190,784,915*	-	-	*190,784,915*
- of which: funding from banks	*796,554*	*1,655,303*	-	*2,451,858*
- of which: funding from customers	*9,190,578*	-	-	*9,190,578*
- of which: funding from bonds	*6,044,121*	*2,161,372*	-	*8,205,493*

Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	1,987,226	6,912	(1)	1,994,137
Dividends	971,150	-	-	971,150
Net commissions	(913,899)	4,705	(125)	(909,319)
Other net revenues	102,833	3,293	-	106,127
Gross income	2,147,310	14,911	(126)	2,162,095
Net writedowns	(1,218)	-	-	(1,218)
Overheads	(16,374)	(3,071)	(60,400)	(79,845)
Operating income	**2,130,258**	**12,229**	**(51,407)**	**2,091,079**