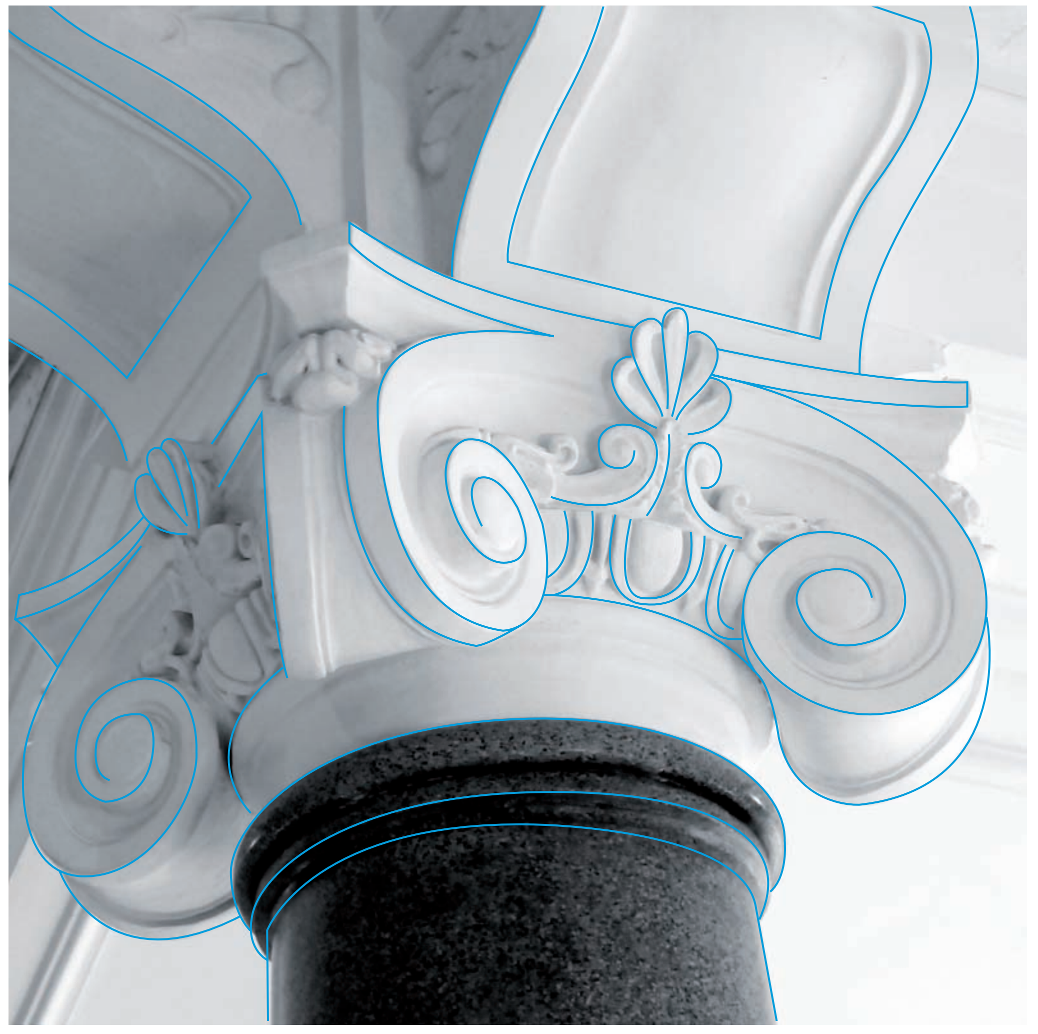
Cassa depositi e prestiti



CDP Spa
Report and Financial Statements
at 31 December 2011

cdp SpA
Cassa depositi e prestiti

Cassa depositi e prestiti

Financial Statements

at 31 December 2011

REGISTERED OFFICE - Rome - via Goito, 4

COMPANY REGISTER OF ROME - Entered in Company Register of Rome at 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

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Administrative and control bodies

Board of Directors

Franco Bassanini	*Chairman*
Giovanni Gorno Tempini	*Chief Executive Officer*
Cristian Chizzoli	*Director*
Cristiana Coppola	*Director*
Piero Gastaldo	*Director*
Ettore Gotti Tedeschi	*Director*
Nunzio Guglielmino	*Director*
Mario Nuzzo	*Director*

Supplementary members for administration of Separate Account

(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/2003)

State Accountant General	*Director* [1]
Director General of the Treasury	*Director* [2]
Romano Colozzi	*Director*
Guido Podestà	*Director*
Giuseppe Pericu	*Director*

[1] Giovanni De Simone, delegate of the State Accountant General.
[2] Maria Cannata, delegate of the Director General of the Treasury.

Preference Shareholders Support Committee

Matteo Melley	*Chairman*
Teresio Barioglio	*Member*
Alessio Bellincampi	*Member*
Marcello Bertocchini	*Member*
Angela Gallo	*Member*
Roberto Giordana	*Member*
Amedeo Grilli	*Member*
Antonio Marotti	*Member*
Ivano Paci	*Member*
Claudio Pieri	*Member*
Roberto Saro	*Member*

Steering Committee

Giuliano Segre	*Chairman*
Carlo Colaiacovo	*Member*
Adriano Giannola	*Member*
Andrea Landi	*Member*
Antonio Miglio	*Member*
Francesco Parlato	*Member*
Antimo Prosperi	*Member*
Alessandro Rivera	*Member*
Giovanni Gorno Tempini	*Member*

Board of Auditors

Angelo Provasoli	*Chairman*
Paolo Fumagalli	*Auditor*
Biagio Mazzotta	*Auditor*
Gianfranco Romanelli	*Auditor*
Giuseppe Vincenzo Suppa	*Auditor*
Francesco Bilotti	*Alternate*
Gerhard Brandstätter	*Alternate*

Parliamentary Supervisory Committee

Tommaso Foti	*Chairman*
Massimo Bitonci	*Deputy Chairman*
Salvatore Cultrera	*Secretary for Confidential Matters*
Oriano Giovanelli	*Parliamentary member*
Cinzia Bonfrisco	*Parliamentary member*
Paolo Franco	*Parliamentary member*
Giovanni Legnini	*Parliamentary member*
Valter Zanetta	*Parliamentary member*
Carmine Volpe	*Non-parliamentary member*
Gaetano Trotta	*Non-parliamentary member*
Manfredo Atzeni	*Non-parliamentary member*

Judge of the State Audit Court (in office at 31 December 2011)

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

Luigi Mazzillo

General Manager

Matteo Del Fante

Independent auditors

PricewaterhouseCoopers S.p.A.

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Highlights

(millions of euros)

	2011	2010
RECLASSIFIED BALANCE SHEET DATA		
Total assets	273,586	249,183
Cash and cash equivalents and interbank deposits	128,615	127,891
Loans to customers and banks	98,591	91,954
Equity investments and shares	19,826	18,652
Postal funding	218,408	207,324
Other direct funding	17,126	16,386
Equity	14,469	13,726
RECLASSIFIED PERFORMANCE DATA		
Net interest income	2,329	1,659
Gross income	2,030	2,297
Operating income	1,939	2,219
Net income	1,612	2,743

New lending

(millions of euros)

	Total 2011	Total 2010
Public entities	6,213	5,784
Enterprises and public-private partnerships to develop infrastructure	2,145	1,569
- of which: for projects promoted by public entities	*763*	*668*
- of which: to companies for works used to deliver public services	*1,382*	*901*
Enterprises	3,931	4,286
Total lending to customers and banks	**12,289**	**11,640**
Equity investments and funds *	667	1,200
Total lending by business line	**12,956**	**12,840**
Non-recurring transactions	3,533	-
Total new lending	**16,489**	**11,640**

* Does not include the share exchange with the MEF in 2010

Main indicators

(units; percentages)

	2011	2010
PERFORMANCE RATIOS		
Spread on interest-bearing assets - liabilities	1.1%	0.8%
Cost/income ratio	4.6%	3.7%
ROE	11.7%	22.5%
CREDIT RISK RATIOS		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.111%	0.104%
Net writedowns/Net loans to customers and banks	0.010%	0.004%
RATING (as of the date of approval of the financial statements)		
Fitch Ratings	A-	
Moody's	A3	
Standard & Poor's	BBB+	
OPERATING STRUCTURE		
Average no. of employees	486	424

1. Presentation of the company

1.1 CDP's role and mission

Cassa depositi e prestiti S.p.A. (CDP) is the result of the transformation of CDP 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, 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 mission prior to the transformation. Subsequent regulatory changes considerably expanded CDP's institutional mission and areas of expertise.

In April 2011 the Extraordinary Shareholders' Meeting of CDP approved a number of amendments to the articles of association as a consequence of the enactment of Article 7 of Decree Law 34 of 31 March 2011. The changes further extend the scope of CDP's operations, enabling it to acquire equity holdings in companies of major national interest, on the condition that they have a stable financial position and performance and adequate profit-generating prospects.

More specifically, the Decree of the Minister for the Economy and Finance of 8 May 2011 identified companies "of major national interest" as those belonging to a number of sectors (defence, security, infrastructure and public services, transportation, communication, energy, insurance and financial intermediation, research and high technology) or, alternatively, which have certain size characteristics (net turnover of at least €300 million and an average of at least 250 employees or, in the case of companies whose business has a significant impact in terms of spillovers and benefits for the economic system, turnover of up to €240 million and an average of at least 200 employees).

CDP is now a long-term investor, outside the scope of general government, providing funding for national infrastructure and the economy. CDP's corporate purpose comprises 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) Acquiring equity investments in companies of major national interest, as defined in the Decree of the Minister for the Economy and Finance of 8 May 2011, having a stable financial position and performance and adequate profit-generating prospects. These equity investments may be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or public entities, holds an interest.
4) 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 demand funds and by means of fund-raising exclusively from institutional investors.

As to other regulatory changes, in March 2011, the shareholders approved a number of amendments to the articles of association to reflect changes made to the Italian Civil Code by legislation on the rights of shareholders in listed companies (Legislative Decree 27 of 27 January 2010) and new statutory audit rules (Legislative Decree 39 of 27 January 2010). One of the main changes is the option – where the company is required to prepare consolidated financial statements or has special requirements due to its structure or corporate purpose – to call the annual general meeting, and thus approve the financial statements, within 180 days of the close of the financial year.
In order to complete consolidation procedures, CDP has exercised that option for the approval of the 2011 financial statements, without prejudice to the requirement to publish the draft financial statements approved by the Board of Directors within 120 days of the close of the financial year.

All of the above activities must be conducted by CDP in a manner such that, within the context of a separate accounting and organisational system, they preserve the long-term financial stability of the organisation 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 Consolidated Banking Act concerning supervision of non-bank financial intermediaries, taking account of the characteristics of the entity subject to supervision and the special rules that govern the Separate Account, apply to CDP.

The company is also subject to the oversight of the Parliamentary Supervisory Committee and the State Audit Court.

1.1.1 2011-2013 Business Plan

In March 2011, the Business Plan for 2011-2013 was approved. It sets out the company's new strategies and objectives for the medium and long term.

More specifically, the Plan seeks to consolidate CDP's role as a key partner in the long-term finance segment, helping to support public entities in meeting their investment requirements, acting as a catalyst in the development of the country's infrastructure and playing a central role in supporting industrial investment and the international growth of enterprises.

At the operational level, CDP will mobilise more than €40 billion in new resources for the economy, of which €18 billion for the public sector, €11 billion for infrastructure and €14 billion to support enterprises. The new lending will be funded with private resources, such as postal savings and market funding, thus ensuring that this does not impact the public debt.

A primary objective of the Plan is also to guarantee the stability of postal funding and to consolidate market funding. To this end, the net postal funding target for the three years is about €36 billion, with the introduction of new products to encourage long-term saving.

New lending

(billions of euros)

Business lines	2011	2011-13 BP	% achieved
Public entities	6.2	18	35%
Enterprises and public-private partnerships to develop infrastructure	2.1	8	27%
Enterprises	3.9	14	28%
Total lending to customers and banks	**12.3**	**40**	**31%**
Equity investments and funds	0.7	1	56%
Total lending by business line	**13.0**	**41**	**31%**
Non-recurring transactions	3.5	2	154%
Total new lending	**16.5**	**43**	**39%**

Analysing the results achieved in 2011, total new lending represented about 40% of the planned resources for the entire three-year period.

1.2 Developments in organisational arrangements

Organisational initiatives in 2011 were intended to continue the actions set out in the Business Plan with a view to leveraging corporate resources and improving operations overall.

The developments during the year primarily regarded the first-level units that report to the General Manager.

More specifically, the following areas were created:

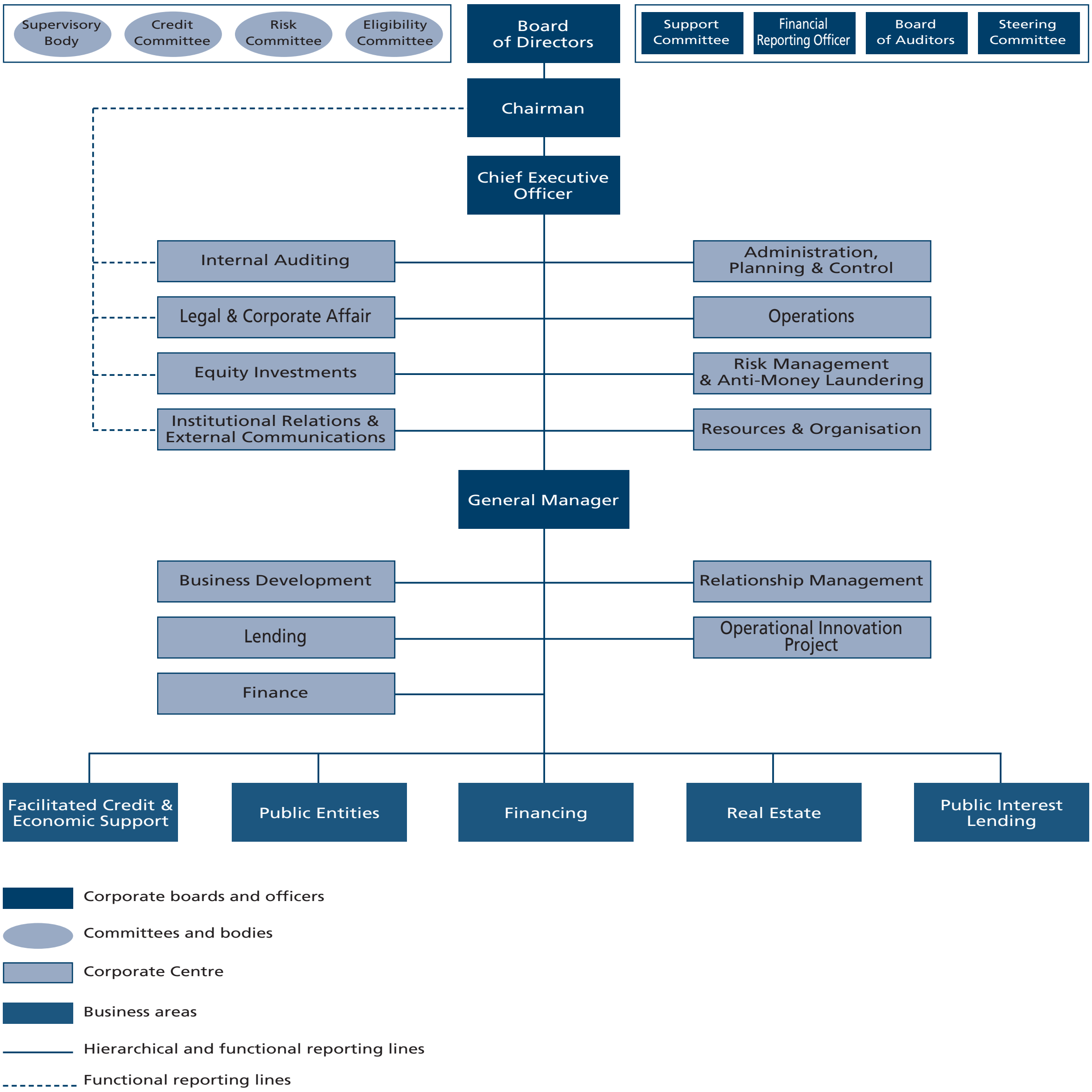
- Real Estate, to provide public entities and their subsidiaries support/advisory services in the process of leveraging or disposing of their property assets;
- Business Development, to conceive, develop and structure new lines of business to expand the product range for customers;
- Relationship Management, to develop an integrated commercial policy across the country.

In addition, in 2011 an anti-money laundering unit was established within the Risk Management function, which was renamed Risk Management and Anti-Money Laundering. The head of the area was designated as the Anti-Money Laundering Manager.

Under the current organisational structure, the Corporate Centre areas (Administration, Planning and Control; Resources and Organisation; Risk Management and Anti-Money Laundering; and Operations) report directly to the CEO. In addition, the areas Equity Investments; Internal Auditing; Institutional Relations and External Communications; and Legal and Corporate Affairs report to the CEO and are also functionally under the Chairman of the Board of Directors.

The General Manager reports to the CEO and is in charge of managing the following business areas: Public Entities; Facilitated Credit and Economic Support; Public Interest Lending; Financing; and Real Estate, as well as running of the Operational Innovation Project. The following business support areas also report to the General Manager: Business Development; Lending; Finance and Relationship Management.

Accordingly, the company's organisation chart as at the date of approval of the financial statements is as follows.



Completing this structure are: the Risk Committee, which is responsible for setting policy and managing risk and for supporting the CEO in assessing especially significant operational risks; the Eligibility Committee, which issues mandatory opinions concerning the eligibility of CDP lending transactions pursuant to law and the articles of association; and the Credit Committee, which issues mandatory opinions regarding the feasibility of lending transactions in terms of creditworthiness and financial sustainability.

1.3 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 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 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 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 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 existing organisational units have been re-grouped. The Separate Account includes, in general, the units responsible for financing regional and local government, public entities and public-law bodies or financing directed at public-interest initiatives "promoted" by such entities, funding to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE S.p.A.), and funding in favour of small and medium-sized enterprises for the purpose of supporting the economy. The Separate Account also includes the management of the assets and functions transferred to MEF with CDP's transformation into a joint-stock company, and the provision of advisory services to government bodies. The Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy, 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.

Under CDP's organisational structure at 31 December 2011, the Separate Account encompasses the following business areas: Public Entities, Operational Innovation, Facilitated Credit and Economic Support, Public Interest Lending, Real Estate, Relationship Management and postal savings-related activities conducted by the Finance area. The Financing business area falls under the Ordinary Account. Joint Services include the Corporate Centre areas and the governance and control bodies.

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

The contribution of the Separate Account and the Ordinary Account to CDP's performance is detailed in the Annexes to the financial statements.

2. The market

2.1 THE MACROECONOMIC SITUATION

The outlook for the world economy, already impacted by the effects of the 2008 financial crisis, deteriorated further in mid-2011 as economic conditions worsened. More specifically, in the advanced economies the recovery in domestic demand is slowing, while employment remains well below its pre-crisis levels. At the same time, the fiscal policies of the main countries appear to have exhausted their expansionary impetus. Stringent budget constraints and the continuing turbulence in sovereign debt markets, especially in the euro area, have fuelled uncertainty about developments in economic activity.

To tackle these increasingly difficult challenges, the European Council approved a series of measures designed to reinforce fiscal policy coordination and the mechanisms in place to rescue countries in difficulty. In particular, agreement was reached on the so-called Fiscal Compact, under which the 25 participating countries have undertaken to achieve budget balance and to reduce their public debt in excess of 60% of GDP by one twentieth of that amount per year. In this context, the restrictive policies necessary to consolidate the public finances have contributed to weakening domestic demand. In parallel with these structural developments, other exogenous factors had an adverse impact on the economic situation, such as the rise in commodity and oil prices and the impact of the earthquake in Japan.

In 2011, world GDP continued to grow (3.8%)[1], albeit at a slower pace than in 2010 (5.2%). International growth has mainly been driven by the emerging countries, which, although less robustly than their performance in 2010, are continuing to expand, posting growth rates of 6.2% and 7.3% in 2011 and 2010 respectively. Meanwhile, the advanced economies have grown much more slowly (1.6% in 2011 and 3.2% in 2010), as has consumption in those countries (2.2% in the United States, 0.3% in the European Union and -0.5% in Japan). In this environment, inflation has remained subdued.

In Italy, GDP grew by 1.5%[2] in 2011, in line with growth in the euro area (1.6%)[3]. Nevertheless, with decreases in both the second and third quarters of 2011 (-0.2% and -0.7% respectively)[4], Italy effectively dropped back into recession. Domestic demand remained slack, reflecting the impact of the budget measures intended to reduce the public deficit and debt on income and household expectations.

1 See International Monetary Fund, *World Economic Outlook Update*, January 2012.
2 See Bank of Italy, *Economic Bulletin* no. 67, January 2012.
3 See International Monetary Fund, *ibid*.
4 See ISTAT, *Stima preliminare del PIL*, February 2012.

Industrial activity slowed during 2011, ending the year with no change on 2010. The contraction in the production of consumer goods was only partly offset by the rise in output of capital goods and intermediate goods, especially in the machinery and equipment segment (+8.6%). Unemployment began to increase over the course of the year, reaching 8.9% in December 2011.

Despite the stagnation in aggregate demand and the low pressure on the prices of industrial goods, inflation rose to 2.8%, compared with 1% in 2010. The moderate rise in disposable income reduced households' purchasing power and, consequently, the savings rate declined, reaching 11.6% of income in the third quarter of 2011[5].

2.2 THE FINANCIAL MARKET AND RATES

Beginning in the second half of 2011, conditions in international financial markets were adversely impacted by the worsening sovereign debt crisis involving the peripheral countries of the euro area. Repeated downgrades by the leading rating agencies and recessionary expectations caused risk aversion to rise among investors, with a consequent increase in securities yields. In a context of uncertainty and volatility, bank stocks were severely penalised and, more generally, demand for financial assets diminished during the second half of the year.

In order to tackle the fund-raising difficulties of banks and to expand liquidity, at the end of the year the ECB decided to reduce the reserve requirement from 2% to 1% and carried out extraordinary refinancing operations (LTROs) involving loans with a maturity of 3 years.

The additional liquidity injected into the banking system alleviated funding difficulties in the final months of the year and fostered reinvestment in the euro-area's government securities markets. Alongside these measures, the ECB returned the rate corridor to its level during the financial crisis, with the main refinancing rate set at 1%, the rate on the marginal lending facility at 1.75% and that on the deposit facility at 0.25%, a step facilitated by inflationary conditions not considered worrying.

As a result, the interbank yield curve, and the short-term segment in particular, progressively declined from the peak reached in mid-2011.

In Italy, euro-area sovereign debt crisis had a major impact on the yield curve for government securities, raising borrowing costs to their highest level since the creation of the euro. The spread between 10-year Italian and German bonds, which began the year at around 185 basis points, widened during the year to a maximum of around 580 basis points[6].

5 See ISTAT, *Reddito e Risparmio delle Famiglie e Profitti delle Società*, January 2012 (most recent figures).
6 Source: Datastream.

The performance of equity markets was negatively affected by the uncertainty engendered by the debt crisis. In 2011, the Borsa Italiana index posted substantial losses (-25%), in line with those in other major European countries (-24% in Germany and -20% in France). At the international level, stock markets, while experiencing difficulties, limited their losses: the Dow Jones index lost 2% over the year, while the Morgan Stanley index comprising the world's main indices fell by 8%[7].

The uncertainty in Europe fostered a broad depreciation of the euro against the other main currencies. More specifically, it fell by a nominal 10% against the US dollar, 6% against the British pound and 25% against the Japanese yen[8]. The trend was steepest in the second half of the year, in conjunction with the sovereign debt crisis.

2.3 PUBLIC FINANCES

The series of public finance laws from the 2011 Finance Act to the 2012 Stability Act profoundly altered the scope for borrowing on the part of government entities. The priority objective established with the measures is to achieve budget balance by 2013 and stabilise the ratio of debt to GDP.

In this context, new limits and more stringent conditions under the Internal Stability Pact were imposed on regional and local governments, especially as regards compliance with the objective of achieving balance for the budget as prepared on the mixed cash/accruals basis, limitations on borrowing and a reduction in central government transfers.

First, the scale of the reductions in central government transfers to regional and local governments has been progressively increased: they currently total more than €40 billion for the 2012-2014 period.

Second, a dual objective has been introduced: first, regional and local governments are required to comply with the structural constraints of the Internal Stability Pact, i.e. achieving balance for the budget as prepared on the mixed cash/accruals basis; second, they must also contribute a specific percentage of current expenditure, net of the reduction in central government transfers, to the achievement of public finance targets. In addition, the limits on borrowing have been modified, so that local authorities cannot take out new loans or issue bonds if interest expenditure exceeds a given percentage of revenues (lowered from 15% to 8% for 2012).
Consequently, the public finances improved in 2011. The deficit/GDP ratio declined to 3.9%[9], down from 4.6% in 2010, thanks above all to the primary balance, which after posting a deficit in 2009-2010 showed an advance last year (1%).

7 Source: Datastream.
8 Source: Datastream.
9 Source: Istat (2012).

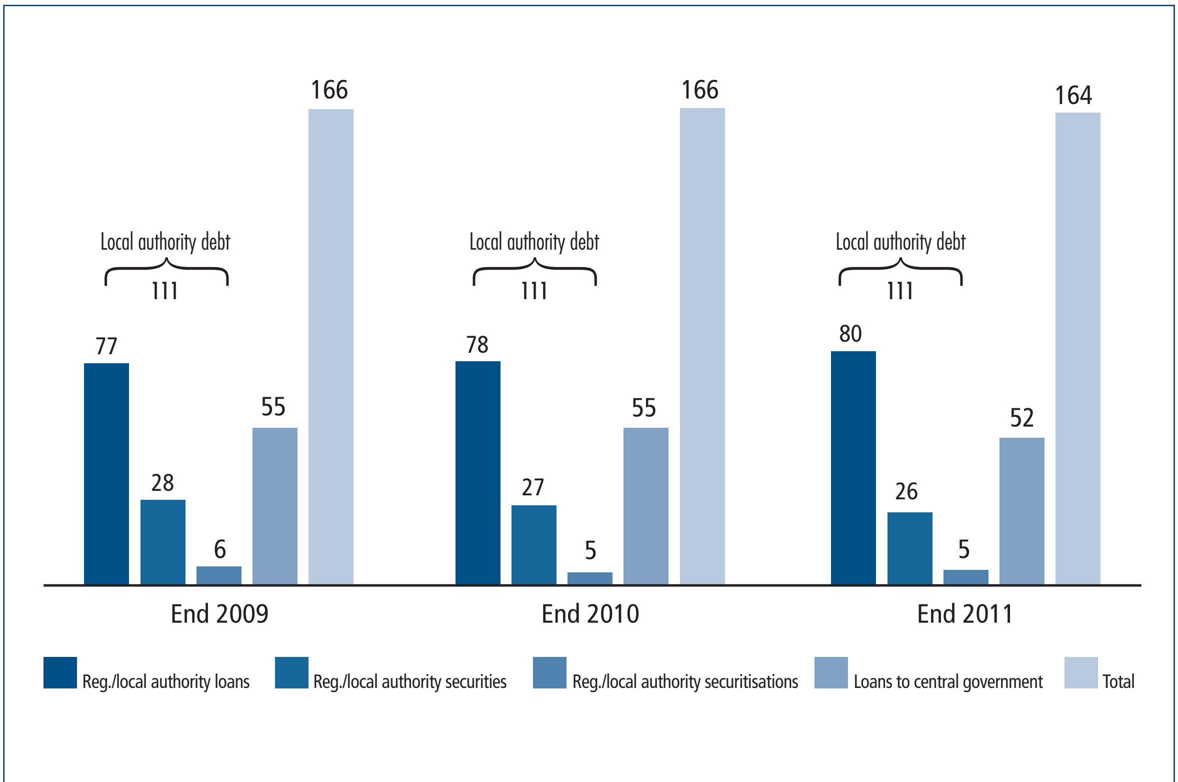
Total general government debt rose by about 1.5 percentage points as a proportion of GDP over the 2010-2011 period, to stand at 120.5%. The rise is still smaller than that reported by other major European countries and by the United States, confirming the good performance of the public finance parameters, which stabilised further with the government interventions enacted at the end of the year.

The more stringent constraints imposed on regional and local governments has, however, given rise to a gradual reduction in the ratio of their debt to GDP over the past few years and essentially stabilised the stock of debt.

Analysing the debt of regional and local governments and loans to central government departments, which represent CDP's target market, the stock of loans disbursed to regional and local governments at 31 December 2011 was equal to about €80 billion, an increase of 2.6% from 2010. At the same date, the stock of securities issued by regional and local governments was nevertheless about €26 billion, a decline of 4.8% from the end of 2010 (€27 billion).

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

(billions of euros)



Source: Bank of Italy - *Supplementi al Bollettino Statistico*.

The total debt of regional and local governments therefore amounted to €111 billion, including securitisations (€5 billion), in line with the stock at the end of 2010. The largest share was accounted for by local governments (provinces and municipalities), which accounted for about 52.7% of the total (about €58 billion), followed by the regions, which accounted for 37.2% (€41 billion), with other entities accounting for 10.1% (€11 billion).

Loans with costs borne by the central government amounted to about €52 billion at the end of 2011, a decrease of about 4.5% over the end of 2010.

2.4 Infrastructure and public-interest loans

In recent years, the use of private capital to build the country's public infrastructure has expanded considerably, thanks to the global economic crisis and the constraints on the public finances.

The data provided by the national observatory on project financing[10] confirm the growing recourse to public-private partnerships (PPP) in order to build public works. In 2011[11], calls for tenders to build infrastructure on a PPP basis reached about €13.5 billion for a total of 3,000 tenders, an increase on 2010 of 35% in value and 1% in number. Overall, in the last 10 years the value of PPP tenders has risen from €1.4 billion in 2002 to the current level of €13.5 billion, while the number of tenders has expanded nearly ten times (from 339 in 2002 to 3,000 in 2011).

Between January and November 2011 the market for PPP tenders alone (net of the selection of proposed projects) included 2,635 initiatives with a total volume of €10.9 billion. Compared with the same period of 2010, this represented broadly no change in the number of tenders (+1%) but a significant increase in value (+31.3%).

During the period considered, the number of PPP tenders as a proportion of all tenders for public works registered by the Cresme-Edilbox observatory[12] reached 16.9% (2,635 tenders out of a total of 15,586), an increase of 2% on 2010, while the proportion in value terms reached 41% (€10.9 billion out of a total of about €26.8 billion), up 11% on the previous year.

In terms of the size of projects, the most recent figures from the Cresme-Edilbox observatory confirm that the potential PPP market in Italy is mainly accounted for by initiatives worth less than €5 million (175 tenders out of a total of 182 in November 2011). Among these, tenders worth up to €1 million represented 83% of total demand.

10 See *Osservatorio nazionale PPP*, Rapporto 2011.
11 The figure for 2011 is an estimate; the most recent data are for November.
12 See *Osservatorio nazionale PPP, Nota mensile novembre 2011*.

As regards the segment connected with public expenditure on infrastructure, after a period of revision of the available resources that characterised part of 2011, measures to support the sector were implemented.

An awareness of the role that infrastructure investment can play in spurring the country's economic recovery prompted the adoption of measures that: permit the recovery and reallocation of the available public resources; help define a regulatory framework that facilitates the involvement of private-sector resources; reduce the cost of works.

More specifically, the Interministerial Committee for Economic Planning (CIPE) reprogrammed resources that had already been appropriated and assigned new resources, accompanying major infrastructure projects with those involving smaller but shovel-ready works.

At the regulatory level, the most significant changes involving infrastructure development were those contained in the Rescue Italy Decree (Decree Law 201/2011, ratified with Law 214/2012), the Grow Italy Decree (Decree Law 1/2012, ratified with Law 27/2012) and the Simplification Decree (Decree Law 5/2012, ratified with Law 35/2012).
These measures seek to encourage the participation of private-sector capital, not only with provisions concerning concessions, project financing or simplification of procedures, but also by identifying new instruments such as project bonds and availability contracts.

3. Performance and financial position

The following is an analysis of the accounts as at 31 December 2011. 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 262/2005 as amended, with a detailed breakdown of the accounts and related reclassifications.

New lending in 2011 amounted to nearly €16.5 billion, sharply up on 2010 (+41%) and the highest level since CDP was transformed into a joint-stock company. This performance is attributable to the large increase in lending to public and private enterprises for infrastructure development (+37%), broadly unchanged lending to public entities and through instruments to support the economy, and a substantial contribution from investments in equity investments and equity funds. The figures also reflect two very large non-recurring transactions, namely a loan to finance the past debt of the City of Rome in the amount of €3 billion and the acquisition, through the vehicle CDP GAS S.r.l., of an equity interest in Trans Austria Gasleitung GmbH ("TAG"), the company that holds the rights for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy.

New lending

(millions of euros)

Business lines	2011	2010	% change
Public entities	6,213	5,784	7%
Enterprises and public-private partnerships to develop infrastructure	2,145	1,569	37%
Enterprises	3,931	4,286	-8%
Total lending to customers and banks	**12,289**	**11,640**	**6%**
Equity investments and funds *	667	18	n/s
Total lending by business line	**12,956**	**11,657**	**11%**
Non-recurring transactions	3,533	-	n/s
Total new lending	**16,489**	**11,657**	**41%**

* Does not include non-recurring changes, namely the share exchange with the MEF in 2010

More specifically, new lending in 2011 was mainly in the form of direct lending to public entities (€6.2 billion, or 38% of the total) and lending to enterprises through instruments to support the economy (€3.9 billion, or 24% of the total), especially through the resources for SMEs. In addition, financing for companies and public-private partnerships to develop infrastructure projects came to about €2.1 billion (13% of the total).

A breakdown of new CDP lending by sector for 2011 shows that a considerable amount of resources went to investments in transportation networks and local public services (about €6.5 billion, or 39% of the total). Loans to SMEs and export finance (€3.4 billion, or 20% of the total) and financing for public building and social housing projects (around €1.7 billion, or 10% of the total) also accounted for significant shares.

New lending

(millions of euros)

Sector	31/12/2011	31/12/2010
Transport networks and local public services *	6,487	5,401
SMEs and export finance	3,368	3,656
Public building and social housing	1,698	2,138
Energy and telecommunications	719	301
Companies of major national interest (FSI)	540	-
Research and innovation	172	102
Environment and renewable resources	n/s	59
Total lending by sector	**12,956**	**11,657**
Non-recurring transactions	3,533	-
Total new lending	**16,489**	**11,657**

* Includes loans granted for major public works and diversified investment programmes to public entities

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 areas, see the notes to the financial statements (Operating segments).

Business lines	Business area/Corporate Centre responsible
Public Entities	Public Entities
Enterprises and public-private partnerships to develop infrastructure	Public Interest Lending and Financing
Enterprises	Facilitated Credit and Economic Support
Equity investments and funds	Equity Investments

3.1 Reclassified balance sheet

3.1.1 Assets

The assets of CDP from the reclassified balance sheet at 31 December 2011 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	31/12/2011	31/12/2010	% change
ASSETS			
Cash and cash equivalents and interbank deposits	128,615	127,891	0.6%
Loans to customers and banks	98,591	91,954	7.2%
Debt securities	17,194	5,464	214.7%
Equity investments and shares	19,826	18,652	6.3%
Assets held for trading and hedging derivatives	941	1,223	-23.1%
Property, plant and equipment and intangible assets	204	205	-0.2%
Accrued income, prepaid expenses and other non-interest-bearing assets	7,362	2,965	148.3%
Other assets	853	829	2.9%
Total assets	**273,586**	**249,183**	**9.8%**

As at the end of 2011, total assets came to €274 billion, an increase of 10% over the end of the previous year, when the total was €249 billion.

The stock of cash and cash equivalents (with the balance on the treasury account equal to €122 billion) was nearly €129 billion, an increase of about €1 billion over the end of 2010.

The stock of loans to customers and banks, which came to just under €99 billion, rose substantially compared with the end of 2010 (+7%). The increase was primarily attributable to the expansion of financing through instruments to support the economy and, to a lesser extent, the contribution of the business areas involving lending to public and private enterprises for infrastructure development and loans to public entities.

Debt securities totalled more than €17 billion, more than triple their level at the end of 2010. The rapid growth was mainly due to the subscription of government securities during the year and, to a smaller extent, the subscription of securities necessary to replace the separate asset pool securing covered bonds.

There was a 6% increase in the carrying amount of equity investments and shares (about €20 billion at the end of 2011, compared with nearly €19 billion at the end of 2010). The composition of CDP's stock portfolio changed during the year, mainly as a result of the establishment of the Fondo Strategico Italiano and the acquisition of 89% of TAG.

Assets held for trading and hedging derivatives posted a significant decrease over 2010 (-23%). This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes: at 31 December 2011, this balance mainly reflected the decrease in the fair value of the options acquired to hedge the corresponding option component of the equity-linked notes (indexed bonds and *BFPPremia* bonds).

The total balance of property, plant and equipment and intangible assets came to €204 million, of which €200 million in property, plant and equipment and the remainder in intangible assets. The total was essentially unchanged because investments made during 2011 were equal to the depreciation and amortisation recognised on existing assets during the year. Specifically, there was an increase in capital expenditure during the year (more than €7 million for 2011, compared with €3 million in 2010), the result of an increase in investment for the major renovation of properties owned by CDP and the start of the technological innovation projects envisaged in the 2011-2013 Business Plan.

Accrued income, prepaid expenses and other non-interest-bearing assets increased significantly compared with the end of 2010, going from €2,965 million to €7,362 million. This change was attributable to a variety of factors: an increase in the fair value of the loans hedged for financial risks using derivative instruments, a rise in accrued interest on liquidity and a substantial rise in past-due loans to be settled, which reflects the fact that the payment date for instalments falling due at year-end was a holiday, meaning that payments on many loans came in early January 2012.

Finally, other assets, in the amount of €853 million, were broadly unchanged. They include the balance of current and deferred tax assets as well as payments on account for withholding tax on interest on postal passbooks and other sundry assets.

DEVELOPMENTS IN LOANS TO CUSTOMERS AND BANKS

At 31 December 2011, loans to customers and banks totalled €98,591 million, up from €91,954 million at the end of 2010. The greatest contribution continued to come from the Public Entities area, although there was also an increase from the previous year in the relative volume of lending for the Facilitated Credit and Economic Support area, particularly related to SME lending. The contribution of the Financing area also rose.

Stock of loans to customers and banks

(millions of euros)

	31/12/2011	31/12/2010	% change
Public Entities	86,201	84,669	1.8%
Facilitated Credit and Economic Support	7,580	3,860	96.4%
Financing	4,598	3,419	34.5%
Public Interest Lending	34	7	356.2%
Other loans	177	(1)	n/s
Total loans to customers and banks	**98,591**	**91,954**	**7.2%**

The overall balance related to commitments to disburse funds and guarantees came to €15,245 million, up from €13,079 million at the end of 2010. The increase was mainly attributable to the Public Entities area, where the flow of new lending outstripped the start of repayment on loans granted previously, mainly due to the non-recurring loan granted to finance the past debt of the City of Rome.

Commitments to disburse funds and guarantees

(millions of euros)

	31/12/2011	31/12/2010	% change
Public Entities	9,809	6,993	40.3%
Facilitated Credit and Economic Support	1,675	2,869	-41.6%
Financing	1,369	1,557	-12.1%
Public Interest Lending	2,393	1,660	44.1%
Total commitments to disburse funds and guarantees	**15,245**	**13,079**	**16.6%**

3.1.2 Liabilities and equity

The reclassified liabilities and equity of CDP at 31 December 2011 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	31/12/2011	31/12/2010	% change
LIABILITIES AND EQUITY			
Funding	254,214	230,832	10.1%
- of which: postal funding	*218,408*	*207,324*	*5.3%*
- of which: funding from banks	*18,680*	*7,122*	*162.3%*
- of which: funding from customers	*9,057*	*9,121*	*-0.7%*
- of which: funding from bonds	*8,069*	*7,265*	*11.1%*
Liabilities held for trading and hedging derivatives	3,154	2,180	44.7%
Accrued expenses, deferred income and other non-interest-bearing liabilities	757	730	3.7%
Other liabilities	539	1,229	-56.2%
Provisions, taxes and staff severance pay	454	487	-6.7%
Equity for contingencies	14,469	13,726	5.4%
Total liabilities and equity	**273,586**	**249,183**	**9.8%**

Total funding as at 31 December 2011 came to more than €254 billion (+10% from the end of 2010). Within this aggregate, postal funding continued to grow (about 5% from the end of 2010), with the stock, which comprises passbook savings accounts and postal savings bonds, surpassing €218 billion.

Also contributing to the balance of funding, albeit to a lesser extent, was: (i) funding from banks (which increased from over €7 billion in 2010 to more than €18 billion in 2011), the rise in which is mainly attributable to the increased volume of interbank funding and, to a consequently lesser extent, draws on EIB credit lines; (ii) funding from customers (mainly related to the portion of specific-purpose loans in repayment as at 31 December 2011 and not yet disbursed), which came to around €9 billion, in line with the figure at the end of 2010; (iii) funding from bonds, up 11% from the end of 2010 at more than €8 billion, due to new EMTN issues during the year.

Liabilities held for trading and hedging derivatives posted an increase of about €1 billion on the end of 2010, going from €2,180 million to €3,154 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as such for accounting purposes. The reduction in the fair value of the option component to be unbundled from the indexed bonds and *BFPPremia* bonds only partially offset the increase in the negative fair value of the hedging derivatives.

Developments in the other aggregates can be summarised as follows: (i) accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to €757 million at the end of 2011, were largely unchanged; (ii) the substantial reduction in other liabilities, which totalled €539 million at the end of the year, was mainly due the lower liability in respect of Poste Italiane for the remuneration of fund-raising services; and (iii) provisions for contingencies, taxes and staff severance pay (equal to €454 million) declined slightly, mainly due to a reduction in payables related to current and deferred taxes.

Finally, equity at the end of 2011 came to €14.5 billion. The increase over 2010 (+5%) was due to the net income for the year (€1,612 million), partially offset by dividends on 2010 net income paid to shareholders during the year and the decline in the valuation reserves for financial assets available for sale.

3.1.3 Balance sheet ratios

Main indicators (reclassified data)

	2011	2010
Loans to customers and banks/Total assets	36.0%	36.9%
Loans to customers and banks/Postal funding	45.1%	44.4%
Equity investments and shares/Equity	1.37 x	1.36 x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.111%	0.104%
Net bad debts and substandard loans/Net loans to customers and banks	0.037%	0.037%
Net writedowns/Net loans to customers and banks	0.010%	0.004%

In 2011, the growth in funding from postal savings was less than the increase in new loans to customers and banks. Therefore, this resulted in a decrease 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 was broadly unchanged, since the new investments CDP made during the year were nearly entirely offset by the increase in equity.

The credit quality of CDP’s loan portfolio remains very high and its risk profile quite moderate, as shown by the very low cost of credit.

3.2 Reclassified income statement

3.2.1 Financial performance

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

Reclassified income data

(millions of euros)

	31/12/2011	31/12/2010	% change
Net interest income	**2,329**	**1,659**	**40.3%**
Dividends	1,229	1,135	8.3%
Net commissions	(1,489)	(710)	109.7%
Other net costs and revenues	(39)	213	n/s
- of which: Enel gain	*-*	*129*	*n/s*
Gross income	**2,030**	**2,297**	**-11.6%**
Net writedowns	(10)	(4)	168.8%
Overheads	(93)	(86)	8.4%
- of which: administrative expenses	*(85)*	*(77)*	*10.6%*
Operating income	**1,939**	**2,219**	**-12.6%**
Gain on equity investments	(14)	948	n/s
Net income	**1,612**	**2,743**	**-41.2%**

The results achieved in 2011 were, on the whole, positive for CDP, thanks above all to the increase in margins as a result of the stabilisation of its lending and funding rates after the steep decline in 2010. The results, however, are not fully comparable with those posted the previous year, due both to non-recurring gains recognised in 2010 on the share exchange carried out with the Ministry for the Economy and Finance (MEF) and the change in the nature and method of calculating fees paid to Poste Italiane for its placement and postal savings management services. These new arrangements mean that costs that under the previous system had been amortized over a number of years are now expensed entirely. Without this discontinuity, net income for the year would have increased by about 18%.

Net interest income amounted to €2,329 million, an increase of 40% compared with 2010. The improvement is mainly attributable to the increase in the spread between lending and funding rates as a result of the faster and larger increase in lending rates compared with the cost of funds.

The rise in net interest income was mainly offset by the aforementioned increase in commission expense on postal savings incurred in 2011, only partially mitigated by an increase in dividends received due to the change in CDP's portfolio of equity investments. Other factors include the negative contribution of other net revenues in 2011, reflecting a worsening of the performance of trading and hedging activities, as well as the effect of non-recurring revenues recognised in 2010 from the transfer of the equity investment in Enel S.p.A. to the MEF.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets.
Please note that the breakdown between staff costs and other administrative expenses differs from that reported in the financial statements as a result of a number of operational reclassifications.

Breakdown of overheads

(thousands of euros)

	31/12/2011	31/12/2010	% change
Staff costs	**51,452**	**46,008**	**11.8%**
Other administrative expenses	**31,707**	**29,008**	**9.3%**
Professional and financial services	5,483	6,542	-16.2%
IT expenses	10,751	8,647	24.3%
General services	7,435	6,747	10.2%
Publicity and marketing expenses	2,033	2,232	-8.9%
- of which for mandatory publicity	*1,138*	*969*	*17.5%*
Information resources and databases	1,383	1,184	16.8%
Utilities, taxes and other expenses	4,187	3,315	26.3%
Corporate bodies expenses	434	342	26.8%
Total net administrative expenses	**83,159**	**75,015**	**10.9%**
Expenses rebilled to third parties	1,751	1,744	0.4%
Total administrative expenses	**84,910**	**76,759**	**10.6%**
Net adjustments of non-current assets	7,888	8,812	-10.5%
Total	**92,798**	**85,571**	**8.4%**

Staff costs in 2011 came to €51 million, an increase of 12% compared with 2010.
The increase was the result of higher costs as a result of a rise in the average number of employees in 2011 compared with 2010 and ordinary wage developments (an increase of about 3% in the latter).

Other administrative expenses, in the amount of about €32 million, increased by 9% compared with 2010. This change was the result of: (i) higher IT costs as a result of the start of the technological innovation project envisaged in the 2011-2013 Business Plan; and (ii) increased expenses connected with the branch offices in Rome and Milan in respect of rents and costs for services and utilities.

Total administrative costs including expenses rebilled to third parties amount to about €85 million, up 10% on the previous year.

Taking into account the other remaining items and taxes, net income for 2011 amounted to €1,612 million, a decrease with respect to 2010 attributable to the non-recurring factors and the discontinuity discussed above.

Excluding the non-recurring factors that affected performance positively in 2010, namely the gain on the exchange of shares with the MEF (around €1,076 million) and the negative impact in 2011 of the change in the method used to calculate the fees on the postal savings service (€360 million), net income would have increased by about 18%.

Reclassified income data - *pro forma* excluding non-recurring items and discontinuities

(millions of euros)

	31/12/2011	31/12/2010	% change
Net interest income	**2,243**	**1,659**	**35.2%**
Dividends	1,229	1,135	8.3%
Net commissions	(864)	(710)	21.6%
Other net costs and revenues	(39)	85	n/s
Gross income	**2,569**	**2,168**	**18.5%**
Net writedowns	(10)	(4)	168.8%
Overheads	(93)	(86)	8.4%
Operating income	**2,478**	**2,090**	**18.6%**
Net income	**1,972**	**1,666**	**18.3%**

CDP's performance can also be analysed based on the contribution of each business area to the main margins, and specifically:

Reclassified income data by business area

(millions of euros)

	2011 operating income	2010 operating income	% change
Public Entities	353	367	-3.7%
Facilitated Credit and Economic Support	16	7	121.0%
Financing	32	31	5.0%
Public Interest Lending	1.7	2.2	-23.1%
Corporate Centre and other areas	1,535	1,811	-15.2%
Total CDP	**1,939**	**2,219**	**-12.6%**

As in 2010, the greatest contribution comes from the Public Entities area, which contributed 18% of total operating income. The contribution of the Facilitated Credit and Economic Support area and the Financing area is still limited, although higher, in absolute terms, than the previous year. The Public Interest Lending area continues to make a positive contribution, albeit still a very small one. Finally, the Corporate Centre unites the components of earnings attributable to equity investments, treasury operations and funding activities, as well as costs related to other functions and other revenues and expenses not otherwise allocable. In 2011, this aggregate was lower than in 2010, since the increase in net interest income was more than offset by higher commission expense and the gain recognised in 2010 following the share exchange with the MEF.

3.2.2 Performance indicators

Main indicators (reclassified data)

	2011	2010
Net interest income/Gross income	114.7%	72.2%
Net commissions/Gross income	-73.3%	-30.9%
Other revenues/Gross income	58.6%	58.7%
Commission expense/Postal funding	0.7%	0.3%
Spread interest-bearing assets - liabilities	1.1%	0.8%
Cost/income ratio	4.6%	3.7%
Cost/income ratio (including commission expense on postal funding)	45.3%	26.8%
Net income/Opening equity (ROE)	11.7%	22.5%
Net income/Average equity (ROAE)	11.4%	21.2%

Analysing the indicators, we find a substantial increase in the contribution of net interest income to CDP revenues compared with 2010, attributable to the developments in the spread between lending and funding rates, which went from about 80 basis points in 2010 to about 110 basis points in 2011.

As mentioned, the increase in net interest income was offset by the decrease in gross income, due to the rise in fees for the postal savings service.

Compared with 2010, there was also a slight deterioration in the indicators of operating efficiency, such as the cost-to-income ratio, which reflects the absence of the non-recurring income posted in the previous year and a moderate rise in costs. Excluding the non-recurring factors, however, the ratio would have improved from 4.1% in 2010 to 3.6% in 2011.
Finally, for 2011, return on equity (ROE) decreased compared with 2010, going from 22.5% to just under 12%. However, in order to compare the two years, after eliminating the gain on the share exchange from the 2010 figures and recalculating the postal savings service fees for 2011 on the basis of the previous remuneration arrangements with Poste Italiane, ROE would have risen from 13.7% in 2010 to 14.4% in 2011.

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

(millions of euros)

		ASSETS - RECLASSIFIED SCHEDULES							
	2011	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		0	0						
20. Financial assets held for trading	581					581			
40. Financial assets available for sale	2,714			2,516	184			14	
50. Financial assets held to maturity	9,289			9,167				122	
60. Loans to banks	19,405	6,585	7,242	5,140				438	
70. Loans to customers	220,538	122,030	91,349	371				6,788	
80. Hedging derivatives	360					360			
100. Equity investments	19,642				19,642				
110. Property, plant and equipment	200						200		
120. Intangible assets	5						5		
130. Tax assets	618								618
150. Other assets	236								236
Total assets	**273,586**	**128,615**	**98,591**	**17,194**	**19,826**	**941**	**204**	**7,362**	**853**

Balance sheet - Liabilities and equity

(millions of euros)

		LIABILITIES AND EQUITY - RECLASSIFIED SCHEDULES					
	2011	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	Equity
Liabilities and equity							
10. Due to banks	19,416	19,232		183			
20. Due to customers	227,042	226,913		130			
30. Securities issued	8,512	8,069		444			
40. Financial liabilities held for trading	472		472				
60. Hedging derivatives	2,621		2,621				
70. Adjustment of financial liabilities hedged generically	60		60				
80. Tax liabilities	444					444	
100. Other liabilities	539				539		
110. Staff severance pay	1					1	
120. Provisions	10					10	
130. Valuation reserves	1,081						1,081
160. Reserves	8,276						8,276
180. Share capital	3,500						3,500
200. Net income for the period	1,612						1,612
Total liabilities and equity	**273,586**	**254,214**	**3,154**	**757**	**539**	**454**	**14,469**

4. Operating performance

4.1 Financing activities and financial services

4.1.1 Performance of the loan portfolio - Public Entities

FINANCING OF PUBLIC ENTITIES AND PUBLIC-LAW BODIES

The Public Entities area is responsible for lending to public entities and public-law bodies, using products offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination.

The main credit products that the Public Entities area provides continue to 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; and unsecured loans for non-territorial public entities.

The following table reports the financial highlights related to the reclassified balance sheet and income statement, together with a number of key indicators.

Public Entities - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET		
Loans to customers and banks	86,201	84,669
Amounts to disburse on loans in repayment	8,423	9,086
Commitments to disburse funds	9,809	6,993
INCOME STATEMENT		
Net interest income	358	373
Gross income	361	376
Operating income	353	367
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.087%	0.080%
Net writedowns/Net loans to customers and banks	0.002%	0.002%
Performance ratios		
Spread interest-bearing assets - liabilities	0.4%	0.5%
Cost/income ratio	1.8%	2.0%
MARKET SHARE (STOCK)	**45.8%**	**43.8%**

Initiative undertaken in 2011 include the completion of the first technology innovation projects provided for in the 2011-2013 Business Plan, which were a success with customers. In particular, in addition to the traditional channel, local authorities can now submit loan applications via the Web using the "*Domanda On Line*" and "*Informazioni On Line*" application services, enabling them to monitor the approval and disbursement process as it moves forward.

Since September 2011, the CDP website offers a new version of the "*Domanda On Line*" service, which uses a specific accreditation process to enable potential borrowers to complete the entire loan application process on line, increasing efficiency and effectiveness considerably and substantially reducing response times and the scope for errors in submitting applications. Since the first application of the system, more than 50% of loan applications have been submitted through this new channel.

As at 31 December 2011, loans to customers and banks totalled €86,201 million, including adjustments for IAS/IFRS purposes, an increase of nearly 2% from the end of 2010 (€84,669 million). This change was due to the start of repayment periods on previously granted loans related to disbursements of loans without a pre-repayment grace period, which more than offset the amount of debt repaid during the period.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €94,631 million, a 5% increase over 2010 (€90,339 million). The change can be attributed to new lending, which contributed to increasing the total stock, more than offsetting principal payments falling due in 2011.

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

(millions of euros)

	31/12/2011	31/12/2010	% change
Local authorities	45,907	45,519	0.9%
Regions and autonomous provinces	25,051	24,049	4.2%
Other public entities and public-law bodies	13,864	13,779	0.6%
Total amounts disbursed or in repayment	**84,823**	**83,347**	**1.8%**
IAS/IFRS adjustments	1,379	1,322	4.3%
Total loans to customers and banks	**86,201**	**84,669**	**1.8%**
Total amounts disbursed or in repayment	**84,823**	**83,347**	**1.8%**
Commitments to disburse funds	9,809	6,993	40.3%
Total loans (including commitments)	**94,631**	**90,339**	**4.8%**

At the end of December 2011, CDP's overall market share came to nearly 46%, compared with 44% at the end of 2010. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government. Market share is measured based on actual amounts disbursed, which, for CDP, is equal to the difference between loans to customers and banks and amounts to be disbursed on loans being repaid.

CDP's estimated market share, calculated on the basis of new borrowing in 2011 rather than the end-period stock, comes to about 80%, underscoring CDP's even greater prominence in new lending.

Loan amounts to be disbursed, including commitments, increased by 13% compared with the end of 2010 (from €16,079 million to €18,232 million at 31 December 2011), since the amounts disbursed during the year were lower than the amount of new loans granted.

Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2011	31/12/2010	% change
Amounts to disburse on loans in repayment	8,423	9,086	-7.3%
Commitments to disburse funds	9,809	6,993	40.3%
Total amounts to disburse (including commitments)	**18,232**	**16,079**	**13.4%**

New lending and subscriptions of securities issued increased in 2011, rising from €5,784 million in 2010 to €9,213 million last year, a rise of about 59%. The expansion largely reflects the non-recurring loan granted to finance the past debt of the City of Rome in the amount of €3 billion.

More specifically, the reduced borrowing capacity of regional and local governments produced a large decline in the volumes of lending to the local authorities segment, while loans with repayment charged to central government rose sharply (going from €408 million in 2010 to €2,337 million in 2011), with the increase attributable to a small number of large-value transactions. Loans to non-territorial public entities and public-law bodies also rose.

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	Total 2011	Total 2010	% change
Major local authorities	430	1,195	-64.0%
Other territorial entities	999	1,535	-35.0%
Total local authorities	**1,429**	**2,730**	**-47.7%**
Regions	1,964	2,335	-15.9%
Non-territorial public entities	484	312	55.2%
Total	**3,876**	**5,377**	**-27.9%**
Loans with repayment charged to state	2,337	408	473.1%
Grand total	**6,213**	**5,784**	**7.4%**
City of Rome special commissioner	3,000	-	n/s
Total Public Entities	**9,213**	**5,784**	**59.3%**

A breakdown of financing by type of project shows that loans were mainly granted for projects with sundry purposes (accounting for 57% of the total for 2011 compared with 45% for 2010, largely comprising loans for large-scale works or differentiated investment programmes), for road and transport projects (23% of the total compared with 19% in 2010), and for sundry public works (6% of the total compared with 3% in 2010).

Public Entities - Flow of new loans by purpose

(millions of euros)

	Total 2011	Total 2010	% change
Public and social building	355	854	-58.5%
School and university building	413	429	-3.7%
Sports, recreational and lodging facilities	99	136	-27.1%
Healthcare building	58	105	-44.5%
Natural disaster restoration works	72	38	90.9%
Road and transport	2,142	1,093	95.9%
Water projects	136	99	36.6%
Sanitation projects	46	75	-39.2%
Energy projects	79	144	-45.1%
Other public works	508	160	217.9%
Loans for sundry projects *	5,245	2,611	100.9%
Total investments	**9,154**	**5,745**	**59.3%**
Recognised off-balance-sheet liabilities and other liabilities	59	39	50.6%
Total	**9,213**	**5,784**	**59.3%**

* Also includes loans for major public works and diversified investment programmes not included in the other categories

A breakdown of new loans granted by product shows that the greatest recourse was made to loans without a pre-repayment grace period (47% of the total, in line with 2010), mainly large loans to regional governments and loans with repayment charged to central government, which are granted on the basis of public tenders awarded to CDP. In addition, although they accounted for a smaller percentage in 2011 than the previous year, significant use was still made of both fixed- and floating-rate ordinary specific-purpose loans (15% of the total, compared with 37% in 2010), while the contribution from flexible loans (1%) and unsecured and real estate loans (3%), with the latter going solely to non-territorial public entities, remained modest.

Public Entities - Flow of new loans by product

(millions of euros)

	Total 2011	Total 2010	% change
Ordinary loans	1,362	2,165	-37.1%
Flexible loans	71	576	-87.6%
Unsecured loans and real estate loans	307	301	2.0%
Loans without pre-repayment grace period	4,301	2,742	56.8%
- of which: loans granted under tender awards	*2,204*	*353*	*524.9%*
Securities	173	-	n/s
Total	**6,213**	**5,784**	**7.4%**
City of Rome special commissioner	3,000	-	n/s
Total Public Entities	**9,213**	**5,784**	**59.3%**

In 2011, loans disbursements and subscriptions of securities totalled €6,277 million, down (-19%) from 2010. The change is explained by the contraction in loans disbursed to regional governments (-31%), in addition to loans with repayment charged to central government (-33%) and loans to non-territorial public entities and public-law bodies (-7%) and other local authorities (-10%), which was only partially offset by the increase in disbursements to large local authorities (+10%).

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	Total 2011	Total 2010	% change
Major local authorities	1,267	1,156	9.6%
Other territorial entities	1,594	1,765	-9.7%
Total local authorities	**2,862**	**2,921**	**-2.0%**
Regions	1,788	2,600	-31.2%
Non-territorial public entities	485	523	-7.3%
Total	**5,134**	**6,044**	**-15.1%**
Loans with repayment charged to state	1,143	1,716	-33.4%
Grand total	**6,277**	**7,760**	**-19.1%**

In terms of the Public Entities area's contribution to CDP's performance in 2011, there was a slight decline in net interest income attributable to the area, which went from €373 million in 2010 to €358 million in 2011, due to a slight contraction in the spread between assets and liabilities. This decrease is also seen in gross income (€361 million, -4% from 2010), as a result of having received the same amount of commission income in both 2011 and 2010. Taking account of overheads, the operating income attributable to the area amounted to €353 million (€367 million in 2010), once again making a significant contribution (18%) to CDP's overall operating income.

The spread between interest-bearing assets and interest-bearing liabilities in 2011 came to about 40 basis points, slightly lower than the margin for 2010. For CDP as a whole, the spread was about 110 basis points for the year.

Finally, the cost-to-income ratio came to 1.8%, an improvement over 2010, since the negative impact of lower revenues was more than offset by the reduction in overheads.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially stable compared with 2010.

Initiatives in 2011 included a new project for the municipalities affected by the earthquake of 6 April 2009, in accordance with Article 1.2 of Decree Law 39/2009, the region of Abruzzo, the province of L'Aquila, and the other public entities and public-law bodies located in the areas affected. Given the operating difficulties of these entities, CDP has granted an additional deferral of payment of the loans for up to two years.

RATE POLICY

In 2011, the policy for setting interest rates for Separate Account financing continued to follow the line set down in previous years, which was 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 September and November 2011, two new notices were issued by the Ministry for the Economy and Finance that reset the global annual cost of loans of up to €52 million with repayment charged to central government. This represents the maximum rate that CDP can charge on its loans. More specifically, for the same loan maturity bands and parameters, the new notices updated the spreads that can be applied both to fixed-rate and floating-rate loans compared with the levels established in the notice issued at the end of 2010. These changes involved an increase in maximum interest rates and spreads, thereby increasing the funding costs for the government itself.

CDP continued to update the interest rates and spreads for all products offered, generally on a weekly basis and, in any event, maintaining the method adopted in the past. This made it possible to ensure consistency in the financial terms offered for each type of product, while complying with applicable regulations. 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.

Date of MEF notice

(millions of euros)

Product	Maturity	Index	13/07/2010 Spread (%)	22/09/2011 Spread (%)	23/11/2011 Spread (%)
Fixed rate	20 years	15Y swap	1.60	2.90	4.30
Floating rate	20 years	6-month Euribor	1.65	2.90	4.30

4.1.2 Performance of the loan portfolio - Facilitated Credit and Economic Support

The Facilitated Credit and Economic Support area is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP.

More specifically, subsidised loans primarily draw on CDP resources with state subsidised interest (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of direct central government funding (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund). Economic support measures already in place since 2009 include the funds available to banks for loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo.

In this context, CDP acts as the manager of subsidy measures on behalf of the public sector under specific legislation, while also providing broader support to the economy through the banking industry, compatible with a market-oriented approach.

The main aggregates of the balance sheet and income statement reclassified on an operational basis, are summarised in the following table together with a number of indicators.

Facilitated Credit and Economic Support - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET		
Loans to customers and banks	7,580	3,860
Amounts to disburse	33	35
Commitments to disburse funds	1,675	2,869
INCOME STATEMENT		
Net interest income	18.3	9.0
Gross income	18.4	9.1
Operating income	16.1	7.3
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.251%	0.378%
Net writedowns/Net loans to customers and banks	0.000%	(0.002%)
Performance ratios		
Spread interest-bearing assets - liabilities	0.3%	0.3%
Cost/income ratio	12.2%	20.8%

Ever since CDP established the instrument to provide support to SMEs, it has signed specific agreements with the Italian Banking Association (ABI) in order to establish the criteria for allocating the available resources (initially totalling €8 billion).

The granting of funds under the first tranche of the third agreement reached in December 2010 came to an end during 2011. At the same time, the unused portion of the appropriated funds was transferred to the so-called "permanent fund", envisaged under the agreement as the instrument for completing the disbursement of the €8 billion appropriated in 2009.

In addition, on 24 March 2011 a new agreement was signed that governs the use of a new fund ("SME Agreement") to provide a new economic support instrument. The objective is to enable SMEs to benefit from a fixed rate on loans for which the agreement of 16 February 2011 between the Prime Minister's Office, the MEF, the ABI and other trade associations envisages the option of lengthening the repayment plan.

In October 2011, in view of the depletion of the initial €8 billion fund, the Board of Directors approved an increase in the resources that CDP provides to small and medium-sized enterprises, with the establishment of a new fund totalling €10 billion. Of the total, €8 billion will be targeted at SMEs' investment and working capital needs, while €2 billion will be deployed to mitigate the problem of payment delays on SMEs' receivables in respect of government departments. On 1 March 2012 the agreement activating the new fund was signed with the ABI.

As regards the operations of the Revolving Fund to support enterprises and research investment (the National FRI), a number of significant legislative changes took place in 2011: (i) the issue of Decree Law 70/2011, containing amendments to existing rules in order to increase the effectiveness of the mechanisms for allocating resources; (ii) the Decree of the Director General of the Treasury 90562 of 15 November 2011 governing the monitoring of subsidised loans and enforcement of the government guarantee; (iii) the Decree of the Minister for the Economy and Finance 98392 of 1 December 2011, concerning the updating of the procedures for setting the interest rate on amounts disbursed using FRI funds.

In addition, on 1 April 2011 the Ministry for the Economy and Finance, acting in agreement with the Ministry for Economic Development, issued a decree setting out the guidelines for the Regional FRI, including the minimum interest rate and the maximum length of repayment plans. This will provide a framework for subsequent agreements between CDP and the individual regions and autonomous provinces.

The activities to support Italy's economic development policies also include the financing of operations involving the international expansion of Italian companies through the "Export Bank" system. In this context, on 4 April 2011 an agreement was signed between CDP, the ABI and SACE that calls for financial support from CDP, SACE guarantees and the full involvement of the banks in arranging financing for Italian exporters.

Under the agreement, CDP provides tied funding for the portion of the loan with a 100% guarantee from SACE, with the option of lending directly to the borrower or indirectly through the banking system.

In 2011 CDP signed a commitment letter for a loan of up to €808 million to Carnival Corporation & PLC. The transaction, approved by the Board of Directors in April 2011, is part of "direct operations", under the provisions of the 4 April agreement. The operation involved CDP undertaking to grant a direct loan to Carnival group companies for the delivery, to be completed in 2015, of two cruise ships from the Fincantieri group.

Finally, during the year work intensified on the activation of the revolving fund to finance greenhouse gas reduction measures, in implementation of the Kyoto Protocol. In this area:

- on 15 November 2011, CDP and the Ministry of the Environment entered into an agreement: (i) setting out the operating procedures of the fund and the performance of activities involved in the processing, disbursement and management of subsidised loans and associated activities; (ii) designating CDP as the agent to operate the fund;
- on 22 December 2011 CDP and ABI signed an agreement setting out: (i) the guidelines, terms and conditions of the commission to be granted to each participating bank for the purposes of performing the activities associated with the operation of the Kyoto fund and the disbursement of subsidised loans; (ii) the additional functions and commitments of each participating bank in the Kyoto Procedure.

On 16 March 2012 the period for requesting subsidised loans from the Kyoto fund began. Such applications regard the regional and national-level funds as well as all measures available under the instrument.

As regards the loan portfolio of the area, the stock of loans to customers and banks at the end of 2011 came to €7,580 million, up significantly from the end of 2010, thanks to the full introduction of the new instruments to support the economy. More specifically, the stock of SME loans came to €5,844 million, while the stock of loans for earthquake reconstruction in Abruzzo totalled €843 million. For the Revolving Fund to support enterprises and research investment (FRI), the amount disbursed as at the end of 2011 came to €828 million.

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

(millions of euros)

	31/12/2011	31/12/2010	% change
SME loans	5,844	2,575	126.9%
FRI loans	828	719	15.1%
Abruzzo earthquake reconstruction loans	843	494	70.6%
Intermodal systems loans (Article 38.6, Law 166/2002)	68	74	-7.7%
Total amounts disbursed or in repayment	**7,583**	**3,863**	**96.3%**
IAS/IFRS adjustments	(3)	(3)	8.1%
Total loans to customers and banks	**7,580**	**3,860**	**96.4%**
Total amounts disbursed or in repayment	**7,583**	**3,863**	**96.3%**
Commitments to disburse funds	1,675	2,869	-41.6%
Total loans (including commitments)	**9,258**	**6,732**	**37.5%**

Amounts to be disbursed including commitments declined significantly from their level at the end of 2010 (-41%). The reduction is attributable to the flow of new disbursements in the period and the reduction in undisbursed loans granted previously, whose overall amount exceeded the flow of new loans agreed during the year. As a result, the aggregate went from €2,904 million at the end of 2010 to €1,708 million at 31 December 2011.

Facilitated Credit and Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2011	31/12/2010	% change
Amounts to disburse*	33	35	-5.2%
Commitments to disburse funds	1,675	2,869	-41.6%
Total amounts to disburse (including commitments)	**1,708**	**2,904**	**-41.2%**

* State funds managed by CDP

The total volume of resources mobilised during the year for loans granted through the economic support mechanisms amounted to €3,931 million, of which €2,449 million related to loans to small and medium-sized enterprises and €401 million to loans for reconstruction in the areas affected by the Abruzzo earthquake. In addition, €808 million were channelled through the "Export Bank" system, €172 million through the FRI and €101 million through disbursements of central government funds.
Overall volumes were down somewhat compared with 2010, the year in which most of the loans using resources under the first SME fund were formalised.

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

(millions of euros)

	Total 2011	Total 2010	% change
SME support loans	2,449	3,528	-30.6%
Export Bank	808	-	n/s
Abruzzo earthquake reconstruction loans	401	509	-21.2%
FRI loans	172	102	69.4%
Disbursements/Agreements third-party funds	101	147	-31.3%
Total	**3,931**	**4,286**	**-8.3%**

Against this new lending, a total of €4,295 million were disbursed during the year, largely in respect of loans to SMEs (over 85% of the total).

Facilitated Credit and Economic Support - Flow of disbursements by product

(millions of euros)

	Total 2011	Total 2010	% change
SME loans	3,636	2,308	57.6%
Abruzzo earthquake reconstruction loans	371	495	-25.1%
FRI loans	187	219	-14.8%
Disbursements/Agreements third-party funds	101	147	-31.3%
Total	**4,295**	**3,169**	**35.5%**

With regard to loans granted to support SMEs, the total amount of loans granted amounted to €6,851 million (of which €57 million in respect of the SME Agreement), of which €5,538 million to banks and banking groups and €1,255 million to mutual banks through ICCREA. Against this new lending, a total of €6,788 million was actually disbursed, of which €5,538 million to banks and banking groups and €1,249 million to mutual banks through ICCREA.

Facilitated Credit and Economic Support - SME resources

(millions of euros)

	Total resources	Loans agreed*	% resources used	Loans disbursed **
Banking groups and banks		5,538		5,538
Mutual banks through ICCREA		1,255		1,249
Total	**8,000**	**6,794**	**85%**	**6,788**

* Net of reductions at end of contract period for each agreement
** Gross of extinguishments made on basis of half-year accounts

As regards the facilitated credit instruments, for the FRI total loans authorised and approved by the relevant ministries came to €2,714 million as at 31 December 2011, with a gross stock of €1,926 million granted (with new lending of €172 million for 2011). The stock of loans disbursed as at the end of 2011 came to €828 million, with disbursements for the year totalling €187 million.

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

(millions of euros)

	Total 2011	Total 2010	% change
Law 488/1992 (Artisans)	0	1	-68.4%
Law 488/1992 (Tourism, industry and trade)	9	8	5.4%
Law 46/1982 (FIT - PIA Innovation - Industrial districts)	65	21	211.5%
Legislative Decree 297/1999 (FAR)	43	52	-17.1%
Assistance mechanism 110/2001 - Land Reorganisation (ISMEA)	55	19	183.3%
Total	**172**	**102**	**69.4%**

In terms of the Facilitated Credit and Economic Support area's contribution to CDP's performance in 2011, the considerable volume of new loans significantly increased net interest income, from €9 million in 2010 to €18 million in 2011. Operating income grew similarly, from around €7 million in 2010 to over €16 million in 2011.

In addition, the spread between assets and liabilities came to 30 basis points, essentially unchanged compared with 2010, indicating that performance was almost entirely attributable to higher volumes.
The cost-to-income ratio for the area came to around 12%, a sharp improvement over the 21% in 2010, due to the significant increase in the area's revenues, along with a slight increase in the related overheads.

Finally, regarding the credit quality of the loan portfolio for the Facilitated Credit and Economic Support area, problem positions were a small and declining proportion of the total, all attributable to the FRI and secured by a last-resort state guarantee.

4.1.3 Performance of the loan portfolio - Public Interest Lending

The operations of the Public Interest Lending area concern CDP's direct involvement in financing projects of general public interest sponsored by public entities, for which the financial sustainability of the related projects has been verified.

The following is a summary of the balance sheet and income statement reclassified on an operational basis, together with a number of indicators.

Public Interest Lending - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET		
Loans to customers and banks	34	7
Commitments to disburse and guarantees	2,393	1,660
INCOME STATEMENT		
Net interest income	0.1	-
Gross income	3.2	3.0
Operating income	1.7	2.2
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 interest-bearing assets - liabilities	0.33%	0.01%
Cost/income ratio	29.4%	27.0%

The area's contribution to CDP's stock of loans to customers and banks remains small, given that operations began only recently and in view of the type of financing involved (which require medium-long periods for disbursement).

At 31 December 2011, the total stock of loans granted came to €2,426 million, an increase of about 46% over 31 December 2010 (€1,667 million). This figure also includes disbursement commitments and guarantees.

Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

	31/12/2011	31/12/2010	% change
Infrastructure projects	-	-	n/s
Loans with repayment charged to state	34	7	356.2%
Total loans to customers and banks	**34**	**7**	**356.2%**
Total amounts disbursed or in repayment	**34**	**7**	**356.2%**
Commitments to disburse funds and guarantees	2,393	1,660	44.1%
Total loans (including commitments)	**2,426**	**1,667**	**45.5%**

In the area of financing for infrastructure projects, in 2011 a commitment letter was signed with Società di Progetto Brebemi S.p.A. for a loan of €763 million. The loan, approved by the Board of Directors in June 2011, is intended to be used for the design, construction and operations of a new motorway segment connecting the cities of Brescia, Bergamo and Milan. The project, which is included among the strategic infrastructure projects governed by the Framework Infrastructure Act, joins those agreed in previous years, bringing the overall amount of the area's commitments to €2,393 million.

Public Interest Lending - Flow of new loan agreements

(millions of euros)

	Total 2011	Total 2010	% change
Project finance	763	450	69.4%
Loans with repayment charged to state	-	218	n/s
Total	**763**	**668**	**14.1%**

In 2011, loans with repayment charged to central government included a disbursement of €30 million for the defence and aerospace industries.

Public Interest Lending - Flow of new disbursements

(millions of euros)

	Total 2011	Total 2010	% change
Project finance	-	-	n/s
Loans with repayment charged to state	30	8	263.7%
Total	**30**	**8**	**263.7%**

The area still makes only a minor contribution (€1.7 million) to CDP's operating income, mainly from commissions on transactions in the area's portfolio, partially offset by overheads for the period.

4.1.4 Performance of the loan portfolio - Financing

Operations of the Financing area regard the financing, with funding not guaranteed by the central government or through EIB funding, 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, and the production, transport and distribution of energy).

The following is a summary of the balance sheet and income statement reclassified on an operational basis, together with a number of indicators.

Financing - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET		
Loans to customers and banks	4,598	3,419
Commitments to disburse and guarantees (off-balance-sheet)	1,369	1,557
INCOME STATEMENT		
Net interest income	30.9	25.7
Gross income	40.3	31.5
Operating income	32.3	30.8
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.264%	0.320%
Net writedowns/Net loans to customers and banks	0.134%	-
Performance ratios		
Spread interest-bearing assets - liabilities	0.8%	0.8%
Cost/income ratio	6.8%	5.9%

At 31 December 2011, the total stock of loans disbursed, under the Ordinary Account, reached €4,598 million, including IAS/IFRS adjustments, an increase of 34% from the end of 2010 (€3,419 million). The size of the aggregate as a proportion of the CDP total amounts to about 5%, an increase from the previous year (about 4%).

At the same date, loans granted came to €5,934 million, an increase of more than 20% over 31 December 2010 (€4,934 million). The size of this aggregate, which also includes disbursement commitments and guarantees, as a proportion of the CDP total rise slightly to more than 5%.

Financing - Stock of loans to customers and banks

(millions of euros)

	31/12/2011	31/12/2010	% change
Project finance	311	255	21.8%
Corporate finance	4,171	3,072	35.8%
Securities	83	50	66.7%
Total amounts disbursed or in repayment	**4,565**	**3,378**	**35.2%**
IAS/IFRS adjustments	33	42	-21.3%
Total loans to customers and banks	**4,598**	**3,419**	**34.5%**
Total amounts disbursed or in repayment	**4,565**	**3,378**	**35.2%**
Commitments to disburse and guarantees	1,369	1,557	-12.1%
Total loans (including commitments)	**5,934**	**4,934**	**20.3%**

During the year, new loans totalling €1,382 million were agreed, an increase of 53% from the level achieved for 2010 (€901 million). The new lending concerned new corporate investments by enterprises in the electricity sector, high-speed/high-capacity rail transport segment and local multi-utilities, in addition to new project finance initiatives in the public works segment.

Financing - Flow of new loan agreements

(millions of euros)

	Total 2011	Total 2010	% change
Project finance	182	74	145.9%
Corporate finance	1,200	827	45.1%
Total	**1,382**	**901**	**53.4%**

Disbursements for 2011 in respect of new loans and those from previous years totalled €1,564 million (more than double the level posted in 2010). The greatest increase came in the form of corporate financing for operators in the electricity industry and local multi-utilities.

Financing - Flow of new disbursements

(millions of euros)

	Total 2011	Total 2010	% change
Project finance	83	105	-21.2%
Corporate finance	1,482	647	128.9%
Total	**1,564**	**752**	**107.9%**

The Financing area's contribution to CDP's performance for 2011 improved significantly. More specifically, net interest income rose from €26 million in 2010 to €31 million in 2011, an increase of 20%. This positive performance was due to an increase in volumes, as the spread between lending rates and funding costs was essentially unchanged (around 80 basis points). Taking commission income and overheads for the period into account, the area's operating income came to €32 million. While this contribution to CDP's overall operating income is still limited, it does confirm the result achieved the previous year.

The cost-to-income ratio for the area thereby comes to about 7%, up from the approximately 6% of 2010, as a result of slightly higher overheads.

Finally, writedowns for impairment of the Financing area's loan portfolio were small compared with the total stock of loans.

4.1.5 Developments in the Real Estate area

In line with the provisions of the 2011-2013 Business Plan for supporting local government raise funds by means other than borrowing, in 2011 CDP created a Real Estate area reporting directly to the General Manager. The area is dedicated to providing technical assistance to public entities and/or companies they control in the implementation of projects to develop, divest or otherwise leverage their property assets.

As part of these new activities, CDP provides public entities with technical support in accessing the real estate and financial markets. The goal is to give these actors support and assistance as part of the "industrial" process of leveraging the assets.

In this context, CDP supplemented CDP circular 1271 containing the general terms and conditions of ordinary specific-purpose loan contracts, offering regional governments assistance and support services as part of its lending activities for the purpose of conducting property surveys, appraisals and rationalisation of their property assets for the development and/or possible disposal of those assets.

In December 2011 a protocol of understanding was signed with the Region of Lazio, the first commission acquired by the new Real Estate area and the first application of Article 10 of CDP circular 1271. The protocol provides for the establishment of an integrated working group made up of representatives from the regional government and CDP charged with providing support to the Region in developing properties in an initial portfolio. In particular, the activities include: i) survey and documentation checks; ii) rationalisation of spaces and management of properties; iii) appraisal of the properties.

With regard to activities already under way, the support activities being conducted on behalf of the Province of Rome (protocol of understanding from January 2011) in surveying and regularising the property portfolio involved in the commission have been completed, as has the feasibility study of the options for developing the assets.

4.2 Treasury and funding activities

4.2.1 Treasury management and short-term funding

With regard to the investment of financial resources, the following table reports the aggregates for cash and cash equivalents, along with an indication of the alternative forms of investing financial resources, such as securities issued by Italian public entities.

Stock of investments of financial resources

(millions of euros)

	31/12/2011	31/12/2010	% change
Cash and cash equivalents and interbank deposits (assets)	128,615	127,891	0.6%
- Treasury current account, other liquidity and deposits - Separate Account	*122,033*	*122,542*	*-0.4%*
- Reserve requirement	*4,434*	*4,056*	*9.3%*
- Deposits (assets) - Ordinary Account	*283*	*89*	*218.6%*
- Deposits (assets) on Credit Support Annex transactions	*1,865*	*1,204*	*55.0%*
Debt securities	17,194	5,464	214.7%
- Separate Account	*15,850*	*4,772*	*232.2%*
- Ordinary Account	*1,344*	*693*	*94.0%*
Total	**145,809**	**133,356**	**9.3%**

Stock of short-term funding from banks

(millions of euros)

	31/12/2011	31/12/2010	% change
Deposits and repurchase agreements - Separate Account	14,158	4,375	223.6%
Deposits and repurchase agreements - Ordinary Account	1,815	709	156.0%
Deposits (liabilities) on Credit Support Annex transactions	455	720	-36.8%
Total	**16,428**	**5,803**	**183.1%**
Net interbank position - Ordinary Account	-1,532	-620	147.1%
Net deposits on Credit Support Annex transactions	1,410	484	191.5%

At 31 December 2011, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, came to about €122 billion, in line with the figure for 2010.

The reserve requirement, to which CDP has been subject since 2006, came to €4,434 million at 31 December 2011, an increase of 9% over 2010 (€4,056 million). The increase is mainly attributable to the increase in postal savings. The liabilities of CDP that are subject to the reserve requirement are those with a maturity of less than two years, excluding liabilities to credit institutions subject to the ECB's reserve requirement. The management of the reserve requirement and its remuneration is designed to ensure the 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, there was a net creditor balance of €1,410 million at the end of 2011, an increase from the balance posted at the end of 2010 (€484 million). This change is attributable 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 short-term funding and repurchase agreements in order to optimise the timing of medium and long-term funding. To invest any excess liquidity at short term, CDP acquires Italian short-term government securities or Italian government securities with short-term indexing. The net treasury position at 31 December 2011 was equal to -€1,532 million, compared with -€620 million at the end of 2010, consisting mainly of repurchase agreements that finance short-term government securities. CDP invested a total of €1,344 million in securities against these liabilities.

For the Separate Account, during 2011 the securities portfolio expanded considerably (with a stock at 31 December 2011 of €15.9 billion, more than triple the amount a year earlier).

The increase is attributable first and foremost to the decision to reduce CDP's exposure to interest rate risk, which increased substantially in recent months as a result of the rapid slide in market interest rates (considered net of credit spreads), through investment of part of CDP's liquidity in Italian government securities (more than €5 billion). Another major factor was investment in securities of the liquidity pledged as security for the holders of covered bonds following the voluntary termination of the programme (more than €5 billion). Another contribution to the increase came from the purchase of inflation-linked bonds for the operational hedging the inflation-linked component of postal savings bonds (more than €900 million). Part of the securities acquired were refinanced on the market, both with repurchase transactions and other short-term funding transactions totalling about €14 billion, compared with about €4 billion at the end of 2010.

4.2.2 Developments in medium and long-term funding

With regard to funding under the Separate Account other than postal savings, in November 2011 it was decided to voluntarily terminate the covered bond programme. This course of action was considered the most appropriate in view of the impact on the programme of the downgrading of CDP's rating in the final part of 2011 following the downgrading of the rating of the Italian Republic.

Over the course of the programme a total of five series of covered bonds were issued, of which two – Series no. 1 of €1 billion and Series no. 3 of €2 billion – were redeemed in 2010 and 2009, respectively.

Following the decision to terminate the programme, no further issues can be undertaken and the asset pool securing the holders of the covered bonds that had not yet been redeemed was replaced by a deposit in a tied segregated account in an amount equal to the nominal value of the bonds in circulation, plus interest due from CDP through maturity.

Of the series outstanding at 31 December 2011, Series no. 4, amounting to €2 billion, was repaid in January 2012. For the remaining two series, maturing in 2013 and 2017 respectively, CDP initiated a repurchase offer on 2 February 2012.

As regards funding not backed by state guarantee, which falls under the Ordinary Account, new issues in 2011 under the Euro Medium-Term Notes (EMTN) programme had a total nominal value of €1,150 million, with the characteristics shown in the table below.

Flow of medium/long-term funding

(millions of euros)

EMTN programme	Date of issue/funding	Nominal value	Financial terms
Issue (maturity date 16-Feb-2021)	16-Feb-2011	100	CMS10Y
Issue (maturity date 14-Sep-2016)	14-Jun-2011	750	4.25%
Issue (maturity date 18-Jun-2019)	27-Jun-2011	300	4.75%
Total		**1,150**	

Also during the year, securities that had reached maturity amounting to €350 million were redeemed, bringing total net funding in 2011 to €800 million.

During the year, CDP also requested and obtained new disbursements on credit facilities granted by the EIB in the amount of €950 million, having the characteristics shown in the table below.

Flow of medium/long-term funding

(millions of euros)

EIB credit facility	Date of issue/funding	Nominal value
Draw (maturity date 2-Feb-2019)	8-Apr-2011	500
Draw (maturity date 19-Dec-2034)	6-Jun-2011	350
Draw (maturity date 31-Dec-2028)	8-Nov-2011	100
Total		**950**

Both the funds raised through EMTN issues and the funding related to EIB financing continue to be used for infrastructure financing under the Ordinary Account.

For the sake of full disclosure, the table below shows CDP's overall position in medium and long-term funding as at 31 December 2011, compared with the end of 2010, by product type.

Stock of medium/long-term funding

(millions of euros)

	31/12/2011	31/12/2010	% change
Medium/long-term funding from banks	**2,245**	**1,305**	**72.1%**
EIB credit facility	2,245	1,305	72.1%
Bond funding	**8,069**	**7,265**	**11.1%**
Covered bond programme	5,058	5,051	0.1%
- Securities issued	*5,064*	*5,064*	*0.0%*
- IAS/IFRS adjustment	*(6)*	*(13)*	*-52.3%*
EMTN programme	3,011	2,214	36.0%
- Securities issued	*3,018*	*2,218*	*36.1%*
- IAS/IFRS adjustment	*(7)*	*(4)*	*85.0%*
Total medium/long-term funding from banks and bond funding	**10,314**	**8,570**	**20.4%**

4.2.3 Developments in postal savings

At 31 December 2011, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €218,408 million, compared with €207,324 million at the end of 2010, an increase of about 5% year on year.

More specifically, the carrying amount of postal passbook savings accounts reached €92,614 million, while postal savings bonds, which are measured at amortised cost, came to €125,794 million (changes of -5% and +15%, respectively, from 31 December 2010).

Stock of postal savings

(millions of euros)

	31/12/2011	31/12/2010	% change
Postal passbook savings accounts	92,614	97,656	-5.2%
Postal savings bonds	125,794	109,667	14.7%
Total	**218,408**	**207,324**	**5.3%**

Developments in postal funding reflected the adverse economic environment, which caused a contraction in households' disposable income and, consequently, a decline in their propensity to save.

The increase in postal savings therefore came from the net new funding recorded during the year by CDP, totalling €6,884 million, compared with net overall redemptions for CDP and the MEF together, plus accrued interest and changes in other sundry items.

During the year, net new funding from passbooks came to a negative €5,629 million, reversing the net positive funding of €6,107 million in 2010. Gross capitalised interest totalled €804 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, registered passbooks, accounting for nearly the entire stock, showed a decrease from 2010. Bearer passbooks made a negative but marginal contribution to net funding, with the end-period stock amounting to €161 million.

Passbook savings accounts

(millions of euros)

	31/12/2010	Net funding	Reclassifications and adjustments	Interest 01/01/2011-31/12/2011	Withholdings	31/12/2011
Registered passbook accounts	97,318	-5,451	-	803	-217	92,453
- Ordinary	*93,891*	*-5,170*	*126*	*763*	*-206*	*89,404*
- Time deposits	*4*	*-*	*-*	*-*	*-*	*4*
- Minors	*2,100*	*223*	*-126*	*30*	*-8*	*2,220*
- Judicial	*1,322*	*-504*	*-*	*10*	*-3*	*826*
Bearer passbook accounts	338	-178	-	1	-	161
- Ordinary	*338*	*-178*	*-*	*1*	*-*	*161*
- Time deposits	*-*	*-*	*-*	*-*	*-*	*-*
Total	**97,656**	**-5,629**	**-**	**804**	**-217**	**92,614**

More specifically, among the various types of registered passbooks, only the stock of passbooks for minors expanded (+6%), while ordinary passbooks (-5%) and judicial passbooks (-38%) contracted sharply.

Bearer passbooks, on the other hand, declined by 52% from their 2010 level.

New net funding through ordinary registered passbooks and judicial passbooks was negative (-€5,170 million and -€504 million respectively), while net funding was positive for passbooks for minors (+€223 million).

Passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2011	Net funding 2010
Registered passbook accounts	89,570	95,020	-5,451	6,185
- Ordinary	*88,266*	*93,436*	*-5,170*	*5,995*
- Time deposits	*0.0*	*0.1*	*-0.1*	*-0.1*
- Minors	*617*	*394*	*223*	*339*
- Judicial	*687*	*1,191*	*-504*	*-148*
Bearer passbook accounts	57	236	-178	-78
- Ordinary	*57*	*236*	*-178*	*-78*
- Time deposits	-	*0.0*	*-0.0*	*-0.02*
Total	**89,627**	**95,256**	**-5,629**	**6,107**

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

There was an overall increase of 15% in the stock of postal savings bonds from 2010 thanks to positive net funding in 2011, which was greater than the figure reported the previous year (going from €7,781 million in 2010 to €12,513 million in 2011).

The stock for bonds issued up to 31 December 2010 also included transaction costs resulting from the application of the IAS/IFRS, consisting of the distribution commissions for all types of bond. The item "premiums accrued on postal bonds" includes the value of the embedded options separated out of indexed bonds and *BFPPremia* bonds. The carrying amount at 31 December 2011 reached almost €126 billion.

Postal savings bonds - CDP stock

(millions of euros)

	31/12/2010	Net funding	Accrued	Withholdings	Transaction costs	Premiums accrued on postal bonds	31/12/2011
Ordinary bonds	74,751	-2,552	2,575	-81	64	-	74,757
Fixed-term bonds	609	-143	0.2	-5	-	-	461
Indexed bonds	6,306	-389	204	-9	-	-6	6,106
Premia bonds	5,874	119	234	-3	-	-14	6,210
Inflation indexed bonds	14,055	-365	392	-12	-	-	14,070
Bonds for minors	2,650	559	106	-2	-	-	3,313
18-Month bonds	5,423	6,136	142	-6	-	-	11,696
18-Month Plus bonds	-	7,210	32	-	-	-	7,241
BFP3x4 bonds	-	1,938	2	-	-	-	1,940
Total	**109,667**	**12,513**	**3,687**	**-117**	**64**	**-20**	**125,794**

Note: Transaction costs includes the amortisation of the adjustment of commissions for 2007-2010

The total volume of subscriptions for the year came to €35,515 million, an increase of about 44% over the previous year (€24,652 million). The growth was due to the increase in redemptions of MEF bonds, which help drive the level of new subscriptions for CDP, as well as to the introduction of new types of bonds with differentiated maturities, expanding the range of products offered by CDP even further.

Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 2011	Net funding 2010	% change
Ordinary bonds	7,818	10,370	-2,552	4,665	n/s
Fixed-term bonds	0.5	144	-143	-394	-63.7%
Indexed bonds	647	1,036	-389	321	n/s
Premia bonds	1,531	1,412	119	1,727	-93.1%
Inflation indexed bonds	2,454	2,819	-365	2,276	n/s
Bonds for minors	697	138	559	553	1.2%
18-Month bonds	12,266	6,130	6,136	-1,367	n/s
18-Month Plus bonds	7,999	789	7,210	-	n/s
BFP3x4 bonds	2,101	163	1,938	-	n/s
Total	**35,515**	**23,002**	**12,513**	**7,781**	**60.8%**

More specifically, investors showed a great deal of interest in 18-Month bonds (with subscriptions of €12,266 million and net funding of €6,136 million) and the new 18-Month Plus bonds (with subscriptions of €7,999 million and net funding of €7,210 million). By contrast, the trend in traditional ordinary bonds reversed, with net redemptions of €2,552 million (and net redemptions of

€8,752 million including bonds pertaining to the MEF). Subscriptions of BFP3X4 bonds were substantial (€2,101 million) and net funding was positive (€1,938 million). Conversely, redemptions of MEF bonds totalled nearly €12 billion, slightly up on 2010.

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

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 2011	Net funding 2010	% change
Ordinary bonds	-2,552	6,200	-8,752	-1,112	n/s
Fixed-term bonds	-143	5,726	-5,869	-5,885	-0.3%
Indexed bonds	-389	-	-389	321	n/s
BFPPremia bonds	119	-	119	1,727	-93.1%
Inflation indexed bonds	-365	-	-365	2,276	n/s
Bonds for minors	559	-	559	553	1.2%
18-Month bonds	6,136	-	6,136	-1,367	n/s
18-Month Plus bonds	7,210	-	7,210	-	n/s
BFP3x4 bonds	1,938	-	1,938	-	n/s
Total	**12,513**	**11,927**	**586**	**-3,488**	**n/s**

As a result, net funding from postal savings bonds (CDP+MEF) came to a positive €586 million, mainly due to the strong performance of subscriptions of the new securities launched in 2011.

If passbooks are also considered, total CDP net funding came to a positive €6,884 million, unlike overall net funding from postal savings products (CDP+MEF), which was a negative €5,043 million, a decrease from 2010, when it amounted to €2,619 million, mainly due to the negative contribution of passbook savings accounts in 2011.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 2011	Net funding 2010	% change
Postal savings bonds	586	-3,488	n/s
- of which: pertaining to CDP	*12,513*	*7,781*	*60.8%*
- of which: pertaining to MEF	*-11,927*	*-11,269*	*5.8%*
Passbook savings accounts	-5,629	6,107	n/s
CDP net funding	6,884	13,888	-50.4%
MEF net funding	-11,927	-11,269	5.8%
Total	**-5,043**	**2,619**	**n/s**

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

On 3 August 2011, a new agreement between CDP and Poste Italiane governing the postal savings funding service for 2011-2013 was signed.

The agreement provides for: i) the introduction of a new fee mechanism that envisages a commission calculated on the basis of the average overall stock of postal savings products; ii) the introduction for the first time of funding targets for postal savings that also take account of the targets set by Poste Italiane for other investment products it places that are not related to postal savings, in order to safeguard its leading role and specific features; iii) the implementation of projects of interest to CDP to promote and increase the distribution of postal savings products; and iv) the possibility of renewal for the subsequent three-year period on the same terms and conditions.

Compared with the agreement for 2010 – in which the remuneration was 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 – the 2011-2013 agreement uses average stocks of assets under management, to which a percentage rate is used to determine the fees due to Poste Italiane for the service it provides.

More specifically, for postal bonds, the fee structure is based on a commission proportionate to the stock under management rather than a placement commission, with possible incentives linked to net funding, the quality of service and the implementation of technology projects.

The new fee structure is consistent with the developments in the service provided by Poste Italiane for 2011-2013 and the subsequent period, which now emphasises the overall management of postal savings rather than merely providing placement services.

The new agreement consequently calls for a different approach in accounting for the commission paid to Poste Italiane compared with that adopted in 2010 and previously. The fee mechanism used in previous agreements with Poste Italiane provided for the payment of a specific commission for placement of postal bonds, as well as fees for managing passbook savings accounts. The commission for placing bonds was amortised over the life of the bonds themselves. With the new structure, however, the commissions no longer represent a cost directly attributable to the issue of new postal bonds and so the entire fee for the activities performed as part of the postal savings service is expensed entirely in the year in which it accrues. In addition, the revision of the fee structure does not involve any retrospective application to bonds issued prior to 2011, for which the commission recognised at issue will continue to be amortised since the accounting treatment has not been changed for the same fee structure but rather for a new structure altogether.

For 2011, in consideration of the challenging economic climate, the fee has been established on the basis of both overall net funding achieved and the strategic, commercial and advertising initiatives undertaken by Poste Italiane in support of postal savings products.

Subsequent supplementary agreements reached during the course of 2011 amended the amount and payment schedules for the commission for the year and expanded initiatives to promote postal savings products.

As a result of the above and the results achieved, the total commission expense accrued in relation to postal savings payable to Poste Italiane for 2011 came to €1,504 million.

4.3 Equity investments

At 31 December 2011, equity investments and shares totalled €19,826 million. The balance consists of the value of the portfolio of equity investments, equal to €19,640 million, and of mutual funds and investment vehicles, which totalled €185 million.

Equity investments, investment funds and investment vehicles

(thousands of euros)

	31/12/2010 Carrying amount	Change From inv./disinv.	Change From measurement	31/12/2011 Carrying amount
Equity investments	18,566,788	1,072,800	824	19,640,412
Investment funds and investment vehicles	85,239	126,780	(26,703)	185,316
Total	**18,652,027**	**1,199,580**	**(25,879)**	**19,825,728**

4.3.1 Equity investments

The carrying amount of equity investments rose by €1,074 million (+6%) from 31 December 2010.

Equity investments

(thousands of euros)

	31/12/2010		Change		31/12/2011	
	% holding	Carrying amount	From inv./disinv.	From measurement	% holding	Carrying amount
A. Listed companies						
1. Eni S.p.A.	26.37%	17,240,440	-	-	26.37%	17,240,440
2. Terna S.p.A.	29.93%	1,315,200	-	-	29.85%	1,315,200
B. Unlisted companies						
3. Fondo Strategico Italiano S.p.A.	-	-	540,000	-	90.00%	540,000
4. CDP GAS S.r.l.	-	-	532,800	-	100.00%	532,800
5. Sinloc S.p.A.	11.85%	5,507	-	383	11.85%	5,891
6. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
7. F2i SGR S.p.A.	15.99%	1,675	-	363	15.99%	2,039
8. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
9. Fondo Italiano d'Investimento SGR S.p.A.	14.29%	500	-	77	12.50%	577
10. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
Total		**18,566,788**	**1,072,800**	**824**		**19,640,412**

During 2011, the portfolio of CDP's equity investments changed primarily as a result of the establishment of Fondo Strategico Italiano S.p.A. ("FSI") and the acquisition, through the vehicle company, CDP GAS S.r.l., of an equity interest in TAG. In particular:

- August 2011 saw the launch of FSI, a holding company 90%-owned by CDP whose corporate purpose is investing in companies considered to be of strategic importance for the Italian economy, with a view to promoting their growth, operational efficiency, consolidation and international competitiveness;
- in December 2011, the newly formed company CDP GAS S.r.l. completed the acquisition from Eni S.p.A. of a stake of 89% of the share capital of TAG, to which 94% of financial rights are attached. TAG is the exclusive operator of the Austrian segment of the gas pipeline connecting Russia with Italy, through which about 30% of Italy's gas imports travel, thus representing an asset of strategic importance to the country.

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

- the investments in Terna S.p.A., Fondo Strategico Italiano S.p.A., CDP GAS S.r.l. and CDP Investimenti SGR S.p.A. are classified as investments in subsidiaries and carried at purchase cost, net of writedowns;
- the investments in Eni S.p.A. and Europrogetti & Finanza S.p.A. in liquidazione are classified as investments in associates and are therefore carried at purchase cost, net of writedowns;
- the investments in Sinloc S.p.A., Istituto per il Credito Sportivo, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A. 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.

As concerns the separation of organisation and accounting, shareholdings in the CDP portfolio as of 31 December 2011, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the shares held in CDP GAS S.r.l., CDP Investimenti SGR S.p.A., F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account, and FSI, which has initially been classified under Joint Services.

Dividends accruing during 2011 came to about €1,206 million. This amount is mainly attributable to the investments held in Eni S.p.A. (€1,077 million) and Terna S.p.A. (€126 million). Total dividends increased by more than €70 million (+6%) from 2010 (€1,135 million), due mainly to the net effect of the changes in the equity investment portfolio.

Below are brief descriptions of each of CDP's subsidiaries and equity investments.

4.3.1.1 Subsidiaries

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

Terna is responsible for the transmission and dispatching of electricity in Italy over high and extra-high voltage networks throughout the country. It is also the primary owner of the country's electricity transmission grid (NTG) as well as the Italian Independent System Operator (ISO) comprising electricity transmission and dispatching operations, and NTG planning and development activities. At the end of 2008, Terna acquired a major portion of high voltage network from Enel S.p.A., which brought its total electricity line network to around 63,500 kilometres. Terna also provides services related to its skills in the design, construction, operation, and maintenance of high and extra-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 Italian Stock Exchange.

Fondo Strategico Italiano S.p.A. ("FSI")

FSI is a holding company that seeks to promote the development of the Italian economy by promoting the growth, operating efficiency, consolidation and international competitiveness of strategic Italian companies.

FSI operates by acquiring equity interests – generally minority stakes – in companies of "major national interest", that have a sound financial position and adequate profitability and significant growth prospects.

Pursuant to the Decree of the Ministry for the Economy and Finance of 8 May 2011, strategic companies include:

i) those that operate in the sectors of defence, security, infrastructure, transportation, communications, energy, insurance and financial intermediation, research and high-tech innovation and public services;
ii) those that meet the following cumulative requirements: a) annual net turnover of at least €300 million; b) an average number of employees in the last financial year of at least 250;
iii) those that do not meet the size requirements set out in point ii) above but nevertheless have a turnover and number of employees no less than 20% lower than the above thresholds and whose business has a significant impact in terms of spillovers and benefits for the economy as a whole, including through production facilities located in Italian territory.

The company was established with an initial capital of €1 billion. Following approval of the Business Plan of FSI, the Board of Directors of CDP approved a commitment to subscribe capital increases up to a maximum of €4 billion.

CDP GAS S.r.l. ("CDP GAS")

CDP GAS is a newly formed company wholly owned by CDP that in December 2011 acquired from Eni its 89% interest in TAG, to which 94% of financial rights attach.

TAG is the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy through Ukraine, Slovakia and Austria. The infrastructure operated by TAG transports about 30% of Italy's gas imports, thus representing an asset of strategic importance to the country.

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

Established in 2009, CDP Investimenti SGR S.p.A. is an asset management company founded to boost the social housing sector in Italy through the establishment and management of a real estate fund reserved for institutional investors operating in this sector. CDP 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. CDPI SGR started operations in 2010 after receiving Bank of Italy authorisation to engage in collective asset management. The company essentially manages the Fondo Investimenti per l'Abitare fund, which with about €2 billion in resources seeks to promote the development of social housing initiatives by acting as a fund of funds and direct management of investments.

4.3.1.2 Other equity investments

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

Eni is an integrated energy group operating in the sectors of oil and natural gas, electricity, petrochemicals, oil and gas engineering services and construction, with an excellent skill base and a strong international market position. Eni has a presence in some 79 countries, and has about 80,000 employees. The company's shares are listed on the Italian Stock Exchange and the New York Stock Exchange.

Its primary lines of business are organised into three divisions: i) Exploration & Production, responsible for the exploration, development and extraction of natural gas and oil; ii) Gas & Power, responsible for the supply, regasification, transport, storage, distribution and sale of natural gas (including through the 52.54% interest in SNAM) and the generation and sale of electricity; iii) Refining & Marketing, representing the refining and sale of oil products. Eni also provides engineering and construction services in the oil and gas sector through its 49.2% stake in Saipem, a listed company. Finally, it produces and markets petrochemical products through its wholly-owned subsidiary Polimeri Europa.

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, as well as energy efficiency initiatives.

Istituto per il Credito Sportivo ("ICS")

ICS, which was reformed under Presidential Decree 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. On 28 December 2011, the Minister for the Economy and Finance, acting on a proposal of the Bank of Italy, ordered the company to be placed in special administration, appointing two special commissioners and new members of the Oversight Committee.

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 on the register of asset management companies maintained by the Bank of Italy. The same year, F2i SGR launched the Italian infrastructure fund (Fondo Italiano per le Infrastrutture), the largest fund specialising in investment in infrastructure assets in Italy.

Fondo Italiano d'Investimento SGR S.p.A. ("FII SGR")

On 18 March 2010, Fondo Italiano d'Investimento SGR S.p.A. was established to provide asset management services through the promotion, creation, organisation and management of one or more closed-end mutual funds specialising in supporting enterprise development. The same year it launched the Fondo Italiano d'Investimento investment fund, which with €1.2 billion in resources seeks to promote investment in Italian SMEs to strengthen their capitalisation and aggregation with other enterprises.

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

This company, in which leading banks and financial institutions hold stakes, was established in 1995 to deliver subsidised lending services. In view of the company's lack of growth prospects, the company was placed into voluntary liquidation at the start of 2009. The liquidation process is continuing with the goal of completing all the subsidised lending related activities still in place, with the support of the shareholders, who have offered their support with the liquidation process.

4.3.2 Investment funds and other investment vehicles

At 31 December 2011, the portfolio of investment funds and other investment vehicles totalled about €185 million, more than double its size at 31 December 2010.

Investment funds and investment vehicles

(thousands of euros)

	Sector	31/12/2010 % holding/ number of units	31/12/2010 Carrying amount	Change From inv. /disinv.	Change From measurement	31/12/2011 % holding/ number of units	31/12/2011 Carrying amount	Residual commitment
A. Investment vehicles								
1. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure	40.62%	4,823	27,938	(3,810)	38.93%	28,952	117,238
2. Galaxy S.àr.l. SICAR	Infrastructure	40.00%	25,569		(13,861)	40.00%	11,708	74,431
3. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	Infrastructure	14.08%	1,200	5,900	(2,006)	14.08%	5,094	92,900
4. European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund)	Energy							
- A units		-	-	210	-	5.95%	210	59,610
- C units		-	-	80	-	4.53%	80	
B. Investment funds								
1. F2i - Fondi Italiani per le Infrastrutture	Infrastructure							
- A units		8.10%	37,148	45,717	3,077	8.10%	85,942	58,796
- C units		0.04%	204	251	15	0.04%	470	
2. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	1,250	31,008	(4,814)	20.83%	27,444	217,742
3. Fondo Federale Immobiliare di Lombardia (form. Fondo Abitare Sociale 1)	Social housing	23.52%	5,137	4,000	480	17.39%	9,617	11,000
4. Fondo Investimenti per l'Abitare	Social housing	59.88%	3,883	10,349	(5,602)	51.87%	8,630	985,768
5. PPP Italia	Infrastructure and PPP projects	14.58%	6,025	1,326	(183)	14.58%	7,168	8,949
Total			**85,239**	**126,780**	**(26,703)**		**185,316**	**1,626,433**

During 2011, the portfolio changed as a result of the following:

- the start of operations of the European Energy Efficiency Fund: on 1 July 2011 CDP entered into an investment commitment of about €60 million in the fund, mainly in the form of debt, promoted by the EIB and the European Commission to support energy efficiency initiatives and renewable energy projects sponsored by public entities in countries of the European Union;
- draw-downs called by the following funds: Inframed, Marguerite, F2i, PPP Italia, Federale Immobiliare di Lombardia, Investimenti per l'Abitare and Fondo Italiano d'Investimento in relation to their own investment activities.

CDP's participation in investment funds as a subscriber is mainly pursued with the goal of promoting:

- investment in physical and social infrastructures at various levels:
  - **local**, in partnership 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 collaboration with Italian and foreign institutional investors;
  - **international**, in support of infrastructure projects and networks involving more than one country, not only at the European Union level, cooperating with European institutions and comparable foreign entities (such as CDC, KfW and the EIB);
- the growth and concentration of Italian SMEs;
- investment in the sustainable housing sector.

From an accounting point of view, the funds and investment vehicles may be classified as follows:

- the investment in Galaxy S.àr.l. has been classified as an investment in associates and is therefore carried at purchase cost, net of writedowns;
- the investments in 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA, Inframed Infrastructure SAS à capital variable and European Energy Efficiency Fund SA, SICAV-SIS 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, as shares in investment funds;
- the investment funds have been classified as available-for-sale financial assets and are measured at fair value, with changes taken to a specific equity reserve.

For the purposes of the separation of organisation and accounting, the stake held in Galaxy S.àr.l. and investments in investment funds and private equity funds, except for holdings in Fondo Investimenti per l'Abitare and Fondo Italiano d'Investimento, come under the Ordinary Account and are therefore wholly financed by funding raised under that account. The investments held in the other corporate investment vehicles and the aforementioned funds come under the Separate Account.

Dividends and other income pertaining to 2011 amounted to about €23.2 million, attributable to the investments in Galaxy (€23 million) and F2i (€0.2 million).

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

Galaxy S.àr.l. SICAR ("Galaxy")

Galaxy, a Luxembourg-registered company, was established to make equity or quasi-equity investments in transportation infrastructure, particularly within Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The Galaxy shareholders are Caisse des Dépôts et Consignations ("CDC"), Kreditanstalt für Wiederaufbau ("KfW") and CDP. At 31 December 2011, the fund's size was €250 million, of which CDP had subscribed €100 million and paid in €25.6 million.

The investment period for the fund ended in July 2008. In December 2011 Galaxy disposed of the two main assets in its portfolio, generating a significant return on the investment (with an IRR of between about 10% and 30%). The residual operations of the fund focus on the management and sale of the remaining assets in its portfolio.

InfraMed Infrastructure SAS à capital variable ("InfraMed Fund")

On 26 May 2010 CDP and other European financial institutions (the CDC of France and the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG-Hermes Holding SAE of Egypt) launched the "InfraMed Infrastructure SAS à capital variable" fund, a variable capital investment vehicle, the main objective of which is to finance infrastructure projects in the southern and eastern Mediterranean. The activities of the fund, which is one of the initiatives promoted by the Mediterranean Union, will focus on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development segments. CDP has committed to a maximum investment of €150 million (of which €32.8 million already paid in at 31 December 2011), out of the fund's total of around €400 million once the current fund-raising round has been completed.

2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA ("Marguerite Fund")

Together with other European public financial institutions, at the end of 2009 CDP 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. The size of the fund, which is still in the fund-raising stage, is €710 million. At 31 December 2011 CDP had already paid in about €7.1 million out of a total commitment of €100 million.

European Energy Efficiency Fund SA, SICAV-SIF ("EEEF Fund")

The EEEF Fund is a new investment fund (formed in July 2011) sponsored by the European Investment Bank and the European Commission. Its primary goal is to develop energy efficiency projects and, in general, initiatives to combat climate change proposed by public entities in the EU 27 countries. The fund will primarily act as a lender to projects (about 80%) and to a residual extent as an investor in the equity of such initiatives. CDP is participating in the fund with a maximum investment commitment of about €60 million (of which €0.3 million paid in at 31 December 2011), while the overall resources of the fund, which is still in the fund-raising stage, are planned to total about €800 million. At 31 December 2011, funds raised amounted to about €265 million, of which €125 million subscribed by the European Commission on a first-loss basis.

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 2007. On completion of fund-raising in early 2009, the fund had total resources of around €1.85 billion. CDP subscribed A-class units in the F2i fund corresponding to a financial commitment of about €150 million. As a sponsor of the initiative, CDP 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 2011, around €1.1 billion had been called up (of which €92 million paid in by CDP).

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 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 2011, the fund had called up around €59 million, of which about €8.6 million paid in by CDP.

Fondo Federale Immobiliare di Lombardia (formerly Fondo Abitare Sociale 1)

The Fondo Federale Immobiliare di Lombardia is an Italian closed-end ethical real estate fund reserved to accredited investors and managed by Polaris Investment Italia SGR S.p.A. The fund was promoted by the Fondazione Housing Sociale (Social Housing Foundation), formed in 2004 by Cariplo Foundation in partnership with the Lombardy regional government and the Lombardy branch of the National Association of Italian Municipalities. Its objective is to invest mainly in "social housing" in Lombardy; social housing comprises housing and all those services that contribute to solving the housing problem (for families and individuals) with a particular regard to the socially or financially disadvantaged, also in partnership with the third sector and the public sector. Housing will be rented controlled and will primarily be targeted at students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties.

The 20-year fund started up operations in 2007. It is currently in the investment stage. At 31 December 2011, the fund had total resources of €115 million, of which around €38 million had been called up, corresponding to about 35% of the total commitment. CDP is participating in the fund with a maximum investment commitment of €20 million (of which €9 million paid in at 31 December 2011).

Fondo Investimenti per l'Abitare

The Fondo Investimenti per l'Abitare is a real estate fund reserved to accredited investors, promoted and managed by CDP Investimenti SGR S.p.A., a company operating in the Private Social Housing sector. Its objective is to increase the supply of Social Housing (governed by the Ministerial Decree of 22 April 2008) in Italy, that is subject to rent control and/or is to be sold at subsidized prices to "socially vulnerable" families (Article 11 of Decree Law 112/2008).

The fund works to support and supplement the social housing policies of the central and local governments. Having been definitively selected by the Ministry for Infrastructures, the fund has become the single National Fund for the Integrated System of Real Estate Funds under the National Housing Plan.

It operates throughout Italy, mainly serving as a "fund of funds", or by investing in real estate investment funds managed by other asset management companies or by holding stakes in real estate firms through a qualified minority of no more than 40% in order to attract additional third-party investors. The fund is also empowered to made direct investments with up to 10% of its capital.

The fund was formed in July 2010 with the initial partial closing of subscriptions amounting to €1 billion, fully subscribed by CDP for a 30-year duration. At 31 December 2011, the fund totalled €1.93 billion, of which about €27 million had been called up (including €14.2 million pertaining to CDP).

Fondo Italiano d'Investimento

The Fondo Italiano d'Investimento is the result of a project by the Ministry for the Economy and Finance, the Italian Banking Association (ABI), Confindustria, CDP, Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena and Istituto Centrale Banche Popolari to create an instrument for providing financial support to SMEs. The fund offers the following types of investments: a) direct investment in the company's share capital, usually in the form of a minority interest, also involving coinvestment by other specialised funds; b) support as a fund of funds, by investing in other funds that share the investment policies and objectives of the fund. At 31 December 2011 the fund totalled €1.2 billion, with about €155 million having been called up. Of the total, CDP subscribed shares in the amount of €250 million, of which €32.3 million paid in at 31 December 2011.

4.4 Risk monitoring, controls and support activities

4.4.1 Monitoring risks

Risk monitoring activities are performed by the Risk Management and Anti-Money Laundering area, which reports directly to the Chief Executive Officer, and comprises four offices: (i) Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement; (ii) Market and Liquidity Risks - ALM; (iii) Operational Risks; (iv) Anti-Money Laundering.

CDP's risk policies are established by the Board of Directors acting on a recommendation of the Chief Executive Officer. The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning overall risk policy and management and assessing especially large risks.

Risk Management is one of the functions for which CDP performs management and control activities within the Group.

4.4.1.1 Credit risk

In 2011 CDP strengthened its arrangements for managing credit risk in line with the guidelines set out in the Risk Policy and the Lending Policy approved by the Board of Directors in the second half of 2010. The quarterly risk reporting for the Board of Directors now contains a specific section on credit risk, which among other things provides metrics for the economic capital associated with unexpected losses on the portfolio, indicators of the overall degree of concentration, and information on the main exposures by category of borrower. Since 2006 CDP has used a proprietary model that factors in the impact of diversification and concentration. As to lending to private customers, the new Risk Policy assign a central role to risk-adjusted pricing based on the outcomes of its portfolio model.
In 2011, the Lending area, which produces internal ratings, formalised the first annual monitoring of credit developments, which focused on assessing the credit rating assigned to borrowers, selected by type and exposure threshold.

4.4.1.2 Counterparty risk

Over the year, the number of counterparties involved in Credit Support Annexes expanded with a view to mitigating the risk associated with derivative transactions through the exchange of collateral. Steps were also taken to increase the frequency of calculation and settlement for some of the existing Credit Support Annexes.

In compliance with the Risk Policy approved by the Board of Directors in 2010, collateral is essential for new transactions in derivatives. With regard to past transactions, excluding an interest rate swap expiring in January 2012, the only contract not supported by a CSA accounts for about 0.3% of the overall notional amount of outstanding positions. In 2011, CDP also entered into the first Global Master Repurchase Agreement (GMRA), which governs funding and lending through repurchase agreements.

4.4.1.3 Interest rate risk

The fact that postal savings bonds can be redeemed upon demand is a major interest-rate option component embedded in CDP liabilities. As a result, interest rate risk is of greater significance and more complex in the case of CDP than for an ordinary bank.

In the midst of the sovereign debt crisis of a number of European countries, euro swap rates for CDP's most important maturities ended 2011 sharply down on the end of 2010, at their lowest level since the introduction of the single currency. CDP acted to limit its net positive exposure to an increase in interest rates[13], accrued since 2009, which rose from +€11.7 million at the end of 2010 to +€16.5 million at the end of 2011. The corrective action only marginally impacted the derivatives portfolio, through the early termination of a number of outstanding IRSs, and was mainly implemented with the purchase of Italian government securities.

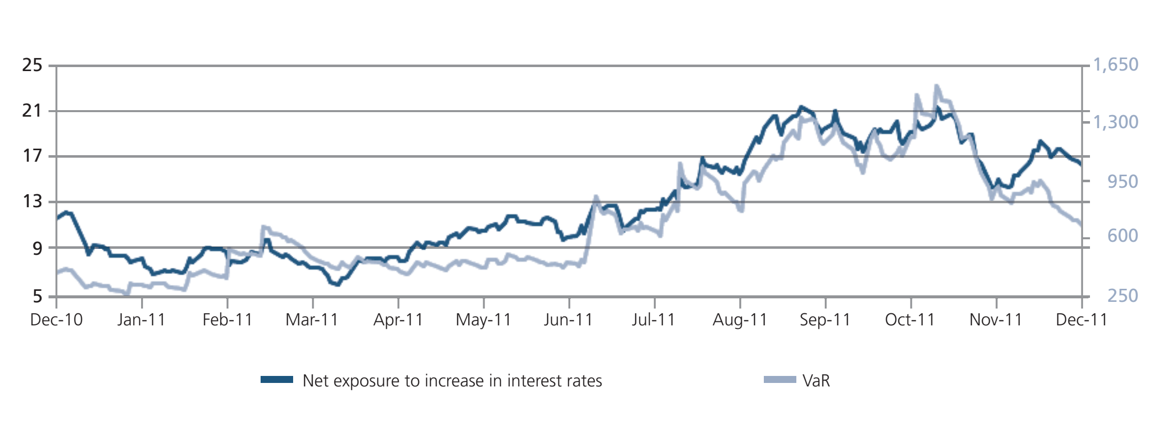
Exposure to inflation[14], which mainly regards issues of postal savings bonds indexed to the consumer price index for blue-collar and office worker households, went from -€4 million at the end of 2010 to -€3.7 million at the end of 2011, a slight contraction attributable in part to the substantial purchases of indexed Italian government securities.

During the year, the interest rate and inflation rate VaR[15] (entirely associated with the banking book exposure) largely reflected the market, with a sharp increase in conjunction with the most acute phases of the crisis (VaR rose from €392 million to €683 million during the year). The sovereign debt crisis represented the most severe test of the robustness of the statistical model, which had already survived the storm trigged by the Lehman collapse. The performance of the model in backtesting was still compatible with the confidence interval adopted (99%).

13 Defined as exposure to an increase of 1 basis point in zero-coupon yields across all maturities.
14 Defined as exposure to an increase of 1 basis point in the inflation curve across all maturities.
15 Defined as the Value at Risk over a confidence interval of 99% at a 10-day horizon, calculated using a historical simulation approach that takes account of current volatility.

Indicators of interest rate exposure

(millions of euros)



4.4.1.4 Liquidity risk

CDP's main source of funding is state-backed postal savings funds, which form the basis of the Separate Account. CDP's fund-raising on the capital market is used to finance lending under the Ordinary Account. CDP can also access refinancing with the European Central Bank.

The Risk Policy approved by the Board of Directors in 2010 confirms the previous practices adopted to manage liquidity risk for the Separate Account, based on maintaining an ample balance on the treasury current account.

During 2011, developments in postal savings were affected by the challenging macroeconomic context, with a contraction in the stock of funds held in passbook savings accounts. Owing to contractual clauses connected with CDP's rating in the covered bond programme, it was also necessary to invest much of the liquidity from those issues in AAA-rated short-term securities and commercial paper. The balance on the treasury current account did not decline compared with the end of 2010 and remains well above the required limits.

The Risk Policy also establishes liquidity thresholds for the Ordinary Account in order to ensure structural stability at the maturities of the various items in the portfolio, limiting the temporal mismatch between assets and liabilities. The need to comply with those limits was one of the reasons prompting CDP to carry out significant medium/long-term funding in the first half of 2011. This made it possible to cope with the most severe phase of the sovereign debt crisis in the second half of the year on the foundation of a strong structural liquidity position and avoid the need to raise funds when interest rates were at their peak.

4.4.1.5 Operational risks

A dedicated Operational Risks unit was established in 2011 and a project was begun to develop systems to manage such risks. In line with the project plan, the definition of the methodological framework for loss data collection and the collection of loss data for 2010-2011 are being completed.

4.4.1.6 Money laundering and terrorist financing risk

In compliance with the measure of the Bank of Italy of 10 March 2011, during the year CDP established the Anti-Money Laundering function, which is responsible for second-level controls in this field. The Board of Directors of CDP also adopted rules governing the roles, duties and responsibilities for countering money laundering and the financing of terrorism. The revision of internal procedures to bring them into compliance with the regulatory changes is scheduled to be completed by the end of the first quarter of 2012. As regards the requirements provided for under anti-money laundering legislation concerning postal savings products, CDP has entered an agreement with Poste Italiane for the performance of the control activities.

4.4.1.7 Other material risks

CDP possesses a sizable portfolio of equity investments (listed and unlisted) and investment funds, held solely for investment purposes and not for trading. The Risk Policy establishes the criteria for measuring and managing the risks associated with equity investments and investment funds.

In 2011, a special focus was given to the development of stress tests for listed equity investments. Risk management activities for the subsidiary FSI were also started. As regards real estate risk, CDP provides risk management services on an outsourcing basis to CDPI SGR, the company that manages Fondo Investimenti per l'Abitare.

A major element of arrangements to address risks associated with regulatory compliance is the Eligibility Committee, a collegial body established in 2010 that issues opinions on transactions, new initiatives and new products. For the latter, the Eligibility Committee issues opinions concerning their viability from the standpoint of statutory compliance, financial and operational feasibility, administrative and accounting aspects and in terms of risk. The head of Risk Management and Anti-Money Laundering is a member of the Eligibility Committee.

For more information on risks and risk-hedging policies, please refer to the notes to the financial statements.

4.4.1.8 Legal disputes

As regards 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.

With regard to Separate Account customers, at 31 December 2011, 59 suits were pending with a total estimated liability of no more than €17 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 for that line of business.

As regards labour disputes not related to customer operations (labour disputes), at 31 December 2011, 39 lawsuits were pending, for which the total potential liability does not exceed €2 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 ensure compliance with the applicable regulations, in accordance with corporate strategies and the achievement of targets set by company management.

More specifically, 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 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, a permanent, autonomous function that does not report to the heads of the units subject to control. These controls are conducted to verify the functionality of the overall internal control system and the regularity of CDP's operational activities and processes, with the objective of preventing or identifying risks and irregularities. Specifically, the Internal Auditing unit assesses the ability of the overall internal control system 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.
Every year the Internal Auditing unit prepares an action plan that it presents to the Board of Directors. It sets out the audits scheduled to analyse risks based on the importance of each process within the overall framework of the activities involved in achieving the business objectives.

The unit reports on its results to the Board of Directors and the Board of Auditors on a quarterly basis. However, critical issues identified during examinations are immediately reported to the relevant company units so that they can implement corrective actions.

Internal Auditing also performs control activities over companies subject to management and coordination under specific service agreements with the Parent Company for internal audit activities. Finally, the Internal Auditing unit advises other CDP units on improving internal audit activities and assists the manager responsible for preparing the company's financial reports and the Supervisory Body (established pursuant to Legislative Decree 231/2001) in carrying out their work.

4.4.2.2 Risk management systems

For the Ordinary Account and for 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. The model is a "default mode" model, i.e. it considers credit risk on the basis of the losses associated with the possible default of borrowers rather than the possible deterioration in credit quality indicated by an increase in spreads or rating changes. Because it adopts a default mode approach, the model is multi-period, simulating the distribution of losses from default over the entire life of outstanding transactions. The credit model makes it possible to calculate a variety of risk metrics (VaR, Expected Shortfall) for the entire portfolio and for individual borrowers or lines of business.

CDP also uses credit scoring models, either developed internally or commercially available, structured by loan categories (local governments, project finance, corporate finance and so on).

Counterparty risk associated with derivative transactions is monitored on a weekly basis by the Risk Management unit using a proprietary tool, which makes it possible to monitor the current credit exposure (taking account of the net mark-to-market and collateral) and the potential exposure.

Risk Management monitors interest rate risk on the banking book on a daily basis, using a proprietary system based on an economic value approach.

The system analyses all items whose economic value is sensitive to changes in interest rates. The significant embedded option components in the various asset and liability items are considered specifically on the basis of stochastic models of the yield curve and behavioural models, where applicable.

CDP also uses a dynamic ALM system (DALM) to generate multi-year simulations of interest rate and inflation exposure and net interest income, using a variety of scenarios for changes in the risk factors.

In order to monitor the various risk elements associated with derivatives, positions in securities and securities financing activities, Risk Management uses the Murex front office application. In addition to specific monitoring of positions, the system makes it possible to conduct a variety of sensitivity and scenario analyses, which have numerous applications with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting.

As regards monitoring 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 Policy.

To monitor liquidity risk pertaining to the Ordinary Account, CDP uses a proprietary tool that:
- generates liquidity gap analyses in order to identify short-, medium- and long-term imbalances;
- calculates the ratios for the structural limits set in the Risk Policy based on the classification of assets and liabilities as short, medium and long term;
- carries out systematic stress tests on the basis of scenarios established by Risk Management.

In 2011 CDP initiated a public request for tender for the purchase of an ALM system that, once fully implemented, will become the main tool for the integrated management of interest rate and inflation risk and liquidity risk.

In order to comply with the registration requirements pursuant to Article 36 of Legislative Decree 231/2007, CDP has set up a unified computerised database for the central storage of all the information acquired in performing customer due diligence requirements in accordance with the principles set out in the Decree.

CDP has used an outsourcer to create, maintain and manage the unified database, to which CDP's Anti-Money Laundering function had direct and immediate access.

4.4.2.3 Compliance system pursuant to Legislative Decree 231/2001

In January 2006 CDP adopted a compliance system (an "organisation, management and control model pursuant to Legislative Decree 231/2001"). 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.

Given the importance of regulatory, organisational and business developments during the year, the compliance model was revised in 2010 and the updated version was approved by the Board of Directors on 20 April 2011. The Supervisory Body 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 and in December 2010 at the end of its three-year terms.

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 on-going, 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 eleven occasions during 2011.

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/en/company-profile/mission-and-role/mission-and-role.html

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

CDP 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[16], 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 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 implementation of the system is currently under way.

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.

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.

16 Committee of Sponsoring Organisations of the Treadway Commission.

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: (i) identifying the type of control; (ii) evaluating the potential effectiveness of the control activity in risk mitigation terms; (iii) assessment/presence of control record; (iv) formulation of an overall judgment by correlating the control's potential effectiveness and the traceability of the control; (v) identification of key controls;
- the third phase consists of identifying areas of improvement regarding the control: (i) traceability of the control; (ii) 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 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 Resources and Organisation area is responsible for process design and formalisation; the financial reporting manager's function is involved during the risk assessment phase; and the Internal Auditing area 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 PricewaterhouseCoopers S.p.A. (PwC). 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 May 2011 Shareholders' Meeting, which engaged the company to audit the financial statements and accounts for the 2011-2019 period.

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

As of closure of the 2011 financial year, the manager responsible for the preparation of the financial reports (the financial reporting manager) was the head of the Administration, Planning and Control area.

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 articles of association are reported below.

Article 24-bis CDP articles of association

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 due cause, 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 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 October 2011, following the start of management and coordination activities for the subsidiaries of CDP, it was decided to update the rules of the function, using the same approval process.

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;
- undertake, in the case of companies entering the scope of consolidation and subject to management and control activities, specific initiatives necessary or helpful to the performance of activities associated with the performance of the manager's duties at the Parent Company;
- make use of other company units to design and amend processes (Resources and Organisation) 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.

In addition, pursuant to Articles 13 and 16 of the Luxembourg Law of 9 May 2006 concerning market abuse, in 2009 CDP, as an issuer of debt securities listed in Luxembourg, 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 or Terna and its 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 area is responsible for maintaining and updating both of these registers.

4.4.2.8 Code of Ethics

CDP's Code of Ethics 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 principles and provisions of the Code are disseminated primarily through publication on the corporate intranet. A copy of the Code is also given to all new employees. Individual contracts also contain a clause stating that compliance with the Code is an essential part of the contractual obligations, and is governed by a disciplinary code.

In 2011 there were no breaches of the Code by CDP employees or associates.

4.4.3 Communications

In 2011 external communication focused on consolidating CDP's image among its traditional and new customers, promoting activities to finance public investment, infrastructure development and support the national economy.

A new line of marketing communication in support of the business areas was created, with a view to delivering information on activities/products for customers (for example, for public financing, a coordinated initiative was undertaken to disseminate information on the development of IT procedures – "*Domanda On Line*" – that included direct marketing, local workshops and dedicated promotional materials).

CDP participated in many institutional events (FORUM PA, World Savings Day, the assembly of the National Association of Italian Municipalities, etc.) and organised roadshows for SMEs in conjunction with Confindustria.

Media relations work ensured that CDP maintained a high profile in the press.

The institutional image of CDP was promoted through the creation of a brochure kit covering all of CDP's main activities.

The image of the newly founded Fondo Strategico Italiano was promoted during the start-up phase, with media relations providing support.

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 renewed with a constant presence in major national media.

4.4.4 Human resource management

4.4.4.1 The workforce

At 31 December 2011, CDP had 489 employees, of which: 44 executives, 178 middle managers, 262 office staff and 5 employees seconded from other agencies.

The workforce increased as a result of the hiring of 68 employees, offset by the departure of 11 employees and the 3 employees on unpaid leave. The average age of employees was 45. The percentage of women was 42%, while the percentage of university graduates reached 56%.

In 2011 CDP also continued to invest in 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 cooperation with leading Italian universities.

4.4.4.2 Personnel training and management

Personnel management focused on stabilising the new organisational structure with the redistribution of the workforce and support for internal staff transfers.

Training in 2011 focused on updating specialist knowledge (with a significant effort dedicated to technical IT training), strengthening cross-functional skills, partly with a view to enhancing change management skills and international expansion, and training/information on major issues such as workplace health and safety, the Code of Ethics, the compliance system and money laundering.

Last year saw a substantial increase in training hours compared with 2010, with the number more than doubling from 6,200 in 2010 to more than 14,000 in 2011, as well as a significant expansion of international exchanges with our European partners (such as CDC and EIB).

4.4.4.3 Industrial relations

In 2011, efforts focused on strengthening relations with company union representatives in order to prevent any disputes from arising.

In March, the 2011-2013 Business Plan was presented to union representatives. On a number of occasions during the year, information was also disseminated on human resource management issues, including developments in the workforce, the use of overtime, the merit plan and innovations in work processes *(Domanda On Line)*.

4.4.5 IT systems and internal projects

During the year a range of projects supporting the strategic objectives of the 2011-2013 Business Plan were initiated and in many cases completed. These initiatives are part of the broader set of projects to renovate applications and technology and install the infrastructure needed to support the business lines.

More specifically, in 2011 CDP brought its core business onto the web, with the implementation of the *Domanda On Line* (DOL) loan application service, a tool that enables local authorities to complete and submit their applications for loans digitally. Applications received through that channel are processed by the new *Pratica Elettronica di Finanziamento* (PEF) system, which handles all stages of the application assessment process electronically, all the way through to the loan proposal phase. The new document management system was also implemented as part of this initiative, enabling the dematerialisation of the loan file. These activities are continuing with the goal of extending the range of products/events processed electronically and achieve full dematerialisation of the traditional paper-based system with the creation of a CDP mailing room.

In other developments in the lending system, a project to develop a new middle/back office platform to support the new lines of business and increase the automation of processes was initiated. The project initially involved new products and the migration of operations that had not yet been automated (lending to corporate customers) and will continue, in synergy with the PEF/DOL and document management initiatives, with the management of the new Facilitated Credit products and the migration of existing products in that area.

In the finance area, the platform supporting treasury operations in managing open market operations with the ECB was developed further with the extension of management of the guarantee pool to securities on the asset side as well as loans.

In the postal savings area, existing applications were upgraded to manage three new types of bond, new functions for managing passbook accounts were developed and the technology migration of the new reporting system was completed.

New solutions were developed for inputting the credit risk monitoring system, both for parameterising risk profiles and for managing revolving credit facilities.

As far as payment systems are concerned, work began on the project to upgrade systems to the SEPA Credit Transfer standard on the basis of the Payment Services Directive. The initiative will enable CDP, by the end of the first quarter of 2012, to transmit SEPA credit transfers on the EURO platform, achieving significant benefits in terms of the costs and efficiency of the end-to-end process.

With regard to supervisory reporting obligations, last year saw the continuation of the project to automate the process for producing the prudential returns: the automated system for producing the prudential return for financial statement data is scheduled to be rolled out in the second quarter of 2012.

Work on evolving and enhancing the efficiency of the ERP system continued with the implementation of the personnel record and organisational structure modules, increasing operational efficiency and automating the related processes.

On the technology infrastructure front, the IT infrastructure outsourcing project was completed. The connectivity architecture was completely overhauled and upgraded to provide redundancy and operational continuity. A project to give CDP a disaster recovery solution was also begun, with completion scheduled for the end of the first quarter of 2012.

During the year, CDP also undertook a series of initiatives to implement tools capable of supporting the new corporate communication and collaboration needs (for example, Wi-Fi for offices, audio/video multi-conferencing from individual workstations).

All of these initiatives were carried out with the support of the Resources and Organisation area in order to ensure effective change management, control the impact of the new operational procedures on business processes and adjust the system for managing delegated powers where appropriate.

With a view to updating internal rules, in the fourth quarter of 2011 a project was begun to:
- revise the entire corpus of rules of CDP;
- amend these rules to bring them in line with current organisational arrangements and the new lines of business;
- define content standards for organisational documentation;
- formalise the process of drafting, validating and issuing internal rules.

In conformity with the project objectives, the highest priority documents prepared were the corporate function chart, which formalises the roles and responsibilities of internal units, and guidelines governing the drafting and distribution of internal rules, with a view to formalising a clear and effective process for the creation, management, validation and maintenance of internal rules.

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.

In 2011, CDP prepared its Security Policy Document and performed the periodic checks and updates of the databases maintained by company areas involved in processing information. The scope of this activity also comprised the use of new IT applications to submit loan applications.

At the same time, the existing data protection systems were revised, which among other developments led to the updating of the documentation used, including:

a) informational/consent forms to provide to "interested parties" in the use of the *Domanda On Line* application;
b) informational/consent forms to provide to "interested parties" in the use of the Kyoto Fund portal;
c) confidentiality clauses;
d) written instructions to data processors;
e) contractual clauses pertaining to privacy obligations;
f) appointment letters for data processors;
g) appointment letters for outsourcers;
h) written instructions for those responsible for data protection;
i) updating and amending the privacy policy stated on CDP's website.

5. Relations with the MEF

5.1 Relations with the Central State Treasury

CDP has an interest-bearing current account, no. 29814 denominated "Cassa DP SPA - Gestione Separata", with the Central State Treasury on which it deposits most of 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. These agreement were renewed on 23 December 2009, retaining the existing terms and conditions.

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, 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

One of the most important activities is managing the loans granted by CDP and transferred to the MEF, the residual debt of which came to €14,713 million at 31 December 2011, compared with €16,488 million at the end of 2010. The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €79,173 million, compared with €84,985 million at 31 December 2010.

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 €3,134 million at 31 December 2011; the natural gas infrastructure programme for the South, which had resources totalling €270 million; and resources for territorial agreements and area contracts, which came to €570 million.

6. Outlook for 2012

As regards the outlook for CDP, in 2012 work will continue on implementing the 2011-2013 Business Plan and the objectives it sets. New lending is expected to expand, with a further acceleration of the process of rebalancing lending to the public sector and business with the private sector (including the Ordinary Account).

Therefore, on the asset side we expect there to be further strong growth in lending to customers and banks, associated with a further increase in liquidity, largely as a result of the target for net funding from postal savings, to be pursued in accordance with developments in the macroeconomic environment.
The actual growth of liquidity may nevertheless vary in connection with additional purchases of government securities in compliance with our Asset & Liability Management policy and with the use of alternative funding sources (for example, ECB refinancing operations).

Net interest income is forecast to increase further. This will be made possible by the expected rise in the credit spread on all types of loan, taking due account of the rise in rates to be paid to savers.

The primary risks and uncertainties affecting results for 2012 regard the possibility that the market prices or reference values of equity investments held by CDP may perform poorly, making it necessary to recognise writedowns, and the possible volatility in the dividends distributed by the investee companies in 2012. Moreover, given the possibility of a significant rise in interest rates, there is a risk of an increase in the early redemption of postal savings bonds and replacement with newly issued bonds, a shift that could raise funding costs.

7. Proposed allocation of net income for the year

We hereby submit for shareholder approval the financial statements for 2011, 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 2011 earnings, which total €1,611,905,576. 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 €371,000,000. Accordingly, of this, €259,700,000 is to be distributed to ordinary shareholders and €111,300,000 to preference shareholders.
It is further proposed to retain a total of €1,160,310,297 in earnings.

ALLOCATION OF NET INCOME FOR THE YEAR

(euros)

Net income	1,611,905,576
Legal reserve	80,595,279
Income available for distribution	**1,531,310,297**
Dividend:	**371,000,000**
of which: income attributable to ordinary shares	*259,700,000*
of which: income attributable to preference shares	*111,300,000*
Retained earnings	**1,160,310,297**
Dividend per share	**1.06**
Dividend as percentage of share capital	**10.60%**

Rome, 18 April 2012

The Chairman
Franco Bassanini

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Information on CDP's transactions with related parties is reported in Part H of the notes to the financial statements.

CDP S.p.A.

Financial Statements
at 31 December 2011

Report of the Board of Auditors

Shareholders,

in the course of the financial year ending 31 December 2011, 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 Cassa Depositi e Prestiti S.p.A. (CDP S.p.A.).

We preface our remarks as follows:

A) the financial statements for 2011 have been prepared in accordance with the international accounting standards, 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 no. 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 PricewaterhouseCoopers S.p.A. (PWC) in the performance of its statutory auditing activities;

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 16.5 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) the financial statements for 2011 report net income of €1,612 million and equity of €14,469 million.

Given the foregoing, the Board of Auditors reports, in accordance with the provisions of Legislative Decree 39 of 27 January 2010, with regard to the issues within the scope of our responsibilities, that we:

- 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 events;
- participated in the Shareholders' Meetings, as well as all meetings of the Board of Directors held to date, and received periodic information from the directors on the activities carried out and the most significant operations conducted by the company;
- monitored 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 auditors responsible for statutory auditing, PwC;
- monitoring risk management control processes with meeting with the head of the risk management department;

- 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 and their effective operation;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining information from the audit firm;
- monitored the adequacy of the internal control system through meetings with the head of Internal Auditing, who reported on the exchange of information with the parties involved in the design (second level controls) and monitoring (third level controls) of the internal control system. The examinations performed found no issues or problems to report;
- met with the Supervisory Body for the reciprocal exchange of information, noting that pursuant to Legislative Decree 231/2001 the company has adopted an appropriate compliance model.

In addition, with reference to the Consob recommendations cited earlier, we report the following information:

1. during the year no individual transactions with a significant impact on performance or the financial position were carried out, but a number of specific events occurred that did have an impact on the 2011 financial statements, as reported to us by the Board of Directors. More specifically:
   - *Agreement with Poste Italiane*: in August 2011 a new agreement between CDP and Poste Italiane governing the postal savings funding service for 2011-2013 was signed.
     The agreement provides for: i) the introduction of a new fee mechanism that envisages a commission calculated on the basis of the average overall stock of postal savings products; ii) the introduction of funding targets for postal savings that also take account of the targets set by Poste Italiane for other investment products it places that are not related to postal savings; iii) the implementation of projects of interest to CDP to promote and increase the distribution of postal savings products; and iv) the possibility of renewal for the subsequent three-year period.
     The new agreement consequently calls for a different approach in accounting for the commission paid to Poste Italiane compared with that adopted in 2010 and previously. The fee mechanism used in previous agreements with Poste Italiane provided for the payment of a specific commission for placement of postal bonds, as well as fees for managing passbook savings accounts. The commission for placing bonds was amortised over the life of the bonds themselves. With the new structure, however, the commissions no longer represent a cost directly attributable to the issue of new postal bonds and so the entire fee for the activities performed as part of the postal savings service is expensed entirely in the year in which it accrues. In addition, the revision of the fee structure does not involve any retrospective application to bonds issued prior to 2011, for which the commission recognised at issue will continue to be amortised since the accounting treatment has not been changed for the same fee structure but rather for a new structure altogether.

For 2011, in consideration of the challenging economic climate, the fee has been established on the basis of both overall net funding achieved and the strategic, commercial and advertising initiatives undertaken by Poste Italiane in support of postal savings products.

Subsequent supplementary agreements reached during the course of 2011 amended the amount and payment schedules for the commission for the year and expanded initiatives to promote postal savings products.

As a result of the above and the results achieved, the total commission expense accrued in relation to postal savings payable to Poste Italiane for 2011 came to €1,504 million.

- *Discharge of tax liability on goodwill*: during the year, CDP opted to discharge the tax liability on realignment of the values used for statutory and fiscal purposes of the goodwill in respect of the equity interest in Terna S.p.A., recognised in the consolidated financial statements in the amount of €296.5 million. Following the value adjustment, and with the payment of a one-off tax in settlement of €47 million, CDP can deduct amortization of the goodwill on a straight-line basis over 10 years as from 2013.
- *Early termination of the covered bond programme*: in November 2011, CDP decided to voluntarily terminate the covered bond programme. The programme, which was listed on the Luxembourg Stock Exchange, had been launched in 2004 to fund its lending activities under the Separate Account with the issue of notes secured by a segregated asset pool.

  Following the decision to terminate the programme, no further issues have been made and the collateral, which until that time consisted of a portfolio of receivables in respect of loans to public entities, was replaced with a tied deposit held in a segregated account that can be reinvested in eligible securities (rated AAA).

  Accordingly, the "of which" entries indicated above under the balance sheet aggregates "Loans to customers" and "Due from customers" are no longer reported at 31 December 2011 due to the desegregation of the portfolio of receivables. As a result, in the 2011 financial statements, the redefined segregated asset pool is reported under "of which" entries in the balance sheet aggregates "Due from banks" (for the liquidity held in tied deposit accounts and unlisted securities issued by "eligible" banks (rated AAA)) and financial assets available for sale (listed eligible securities).
- *Collective impairment of loans*: the company recognized collective impairment adjustments on an identifiable portfolio of loans to private borrowers in the amount of €4.2 million.
- *Equity investments*: during 2011 the portfolio of equity investments and the scope of consolidation of CDP S.p.A. changed as a result of the incorporation of Fondo Strategico Italiano S.p.A. ("FSI"), whose corporate purpose is to invest in companies of strategic importance, and of the acquisition, through the vehicle CDP GAS S.r.l., of an equity stake in Trans Austria Gasleitung GmbH ("TAG"), the company that operates the transmission rights for the Austrian segment of the gas pipeline linking Russia to Italy.

- *Reclassification of certain financial statement items*: The Bank of Italy, as part of the informational monitoring to which CDP is current subject, requested the submission of reporting schedules, analogous to those envisaged for banks, initially with regard to financial statement data only (Section III of the prudential returns "Financial statement information"). To ensure that the information contained in the financial statements and in the prudential returns is consistent, CDP and the Bank of Italy formed a technical panel to determine the appropriate technical classification of certain types of operations. The reconciliation between the financial statements and the information reported revealed the need to reclassify certain technical forms reported in the financial statements. More specifically, the cash held with the Central State Treasury was reclassified from balance sheet item 10 "Cash and cash equivalents" to item 70 "Loans to customers", and interest-bearing postal savings bonds were reclassified from item 30 "Securities issued" to item 20 "Due to customers" and item 10 "Due to banks". For other minor reclassifications, please see the notes to the financial statements in Section 4 – Other issues, where specific disclosures are provided.

2. In the notes to the financial statements for 2011, and more specifically in Part H – Transactions with related parties, the directors report the main transactions carried out during the year with related parties. Please refer to that section for more information on the type of transactions conducted and their impact on the income statement and the balance sheet.
3. The information provided by the directors in their report on operations is felt to be adequate.
4. PwC, charged with the statutory audit of the accounts, has not made any specific observations that might be reflected in comments or qualifications in their report on the financial statements, nor did any material issues emerge in the periodic exchange of information between the Board and the audit firm.
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. The audit firm PwC, pursuant to Article 17.9, a), of Legislative Decree 39/2010 confirmed to the Board of Directors that it did not find itself in any situations that would have compromised its independence or any circumstances that would give rise to incompatibility pursuant to Article 10 of that Legislative Decree.
8. In 2011, there were a total of 12 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 14 meetings, to which the judge designated by the State Audit Court was always invited. During the meetings, the Board, inter alia, examined and took due account of 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 due 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 2010 financial year.

9. The administrative/accounting system appears adequate to provide an accurate and prompt representation of operational events, a finding also borne out by information received from the audit firm.
10. Within the scope of our supervisory activities, we did not find any omissions, censurable facts or irregularities.

The Board of Auditors took due note of the information provided by the Financial Reporting Manager on the findings of the control activities performed, which found no material issues that would prevent the issue of the certification pursuant to Article 154-bis of the Consolidated Law on Financial Intermediation.

Therefore, there are no impediments to approving the financial statements for the 2011 financial year together with the report on operations submitted by the Board of Directors and the proposed allocation of net income for the year.

Rome, 24 April 2012

THE BOARD OF AUDITORS

/signature/Angelo Provasoli	Chairman
/signature/Paolo Fumagalli	Auditor
/signature/Biagio Mazzotta	Auditor
/signature/Gianfranco Romanelli	Auditor
/signature/Giuseppe Vincenzo Suppa	Auditor

CDP S.p.A.

Financial Statements

at 31 December 2011

Report of the independent auditors

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Cassa Depositi e Prestiti SpA

1. We have audited the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2011 which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

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

   The separate financial statements present, for comparative purposes, the prior year corresponding figures. As illustrated in the notes to the separate financial statements, the directors have reclassified certain prior year comparative information compared to that previously presented that was audited by other auditors who issued a report dated 28 April 2011. The reclassification methods of the comparative information and the related disclosures in the notes have been examined by us for the purpose of expressing an opinion on the separate financial statements as of 31 December 2011.

3. In our opinion, the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2011 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Cassa Depositi e Prestiti SpA for the year then ended.

4. The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required

PricewaterhouseCoopers SpA

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under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2011.

Rome, 24 April 2012

PricewaterhouseCoopers SpA

Lorenzo Pini Prato
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers

CDP S.p.A.

Financial Statements
at 31 December 2011

Certification
of the separate financial statements
pursuant to Article 154-bis of Legislative Decree 58/1998

Certification of the separate financial statements pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 as amended

1. The undersigned Giovanni Gorno Tempini, 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.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 2011.

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 2011 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 2011 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. Work also continued on the process to upgrade information technology procedures, which 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, 24 April 2012

Chief Executive Officer
/signature/Giovanni Gorno Tempini

Financial Reporting Manager
/signature/Andrea Novelli

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

CDP S.p.A.

Financial Statements
at 31 December 2011

Financial statements

Form and content of the financial statements at 31 December 2011

The financial statements at 31 December 2011 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 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.

CDP S.p.A.

Financial Statements

at 31 December 2011

Separate financial statements

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement

Balance sheet

(euros)

Assets	31/12/2011	31/12/2010
10. Cash and cash equivalents	2,237	4,448
20. Financial assets held for trading	581,080,782	856,437,924
40. Financial assets available for sale	2,714,382,743	2,288,246,249
of which: securing covered bonds	*200,479,303*	-
50. Financial assets held to maturity	9,289,252,925	2,947,379,832
60. Loans to banks	19,404,824,607	9,027,453,938
of which: securing covered bonds	*5,138,958,155*	-
70. Loans to customers	220,537,662,851	214,080,887,514
of which: securing covered bonds	-	*14,052,248,752*
80. Hedging derivatives	359,793,786	366,749,734
100. Equity investments	19,641,548,187	18,582,609,235
110. Property, plant and equipment	199,727,962	199,812,563
120. Intangible assets	4,574,652	4,974,253
130. Tax assets	617,523,230	461,119,068
a) current	399,759,826	422,947,633
b) deferred	217,763,404	38,171,435
150. Other assets	235,665,166	367,749,013
Total assets	**273,586,039,128**	**249,183,423,771**

(euros)

Liabilities and equity		31/12/2011	31/12/2010
10.	Due to banks	19,415,892,384	7,834,666,755
20.	Due to customers	227,042,396,990	216,043,181,389
	of which amounts to be disbursed on loans securing covered bonds	-	*871,850,140*
30.	Securities issued	8,512,364,699	7,683,624,772
	of which: covered bonds	*5,307,748,156*	*5,378,891,922*
40.	Financial liabilities held for trading	471,815,234	940,033,707
60.	Hedging derivatives	2,621,250,529	1,175,798,607
70.	Adjustment of financial liabilities hedged generically (+/-)	60,440,182	63,682,829
80.	Tax liabilities	443,585,327	476,744,233
	a) current	356,236,426	398,520,161
	b) deferred	87,348,901	78,224,072
100.	Other liabilities	538,517,108	1,229,127,701
110.	Staff severance pay	732,560	705,198
120.	Provisions	9,681,415	9,378,237
	b) other provisions	9,681,415	9,378,237
130.	Valuation reserves	1,081,113,568	1,250,136,787
160.	Reserves	8,276,343,556	6,233,823,643
180.	Share capital	3,500,000,000	3,500,000,000
200.	Net income for the period (+/-)	1,611,905,576	2,742,519,913
Total liabilities and equity		**273,586,039,128**	**249,183,423,771**

Income statement

(euros)

		31/12/2011	31/12/2010
10.	Interest income and similar revenues	7,737,829,670	6,419,624,669
20.	Interest expense and similar charges	(5,408,988,524)	(4,760,265,808)
30.	**Net interest income**	**2,328,841,146**	**1,659,358,861**
40.	Commission income	15,704,980	12,121,906
50.	Commission expense	(1,504,737,356)	(722,346,893)
60.	**Net commission income**	**(1,489,032,376)**	**(710,224,987)**
70.	Dividends and similar revenues	1,229,134,522	1,134,584,838
80.	Net gain (loss) on trading activities	(17,238,205)	12,293,917
90.	Net gain (loss) on hedging activities	(27,825,910)	(164,090)
100.	Gains (Losses) on disposal or repurchase of:	6,425,648	201,174,464
	a) loans	6,074,385	71,508,633
	b) financial assets available for sale	345,580	129,665,831
	c) financial assets held to maturity	5,683	-
120.	**Gross income**	**2,030,304,825**	**2,297,023,003**
130.	Net impairment adjustments of:	(10,188,369)	(3,790,509)
	a) loans	(7,565,679)	(3,790,509)
	d) other financial transactions	(2,622,690)	-
140.	**Financial income (expense), net**	**2,020,116,456**	**2,293,232,494**
150.	Administrative expenses:	(85,168,357)	(77,032,484)
	a) staff costs	(50,780,722)	(45,477,092)
	b) other administrative expenses	(34,387,635)	(31,555,392)
160.	Net provisions	(350,298)	(2,176,678)
170.	Net adjustments of property, plant and equipment	(5,677,509)	(6,279,462)
180.	Net adjustments of intangible assets	(2,210,473)	(2,532,046)
190.	Other operating income (costs)	3,730,374	2,355,539
200.	**Operating costs**	**(89,676,263)**	**(85,665,131)**
210.	Gains (Losses) on equity investments	(13,861,048)	947,743,867
250.	**Income (Loss) before tax from continuing operations**	**1,916,579,145**	**3,155,311,230**
260.	Income tax for the period on continuing operations	(304,673,569)	(412,791,317)
270.	**Income (Loss) after tax on continuing operations**	**1,611,905,576**	**2,742,519,913**
290.	**Income (Loss) for the period**	**1,611,905,576**	**2,742,519,913**

Statement of comprehensive income

(euros)

		31/12/2011	31/12/2010
10.	**Income (Loss) for the period**	**1,611,905,576**	**2,742,519,913**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	(171,364,227)	(879,310,137)
60.	Cash flow hedges	2,341,008	(6,941,651)
110.	**Total other comprehensive income net of taxes**	**(169,023,219)**	**(886,251,788)**
120.	**Comprehensive income (items 10+110)**	**1,442,882,357**	**1,856,268,125**

Statement of changes in equity

(euros)

	Balance at 31/12/2010	Changes in opening balance	Balance at 1/1/11	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	Changes for the period: Equity transactions: Purchase of own shares	Changes for the period: Equity transactions: Special dividend distribution	Changes for the period: Equity transactions: Changes in equity instruments	Changes for the period: Equity transactions: Derivatives on own shares	Changes for the period: Equity transactions: Stock options	Comprehensive income for 2011	Equity at 31/12/2011
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	6,233,823,643		6,233,823,643	2,042,519,913										8,276,343,556
b) other														
Valuation reserves:														
a) available for sale	1,088,305,993		1,088,305,993										(171,364,227)	916,941,766
b) cash flow hedges	(5,741,208)		(5,741,208)										2,341,008	(3,400,200)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (Loss) for the period	2,742,519,913		2,742,519,913	(2,042,519,913)	(700,000,000)								1,611,905,576	1,611,905,576
Equity	**13,726,480,343**		**13,726,480,343**	**-**	**(700,000,000)**								**1,442,882,357**	**14,469,362,700**

Statement of changes in equity

(euros)

	Balance at 31/12/2009	Changes in opening balance	Balance at 1/1/10	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	Changes for the period: Equity transactions: Purchase of own shares	Changes for the period: Equity transactions: Special dividend distribution	Changes for the period: Equity transactions: Changes in equity instruments	Changes for the period: Equity transactions: Derivatives on own shares	Changes for the period: Equity transactions: Stock options	Comprehensive income for 2010	Equity at 31/12/2010
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	4,809,202,993		4,809,202,993	1,424,620,650										6,233,823,643
b) other														
Valuation reserves:														
a) available for sale	1,967,616,130		1,967,616,130										(879,310,137)	1,088,305,993
b) cash flow hedges	1,200,443		1,200,443										(6,941,651)	(5,741,208)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (Loss) for the period	1,724,620,650		1,724,620,650	(1,424,620,650)	(300,000,000)								2,742,519,913	2,742,519,913
Equity	**12,170,212,218**		**12,170,212,218**	**-**	**(300,000,000)**								**1,856,268,125**	**13,726,480,343**

Cash flow statement (indirect method)

(euros)

A. OPERATING ACTIVITIES	31/12/2011	31/12/2010
1. Operations	**4,407,689,471**	**2,981,276,378**
- net income for the year (+/-)	1,611,905,576	2,742,519,913
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	8,996,389	(12,293,917)
- gains (losses) on hedging activities (-/+)	(189,561,628)	164,090
- net impairment adjustments (+/-)	10,188,369	3,790,509
- net value adjustments to property, plant and equipment and intangible assets (+/-)	7,887,982	8,811,508
- net provisions and other costs/revenues (+/-)	7,050,418	8,499,199
- unpaid taxes and duties (+)	304,673,569	412,791,317
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	13,861,048	-
- other adjustments (+/-)	2,632,687,748	(183,006,241)
2. Cash generated by/used in financial assets	**(14,525,818,442)**	**(3,635,877,311)**
- financial assets held for trading	266,360,752	(143,845,237)
- financial assets at fair value	-	-
- financial assets available for sale	(669,973,585)	4,220,279,254
- loans to banks: on demand	-	-
- loans to banks: other	(10,121,091,617)	(3,467,433,893)
- loans to customers	(4,060,860,800)	(4,046,639,601)
- other assets	59,746,809	(198,237,834)
3. Cash generated by/used in financial liabilities	**18,405,402,883**	**19,880,851,648**
- due to banks: on demand	-	-
- due to banks: other	11,561,064,716	4,561,970,186
- due to customers	7,427,749,672	16,530,460,832
- securities issued	795,615,500	(911,555,565)
- financial liabilities held for trading	(468,218,474)	325,269,342
- financial liabilities at fair value	-	-
- other liabilities	(910,808,531)	(625,293,147)
Net cash generated by/used in operating activities	**8,287,273,912**	**19,226,250,715**
B. INVESTING ACTIVITIES		
1. Cash generated by	**259,988,457**	**3,144,733,158**
- sale of equity investments	-	3,144,733,158
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	259,988,457	-
- sale of property, plant and equipment	-	-
2. Cash used in	**(7,589,857,643)**	**(13,425,921,857)**
- purchase of equity investments	(1,072,800,000)	(10,706,373,431)
- purchase of financial assets held to maturity	(6,509,653,862)	(2,716,439,742)
- purchase of property, plant and equipment	(5,592,908)	(2,174,089)
- purchase of intangible assets	(1,810,872)	(934,595)
Net cash generated by/used in investing activities	**(7,329,869,186)**	**(10,281,188,699)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(700,000,000)	(300,000,000)
Net cash generated by/used in financing activities	**(700,000,000)**	**(300,000,000)**
CASH GENERATED/USED DURING THE YEAR	**257,404,726**	**8,645,062,016**

Reconciliation

ITEMS*		
Cash and cash equivalents at beginning of year	123,777,777,937	115,132,715,921
Total cash generated/used during the year	257,404,726	8,645,062,016
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	124,035,182,663	123,777,777,937

(*) The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury, which is reported under item 70 "Loans to customers" and the positive balance of the bank current accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" under liabilities.

CDP S.p.A.

Financial Statements

at 31 December 2011

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

Introduction

Structure and content of the financial statements

As in previous years, the CDP 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.
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 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, the balance on the current account held with the Central State Treasury reported under item 70 "Loans to customers" 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 10 "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 2011 and 2010 financial years.
Tables with no amounts for either 2011 or 2010 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 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 initially regarded the future cash flows from the financial assets (loans), which constituted the collateral of the related bond issue. Since November 2011, that collateral has been replaced with a tied cash deposit on a segregated account that can be invested in eligible securities (rated AAA).
The assets are shown 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 statutory audit of the CDP financial statements pursuant to Legislative Decree 39/2010 was performed by PricewaterhouseCoopers S.p.A. in execution of the shareholder resolution of 25 May 2011, which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

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 and with the Bank of Italy circular 262 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 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.

Use of estimates

The application of international accounting standards in preparing the financial statements requires the company to formulate estimates for certain balance sheet items that are considered reasonable and realistic on the basis of the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the period under review.
Changes in the conditions underpinning the judgements, assumptions and estimates used could also have an impact on future results.
The main areas in which management is required to make subjective assessments are:
- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The description of the accounting treatment used for the main financial statement items provides details on the main assumptions and assessments used in preparing the financial statements.

Section 3 - Events subsequent to the reporting date

During the period between the reporting date for the financial statements and their approval by the Board of Directors on 18 April 2012, no events occurred that would require an adjustment to the figures approved or the provision of additional information.

Section 4 - Other issues

First-time adoption/recently adopted accounting standards

During the year new accounting standards and interpretations entered force. Where applicable, account was taken of these standards and interpretations during the preparation of these financial statements.

Amendments to accounting standards (Improvements 2011)

On 19 February 2011, Regulation (EU) 149/2011 of 18 February 2011 was published in the *Official Journal of the European Union*, endorsing the "Improvements to International Financial Reporting Standards". For certain of these (IFRS 3, IFRS 7, IAS 21, IAS 28 and IAS 31) the amendments take effect as from reporting periods beginning after 30 June 2010. For the others (IAS 1, IAS 34 and IFRIC 13) the amendments take effect as from 1 January 2011.

Amendments to IFRS 7 - Financial instruments: Disclosures - Transfers of financial assets

Regulation (EU) 1205/2011 issued by the European Commission on 22 November 2011 expanded the disclosures to be included in the financial statements concerning financial instruments. The amendment seeks to assist users of financial statements to assess the exposure to risk in the transfer of financial assets and the impact of such risks on the entity's financial position. The amended standard introduces new disclosure requirements to enable users of the financial statements to better understand the relationship between transferred financial assets that have not been derecognised and the associated liabilities and to assess the nature, and related risks, of transferred assets in which the entity has a continuing involvement.

The amendments did not have a material impact on the financial statements at 31 December 2011.

During the previous year, the European Commission endorsed the following standards and interpretations that are applicable for the period under review in these financial statements.

Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement

On 20 July 2010, Regulation (EU) 633/2010 was published in the *Official Journal of the European Union*, adopting a number of amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement. The changes, which are limited in scope, allows an entity to recognise an asset in respect of prepayments of minimum funding requirements. The amendments take effect as from reporting periods beginning on or after 1 January 2011.

Revised IAS 24 - Related party disclosures

Issued in November 2009, the standard allows companies that are subsidiaries or under the joint control or significant influence of a government agency to adopt special related-party disclosure rules allowing summary disclosure of transactions with the government agency and with other companies controlled by or under the significant influence of the government agency. The new version of IAS 24 also amends the definition of related parties for the purposes of disclosure in the notes to the financial statements. The revised IAS 24 will apply retrospectively as from periods beginning on or after 1 January 2011.

Standards and amendments awaiting endorsement

During the year or the previous year amendments were made to existing standards and new standards and interpretations were issued that will take effect prospectively. To date these changes have not yet been endorsed by the European Commission and are therefore not applicable.

	Date of issue by the IASB	Date of entry into force of IASB document	Expected date of endorsement by EU
Standards and Interpretations			
IFRS 10 Consolidated Financial Statements	May-11	1 January 2013	3rd quarter 2012
IFRS 11 Joint Arrangements	May-11	1 January 2013	3rd quarter 2012
IFRS 12 Disclosures of Interests in Other Entities	May-11	1 January 2013	3rd quarter 2012
IFRS 13 Fair Value Measurement	May-11	1 January 2013	3rd quarter 2012
IAS 27 Separate Financial Statements	May-11	1 January 2013	3rd quarter 2012
IAS 28 Investments in Associates and Joint Ventures	May-11	1 January 2013	3rd quarter 2012
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Oct-11	1 January 2013	2nd quarter 2012
Amendments			
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	Dec-10	1 January 2012	2nd quarter 2012
Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendments to IFRS 1)	Dec-10	1 July 2011	2nd quarter 2012
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	Jun-11	1 July 2012	1st quarter 2012
Amendments to IAS 19 Employee Benefits	Jun-11	1 January 2013	1st quarter 2012

Other information

On 18 April 2012 the Board of Directors approved the draft financial statements for 2011 of CDP, which will be published in accordance with the procedures provided for in the regulations applicable to CDP.

In conformity with the provisions of Article 2364 of the Italian Civil Code and the articles of association, for reasons associated with the preparation of the consolidated financial statements, the Shareholders' Meeting will approve the financial statements within 180 days of the close of the financial year.

Reclassification of the 2010 financial statements

The Bank of Italy, as part of the informational monitoring to which CDP is current subject, requested the submission of reporting schedules, analogous to those envisaged for banks, initially with regard to financial statement data only (Section III of the prudential returns "Financial statement information").

To ensure that the information contained in the financial statements and in the prudential returns is consistent, CDP and the Bank of Italy formed a technical panel to determine the appropriate technical classification of certain types of operations.

The reconciliation between the financial statements and the information reported revealed the need to reclassify certain technical forms reported in the financial statements.

More specifically, the cash held with the Central State Treasury was reclassified from balance sheet item 10 "Cash and cash equivalents" to item 70 "Loans to customers", and interest-bearing postal savings bonds were reclassified from item 30 "Securities issued" to item 20 "Due to customers" and item 10 "Due to banks".

Furthermore, in response to requests for clarification received from banks and financial intermediaries, the Bank of Italy specified that the reimbursement of individually documented travel and accommodation expenses incurred by employees on business trips and the costs of medical check-ups performed during the hiring process, as well as costs incurred for medical exams required by law, shall be reported under item 150 b) "Other administrative expenses".

As a result, these costs were reclassified from income statement item 150 a) "Staff costs" to item 150 b) "Other administrative expenses".

These reclassification had no impact on the profit or shareholders' equity for the 2010.

The reclassified financial statements are shown below, with an indication of the reclassifications performed.

Balance sheet

(euros)

Assets	31/12/2010 Reclassified	31/12/2010	change
10. Cash and cash equivalents	4,448	123,751,211,374	(123,751,206,926)
20. Financial assets held for trading	856,437,924	856,437,924	
40. Financial assets available for sale	2,288,246,249	2,288,246,249	
of which: securing covered bonds			
50. Financial assets held to maturity	2,947,379,832	2,947,379,832	
60. Loans to banks	9,027,453,938	9,027,453,938	
of which: securing covered bonds			
70. Loans to customers	214,080,887,514	90,329,680,588	123,751,206,926
of which: securing covered bonds	*14,052,248,752*	*14,052,248,752*	
80. Hedging derivatives	366,749,734	366,749,734	
100. Equity investments	18,582,609,235	18,582,609,235	
110. Property, plant and equipment	199,812,563	199,812,563	
120. Intangible assets	4,974,253	4,974,253	
130. Tax assets	461,119,068	461,119,068	
a) current	422,947,633	422,947,633	
b) deferred	38,171,435	38,171,435	
150. Other assets	367,749,013	367,749,013	
Total assets	**249,183,423,771**	**249,183,423,771**	**-**

Balance sheet

(euros)

Liabilities and equity		31/12/2010 Reclassified	31/12/2010	change
10.	Due to banks	7,834,666,755	7,241,187,323	593,479,432
20.	Due to customers	216,043,181,389	106,988,550,234	109,054,631,155
	of which amounts to be disbursed on loans securing covered bonds	*871,850,140*	*871,850,140*	
30.	Securities issued	7,683,624,772	117,331,735,359	(109,648,110,587)
	of which: covered bonds	*5,378,891,922*	*5,378,891,922*	
40.	Financial liabilities held for trading	940,033,707	940,033,707	
60.	Hedging derivatives	1,175,798,607	1,175,798,607	
70.	Adjustment of financial liabilities hedged generically (+/-)	63,682,829	63,682,829	
80.	Tax liabilities	476,744,233	476,744,233	
	a) current	398,520,161	398,520,161	
	b) deferred	78,224,072	78,224,072	
100.	Other liabilities	1,229,127,701	1,229,127,701	
110.	Staff severance pay	705,198	705,198	
120.	Provisions	9,378,237	9,378,237	
	b) other provisions	9,378,237	9,378,237	
130.	Valuation reserves	1,250,136,787	1,250,136,787	
160.	Reserves	6,233,823,643	6,233,823,643	
180.	Share capital	3,500,000,000	3,500,000,000	
200.	Net income for the year (+/-)	2,742,519,913	2,742,519,913	
Total liabilities and equity		**249,183,423,771**	**249,183,423,771**	**-**

Income statement

(euros)

		31/12/2010 Reclassified	31/12/2010	change
10.	Interest income and similar revenues	6,419,624,669	6,419,624,669	
20.	Interest expense and similar charges	(4,760,265,808)	(4,760,265,808)	
30.	**Net interest income**	**1,659,358,861**	**1,659,358,861**	
40.	Commission income	12,121,906	12,121,906	
50.	Commission expense	(722,346,893)	(722,346,893)	
60.	**Net commission income**	**(710,224,987)**	**(710,224,987)**	
70.	Dividends and similar revenues	1,134,584,838	1,134,584,838	
80.	Net gain (loss) on trading activities	12,293,917	12,293,917	
90.	Net gain (loss) on hedging activities	(164,090)	(164,090)	
100.	Gains (Losses) on disposal or repurchase of:	201,174,464	201,174,464	
	a) loans	71,508,633	71,508,633	
	b) financial assets available for sale	129,665,831	129,665,831	
120.	**Gross income**	**2,297,023,003**	**2,297,023,003**	
130.	Net impairment adjustments of:	(3,790,509)	(3,790,509)	
	a) loans	(3,790,509)	(3,790,509)	
140.	**Financial income (expense), net**	**2,293,232,494**	**2,293,232,494**	
150.	Administrative expenses:	(77,032,484)	(77,032,484)	
	a) staff costs	(45,477,092)	(46,266,008)	788,916
	b) other administrative expenses	(31,555,392)	(30,766,476)	(788,916)
160.	Net provisions	(2,176,678)	(2,176,678)	
170.	Net adjustments of property, plant and equipment	(6,279,462)	(6,279,462)	
180.	Net adjustments of intangible assets	(2,532,046)	(2,532,046)	
190.	Other operating income (costs)	2,355,539	2,355,539	
200.	**Operating costs**	**(85,665,131)**	**(85,665,131)**	
210.	Gains (Losses) on equity investments	947,743,867	947,743,867	
250.	**Income (Loss) before tax from continuing operations**	**3,155,311,230**	**3,155,311,230**	
260.	Income tax for the period on continuing operations	(412,791,317)	(412,791,317)	
270.	**Income (Loss) after tax on continuing operations**	**2,742,519,913**	**2,742,519,913**	
290.	**Income (loss) for the period**	**2,742,519,913**	**2,742,519,913**	

A.2 - The main financial statement accounts

The following 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) include 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 as 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 reporting 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 available for sale 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.
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 reporting 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 comparable transactions.
If the fair value of financial instruments not listed on active markets 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. A decrease in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.
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 value of the instrument after 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 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 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, regardless of the amount actually disbursed.
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 are 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. 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 for which no evidence of individual impairment has been identified undergo collective impairment testing.

The method used for collective testing is based on the internal parameters used for pricing loans and calculating (for internal purposes only) CDP’s capital adequacy with respect to the exposures it has assumed.

The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.
These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).
"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. The item also reports the liquidity represented by the balance on the current account held with the Central State Treasury.
It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of 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 (such as the reserve requirement).

6 - Hedging transactions

In accordance with IAS 39, hedging instruments are designated as 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 is 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 reporting 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 designated as at fair value through profit or loss (item 30) in accordance with IAS 28 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 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. Other equity investments 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. The reduction in fair value is deemed significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of more than 24 months.

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.
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, governed by IFRS 3, 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.

If an impairment loss, independently of amortisation, is identified, the asset is written down, with the original value being restored if the reasons for the writedown no longer obtain.

"Assets under development 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, amortisation is suspended.

11 - Current and deferred taxation

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 5.57% 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. they 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 equity, they are recognised in 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 reporting 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

"Due to banks" (item 10) and "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, as well as liabilities in respect of postal funding products.
Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. 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.
Postal savings bonds issued by CDP are reported under "Due to banks" (item 10) and "Due to customers" (item 20), including those that have matured but have not yet been redeemed at the reporting date. These instruments 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. The effective rate for floating-rate interest-bearing postal bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

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 contract date for derivative contracts and at the trade date for debt 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 is 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 changes in the fair value 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

Staff severance pay

Staff severance pay (TFR) 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, 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 be noted that the provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company 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.

Determining fair value

Fair value is the amount for which an asset (or liability) could be exchanged in an arm's length transaction between parties with a reasonable level of knowledge about market conditions and the material circumstances of the object of the exchange.

In the definition of fair value a key assumption is that an entity is fully operational and does not have the need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.
For financial instruments, fair value is determined in three possible ways:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);
- in the case of financial instruments not quoted on active markets, recourse is made, where possible, to valuation techniques that use observable market parameters other than quoted prices for the instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use as inputs parameters that are not observable on the market and thus are inevitably subjective to some degree (Level 3).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, brokers, intermediaries, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions carried out close to the valuation date.
In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market parameters at different levels of complexity. For example, valuation techniques may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.
In selecting the valuation techniques to be used in Level 2 measurements, CDP takes account of the following criteria:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and integrated into CDP's corporate systems.

Valuation techniques are validated by CDP's Risk Management and Anti-Money Laundering area. The development and validation of the techniques, and their application, are set out in specific process documentation.
The selection of market parameters as inputs for Level 2 valuations is carried out on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.

For derivatives and bonds, CDP has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified Credit Value Adjustment (CVA) methodology. Nevertheless, given the generalised use of framework netting arrangements that provide for the exchange of collateral, as at 31 December 2011 such adjustments are confined to cases of limited importance.

In some cases, in determining fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, such as statistical or "expert-based" estimates by the party performing the valuation (Level 3).

More specifically, in the financial statements of CDP, the following measurements are classified as Level 3:

- the valuation of options on equity indices embedded in certain categories of postal bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain inflation-linked derivatives, which call for parameters determined using "expert-based" assessments owing to the low liquidity of some market segments;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

Here, too, valuation techniques are applied consistently over time to uniform categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

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)

Financial assets/liabilities at fair value	31/12/2011			31/12/2010		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		579,738	1,343		855,230	1,208
2. Financial assets at fair value						
3. Financial assets available for sale	2,524,232	5,971	184,180	2,211,558	7,270	69,418
4. Hedging derivatives		357,457	2,337		366,180	570
Total	**2,524,232**	**943,166**	**187,860**	**2,211,558**	**1,228,680**	**71,196**
1. Financial liabilities held for trading		37,506	434,309		190,910	749,124
2. Financial liabilities at fair value						
3. Hedging derivatives		2,612,712	8,539		1,160,616	15,183
Total		**2,650,218**	**442,848**		**1,351,526**	**764,307**

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

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

(thousands of euros)

		FINANCIAL ASSETS			
		held for trading	at fair value	available for sale	hedging
1.	**Opening balance**	**1,208**		**69,418**	**570**
2.	**Increases**	**135**		**135,879**	**1,767**
2.1	Purchases			131,482	
2.2	Profits taken to:	135		4,397	1,767
2.2.1	Income statement	135			1,767
	- of which: capital gains	*135*			*1,767*
2.2.2	Equity	x	x	4,397	
2.3	Transfers from other levels				
2.4	Other increases				
3.	**Decreases**			**21,117**	
3.1	Sales			4,702	
3.2	Repayments				
3.3	Losses taken to:			16,415	
3.3.1	Income statement				
	- of which: capital losses				
3.3.2	Equity	x	x	16,415	
3.4	Transfers to other levels				
3.5	Other decreases				
4.	**Closing balance**	**1,343**		**184,180**	**2,337**

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

(thousands of euros)

		FINANCIAL LIABILITIES		
		held for trading	at fair value	hedging
1.	**Opening balance**	**749,124**		**15,183**
2.	**Increases**	**33,563**		
2.1	Purchases	33,563		
2.2	Losses taken to:			
2.2.1	Income statement			
	- of which: capital losses			
2.2.2	Equity	X	X	
2.3	Transfers from other levels			
2.4	Other increases			
3.	**Decreases**	**348,378**		**6,644**
3.1	Sales			
3.2	Repayments	13,887		
3.3	Profits taken to:	334,491		6,644
3.3.1	Income statement	334,491		1,304
	- of which: capital gains	*334,491*		*1,304*
3.3.2	Equity	X	X	5,340
3.4	Transfers to other levels			
3.5	Other decreases			
4.	**Closing balance**	**434,309**		**8,539**

A.3.3 Disclosures on "day one profit/loss"

The carrying amount of financial instruments on recognition is equal to their fair value at the same date. In the case of financial instruments other than those at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.
In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a so-called "day one profit/loss".
Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect). If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss may be recognised through profit or loss over the life of the financial instrument.
CDP has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related provisions of the IASs/IFRSs.

PART B - INFORMATION ON THE BALANCE SHEET

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: composition

(thousands of euros)

	31/12/2011	31/12/2010
a) Cash	2	4
b) Free deposits with central banks		
Total	**2**	**4**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2011			31/12/2010		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A						
B. Derivatives						
1. Financial derivatives		579,738	1,343		855,230	1,208
1.1 Trading					855,230	1,208
1.2 Associated with fair value option		579,738	1,343			
1.3 Other						
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		**579,738**	**1,343**		**855,230**	**1,208**
Total (A+B)		**579,738**	**1,343**		**855,230**	**1,208**

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

The financial derivatives set out in the table mainly 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.

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

(thousands of euros)

	31/12/2011	31/12/2010
A. ON-BALANCE-SHEET 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	581,081	853,060
- fair value	581,081	853,060
b) Customers		3,378
- fair value		3.378
Total B	**581,081**	**856,438**
Total (A+B)	**581,081**	**856,438**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2011			31/12/2010		
	L1	L2	L3	L1	L2	L3
1. Debt securities	2,524,232	5,971		2,211,558	7,270	
1.1 Structured securities						
1.2 Other debt securities	2,524,232	5,971		2,211,558	7,270	
2. Equity securities			10,572			9,748
2.1 At fair value			8,534			
2.2 At cost			2,038			9,748
3. Units in collective investment undertakings			173,608			59,670
4. Loans						
Total	**2,524,232**	**5,971**	**184,180**	**2,211,558**	**7,270**	**69,418**

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

(thousands of euros)

	31/12/2011	31/12/2010
1. Debt securities	**2,530,203**	**2,218,828**
a) Governments and central banks	2,524,232	2,011,443
b) Other government agencies	5,971	7,270
c) Banks		
d) Other		200,115
2. Equity securities	**10,572**	**9,748**
a) Banks	2,066	2,066
b) Other issuers	8,506	7,682
- insurance undertakings		
- financial companies	8,506	7,682
- non-financial companies		
- other		
3. Units in collective investment undertakings	**173,608**	**59,670**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**2,714,383**	**2,288,246**

4.4 Financial assets available for sale: change for the year

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**2,218,828**	**9,748**	**59,670**		**2,288,246**
B. Increases	**984,526**	**824**	**135,055**		**1,120,405**
B1. Purchases	982,229		131,482		1,113,711
B2. Fair value gains		824	3,573		4,397
B3. Writebacks					
- recognised through income statement					
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes	2,297				2,297
C. Decreases	**673,151**		**21,117**		**694,268**
C1. Sales	87,728				87,728
C2. Repayments	351,307		4,702		356,009
C3. Fair value losses	234,116		16,415		250,531
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes					
D. Closing balance	**2,530,203**	**10,572**	**173,608**		**2,714,383**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2011				31/12/2010			
		FV				FV		
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Debt securities	9,289,253	8,720,182			2,947,380	2,810,334		
- structured								
- other	9,289,253	8,720,182			2,947,380	2,810,334		
2. Loans								
Total	**9,289,253**	**8,720,182**			**2,947,380**	**2,810,334**		

Key
FV = fair value
CA = carrying amount

The item includes fixed-rate Treasury bonds, with a nominal value of €7,522.5 million, and inflation-linked Treasury bonds with a nominal value of €2,050 million, the latter held to hedge the exposure to Italian inflation arising from the issue of postal savings bonds indexed to inflation.

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

(thousands of euros)

	31/12/2011	31/12/2010
1. Debt securities	**9,289,253**	**2,947,380**
a) Governments and central banks	9,289,253	2,947,380
b) Other government agencies		
c) Banks		
d) Other		
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**9,289,253**	**2,947,380**

The increase over the previous year is attributable to the investment of a portion of liquidity in government securities.

5.4 Financial assets held to maturity: change for the year

(thousands of euros)

	Debt securities	Loans	Total
A. Opening balance	**2,947,380**		**2,947,380**
B. Increases	**6,601,861**		**6,601,861**
B1. Purchases	6,509,653		6,509,653
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes	92,208		92,208
C. Decreases	**259,988**		**259,988**
C1. Sales	259,988		259,988
C2. Repayments			
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other changes			
D. Closing balance	**9,289,253**		**9,289,253**

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2011	31/12/2010
A. Claims on central banks	**4,437,508**	**4,059,117**
1. Fixed-term deposits		
2. Reserve requirement	4,437,508	4,059,117
3. Repurchase agreements		
4. Other		
B. Loans to banks	**14,967,317**	**4,968,337**
1. Current accounts and free deposits	285,786	95,181
2. Fixed-term deposits	1,865,942	1,203,858
3. Other financing	7,678,213	3,669,298
3.1 Repurchase agreements		
3.2 Finance leasing		
3.3 Other	7,678,213	3,669,298
4. Debt securities	5,137,376	
4.1 Structured		
4.2 Other debt securities	5,137,376	
Total (carrying amount)	**19,404,825**	**9,027,454**
Total (fair value)	**18,811,379**	**8,993,807**

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement of about €4,438 million;
- loans amounting to about €7,678 million;
- debt securities amounting to about €5,137 million, acquired in order to serve as "eligible" (AAA rating) collateral for the existing covered bond issues;
- deposits in respect of Credit Support Annexes (cash collateral) at banks to hedge the counterparty credit risk on derivatives of about €1,866 million;
- current account balances totalling €286 million.

6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2011	31/12/2010
1. Loans with specific fair value hedges:	**141,932**	**149,076**
a) interest rate risk	141,932	149,076
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	**141,932**	**149,076**

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 subscribed as part of financing transactions with customers. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2011		31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	95		107	
1.1 Liquidity held with Central State Treasury	123,817,580		123,751,207	
2. Repurchase agreements				
3. Loans	94,483,732	46,253	88,810,506	37,131
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other	634,035	179	109,428	
8. Debt securities	1,555,789		1,372,509	
8.1 Structured				
8.2 Other debt securities	1,555,789		1,372,509	
Total (carrying amount)	**220,491,231**	**46,432**	**214,043,757**	**37,131**
Total (fair value)	**205,913,060**	**46,432**	**212,193,830**	**37,131**

Liquidity held with the Central State Treasury in current account no. 29814 in the name of "Cassa DP SPA - Gestione Separata" comprises liquidity generated by Separate Account transactions performed by CDP. 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 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 current account no. 29814 and credited after the reporting date amounted to about €1,787 million.

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

The difference between the fair value and carrying amount of loans to customers reflects the very high premium for the sovereign risk of the Italian Republic in the market at the end of 2011.
Similar differences of the opposite sign between fair values and carrying amounts could hypothetically be calculated for postal savings bonds, with an offsetting impact.
However, as discussed in Section 2 - Due to customers - Item 20, taking account of the option for bondholders to redeem postal bonds on demand and the considerable uncertainty about redemptions in the market conditions experienced at the end of 2011, it was decided for prudential reasons that the best estimate of the fair value of postal savings bonds is their carrying amount.

7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

	31/12/2011		31/12/2010	
	Performing	**Impaired**	**Performing**	**Impaired**
1. Debt securities:	**1,555,789**		**1,372,509**	
a) Governments	407,397		398,025	
b) Other government agencies	632,503		604,565	
c) Other issuers	515,889		369,919	
- non-financial companies	87,019		50,144	
- financial companies	428,870		319,775	
- insurance undertakings				
- other				
2. Loans to:	**218,935,442**	**46,432**	**212,671,248**	**37,131**
a) Governments	159,974,487		157,728,926	
b) Other government agencies	50,550,743	3,168	48,100,949	4,430
c) Other	8,410,212	43,264	6,841,373	32,701
- non-financial companies	8,343,767	43,264	6,762,389	32,053
- financial companies	33,308		40,169	
- insurance undertakings				
- other	33,137		38,815	648
Total	**220,491,231**	**46,432**	**214,043,757**	**37,131**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2011	31/12/2010
1. Loans with specific fair value hedges:	**13,816,827**	**14,037,764**
a) interest rate risk	13,816,827	14,037,764
b) exchange rate risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**13,816,827**	**14,037,764**

Section 8 - Hedging derivatives - Item 80

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

(thousands of euros)

	Fair value 31/12/2011			NV	Fair value 31/12/2010			NV
	L1	L2	L3	31/12/2011	L1	L2	L3	31/12/2010
A. Financial derivatives		**357,457**	**2,337**	**7,742,022**		**366,180**	**570**	**6,614,747**
1. Fair value		321,647	2,337	7,642,221		336,346	570	6,522,708
2. Cash flow		35,810		99,801		29,834		92,039
3. Investment in foreign operation								
B. Credit derivatives								
1. Fair value								
2. Cash flow								
Total		**357,457**	**2,337**	**7,742,022**		**366,180**	**570**	**6,614,747**

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)

	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				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									
1. Financial liabilities	261,159			x	62,825	x	35,810	x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	**261,159**				**62,825**		**35,810**		
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 10 - Equity investments - Item 100

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

	Registered office	% holding	% of votes
A. Wholly-owned subsidiaries			
1. Terna S.p.A.	Rome	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Rome	70.00%	70.00%
3. Fondo Strategico Italiano S.p.A.	Milan	90.00%	90.00%
4. CDP GAS S.r.l.	Rome	100.00%	100.00%
B. Joint ventures			
C. Companies under significant influence			
1. Eni S.p.A.	Rome	26.37%	26.37%
2. Galaxy S.àr.l. SICAR	Luxembourg	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	31.80%

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

(thousands of euros)

	Total assets	Total revenues	Net income (loss)	Equity	Book value	Fair value
A. Wholly-owned subsidiaries	**12,694,759**	**1,608,555**	**442,057**	**2,755,304**	**2,389,400**	
1. Terna S.p.A. (2)	12,686,700	1,600,400	440,000	2,751,000	1,315,200	1,562,400
2. CDP Investimenti SGR S.p.A.	8,059	8,155	2,057	4,304	1,400	x
3. Fondo Strategico Italiano S.p.A.	602,921	3,277	1,101	601,101	540,000	x
4. CDP GAS S.r.l.	711,089	-	(25)	532,775	532,800	x
B. Joint ventures	**-**	**-**	**-**	**-**	**-**	
C. Companies under significant influence	**143,103,604**	**119,269,391**	**7,824,714**	**60,533,870**	**17,252,148**	
1. Eni S.p.A.	142,945,000	119,243,000	7,803,000	60,393,000	17,240,440	16,909,434
2. Galaxy S.àr.l. SICAR (1)	151,741	25,608	22,176	146,507	11,708	x
3. Europrogetti & Finanza S.p.A. in liquidazione (2)	6,863	783	(462)	(5,637)	-	x
Total	**155,798,363**	**120,877,946**	**8,266,771**	**63,289,174**	**19,641,548**	

(1) Figures from financial statements at 30/06/11
(2) Figures from financial statements at 31/12/09

10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2011	31/12/2010
A. Opening balance	**18,582,609**	**4,486,902**
B. Increases	**1,072,800**	**17,240,440**
B.1 Purchases	1,072,800	10,706,373
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		6,534,067
C. Decreases	**13,861**	**3,144,733**
C.1 Sales		3,144,733
C.2 Writedowns	13,861	
C.3 Other decreases		
D. Closing balance	**19,641,548**	**18,582,609**
E. Total revaluations		
F. Total writedowns	**16,968**	**3,107**

The sub-item B.1 "Purchases" reports capital contributions made to the subsidiaries Fondo Strategico Italiano S.p.A. (€540 million) and CDP GAS S.r.l. (€532.8 million) formed in 2011.

10.4 Commitments in respect of subsidiaries

CDP has subscribed €900 million of the capital of Fondo Strategico Italiano S.p.A., of which €360 million has yet to be paid.

10.6 Commitments in respect of 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.
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 CDP, net of depreciation, and at period-end breaks down as follows:

(thousands of euros)

	31/12/2011	31/12/2010
A. Operating assets		
1.1 owned	**199,728**	**199,813**
a) land	117,406	117,406
b) buildings	65,135	67,388
c) movables	2,548	3,082
d) electrical plant	1,240	1,864
e) other	13,399	10,073
1.2 acquired under finance leases		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
Total A	**199,728**	**199,813**
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)	**199,728**	**199,813**

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

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**82,889**	**12,218**	**17,911**	**27,798**	**258,222**
A.1 Total net writedowns	-	(15,501)	(9,136)	(16,048)	(17,724)	(58,409)
A.2 Opening net balance	**117,406**	**67,388**	**3,082**	**1,863**	**10,074**	**199,813**
B. Increases	**-**	**236**	**170**	**340**	**5,317**	**6,063**
B.1 Purchases		201	66	335	4,991	5,593
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		35	104	5	326	470
C. Decreases	**-**	**2,489**	**704**	**964**	**1,991**	**6,148**
C.1 Sales						
C.2 Depreciation		2,489	704	964	1,521	5,678
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					470	470
D. Closing net balance	**117,406**	**65,135**	**2,548**	**1,239**	**13,400**	**199,728**
D.1 Total net writedowns	-	(17,990)	(9,840)	(16,499)	(19,201)	(63,530)
D.2 Closing gross balance	**117,406**	**83,125**	**12,388**	**17,738**	**32,601**	**263,258**
E. Measurement at cost						

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: composition by category

Intangible assets break down as follows:

(thousands of euros)

	31/12/2011		31/12/2010	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x		x	
A.2 Other intangible assets	**4,575**		**4,974**	
A.2.1 Assets carried at cost:	4,575		4,974	
a) internally-generated intangible assets				
b) other assets	4,575		4,974	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**4,575**		**4,974**	

12.2 Intangible assets: change for the year

(thousands of euros)

		Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
			DEF	INDEF	DEF	INDEF	
A.	**Opening gross balance**				**15,353**		**15,353**
A.1	Total net writedowns				(10,379)		(10,379)
A.2	**Opening net balance**				**4,974**		**4,974**
B.	**Increases**				**1,811**		**1,811**
B.1	Purchases				1,811		1,811
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**				**2,210**		**2,210**
C.1	Sales						
C.2	Writedowns				2,210		2,210
	- Amortisation				2,210		2,210
	- Impairment:	x					
	+ equity						
	+ income statement	x					
C.3	Fair value losses						
	- equity						
	- income statement	x					
C.4	Transfer to non-current assets held for sale	x					
C.5	Negative exchange rate differences						
C.6	Other changes						
D.	**Closing net balance**				**4,575**		**4,575**
D.1	Total net writedowns				(12,589)		(12,589)
E.	**Closing gross balance**				**17,164**		**17,164**
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 especially significant 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, derivatives hedging cash flows in respect of liabilities (cash flow hedges) and of the realignment of the greater value – allocated to goodwill in the consolidated financial statements – of the controlling interest in Terna S.p.A.

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) and the adjustment of tax liabilities to the increase in the IRAP tax rate.

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

(thousands of euros)

	31/12/2011	31/12/2010
1. Opening balance	**9,175**	**23,641**
2. Increases	**99,983**	**2,231**
2.1 Deferred tax assets recognised during the year	99,879	2,200
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		2,200
d) other	99,879	
2.2 New taxes or increases in tax rates	104	31
2.3 Other increases		
3. Decreases	**2,889**	**16,697**
3.1 Deferred tax assets derecognised during the year	2,889	16,697
a) reversals	2,889	16,697
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	**106,269**	**9,175**

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

(thousands of euros)

	31/12/2011	31/12/2010
1. Opening balance	**-**	**28**
2. Increases	**316**	**-**
2.1 Deferred tax liabilities recognised during the year	316	
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	316	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**28**
3.1 Deferred tax liabilities derecognised during the year		28
a) reversals		28
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**316**	**-**

13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2011	31/12/2010
1. Opening balance	**28,996**	**2,296**
2. Increases	**85,389**	**27,698**
2.1 Deferred tax assets recognised during the year	84,907	27,564
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	84,907	27,564
2.2 New taxes or increases in tax rates	482	134
2.3 Other increases		
3. Decreases	**2,891**	**998**
3.1 Deferred tax assets derecognised during the year	2,891	998
a) reversals	2,891	998
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	**111,494**	**28,996**

13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2011	31/12/2010
1. Opening balance	**78,224**	**130,899**
2. Increases	**9,432**	**2,107**
2.1 Deferred tax liabilities recognised during the year	2,117	275
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	2,117	275
2.2 New taxes or increases in tax rates	7,315	1,832
2.3 Other increases		
3. Decreases	**623**	**54,782**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	623	54,782
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**87,033**	**78,224**

13.7 Other information

13.7.1 Deferred tax assets: composition

(thousands of euros)

	31/12/2011	31/12/2010
Provisions for liabilities and contingencies	2,467	2,252
Depreciation and amortisation	3,708	3,626
Financial instruments	1,856	3,555
Payables	2,044	3,099
Financial assets available for sale	109,638	25,439
Other	98,050	200
Total	**217,763**	**38,171**

13.7.2 Deferred tax liabilities: composition

(thousands of euros)

	31/12/2011	31/12/2010
Financial assets available for sale	2,194	131
Equity investments	84,664	77,296
Financial instruments	176	797
Other	315	
Total	**87,349**	**78,224**

SECTION 15 - OTHER ASSETS - ITEM 150

15.1 Other assets: composition

(thousands of euros)

	31/12/2011	31/12/2010
1. Trade receivables and advances to public entities	20,903	17,132
2. Receivables due from investees	23,671	221
3. Payments on account for withholding tax on interest on postal passbook savings accounts	188,558	347,430
4. Other	2,533	2,966
Total	**235,665**	**367,749**

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

The main items under this heading are:

- "Payments on account for withholding tax on interest on postal passbook savings accounts": the balance at end-2011 regards payments on account of the withholding tax levied on interest accrued on passbook accounts;
- "Trade receivables and advances to public entities": this reports receivables in respect of accrued fees or expenses paid in advance under agreements with ministries;
- "Receivables due from investees": the balance at end-2011 regards receivables in respect of investees for dividends, services rendered and expense reimbursements.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2011	31/12/2010
1. Due to central banks	**7,836,132**	**417,435**
2. Due to banks	**11,579,760**	**7,417,232**
2.1 Current accounts and demand deposits	-	230,455
2.2 Fixed-term deposits	1,007,869	1,249,006
2.3 Loans	10,571,891	5,933,607
2.3.1 Repurchase agreements	8,183,254	4,456,825
2.3.2 Other	2,388,637	1,476,782
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	-	4,164
Total	**19,415,892**	**7,834,667**
Fair value	**19,415,892**	**7,834,667**

The item "Due to central banks" includes refinancing transactions and the payable to the Bank of Italy for unpaid direct debits settled in early 2012.

"Fixed-term deposits" refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives (cash collateral) and the balance on postal passbook accounts and postal bonds held by banks.

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

SECTION 2 - DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2011	31/12/2010
1. Current accounts and demand deposits	458,553	10,898
2. Fixed-term deposits	217,933,852	206,775,538
3. Loans		
3.1 Repurchase agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	8,649,992	9,256,745
Total	**227,042,397**	**216,043,181**
Fair value	**227,042,397**	**216,043,181**

"Fixed-term deposits" mainly refer to the balance at the end of 2011 of postal passbook accounts and postal bonds.

"Other payables" mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by CDP to public entities and public-law bodies.

The fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium in line with that on medium/long-term government securities.

This would produce an estimate at 31 December 2011 of the fair value of those liabilities that would be significantly less than the carrying amount, with an analogous and opposite impact to that from the measurement of loans to customers and banks. However, taking account of the option for bondholders to redeem postal bonds on demand and the considerable uncertainty about redemptions in the market conditions experienced at the end of 2011, it was decided for prudential reasons that the best estimate of the fair value of postal savings bonds is their carrying amount.

2.3 Breakdown of item 20 "Due to customers": structured liabilities

Structured liabilities at 31 December 2011 amounted to €12,243 million and include indexed postal savings bonds and the *Premia* bonds, for which the embedded derivative has been separated from the host contract.

2.4 Due to customers: liabilities hedged specifically

(thousands of euros)

	31/12/2011	31/12/2010
1. Liabilities covered specifically by fair value hedges:		
a) interest rate risk		
b) exchange rate risk		
c) multiple risks		
2. Liabilities covered specifically by cash flow hedges:	**413,299**	**400,202**
a) interest rate risk	413,299	400,202
b) exchange rate risk		
c) other		
Total	**413,299**	**400,202**

Amounts due to customers covered by cash flow hedges refer to part of the inflation-linked postal savings bonds.

Section 3 - Securities issued - Item 30

3.1 Securities issued: composition by type

(thousands of euros)

	31/12/2011				31/12/2010			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	8,512,365		7,505,619	491,303	7,683,625	5,240,486	1,571,947	744,492
1.1 Structured								
1.2 Other	8,512,365		7,505,619	491,303	7,683,625	5,240,486	1,571,947	744,492
2. Other securities								
2.1 Structured								
2.2 Other								
Total	**8,512,365**		**7,505,619**	**491,303**	**7,683,625**	**5,240,486**	**1,571,947**	**744,492**

The item includes covered bonds in the amount of €5,308 million and bonds issued under the Euro Medium-Term Notes programme totalling €3,204 million.
As regards the fair value hierarchy, following the loss of significance of the prices observed, the covered bond issues previously reported under Level 1 are reported under Level 2 in 2011.

3.3 Securities issued: securities hedged specifically

(thousands of euros)

	31/12/2011	31/12/2010
1. Securities covered by specific fair value hedges	**8,117,340**	**7,038,376**
a) interest rate risk	7,594,471	6,543,245
b) exchange rate risk		
c) multiple risks	522,869	495,131
2. Securities covered by specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**8,117,340**	**7,038,376**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2011					31/12/2010				
	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			37,506	434,309				190,910	749,124	
1.1 Trading	x				x	x		163,494		x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		37,506	434,309	x	x		27,416	749,124	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**		**37,506**	**434,309**	**x**	**x**		**190,910**	**749,124**	**x**
Total (A+B)	**x**		**37,506**	**434,309**	**x**	**x**		**190,910**	**749,124**	**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)

	31/12/2011			NV	31/12/2010			NV
	L1	L2	L3	31/12/2011	L1	L2	L3	31/12/2010
A. Financial derivatives		**2,612,712**	**8,539**	**12,098,781**		**1,160,616**	**15,183**	**14,672,840**
1. Fair value		2,612,712		11,712,781		1,160,616		14,286,840
2. Cash flow			8,539	386,000			15,183	386,000
3. Investment in foreign operation								
B. Credit derivatives								
1. Fair value								
2. Cash flow								
Total		**2,612,712**	**8,539**	**12,098,781**		**1,160,616**	**15,183**	**14,672,840**

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)

	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	2,612,434			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	**2,612,434**								
1. Financial liabilities	278			X		X	8,539	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**278**						**8,539**		
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)

	31/12/2011	31/12/2010
1. Positive adjustments of financial liabilities	60,440	63,683
2. Negative adjustment of financial liabilities		
Total	**60,440**	**63,683**

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 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 more information on this item please see Section 13 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: composition

(thousands of euros)

	31/12/2011	31/12/2010
1. Items being processed	4,445	4,110
2. Charges for postal funding service	129,050	822,000
3. Tax payables	384,946	385,268
4. Other	20,076	17,750
Total	**538,517**	**1,229,128**

The item reports liabilities not otherwise classified under the previous items.
The main items under this heading are:

- the payable to Poste Italiane of about €129 million, relating to the portion of commissions due in respect of the management and placement of postal savings products not yet paid at the reporting date;
- tax payables totalling about €385 million, mainly regarding the tax on interest paid on postal savings products;
- other items, which are mainly composed of trade payables, sundry amounts due to employees and adjustments to guarantees issued and commitments to disburse funds.

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: change for the year

(thousands of euros)

	31/12/2011	31/12/2010
A. Opening balance	**705**	**697**
B. Increases	**1,226**	**1,022**
B.1 Provision for the year	1,226	1,022
B.2 Other increases		
C. Decreases	**1,198**	**1,014**
C.1 Severance payments		8
C.2 Other decreases	1,198	1,006
D. Closing balance	**733**	**705**

Section 12 - Provisions - Item 120

12.1 Provisions: composition

(thousands of euros)

	31/12/2011	31/12/2010
1. Company pension plans		
2. Other provisions	9,681	9,378
2.1 Legal disputes	1,957	1,476
2.2 Staff costs	6,091	5,364
2.3 Other	1,633	2,538
Total	**9,681**	**9,378**

12.2 Provisions: change for the year

(thousands of euros)

	Pensions	Other provisions	Total
A. Opening balance		**9,378**	**9,378**
B. Increases		**6,587**	**6,587**
B.1 Provision for the year		549	549
B.2 Changes due to passage of time			
B.3 Changes due to changes in discount rate			
B.4 Other increases		6,038	6,038
C. Decreases		**6,284**	**6,284**
C.1 Use during the year		5,523	5,523
C.2 Changes due to changes in discount rate			
C.3 Other decreases		761	761
D. Closing balance		**9,681**	**9,681**

12.4 Provisions - Other provisions

Other provisions regard provisions accrued for litigation, charges in respect of employee bonuses and likely tax liabilities.

SECTION 14 - 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 par value of preference shares is included under "Share capital" together with the par value of ordinary shares, taking account of the intentions and positions expressed by the shareholders in this regard. Under the CDP articles of association, the preference shares will be automatically converted into ordinary shares as from 1 January 2013, without prejudice to the right of preference shareholders to withdraw.

The company does not hold treasury shares.

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)

	31/12/2011	31/12/2010
Income reserves	**8,276,344**	**6,233,824**
Legal reserve	524,972	387,846
Other	7,751,372	5,845,978

We provide the following information required by Article 2427, point 7-bis, of the Italian Civil Code.

(thousands of euros)

		Balance at 31/12/2011	Possible uses*	Amount available
Share capital		3,500,000	-	
Reserves		8,276,344		
- Legal reserve	524,972		B	524,972
- Other income reserves	7,751,372		A, B, C	7,751,372
Valuation reserves		1,081,114		
- AFS reserve	916,942		-	-
- Property revaluation reserve	167,572		A, B	167,572
- CFH reserve	(3,400)		-	-
Total		**12,857,458**		**8,443,916**

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

Other information

1. Guarantees issued and commitments

(thousands of euros)

	31/12/2011	31/12/2010
1. Financial guarantees issued	226,198	194,573
a) Banks		7,599
b) Customers	226,198	186,974
2. Commercial guarantees issued		
a) Banks		
b) Customers		
3. Irrevocable commitments to disburse funds	13,630,974	12,847,369
a) Banks	124,171	5,468
i) certain use	124,171	5,468
ii) uncertain use		
b) Customers	13,506,803	12,841,901
i) certain use	13,506,803	12,841,206
ii) uncertain use		695
4. Commitments underlying credit derivatives: sales of protection		
5. Assets pledged as collateral for third-party debts		
6. Other commitments	1,986,433	1,698,014
Total	**15,843,605**	**14,739,956**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	31/12/2011	31/12/2010
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	2,391,219	1,841,000
4. Financial assets held to maturity	6,386,351	2,695,000
5. Loans to banks	5,138,958	
6. Loans to customers		20,923,979
7. Property, plant and equipment		

In past years CDP issued covered bonds secured by assets pledged as collateral (the segregated portfolio).

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.

When the programme to issue the securities was launched, a well-diversified portfolio of receivables was identified, consisting of loans with repayment charged to local authorities and regions. The list of pledged loans, filed with the Company Register of Rome, was updated with each new issue and whenever CDP altered its composition.

CDP's 2010 balance sheet sets out separately the amount of the loans granted and used as collateral for the issuance of covered bonds (reported under loans to customers) and the corresponding remaining amount to be disbursed (reported under amounts due to customers).

In November 2011, the collateral, which until that time consisted of the above-mentioned portfolio of receivables in respect of loans, was replaced with a tied deposit held in a segregated account that can be reinvested in eligible securities (rated AAA) and, as a result, the portfolio of receivables was "desegregated" with the filing of the desegregation decision with the Company Register of Rome.

Accordingly, the "of which" entries indicated above under the balance sheet aggregates "Loans to customers" and "Due from customers" are no longer reported at 31 December 2011 due to the desegregation of the portfolio of receivables. As a result, in the 2011 financial statements, the redefined segregated asset pool is reported under "of which" entries in the balance sheet aggregates "Due from banks" (for the liquidity held in tied deposit accounts and unlisted securities issued by "eligible" banks, rated AAA) and financial assets available for sale (listed eligible securities).

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)

	Debt securities	Loans	Other	31/12/2011	31/12/2010
1. Financial assets held for trading					
2. Financial assets available for sale	69,819			69,819	31,914
3. Financial assets held to maturity	201,829			201,829	38,869
4. Loans to banks	3,275	237,995		241,270	184,163
5. Loans to customers	60,169	7,164,743		7,224,912	6,164,679
6. Financial assets at fair value					
7. Hedging derivatives	x	x			
8. Other assets	x	x			
Total	**335,092**	**7,402,738**	**-**	**7,737,830**	**6,419,625**

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

- loans to banks and customers:
  - interest income on loans by CDP amounting to about €4,188 million;
  - interest income on current account no. 29814, equal to about €3,215 million;
- debt securities: interest income on debt securities amounting to about €335 million.

The item includes interest income accrued on impaired assets of about €1,679 thousand.

1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payables	Securities	Other	31/12/2011	31/12/2010
1. Due to central banks	22,834	x		22,834	328
2. Due to banks	106,072	x		106,072	39,808
3. Due to customers	4,699,033	x		4,699,033	3,999,946
4. Securities issued	x	252,032		252,032	245,890
5. Financial liabilities held for trading					617
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	2,220	2,220	1,927
8. Hedging derivatives	x	x	326,798	326,798	471,750
Total	**4,827,939**	**252,032**	**329,018**	**5,408,989**	**4,760,266**

Interest expense on amounts due to customers mainly regards interest on postal savings products, totalling about €4,551 million and interest on loans being repaid but not yet disbursed by CDP, equal to about €144 million.

Interest on debt securities regarded bond issues in the amount of about €252 million.

The negative differences on hedges amounted to about €327 million.

1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2011	31/12/2010
A. Positive differences on hedging transactions	114,060	143,506
B. Negatives differences on hedging transactions	440,858	615,256
C. Balance (A-B)	**(326,798)**	**(471,750)**

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 €12.3 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)

	31/12/2011	31/12/2010
a) guarantees issued	357	388
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 securitisations		
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	15,348	11,734
Total	**15,705**	**12,122**

2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to about €1,504 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.
The increase in the item over the previous year is attributable to the new fee agreement signed between CDP and Poste Italiane for the 2011-2013 period. More specifically, the new agreement modifies the fee structure for Poste Italiane's activities, no longer providing for a commission directly attributable to the issue of new postal bonds – and as such recognised in the initial value of the bond and amortised over the expected remaining life of the bonds – but rather a comprehensive fee for the activities involved in providing the service, which will be fully expensed in the year in which it accrues. The new fee structure is consistent with the developments in the service provided by Poste Italiane, which now emphasises the overall management of postal savings rather than merely providing placement services.
For a more detailed discussion of the new fee structure, please see Section 4.2.4 "Renewal of the agreement with Poste Italiane S.p.A." in the report on operations.

(thousands of euros)

	31/12/2011	31/12/2010
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:	1,504,050	722,213
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	1,504,050	722,213
6. off-premises distribution of securities, products and services		
d) collection and payment services	586	121
e) other services	101	13
Total	**1,504,737**	**722,347**

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2011		31/12/2010	
	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	2,642	221	811,723	
C. Financial assets at fair value				
D. Equity investments	1,226,272	x	322,862	x
Total	**1,228,914**	**221**	**1,134,585**	

The balance consists of dividends and similar income authorised for distribution in the year from equity investments in Eni S.p.A. (about €1,077 million), Terna S.p.A. (about €126 million), Galaxy (about €23 million), Istituto per il Credito Sportivo (about €2.4 million), F2i SGR S.p.A. (about €240 thousand), Sinloc S.p.A. (about €47 thousand) and Fondo F2i (about €221 thousand).

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

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	
4. Derivatives	**383,550**	**8,574**	**405,714**	**3,648**	**(17,238)**
4.1 Financial derivatives:	383,550	8,574	405,714	3,648	(17,238)
- on debt securities and interest rates	22,449	8,574	22,805	3,648	4,570
- on equity securities and equity indices	361,101		382,909		(21,808)
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
Total	**383,550**	**8,574**	**405,714**	**3,648**	**(17,238)**

Section 5 - Net gain (loss) on hedging activities - Item 90

5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2011	31/12/2010
A. Income on:		
A.1 Fair value hedges	72,146	24,332
A.2 Hedged financial assets (fair value)	1,483,219	519,431
A.3 Hedged financial liabilities (fair value)	95,512	41,049
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	19,287	143,712
Total income on hedging activities (A)	**1,670,164**	**728,524**
B. Expense on:		
B.1 Fair value hedges	1,604,766	562,215
B.2 Hedged financial assets (fair value)		656
B.3 Hedged financial liabilities (fair value)	73,937	22,105
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	19,287	143,712
Total expense on hedging activities (B)	**1,697,990**	**728,688**
C. Net gain (loss) on hedging activities (A-B)	**(27,826)**	**(164)**

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

6.1 Gains (Losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2011			31/12/2010		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks						
2. Loans to customers	8,907	(2,833)	6,074	71,508		71,508
3. Financial assets available for sale	346		346	129,666		129,666
3.1 Debt securities	346		346	1,021		1,021
3.2 Equity securities				128,645		128,645
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	6		6			
Total assets	**9,259**	**(2,833)**	**6,426**	**201,174**		**201,174**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

The balance mainly refers to penalties received on the early repayment of loans.

Section 8 - Net impairment adjustments - Item 130

The balance, totalling €10.2 million, refers to the net balance between writedowns, both specific and general, and writebacks. Writebacks from interest concern writebacks connected with the passage of time, arising from the accrual of interest during the year based on the original effective interest rate used in calculating the writedown.

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2011	31/12/2010
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks									
- Loans									
- Debt securities									
B. Loans to customers		(5,380)	(2,381)	174	21			(7,566)	(3,791)
- Loans		(5,380)	(2,365)	174	21			(7,550)	(3,791)
- Debt securities			(16)					(16)	
C. Total		**(5,380)**	**(2,381)**	**174**	**21**			**(7,566)**	**(3,791)**

Key
A = interest
B = other writebacks

8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2011	31/12/2010
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(123)					(123)	
B. Credit derivatives									
C. Commitments to disburse funds		(967)	(1,533)					(2,500)	
D. Other transactions									
C. Total		**(967)**	**(1,656)**					**(2,623)**	

Key
A = interest
B = other writebacks

Section 9 - General and administrative expenses - Item 150

9.1 Staff costs: composition

(thousands of euros)

	31/12/2011	31/12/2010
1. Employees	**49,407**	**43,332**
a) wages and salaries	35,728	31,618
b) social security contributions	124	115
c) severance pay		
d) pensions	9,139	8,111
e) allocation to staff severance pay provision	1,226	1,022
f) allocation to provision for pensions and similar liabilities:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:	1,269	995
- defined contribution	1,269	995
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	1,921	1,471
2. Other personnel in service	**38**	**3**
3. Board of Directors and Board of Auditors	**1,671**	**2,392**
4. Retired personnel		
5. Recovery of expenses for employees seconded to other companies	**(576)**	**(286)**
6. Reimbursement of expenses for third-party employees seconded to the company	**241**	**36**
Total	**50,781**	**45,477**

9.2 Average number of employees by category

Employees	**475**
a) senior management	45
b) middle management	173
- of which: grade 3 and 4	*116*
c) other employees	257
Other personnel	**11**

9.4 Other employee benefits

(thousands of euros)

	31/12/2011	31/12/2010
Lunch vouchers	726	516
Staff health insurance	1,036	869
Interest subsidies on loans	44	34
Other benefits	115	52
Total	**1,921**	**1,471**

9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2011	31/12/2010
Professional and financial services	5,772	6,986
IT costs	10,751	8,647
General services	7,518	6,861
Advertising and marketing	2,033	2,232
- of which mandatory publicity	*1,138*	*969*
Information resources and databases	1,383	1,184
Utilities, duties and other expenses	5,451	4,367
Corporate bodies	434	342
Other personnel costs	1,046	937
Total	**34,388**	**31,555**

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2011 paid for services provided by PricewaterhouseCoopers S.p.A. and KPMG S.p.A., the external auditors.

Fees for auditing and non-audit services

(thousands of euros)

	Service provider	Fees for the year
Auditing and financial statements	PricewaterhouseCooper S.p.A.	291
Certification	PricewaterhouseCooper S.p.A.	48
Certification	KPMG S.p.A.	20
Total		**359**

The fees paid in 2011 to the audit firm PricewaterhouseCoopers S.p.A. 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)

	31/12/2011 Accruals	Reversal of excess	Total	31/12/2010 Total
Review of existing provision for litigation	(491)	10	(481)	(49)
Provision for tax liabilities	(58)	189	131	(2,128)
Total	**(549)**	**199**	**(350)**	**(2,177)**

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

11.1 Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Property, plant and equipment	**5,678**			**5,678**
A.1 Owned	5,678			5,678
- operating assets	5,678			5,678
- investment property				
A.2 Acquired under finance leases				
- operating assets				
- investment property				
Total	**5,678**			**5,678**

Section 12 - Net adjustments of intangible assets - Item 180

12.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets	**2,210**			**2,210**
A.1 Owned	2,210			2,210
- internally generated				
- other	2,210			2,210
A.2 Acquired under finance leases				
Total	**2,210**			**2,210**

Section 13 - Other operating costs and income - Item 190

13.1 Other operating costs: composition

(thousands of euros)

	31/12/2011	31/12/2010
Operating costs in respect of supply chain	1	2
Charges from adjustment of asset items	18	
Total	**19**	**2**

13.2 Other operating income: composition

(thousands of euros)

	31/12/2011	31/12/2010
Income from adjustment of liability items	55	7
Income for corporate offices paid to employees	248	262
Sundry reimbursements	2,632	1,026
Other income from services	814	1,063
Total	**3,749**	**2,358**

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

14.1 Gains (Losses) on equity investments: composition

(thousands of euros)

	31/12/2011	31/12/2010
A. Gains	**-**	**947,744**
1. Revaluations		
2. Gains on disposals		947,744
3. Writebacks		
4. Other		
B. Losses	**(13,861)**	**-**
1. Writedowns	(13,861)	
2. Impairments		
3. Losses on disposals		
4. Other		
Net gain (loss)	**(13,861)**	**947,744**

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

18.1 Income tax for the year on continuing operations: composition

(thousands of euros)

	31/12/2011	31/12/2010
1. Current taxes (-)	(402,225)	(397,069)
2. Change in current taxes from previous years (+/-)	773	(1,284)
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	97,094	(14,466)
5. Change in deferred tax liabilities (+/-)	(316)	28
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(304,674)	(412,791)

Current taxation for 2011 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 5.57% respectively, as well as the 16% tax paid in order to realign the higher values – allocated to goodwill in the consolidated financial statements – of the controlling interest in Terna S.p.A. pursuant to Article 23.12-15 of Decree Law 98/2011.

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.

Deferred tax assets for 2011 shows a substantial increase, essentially attributable to the realignment performed with regard to current taxes that generated temporary differences deductible in subsequent years starting from 2013, relating to the amortisation of goodwill taken in 10 equal annual instalments (€296.5 million).

As regards deferred tax liabilities, the increase in 2011 relates to receivables in respect of dividends due but not collected.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

Income (Loss) before taxes	**1,916,579**
IRES Theoretical tax liability (27.5% rate)	**527,059**
dividends excluded 95%	(321,369)
non-deductible interest 4%	59,499
non-deductible costs	6,538
tax-exempt income	(4,846)
IRES Actual tax liability	**266,881**
Taxable income for IRAP purposes	**1,377,690**
IRAP Theoretical tax liability (5.57% rate)	**76,737**
non-deductible interest 4%	12,051
deductible costs from prior years	(190)
deductible costs in respect of staff	(855)
other non-deductible costs	161
IRES Actual tax liability	**87,904**

PART D - COMPREHENSIVE INCOME

Detailed breakdown of comprehensive income

(thousands of euros)

		Gross amount	Income taxes	Net amount
10.	**Net income (loss) for the period**	**1,916,579**	**(304,674)**	**1,611,905**
	Other comprehensive income			
20.	Financial assets available for sale:	(246,135)	74,771	(171,364)
	a) fair value changes	(246,135)	74,771	(171,364)
	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:	3,421	(1,080)	2,341
	a) fair value changes	3,421	(1,080)	2,341
	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**	**(242,714)**	**73,691**	**(169,023)**
120.	**Comprehensive income (items 10+110)**	**1,673,865**	**(230,983)**	**1,442,882**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within the CDP organisational structure, the Risk Management unit is charged with governing and monitoring all of the forms of risk to which CDP is exposed in its operations, rendering transparent the CDP's overall risk profile and the capital requirements for each category of risk.
These risk categories are defined in the new Risk Policy approved by the Board of Directors in 2010 and comprise market risks (which includes equity risk, interest rate risk, inflation risk and exchange rate risk), liquidity risk, credit risk (which includes concentration risk and counterparty risk for transactions in derivatives), operational risks and reputational risk.
The Risk Committee is a collegial body with responsibility for guidance and control in risk management. It was established in 2010.
The Risk Management unit verifies compliance with the limits set by the Board of Directors and the operational limits established by the Chief Executive Officer, recommending correction actions to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.
The Risk Management unit is also responsible for providing the company with certified calculation models.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules 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 public entities and public-law bodies.
Nevertheless, an increasing role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo.
Although currently limited, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are expected to become substantial.
The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, drawing on funding not guaranteed by the state.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.
The Credit department is responsible for reviewing loans and, among other things, for the assignment of ratings and estimating loss given default.
As part of pre-lending assessments, the Risk Management unit 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.
Risk Management is responsible for recommending a rating and recovery rate policy – approved by the Chief Executive Officer – to the Risk Committee that meets the requirements set out in CDP's Risk Policy.

Finally, Risk Management and Anti-Money Laundering's responsibilities also include:

- the development and/or validation of risk-adjusted credit pricing models;
- the development and/or validation of models and methodologies for the assignment of ratings and recovery rates;
- the preparation of a "rating and recovery rate policy" – approved by the Chief Executive Officer – that satisfies the requirements set in CDP's Risk Policy.

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.
For the Ordinary Account and lending for projects promoted by public entities, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions with pure state risk only.
The Risk Management unit regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions, carried out for hedging purposes only, in order to avoid concentration risk. Risk Management also monitors the compliance with minimum rating requirement for counterparties and limits based on the maximum notional amounts of transactions and credit equivalents, by counterparty or groups of connected counterparties, established in the CDP's Risk Policy. The latter also provides for the monitoring of exposures to counterparties in treasury activities.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.
CDP's credit exposures under the Separate Account are largely accounted for by specific-purpose loans secured by delegation of payment.
Financing under the Ordinary Account of non-public entities within the Separate Account may be secured by security interests in property or unsecured guarantees.
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.
CDP intends to use Global Master Repurchase Agreements (GMRA) (ISMA 2000 version) for securities financing transactions.

2.4 Impaired financial assets

Impaired financial assets are measured and classified in accordance with supervisory regulations. The main 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 on problem loans 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.
Impaired assets are classified in order to identify – based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations and any debt restructurings authorised by CDP – non-performing positions to be reported under bad debts, substandard positions, restructured exposures and persistent past-due/overlimit positions.
In the pre-litigation stage, impaired positions are monitored and managed by the Lending unit in coordination with the other organisational structures involved. Actions for the recovery of these exposures aims to maximize the financial return, making use of out-of-court arrangements, including settlements, where appropriate, in order to improve recovery times and minimise costs incurred.
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.

Loans for which no evidence of individual impairment has been identified undergo collective impairment testing.
The method used for collective testing is based on the internal parameters used for pricing loans and calculating (for internal purposes only) CDP's capital adequacy with respect to the exposures it has assumed.
The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss.
These corrective parameters are determined by considering the degree of concentration of the loan portfolio (concentration adjustments) and the expected time between the default event and the emergence of confirmation of default (loss confirmation period).

Quantitative disclosures

A. Credit quality

A.1 Impaired and performing credit exposures: stocks, writedowns, changes and distribution by sector and geographical area

A.1.1 Distribution of credit exposures by portfolio and credit quality (carrying amount)

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions	Other assets	Total
1. Financial assets held for trading					581,081	581,081
2. Financial assets available for sale					2,530,203	2,530,203
3. Financial assets held to maturity					9,289,253	9,289,253
4. Loans to banks					19,404,825	19,404,825
5. Loans to customers	6,070	26,736		13,626	220,491,231	220,537,663
6. Financial assets at fair value						-
7. Financial assets being divested						-
8. Hedging derivatives					359,794	359,794
Total at 31/12/2011	**6,070**	**26,736**	**-**	**13,626**	**252,656,387**	**252,702,819**
Total at 31/12/2010	**3,035**	**28,417**	**-**	**5,679**	**229,460,607**	**229,497,738**

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

(thousands of euros)

	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	(net exposure)
1. Financial assets held for trading				x	x	581,081	581,081
2. Financial assets available for sale				2,530,203		2,530,203	2,530,203
3. Financial assets held to maturity				9,289,253		9,289,253	9,289,253
4. Loans to banks				19,404,825		19,404,825	19,404,825
5. Loans to customers	117,611	(71,179)	46,432	220,493,612	(2,381)	220,491,231	220,537,663
6. Financial assets at fair value				x	x		-
7. Financial assets being divested							-
8. Hedging derivatives				x	x	359,794	359,794
Total at 31/12/2011	**117,611**	**(71,179)**	**46,432**	**251,717,893**	**(2,381)**	**252,656,387**	**252,702,819**
Total at 31/12/2010	**96,566**	**(59,435)**	**37,131**	**228,237,419**	**-**	**229,460,607**	**229,497,738**

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

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Past due positions			x	
e) Other assets	19,404,825	x		19,404,825
Total A	**19,404,825**	**-**	**-**	**19,404,825**
B. Off-balance-sheet exposures				
a) Impaired			x	
b) Other	1,015,867	x		1,015,867
Total B	**1,015,867**	**-**	**-**	**1,015,867**
Total A+B	**20,420,692**	**-**	**-**	**20,420,692**

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

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures				
a) Bad debts	44,490	(38,420)	x	6,070
b) Substandard loans	59,495	(32,759)	x	26,736
c) Restructured positions			x	-
d) Past due positions	13,626		x	13,626
e) Other assets	232,313,068	x	(2,381)	232,310,687
Total A	**232,430,679**	**(71,179)**	**(2,381)**	**232,357,119**
B. Off-balance-sheet exposures				
a) Impaired	7,684	(967)	x	6,717
b) Other	13,777,118	x	(1,655)	13,775,463
Total B	**13,784,802**	**(967)**	**(1,655)**	**13,782,180**
Total A+B	**246,215,481**	**(72,146)**	**(4,036)**	**246,139,299**

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

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**37,294**	**53,594**	**-**	**5,679**
- of which: exposures assigned but not derecognised				
B. Increases	**7,679**	**12,067**	**-**	**14,546**
B.1 transfers from performing positions		2,722		14,361
B.2 transfers from other categories of impaired positions	5,000	2,746		
B.3 other increases	2,679	6,599		185
C. Decreases	**483**	**6,166**	**-**	**6,599**
C.1 to performing loans		509		2,846
C.2 writeoffs				
C.3 collections	483	657		1,007
C.4 assignments				
C.5 transfers to other categories of impaired positions		5,000		2,746
C.6 other decreases				
D. Closing gross exposure	**44,490**	**59,495**	**-**	**13,626**
- of which: exposures assigned but not derecognised				

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

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**33,564**	**25,176**	**-**	**-**
- of which: exposures assigned but not derecognised				
B. Increases	**5,051**	**7,670**	**-**	**-**
B.1 writedowns	2,711	2,669		
B.2 transfers from other categories of impaired positions	87			
B.3 other increases	2,253	5,001	-	-
C. Decreases	**195**	**87**		
C.1 writebacks from valuations	195			
C.2 writebacks from collection				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions		87		
C.5 other decreases				
D. Total closing adjustments	**38,420**	**32,759**	**-**	**-**
- of which: exposures assigned but not derecognised				

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

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

(thousands of euros)

	External rating grades						Not rated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. On-balance-sheet exposures	**3,292,717**	**195,749,884**	**7,460,453**	**298,453**		**37,221**	**44,923,216**	**251,761,944**
B. Derivatives	**254,718**	**620,331**	**49,232**				**16,594**	**940,875**
B.1 Financial derivatives	254,718	620,331	49,232				16,594	940,875
B.2 Credit derivatives								-
C. Guarantees issued							**226,198**	**226,198**
D. Commitments to disburse funds	**38,603**	**9,050,410**	**285,396**	**10,195**			**4,246,370**	**13,630,974**
Total	**3,586,038**	**205,420,625**	**7,795,081**	**308,648**	**-**	**37,221**	**49,412,378**	**266,559,991**

The following table maps the rating grades and the agency ratings used.

Rating grades	Moody's	ECAI Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposures to banks

(thousands of euros)

		Collateral (1)			Unsecured guarantees (2)									Total (1)+(2)
					Credit derivatives					Guarantees				
						Other derivatives								
	Net exposure	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	9,841									9,841				9,841
- of which: impaired														
1.2 partially secured														
- of which: impaired														
2. Secured off-balance-sheet credit exposures														
2.1 fully secured	900,993			891,697						9,296				900,993
- of which: impaired														
2.2 partially secured														
- of which: impaired														

A.3.2 Secured credit exposures to customers

(thousands of euros)

	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	3,128,322	116,101	152,687	240,251						928,931	217,978	16,418	1,456,049	3,128,415
- of which: impaired	*25,933*									*26,028*				*26,028*
1.2 partially secured	84,306,387			8,365,662							5,205	5,823		8,376,690
- of which: impaired	*6,145*			*471*										*471*
2. Secured off-balance-sheet credit exposures														
2.1 fully secured	1,691,244	7,085	309,361	199,066						727,006	108,726		340,000	1,691,244
- of which: impaired	*6,673*									*6,673*				*6,673*
2.2 partially secured														
- of which: impaired														

B. Distribution and concentration of credit exposures

B.1 On-balance-sheet and off-balance-sheet credit exposures to customers by sector (carrying amount)

(thousands of euros)

	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	2,651	(4,686)	x		(1,870)	x			x	3,419	(31,864)	x			x
A.2 Substandard loans			x		(29,944)	x			x			x	26,736	(2,815)	x			x
A.3 Restructured positions			x			x			x			x			x			x
A.4 Past due positions			x	517		x			x			x	13,109		x			x
A.5 Other	172,195,369	x		51,189,217	x		462,178	x			x		8,430,786	x	(2,381)	33,137	x	
Total A	**172,195,369**	**-**	**-**	**51,192,385**	**(34,630)**	**-**	**462,178**	**(1,870)**	**-**	**-**	**-**	**-**	**8,474,050**	**(34,679)**	**(2,381)**	**33,137**	**-**	**-**
B. Off-balance-sheet exposures																		
B.1 Bad debts			x			x		(967)	x			x			x			x
B.2 Substandard loans			x			x			x			x	2,860		x			x
B.3 Other impaired assets			x			x			x			x	3,857		x			x
B.4 Other	5,863,973	x		4,045,542	x		65,643	x			x		3,798,161	x	(1,655)	2,144	x	
Total B	**5,863,973**	**-**	**-**	**4,045,542**	**-**	**-**	**65,643**	**(967)**	**-**	**-**	**-**	**-**	**3,804,878**	**-**	**(1,655)**	**2,144**	**-**	**-**
Total (A+B) at 31/12/2011	**178,059,342**	**-**	**-**	**55,237,927**	**(34,630)**	**-**	**527,821**	**(2,837)**	**-**	**-**	**-**	**-**	**12,278,928**	**(34,679)**	**(4,036)**	**35,281**	**-**	**-**
Total (A+B) at 31/12/2010	**164,298,978**	**-**	**-**	**54,436,109**	**(26,007)**	**-**	**662,477**	**(1,793)**	**-**	**-**	**-**	**-**	**10,899,595**	**(31,635)**	**-**	**57,764**	**-**	**-**

B.2 On-balance-sheet and off-balance-sheet credit exposures to customers by geographical area (carrying amount)

(thousands of euros)

	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	6,070	(38,420)								
A.2 Substandard loans	26,736	(32,759)								
A.3 Restructured positions										
A.4 Past due positions	13,626									
A.5 Other	232,103,556	(2,381)	207,131							
Total A	**232,149,988**	**(73,560)**	**207,131**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts		(967)								
B.2 Substandard loans	2,860									
B.3 Other impaired assets	3,857									
B.4 Other	13,724,889	(1,655)	1,396		49,178					
Total B	**13,731,606**	**(2,622)**	**1,396**	**-**	**49,178**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2011	**245,881,594**	**(76,182)**	**208,527**	**-**	**49,178**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2010	**230,266,265**	**(59,435)**	**88,658**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 On-balance-sheet and off-balance-sheet credit exposures to banks by geographical area (carrying amount)

(thousands of euros)

	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	12,401,489		7,003,336							
Total A	**12,401,489**	**-**	**7,003,336**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	182,843		833,024							
Total B	**182,843**	**-**	**833,024**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2011	**12,584,332**	**-**	**7,836,360**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2010	**9,919,597**	**-**	**2,265,159**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C. Securitisations and asset disposals

C.1 Securitisations

Qualitative disclosures

At the end of 2002, CDP, then a public entity, 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. A2A S.p.A.;
4. Acea Distribuzione S.p.A. (portfolio extinguished at the end of 2005);
5. RFI S.p.A.;
6. Poste Italiane S.p.A.

As regards 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.

Quantitative disclosures

C.1.1 Exposures in respect of securitisations by quality of securitised assets

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	**14,726**	**14,726**																
a) Impaired																		
b) Other	14,726	14,726																
B. With third-party underlying assets:																		
a) Impaired																		
b) Other																		

C.1.2 Exposures in respect of main own securitisations by type of securitised assets and type of exposure

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Writedowns/writebacks	Carrying amount	Writedowns/writebacks	Carrying amount	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	**14,726**																	
A.1 CPG - Società di cartolarizzazione a r.l.																		
- Long-term loans	14,726																	
B. Partially derecognised																		
C. Not derecognised																		

C.1.4 Exposures in respect of securitisations by portfolio and type

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2011	31/12/2010
1. On-balance-sheet exposures					**14,726**	**14,726**	**222,385**
- senior					14,726	14,726	222,385
- mezzanine							
- junior							
2. Off-balance-sheet exposures							
- senior							
- mezzanine							
- junior							

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

(thousands of euros)

	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.		481,755		75,591						

C.2 Asset disposals

C.2.1 Financial assets assigned but not derecognised

(thousands of euros)

	On-balance-sheet assets					
	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Derivatives	Total 31/12/2011
Financial assets held for trading						
- Assigned financial assets fully recognised (carrying amount)						
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Financial assets at fair value						
- Assigned financial assets fully recognised (carrying amount)						
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Financial assets available for sale	**2,190,740**					**2,190,740**
- Assigned financial assets fully recognised (carrying amount)	2,190,740					2,190,740
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Financial assets held to maturity	**6,386,351**					**6,386,351**
- Assigned financial assets fully recognised (carrying amount)	6,386,351					6,386,351
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Loans to banks						
- Assigned financial assets fully recognised (carrying amount)						
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Loans to customers						
- Assigned financial assets fully recognised (carrying amount)						
- Assigned financial assets partially recognised (carrying amount)						
- Assigned financial assets partially recognised (total value)						
Total at 31/12/2011	**8,577,091**	**–**	**–**	**–**	**–**	**8,577,091**

Financial assets assigned but not derecognised regard securities involved in repurchase agreements.

C.2.2 - Financial liabilities in respect of financial assets assigned but not derecognised

(thousands of euros)

	Due to customers		Due to banks		Securities issued		
	In respect of assets fully recognised	In respect of assets partially recognised	In respect of assets fully recognised	In respect of assets partially recognised	In respect of assets fully recognised	In respect of assets partially recognised	Total 31/12/2011
Financial assets held for trading							
Financial assets at fair value							
Financial assets available for sale			2,142,539				2,142,539
Financial assets held to maturity			6,040,715				6,040,715
Loans to banks							
Loans to customers							
Total at 31/12/2011			**8,183,254**				**8,183,254**

Financial liabilities in respect of financial assets assigned but not derecognised regard securities under assets involved in repurchase agreements.

C.3 Covered bond transactions

To fund its lending activities under the Separate Account, in 2004 CDP launched a programme for the issue 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 269/2003, pursuant to which CDP "may pledge its assets and legal relationships to satisfy the rights of the holders of securities it issues".

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 €1 billion in 2010, the nominal value of the securities issued comes to €5 billion) as well as a privately-placed yen-denominated issue equal to about €64 million.

Since 2007, issues under the programme were suspended as there appeared to be no market opportunities that would counsel additional issues of covered bonds.

In October 2011, in accordance with the procedures provided for in the contracts governing the covered bond programme, the downgrade of CDP's rating triggered the obligation to exchange the collateral for liquidity to be held in a Segregation Collection Account at a contractually eligible bank (AAA rating), with the option of investing this liquidity in "eligible" securities (AAA rating).

Therefore, in early November, a total of €5,336 million was deposited, of which about €4,582 million as a segregated liquidity reserve to meet the obligations arising from initial CDP rating event and about €754 million held as a reserve for the closure of the covered bond programme.

On 26 October 2011, the Board of Directors approved the termination of the covered bond programme. On 16 November 2011, the CEO ordered that counterparties be sent the Notice of

Desegregation, filing this decision with the Company Register on 17 November 2011. This completed the desegregation of the portfolio of loans in the segregated pool designated to secure the covered bond programme, which at the time of segregation amounted to about €13,430 million in receivables in respect of loans and around €745 million in the remaining amounts to be disbursed.

At the end of January 2012, the bond issue of 8 September 2006 in the nominal amount of €2 billion (series no. 4) was redeemed upon maturity out of the segregated funds. On 2 February 2012 CDP launched a repurchase offer for those bonds still in circulation:

- Issue (series no. 2) of 20 October 2005, nominal amount of €3 billion, maturing on 31 January 2013;
- Issue (series no. 5) of 15 March 2007, nominal amount of ¥10 billion (about €63.7 million), maturing on 31 January 2017.

Following receipt of acceptances of the repurchase offer, in March 2012, series no. 5 in yen was fully redeemed and a part of series no. 2 was redeemed, with the remaining portion, equal to €2.56 billion, to be redeemed upon its maturity on 31 January 2013.

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 activities, CDP is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.
These risks can affect the profits and economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities predating its transformation into a joint-stock company and to the structure of assets and liabilities: a considerable portion of CDP's balance sheet consists of funding through ordinary fixed-rate bonds with an early redemption option, while lending is mainly fixed rate. Other types of postal bonds also include an early redemption option whose value is significantly affected by interest rates and inflation.

CDP's basic approach to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future margins.
From this perspective, CDP analyses its exposure and risk profile by assessing all balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the

sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.
This monitoring structure is translated into the calculation of value at risk (VaR), at a 99% confidence level and a time horizon of one day and ten days. CDP uses a historical simulation method to calculate VaR.
VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also 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's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel movements (±100 basis points) in the yield curve and the inflation curve.

CDP also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel movements in the yield curve on net interest income.

CDP's ALM approach seeks to minimise the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.
Operational responsibility for managing interest rate risk lies with the Finance unit.
The measurement and the monitoring of interest rate risk are performed by the Risk Management and Anti-Money Laundering area and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and receives periodic reports on the results achieved.

Price (or equity) risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments[17]. For these purposes, investments in units of

17 As regards the stake in the consolidated company FSI (Fondo Strategico Italiano S.p.A.), it should be pointed out that its Risk Management function acts in cooperation with CDP's Risk Management and Anti-Money Laundering area.

investment funds, including real estate funds, are treated like shares. As regards real estate risk, CDP provides risk management services on an outsourcing basis to CDPI SGR, the company that runs the Fondo Investimenti per l'Abitare.
In line with the net economic value approach, equity risk is quantified in terms of VaR with a one-year time horizon. VaR provides a proxy of the risk that liquid, listed securities – including those not recognised at fair value – will not recover any impairment losses over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.
An additional source of price risk lies in CDP's funding operations, namely the issue of indexed postal bonds and *Premia* bonds, whose yield is linked to developments in the Dow Jones EUROSTOXX 50 index. The Risk Management and Anti-Money Laundering area monitors the net exposure to such risk.
In the early part of 2011, CDP was also exposed to risks connected with the earn-out option (written call option recognised at fair value) embedded in the contract with Finmeccanica for the sale of ST Holding shares signed in 2009, partially hedged by derivatives with the opposite sign.

B. Fair value hedges

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

The Ordinary Account is normally hedged against interest rate risk at the origination stage.
On the liability side of the Ordinary Account, this involves specific hedges of floating-rate and/or structured issues, carried out using IRSs indexed to 6-month Euribor plus a spread. As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans. The hedges are classified as micro fair value hedges.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As result of the sensitivity profile for these options, CDP's overall exposure to interest rate risk under the Separate Account undergoes significant fluctuations in relation to the level of interest rates. When the exposure reaches levels deemed excessive, it is necessary to activate the mechanisms available, such as entering into new derivative contracts, early termination of existing derivatives, and the purchase of fixed-rate government securities.

Issues of fixed-rate covered bonds in euros were systematically transformed into floating rates using IRSs at the origination stage.

As regards 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.

Subsequently, CDP continued to hedge part of its new fixed-rate loans, using one-to-one hedges.
Part of the hedges on fixed-rate assets were terminated early in 2010, following the renegotiation of fixed-rate loans. A number of further hedges on fixed-rate assets were terminated early in 2011 to contain the total exposure to the yield curve.

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 and qualify as operational hedges.
The notional of the options purchased for each issue is calculated using estimates on the basis of the proprietary model of customer redemption behaviour.

C. Cash flow hedges

During 2010 CDP launched a hedging programme for postal bonds indexed to the consumer price index for blue-collar and office worker households, a leading source of exposure to inflation that is only partially mitigated by the natural hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, estimating the nominal amount that CDP expects to reach at maturity for each series of hedged bond using the proprietary model of customer redemption behaviour. In most of the transactions to hedge the inflation risk in respect of postal bonds, CDP retains the basis risk in respect of any differences between European and Italian inflation.

At 31 December 2011, in addition to these outstanding cash flow hedges in place, CDP had the existing cash flow hedge 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[18].

18 In March 2012, this hedge was terminated early in connection with CDP's repurchase of the security.

Quantitative disclosures

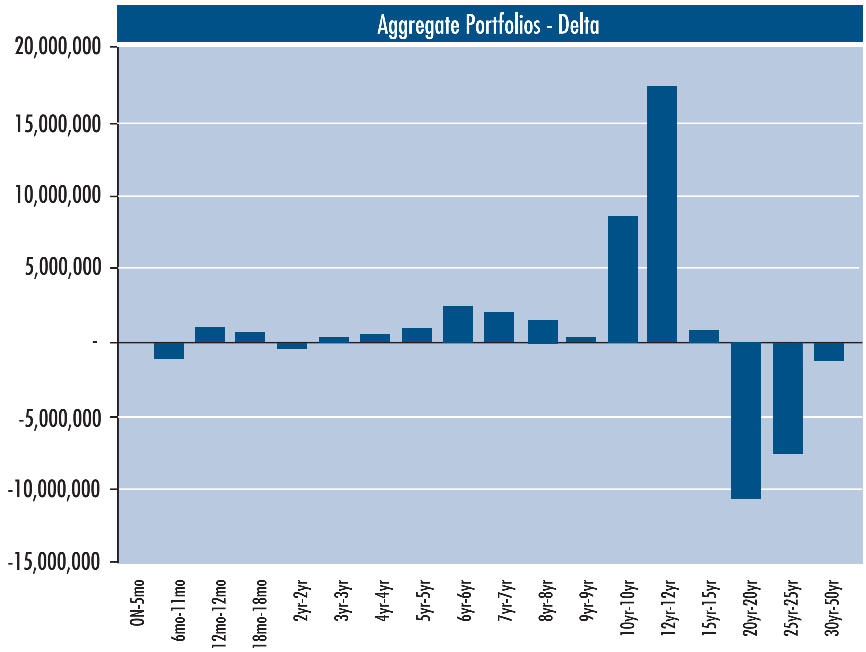
1. Banking book: distribution of financial assets and liabilities by residual maturity (repricing date)

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 30/12/2011

Risk Factors	Delta
ON-5mo	3,495
6mo-11mo	1,004,588
12mo-12mo	1,061,131
18mo-18mo	913,433
2yr-2yr	139,349
3yr-3yr	225,271
4yr-4yr	720,721
5yr-5yr	1,384,552
6yr-6yr	2,678,198
7yr-7yr	2,342,620
8yr-8yr	1,713,667
9yr-9yr	292,464
10yr-10yr	7,528,547
12yr-12yr	17,236,476
15yr-15yr	1,621,750
20yr-20yr	-10,266,774
25yr-25yr	-8,005,000
30yr-50yr	-1,805,692



2.3 EXCHANGE RATE RISK

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the net income or economic value of CDP.

Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies and equity investments the value of which may be exposed to changes in exchange rates.

B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (a covered bond issue and two issues under the EMTN programme) was hedged with cross currency swaps, which transform CDP's cash flows into those equivalent to an issue in euros.

QUALITATIVE DISCLOSURES

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**290,046**		**232,823**			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	290,046		232,823			
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions	290,046		232,823			
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total assets	**290,046**		**232,823**			
Total liabilities	**290,046**		**232,823**			
Difference (+/-)	**-**		**-**			

2.4 Derivatives

A. Financial derivatives

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

A.2.1 Hedging

(thousands of euros)

	31/12/2011		31/12/2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	19,320,282		20,794,339	
a) Options				
b) Swaps	19,320,282		20,794,339	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	520,522		493,247	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	520,522		493,247	
4. Commodities				
5. Other underlyings				
Total	**19,840,804**		**21,287,586**	
Average values	**20,564,195**		**23,056,236**	

A.2.2 Other derivatives

(thousands of euros)

	31/12/2011		31/12/2010	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	899,080		2,619,413	
a) Options				
b) Swaps	899,080		2,619,413	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices	91,997,294		90,568,592	
a) Options	91,997,294		90,568,592	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**92,896,374**		**93,188,005**	
Average values	**93,042,190**		**82,966,131**	

A.3 Financial derivatives: gross positive fair value - breakdown by product

(thousands of euros)

	Positive fair value			
	31/12/2011		31/12/2010	
	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	359,794		366,750	
a) Options				
b) Interest rate swaps	261,159		289,932	
c) Cross currency swaps	98,635		76,818	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	581,081		856,438	
a) Options	543,806		841,622	
b) Interest rate swaps	37,275		14,816	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**940,875**		**1,223,188**	

A.4 Financial derivatives: gross negative fair value - breakdown by product

(thousands of euros)

	Negative fair value			
	31/12/2011		31/12/2010	
	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	2,621,251		1,175,799	
a) Options				
b) Interest rate swaps	2,621,251		1,175,799	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	471,815		940,034	
a) Options	434,311		761,877	
b) Interest rate swaps	37,504		178,157	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**3,093,066**		**2,115,833**	

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

(thousands of euros)

	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							41,034,695
- positive fair value							
- negative fair value							434,310
- future exposure							
3. Foreign currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4. Other							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.8 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Debt securities and interest rates							
- notional value			18,682,771	1,536,590			
- positive fair value			249,256	49,178			
- negative fair value			2,654,864	3,892			
2. Equity securities and equity indices							
- notional value			50,962,600				
- positive fair value			543,806				
- negative fair value							
3. Foreign currencies and gold							
- notional value			520,522				
- positive fair value			98,635				
- negative fair value							
4. Other							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual life of over-the-counter financial derivatives: notional values

(thousands of euros)

	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	**18,198,494**	**72,961,083**	**21,577,601**	**112,737,178**
B.1 Financial derivatives on debt securities and interest rates	2,850,000	4,306,998	13,062,363	20,219,361
B.2 Financial derivatives on equity securities and equity indices	15,348,494	68,233,363	8,415,438	91,997,295
B.3 Financial derivatives on exchange rates and gold		420,722	99,800	520,522
B.4 Financial derivatives on other assets				
Total at 31/12/2011	**18,198,494**	**72,961,083**	**21,577,601**	**112,737,178**
Total at 31/12/2010	**9,541,776**	**79,744,785**	**25,189,030**	**114,475,591**

C. Financial and credit derivatives

C.1 Over-the-counter financial and credit derivatives: net fair value and future exposure by counterparty

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Bilateral financial derivatives agreements							
- positive fair value			891,697	49,178			
- negative fair value			2,654,864	3,892			
- future exposure			486,991	5,369			
- net counterparty risk			296,793	5,114			
2. Bilateral 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

CDP's exposure to liquidity risk in the form of asset liquidity risk is limited as it does not engage in trading.

For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the Risk Management and Anti-Money Laundering area.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by Risk Management and Anti-Money Laundering area.

Current management of treasury activities by Finance enables CDP to raise funds on the interbank market as well, especially using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

Quantitative disclosures

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

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets	**126,570,141**	**139,250**	**3,118,980**	**3,636,266**	**4,652,679**	**5,246,695**	**7,528,346**	**26,325,019**	**75,347,594**	**173,607**
A.1 Government securities		139,250		115,500	172,577	352,350	2,357,648	3,753,500	5,880,000	
A.2 Other debt securities			1,252,416	3,334,500	3,074	575,388	116,779	44,605	1,330,747	
A.3 Units in collective investment undertakings										173,607
A.4 Loans	126,570,141		1,866,564	186,266	4,477,028	4,318,957	5,053,919	22,526,914	68,136,847	
- banks	702,727		1,865,060		4,437,508	411,744	765,526	4,879,429	1,411,257	
- customers	125,867,414		1,504	186,266	39,520	3,907,213	4,288,393	17,647,485	66,725,590	
On-balance-sheet transactions	**215,754,794**	**4,335,374**	**791,944**	**5,772,069**	**4,949,929**	**1,162,209**	**1,577,866**	**6,891,608**	**4,756,352**	**8,395,083**
B.1 Deposits	215,754,794		454,670	6,358	29,148	46,218	101,804	1,002,382	2,006,018	
- banks	599,013		408,630							
- customers	215,155,781		46,040	6,358	29,148	46,218	101,804	1,002,382	2,006,018	
B.2 Debt securities			1,320	2,165,185	5,363	792,530	192,174	4,132,500	633,000	
B.3 Other liabilities		4,335,374	335,954	3,600,526	4,915,418	323,461	1,283,888	1,756,726	2,117,334	8,395,083
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions			1,205			2,736	1,652	707,670		
C.2 Financial derivatives without exchange of principal										
- long positions				60,968		149,857				
- short positions		303,472	1,179		651		569,013	1,454,659	3,891,845	
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										13,633,474
- short positions	13,633,474									
C.5 Financial guarantees issued	226,321									

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

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	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 transactions				**2,472**	**829**	**786**	**2,126**	**407,132**	**92,989**	
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities				2,472	829	786	2,126	407,132	92,989	
B.3 Other liabilities										
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions				2,472	829	786	2,126	407,132	92,989	
- 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 Irrevocable 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 adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in circular 263 of 27 December 2006 as the benchmark for managing operational risk.
Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.
Operational risk includes legal risk but not strategic or reputational risk.
Legal risk is the risk of losses resulting from violations of laws or regulations or self-governance rules (e.g., bylaws, codes of conduct, corporate governance rules), from liability in contract or tort or other disputes.

Taking best banking practices as a reference, in particular the supervisory regulations applicable to banks, CDP has initiated the formalisation and implementation of a methodological and organisational framework in terms of structures, processes, strategies and policies for managing operational risk related to the products/processes of CDP and CDP Investimenti SGR S.p.A. The goal is to be able to manage and monitor operational risks, laying the groundwork for mitigation measures and for a more accurate quantification of the associated economic capital, now estimated using the Basic Indicator Approach[19].
The operational risk management system is a structured set of processes, functions and resources, which begins with the identification of the risk and continues with measurement, monitoring, reporting and control/mitigation actions.
The methodology involves the supplementation of information on operational losses classified according to specified loss event types (i.e. a model of loss events), loss effect types (i.e. a model of types of losses) and risk factors (i.e. a model for the classification of risk factors).

19 The Basic Indicator Approach, borrowed from the regulations for the prudential supervision of banks, quantifies the capital requirement for operational risk by applying a regulatory coefficient of 15% to average gross income for the last three years.

This information comprises:

- internal data on operational losses (Loss Data Collection);
- data on potential losses (Self-Assessment, scenario analysis);
- factors representing the business environment and internal control systems;
- system loss data (external data).

During the fourth quarter of 2011, loss data collection began for operational losses incurred by the company and reported in the income statement. The process of collecting loss data to be implemented uses the "event guide" approach suggested by the Basel II Committee and supported by the Italian Banking Association (ABI) with the Italian Operational Loss Database (DIPO).

The primary loss data collection actions performed were:

- finding information sources and identifying a contact person for the operational risks regarding that source. Information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects;
- determining the roles and responsibilities of the actors involved and the procedures for collecting and validating survey data;
- collecting significant data and related supporting documentation;
- filing the data collected in the operational loss database.

The survey comprised loss events entailing losses of €500 or more occurring after 1 January 2010.

In order to ensure efficient and effective monitoring of material operational loss data regarding legal disputes, the survey encompasses pending disputes regarding adverse events that occurred prior to 1 January 2010 but after 2003, when CDP was transformed into a joint-stock company.

The Bank of Italy, in its measure containing implementing measures concerning organisation, procedures and internal controls to prevent the use of financial intermediaries and other persons involved in financial activities for the purposes of money laundering and terrorist financing, pursuant to Article 7.2 of Legislative Decree 231 of 21 November 2007, established that: "containing the risk of money laundering is also important from the standpoint of prudential supervision, which requires intermediaries to manage all risks to which they are exposed with a suitable organisational structure and adequate capital resources. In classifying risks, money laundering is associated with legal and reputational risks, although it may also involve losses on loans or financial instruments as a result of unwittingly financing criminal activities".

CDP's policies for managing risks associated with money laundering, in part in compliance with the above measure, are based on an effective organisational structure and internal controls. To that end, CDP formed the Anti-Money Laundering function during the year, which performs second-level controls in this area. CDP's Board of Directors also adopted rules governing the roles, duties and responsibilities involved in countering money laundering and terrorist financing.

The revision of the internal procedures that govern line control systems is expected to be completed by the end of the first quarter of 2012 and will incorporate the developments in the regulatory framework.

With regard to the anti-money laundering requirements for postal funding products, CDP has an agreement with Poste Italiane for the performance of customer due diligence and the reporting of suspicious transactions.

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 2011, 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

Remuneration of members of Board of Directors and Board of Auditors

(thousands of euros)

	31/12/2011
a) Board of Directors	1,550
b) Board of Auditors	121
Total	**1,671**

Remuneration of other key management personnel

(thousands of euros)

	31/12/2011
a) short-term benefits	5,186
b) post-employment benefits	317
c) other long-term benefits	
d) severance benefits	
e) share-based payments	
Total	**5,503**

Remuneration paid to Board of Directors and Board of Auditors

(thousands of euros)

Name	Position	Period in office	End of term*	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/11 - 31/12/11	2012	280
Giovanni Gorno Tempini	Chief Executive Officer	01/01/11 - 31/12/11	2012	952
Massimo Varazzani	Chief Executive Officer	01/01/10 - 28/04/10	2009	140
Cristian Chizzoli	Director	01/01/11 - 31/12/11	2012	35
Cristiana Coppola	Director	01/01/11 - 31/12/11	2012	35
Piero Gastaldo	Director	01/01/11 - 31/12/11	2012	(***)
Ettore Gotti Tedeschi	Director	01/01/11 - 31/12/11	2012	35
Vittorio Grilli	Director(1)	01/01/11 - 29/11/11	2012	(**)
Nunzio Guglielmino	Director	01/01/11 - 31/12/11	2012	35
Mario Nuzzo	Director	01/01/11 - 31/12/11	2012	35
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Giovanni De Simone	Director(2)	01/01/11 - 31/12/11	2012	35
Maria Cannata	Director(3)	01/01/11 - 31/12/11	2012	(**)
Giuseppe Pericu	Director	01/01/11 - 31/12/11	2012	35
Romano Colozzi	Director	01/01/11 - 31/12/11	2012	35
Guido Podestà	Director	01/01/11 - 31/12/11	2012	35
Board of Auditors				
Angelo Provasoli	Chairman	01/01/11 - 31/12/11	2012	27
Paolo Fumagalli	Auditor	01/01/11 - 31/12/11	2012	20
Biagio Mazzotta	Auditor	01/01/11 - 31/12/11	2012	(**)
Gianfranco Romanelli	Auditor	01/01/11 - 31/12/11	2012	20
Giuseppe Vincenzo Suppa	Auditor	01/01/11 - 31/12/11	2012	(**)

* Date of Shareholders' Meeting called to approve financial statements for the year
** The remuneration is paid to the Ministry for the Economy and Finance
*** The remuneration is paid to the Compagnia di San Paolo
(1) Resigned following appointment as Deputy Minister of the Ministry for the Economy and Finance
(2) Delegate of State Accountant General
(3) 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 2011 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 35% 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	31/12/2011
Financial assets available for sale	2,323,752
Financial assets held to maturity	9,289,253
Loans to customers	160,499,901
of which liquidity held with Treasury	*123,817,580*
Other assets	20,904
Due to customers	3,169,506
Other liabilities	81
Interest income and similar revenues	5,034,825
Interest expense and similar charges	(45,899)
Commission income	3,017
Commitments for loans to be disbursed	5,863,973

Transactions with subsidiaries

Transactions with Terna S.p.A.

In 2011, CDP provided financing of €500 million to Terna S.p.A.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Terna S.p.A.	31/12/2011
Loans to customers	502,370
Commission income	9,425
Commitments for loans to be disbursed	340

Transactions with CDPI Investimenti SGR S.p.A.

Transactions with the subsidiary CDPI SGR regarded a guarantee issued by CDP, the provision of ancillary services on an outsourcing basis and the reimbursement of CDP for costs in respect of personnel seconded to CDPI SGR.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with CDPI Investimenti SGR S.p.A.	31/12/2011
Loans to customers	1
Other assets	573
Commission income	2
Administrative expenses (reimbursement expenses - seconded personnel)	271
Other operating revenues	302
Guarantees issued	1,923

Transactions with Fondo Strategico Italiano S.p.A.

Transactions with the subsidiary FSI regarded the provision of ancillary services on an outsourcing basis, the reimbursement of expenses incurred by CDP on behalf of FSI and deposits by FSI with CDP and the related accrued interest.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Fondo Strategico Italiano S.p.A.	31/12/2011
Other assets	129
Due to customers	602,276
Other operating revenues	129
Interest expense and similar charges	(3,276)

Transactions with CDP GAS S.r.l.

Transactions with the subsidiary CDP GAS S.r.l. regarded commitments assumed for loans to be disbursed and a loan disbursed during the year.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with CDP GAS S.r.l.	31/12/2011
Loans to customers	177,581
Interest income and similar revenues	172
Commitments for loans to be disbursed	123,391

Transactions with subsidiaries

Transactions with Eni S.p.A.

The only transaction outstanding with Eni regards a loan from CDP under the Revolving Fund to support enterprises and investment in research.

The impact of that transaction on the CDP's financial statements is summarised below:

(thousands of euros)

Transactions with Eni S.p.A.	31/12/2011
Loans to customers	763
Interest income and similar revenues	5
Commitments for loans to be disbursed	479

Transactions with Europrogetti & Finanza S.p.A. in liquidazione

During the year CDP signed a commitment to disburse additional financing of about €1 million, bringing the total to up to €2.8 million, of which about €1.9 million had been disbursed as at the end of 2011. The exposures to Europrogetti & Finanza S.p.A. in liquidazione have been fully written down.

The impact of that transaction on the CDP's financial statements is summarised below:

(thousands of euros)

Transactions with Europrogetti & Finanza S.p.A. in liquidazione	31/12/2011		
	Gross exposure	Writedowns	Net exposure
Loans to customers	1,870	(1,870)	-
Commitments for loans to be disbursed	967	(967)	-
Income statement			
Writedowns for impairment of financial assets	(1,044)		

Transactions with other related parties

Transactions with Poste Italiane S.p.A.

Transactions with Poste Italiane S.p.A. include 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.	31/12/2011
Loans to customers	967,605
Other liabilities	129,050
Interest income and similar revenues	19,904
Commission expense	(1,504,050)

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 areas through which the company pursues its activities. More specifically:

- direct lending to public entities (“Public Entities” business area);
- financing for projects sponsored by public entities (“Public Interest Lending” business area);
- financing for works, plant, networks and other infrastructure used to deliver public services or for reclamation projects (“Financing” business area);
- management of facilitated credit and economic support mechanisms (“Facilitated Credit and Economic Support” business area);
- real estate services for public entities and/or companies they control (“Real Estate” business area).

The business areas are supported by other units that perform support functions (Lending, Finance, Business Development and Relationship Management) and Corporate Centre areas (Administration, Planning and Control; Operations; Resources and Organisation; Risk Management and Anti-Money Laundering; Internal Auditing, Legal and Corporate Affairs; Equity Investments; and Institutional Relations and External Communications). They are grouped within the Corporate Centre, except for the Relationship Management area, which falls under the Separate Account.

Public Entities

The Public Entities area 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.

Public Interest Lending

The Public Interest Lending area seeks to intervene directly in general public interest projects sponsored by public entities, acting with a long-term vision and verifying the financial sustainability of the projects.

Financing

The operations of the Financing area 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 area is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP.
More specifically, subsidised loans primarily draw on CDP resources (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of central government funding (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund). For economic support in 2009, the funds available to banks were activated for loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo.

Real Estate

The Real Estate area is responsible for providing technical assistance to public entities and/or companies controlled by them to carry out projects to leverage, divest and/or generate income from real estate holdings. Given that the Real Estate area has only recently begun its activities, its performance figures are not reported in the tables below.

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.

Construction of the balance sheet by business area

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual business areas, 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 area

The operating result of the business areas 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 (Finance) 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.

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	Financing	Public Interest Lending	Corporate Centre	Total CDP
Cash and cash equivalents	-	33,198	-	-	128,582,064	128,615,262
Loans to customers and banks	84,757,246	7,582,767	4,559,112	33,891	1,657,744	98,590,760
Debt securities	-	-	-	-	17,193,862	17,193,862
Equity investments and shares	-	-	-	-	19,825,728	19,825,728
Funding	-	-	-	-	254,213,822	254,213,822
- of which: postal funding	-	-	-	-	*218,408,319*	*218,408,319*
- of which: funding from banks	-	-	-	-	*18,679,507*	*18,679,507*
- of which: funding from customers	-	-	-	-	*9,057,428*	*9,057,428*
- of which: funding with bonds	-	-	-	-	*8,068,569*	*8,068,569*

Reclassified income statement

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Financing	Public Interest Lending	Corporate Centre	Total CDP
Net interest income	**357,700**	**18,297**	**30,899**	**69**	**1,921,877**	**2,328,841**
Dividends	-	-	-	-	1,229,135	1,229,135
Net commissions	3,092	98	9,410	3,105	(1,504,737)	(1,489,032)
Other net costs and revenues	-	-	-	-	(38,638)	(38,638)
Gross income	**360,792**	**18,395**	**40,309**	**3,174**	**1,607,636**	**2,030,305**
Net writedowns	(1,357)	(33)	(6,979)	(775)	(1,044)	(10,188)
Overheads	(6,486)	(2,232)	(2,282)	(705)	(81,094)	(92,798)
Operating income	**353,449**	**16,130**	**32,305**	**1,693**	**1,535,335**	**1,938,678**

CDP S.p.A.

Financial Statements

at 31 December 2011

Annexes

Annex 1

List of equity investments

Annex 2

Accounting separation statements

Annex 1

List of equity investments

(thousands of euros)

Name	Registered office	% holding	Carrying amount
A. Listed companies			
1. Eni S.p.A.	Rome	26.37%	17,240,440
2. Terna S.p.A.	Rome	29.85%	1,315,200
B. Unlisted companies			
1. Fondo Strategico Italiano S.p.A.	Milan	90.00%	540,000
2. CDP GAS S.r.l.	Rome	100.00%	532,800
3. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Paris	38.93%	28,952
4. Galaxy S.àr.l. SICAR	Luxembourg	40.00%	11,708
5. Sinloc S.p.A.	Turin	11.85%	5,891
6. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	Luxembourg	14.08%	5,094
7. Istituto per il Credito Sportivo	Rome	21.62%	2,066
8. F2i SGR S.p.A.	Milan	15.99%	2,039
9. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
10. Fondo Italiano d'Investimento SGR S.p.A.	Milan	12.50%	577
11. European Energy Efficiency Fund SA, SICAV-SIF (EEEF)	Luxembourg		
- A units		5.95%	210
- C units		4.53%	80
12. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-

ANNEX 2

Accounting separation statements

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, letter 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 million. 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. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;

- acquiring equity investments in companies of major national interest, having a stable financial position and performance and adequate profit-generating prospects, that satisfy the requirements set out in the Decree of the Minister for the Economy and Finance to be issued pursuant to Article 5.8-bis of the Decree Law. These equity investments may be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or public entities, holds an interest. Equity investments acquired using postal funding resources are recognised under the Separate Account;
- 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; the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- the acquisition of equity investments transferred or contributed to CDP S.p.A. by a decree 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 provision of assistance and consulting to the parties listed in the first point or to support the operations or the parties listed in the second point.

As regards the organisational structure of CDP, the Separate Account includes the following areas: Public Entities, Operational Innovation Project, Facilitated Credit and Economic Support, Public Interest Lending, Real Estate, Relationship Management, 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 Financing area are included in the Ordinary Account.

Joint Services

Joint Services include the service areas and areas 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 area and the Finance area, 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	126,808,529	1,807,168	(435)	128,615,262
Loans to customers and banks	93,845,187	4,745,573	-	98,590,760
Debt securities	15,850,044	1,343,818	-	17,193,862
Equity investments and shares	18,634,007	651,721	540,000	19,825,728
Funding	247,142,387	7,071,436	-	254,213,822
- of which: postal funding	*218,408,319*	-	-	*218,408,319*
- of which: funding from banks	*14,619,067*	*4,060,440*	-	*18,679,507*
- of which: funding from customers	*9,057,428*	-	-	*9,057,428*
- of which: funding from bonds	*5,057,574*	*3,010,996*	-	*8,068,569*

Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**2,301,480**	**29,253**	**(1,892)**	**2,328,841**
Dividends	1,205,705	23,429	-	1,229,135
Net commissions	(1,497,930)	9,395	(497)	(1,489,032)
Other net costs and revenues	(30,878)	(7,760)	-	(38,638)
Gross income	**1,978,377**	**54,317**	**(2,389)**	**2,030,305**
Net writedowns	(3,209)	(6,979)	-	(10,188)
Overheads	(13,019)	(3,802)	(76,235)	(93,056)
Operating income	**1,962,687**	**44,817**	**(68,826)**	**1,938,678**

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