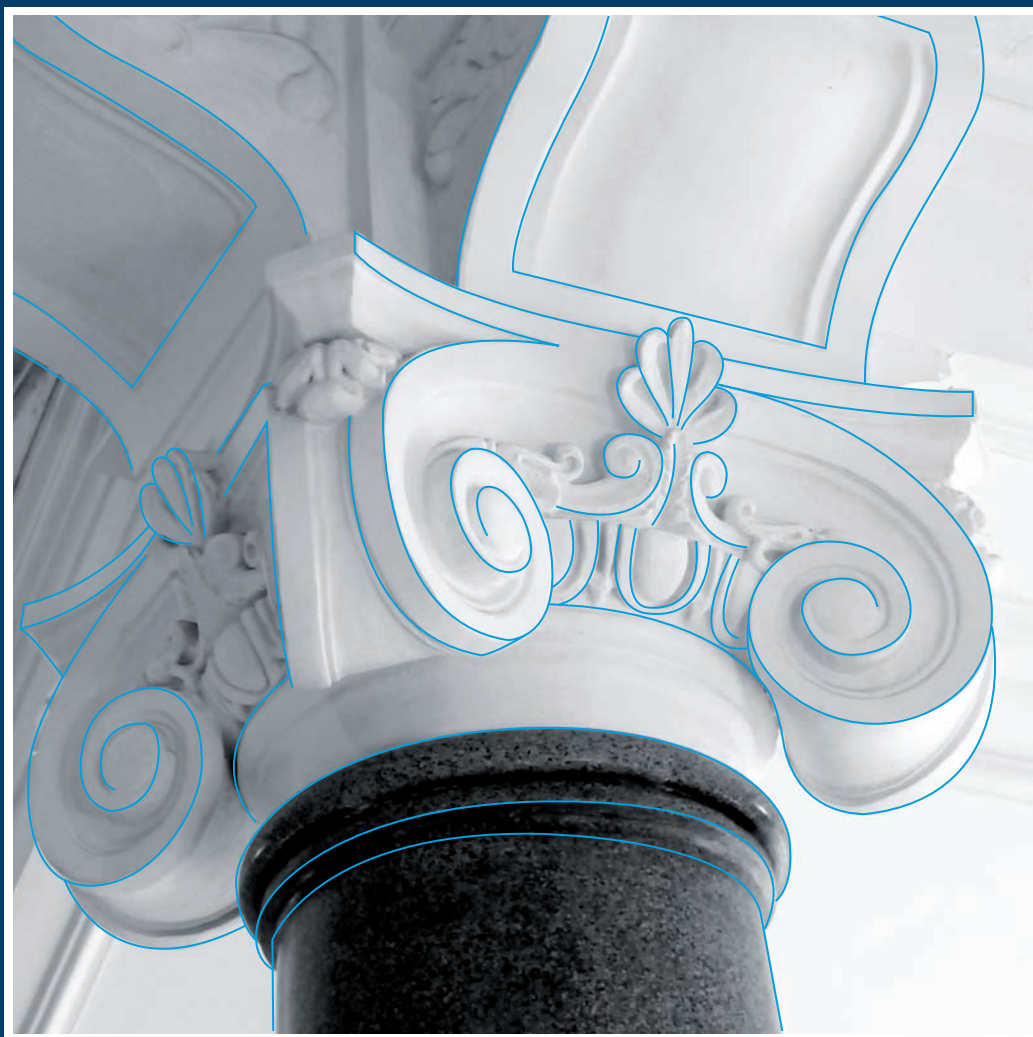


# Cassa depositi e prestiti



## 2012 Annual Report



Cassa depositi e prestiti

# Cassa depositi e prestiti



2012 Annual Report

REGISTERED OFFICE  
ROME – Via Goito, 4

COMPANY REGISTER OF ROME  
Entered in Company Register of Rome no. 80199230584  
Registered with Chamber of Commerce of Rome at no. REA 1053767

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

Tax code 80199230584 – VAT registration no. 07756511007

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## **Administrative and control bodies**

## Board of Directors (\*)

Franco Bassanini	<i>Chairman</i>
Giovanni Gorno Tempini	<i>Chief Executive Officer</i>
Cristian Chizzoli	<i>Director</i>
Piero Gastaldo	<i>Director</i>
Ettore Gotti Tedeschi	<i>Director</i>
Nunzio Guglielmino	<i>Director</i>
Vincenzo La Via	<i>Director</i>
Mario Nuzzo	<i>Director</i>

## Supplementary members for administration of Separate Account

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

State Accountant General	<i>Director</i> <sup>(1)</sup>
Director General of the Treasury	<i>Director</i> <sup>(2)</sup>
Romano Colozzi	<i>Director</i>
Guido Podestà	<i>Director</i>
Giuseppe Pericu	<i>Director</i>

<sup>(1)</sup> Composition at 31 December 2012.

<sup>(1)</sup> Giovanni De Simone, delegate of the State Accountant General.

<sup>(2)</sup> Maria Cannata, delegate of the Director General of the Treasury.

## Preference Shareholders Support Committee

Matteo Melley	<i>Chairman</i>
Teresio Barioglio	<i>Member</i>
Alessio Bellincampi	<i>Member</i>
Marcello Bertocchini	<i>Member</i>
Angela Gallo	<i>Member</i>
Roberto Giordana	<i>Member</i>
Amedeo Grilli	<i>Member</i>
Antonio Marotti	<i>Member</i>
Ivano Paci	<i>Member</i>
Roberto Saro	<i>Member</i>
Enrico Zobebe	<i>Member</i>

## Steering Committee

Giuliano Segre	<i>Chairman</i>
Carlo Colaiacovo	<i>Member</i>
Adriano Giannola	<i>Member</i>
Andrea Landi	<i>Member</i>
Antonio Miglio	<i>Member</i>
Francesco Parlato	<i>Member</i>
Antimo Prospero	<i>Member</i>
Alessandro Rivera	<i>Member</i>
Giovanni Gorno Tempini	<i>Member</i>

## Board of Auditors (\*)

Angelo Provasoli	<i>Chairman</i>
Gerhard Brandstätter	<i>Auditor</i>
Biagio Mazzotta	<i>Auditor</i>
Giuseppe Vincenzo Suppa	<i>Auditor</i>
Piergiuseppe Dolcini	<i>Auditor</i> <sup>(1)</sup>
Francesco Bilotti	<i>Alternate</i>

## Parliamentary Supervisory Committee

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

<sup>(\*)</sup> Composition at 31 December 2012.

<sup>(1)</sup> Appointed Auditor on 12 September 2012.



## **Judge of the State Audit Court (\*)**

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

**Piero Floreani**

*Alternate*

<sup>(\*)</sup> At 31 December 2012.

## **General Manager**

**Matteo Del Fante**

## **Independent auditors**

**PricewaterhouseCoopers S.p.A.**



CDP S.p.A.



**2012 Annual Report**

**Report on operations**

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CDP S.p.A.



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## Financial highlights

Main indicators

## Highlights - CDP S.p.A.

(millions of euros)

	2012	2011
<b>RECLASSIFIED BALANCE SHEET DATA</b>		
Total assets	305,431	273,586
Cash and cash equivalents and other treasury investments	139,062	128,615
Loans to customers and banks	100,508	98,591
Equity investments and shares	30,570	19,826
Postal funding	233,631	218,408
Other direct funding	16,462	17,126
Equity	16,835	14,469
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	3,522	2,329
Gross income	3,653	2,030
Operating income	3,530	1,939
Net income	2,853	1,612

## New lending

(millions of euros)

	Total 2012	Total 2011
Public entities	3,308	6,213
Enterprises and public-private partnerships to develop infrastructure	2,717	2,145
- of which: for projects promoted by public entities	1,449	763
- of which: to enterprises for works used to deliver public services	1,269	1,382
Enterprises	6,326	3,931
<b>Total lending to customers and banks</b>	<b>12,351</b>	<b>12,289</b>
Equity investments and funds	508	667
<b>Total lending by business line</b>	<b>12,860</b>	<b>12,956</b>
Non-recurring transactions	9,368	3,533
<b>Total new lending</b>	<b>22,227</b>	<b>16,489</b>

## Main indicators

(units; percentages)

	2012	2011
<b>PERFORMANCE RATIOS</b>		
Spread on interest-bearing assets - liabilities	1.5%	1.1%
Cost/income ratio	3.0%	4.6%
ROE	19.7%	11.7%
<b>CREDIT RISK RATIOS</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.118%	0.096%
Net writedowns/Net loans to customers and banks	0.020%	0.009%
<b>RATING (as of the date of approval of the financial statements)</b>		
Fitch Ratings	BBB+	
Moody's	Baa2	
Standard & Poor's	BBB+	
<b>OPERATING STRUCTURE</b>		
Average no. of employees	512	486

**Highlights - CDP Group***(millions of euros)*

	<b>2012</b>	<b>2011</b>
<b>RECLASSIFIED BALANCE SHEET DATA</b>		
Total assets	328,551	287,143
Cash and cash equivalents and other treasury investments	144,659	129,888
Loans to customers and banks	102,783	98,091
Equity investments and shares	21,290	18,960
Postal funding	233,631	218,408
Other direct funding	21,474	20,309
Equity	21,057	18,349
- of which pertaining to the shareholders of the parent company	18,183	15,525
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	3,449	2,214
Gross income	2,011	665
Operating income	3,263	1,799
Net income	3,232	2,345
- of which pertaining to the shareholders of the parent company	2,924	2,167



# 1. Presentation of the Group

## 1.1 ROLE AND MISSION OF THE CDP GROUP

The CDP Group (the “Group”), composed of Cassa Depositi e Prestiti S.p.A. (“CDP”), and the companies subject to its management and coordination, works to support Italy’s growth and employs its resources, mainly funded through its management of postal savings (postal savings bonds and postal savings passbook accounts), in accordance with its institutional mission, in its capacity as a:

- leader in financing the investments of public entities;
- catalyst for infrastructure development;
- key player in supporting the Italian economy and national enterprise.

The CDP Group promotes local development, financing investment by public entities, assisting local authorities in leveraging their real estate holdings, investing in social housing and supporting energy efficiency policies.

In its role as catalyst for infrastructure development, the Group – using corporate and project finance arrangements – supports public-interest projects and enterprises for investments for the delivery of public services. It also performs this role by taking direct equity stakes in infrastructure companies and subscribing units in domestic and international infrastructure equity funds.

The Group also uses debt and equity instruments to provide support to strategic domestic companies and small and medium-sized enterprises (“SMEs”), thereby fostering their growth, efficiency, international expansion and investment in research.

Group operations were further strengthened by the recent acquisitions of SACE S.p.A., Simest S.p.A. and Fintecna S.p.A., thereby enhancing CDP’s ability to support Italian exports, the international expansion of enterprises, the financing of infrastructure projects and the leveraging of property assets.

By virtue of the control that CDP exercises over Terna S.p.A., the Terna Group, a major operator of electricity transmission grids and the operator and main owner of the high-voltage National Transmission Grid (NTG), is also part of the CDP Group and is consolidated on a line-by-line basis in the financial statements.

## 1.2 COMPOSITION AND STRUCTURE OF THE CDP GROUP

In addition to the parent company, Cassa Depositi e Prestiti S.p.A. (“CDP” or “parent company”): CDP GAS S.r.l. (“CDP GAS”), CDP RETI S.r.l. (“CDP RETI”), CDP Investimenti Società di Gestione del Risparmio

S.p.A. ("CDPI SGR"), Fintecna S.p.A. ("Fintecna"), Fondo Strategico Italiano S.p.A. ("FSI"), SACE S.p.A. ("SACE"), Simest S.p.A. ("SIMEST") and Terna S.p.A. ("Terna") and their subsidiaries and associates.

CDP performs management and coordination activities intended to coordinate the actions of the subsidiaries and CDP in the interest of the Group with regard to the following companies: CDP GAS, CDP RETI, CDPI SGR, Fintecna, FSI and SACE.

For information on transactions with related parties, please see the appropriate section of the notes to the financial statements.

For a breakdown of the companies included in the scope of consolidation, please see the annex to the consolidated financial statements.

Compared with 31 December 2011, the scope of consolidation has changed as follows:

- the formation by Terna on 23 February 2012 of Terna Rete Italia S.p.A., which was given responsibility for all its traditional operations involving the ordinary and extraordinary maintenance of the NTG, and the management and implementation of network expansion projects connected with fulfilling the terms of the concession (Ministerial Decree of 20 April 2005) as called for under the Development Plan. Terna Rete Italia is also responsible for the operational and technical aspects of environmental and workplace health and safety, as well as the health and safety of non-Group parties;
- the formation by the subsidiary Terna Plus S.r.l. on 23 March 2012 of Terna Storage S.r.l., which is dedicated to designing, building, operating, developing and maintaining distributed electricity storage systems (including batteries) and pumping and/or other storage systems. The company is currently held directly by Terna;
- the investment by FSI in a capital increase in the Kedrion Group on 5 July 2012 and in Metroweb Italia S.p.A. (Metroweb Italia) on 24 December 2012;
- the formation in October 2012 of CDP RETI, an investment vehicle held entirely by CDP, through which it acquired a stake of 30% less one share stake in Snam S.p.A. (SNAM) from Eni S.p.A. (ENI) on 15 October 2012;
- the acquisition of 100% of SACE and of Fintecna and 76% of SIMEST on 9 November 2012.

The following section describes the CDP Group's main companies:

### **1.2.1 Parent company – Cassa Depositi e Prestiti S.p.A.**

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 responsibility.

Therefore, 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 can 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), or carried out in favour of small and medium-sized enterprises (SMEs) for the purpose of supporting the economy. The financial transactions can 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), can 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 can 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.

All of the above activities must be conducted by CDP in a manner such that, within the context of the separate accounting and organisational system, they preserve the long-term financial stability of the organisation while ensuring a return on investment for 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.

### **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 Ministry for the Economy and Finance (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 a 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), 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 the 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 2012, the Separate Account encompasses the following business areas: Public Entities, the Operational Innovation Project, 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 the company's results is detailed in the annexes to the financial statements.

## **1.2.2 Companies subject to management and coordination**

### ***1.2.2.1 CDP Investimenti SGR S.p.A.***

CDPI SGR was established on 24 February 2009 by CDP together with Associazione delle Fondazioni bancarie e Casse di Risparmio S.p.A. (ACRI) and the Italian Banking Association (ABI). The company is registered in Rome and has share capital of €2 million, fully paid up, of which CDP holds 70%.

CDPI SGR's primary business is providing collective asset management services by promoting, establishing and managing real estate investment funds, as defined by the regulations governing the sector.

## MISSION

CDPI SGR's mission is to promote the development of financially sustainable private social housing projects, through the promotion and management of Fondo Investimenti per l'Abitare ("FIA"), which operates as a resource catalyst for the launch of real estate investment funds and local initiatives to expand the supply of social housing leased at controlled rents or sold at facilitated prices.

FIA's institutional purpose is to expand the availability of social housing leased at controlled rents and sold at facilitated prices throughout the territory in order to support and supplement central and regional government policies in that area, by investing, primarily by taking non-controlling equity interests (up to 40%) in the capital of investees or funds, in local programmes or transactions promoted, initiated or at least managed by others aimed at, or specialised in, carrying out projects that will make social housing available on a broader scale (so-called "fund of funds").

Private social housing is targeted at the "grey bracket" of the population, i.e. those people who do not meet the requirements to be assigned public housing under public residential building programmes but who, at the same time, do not have a high enough income to find accommodation in the private home rental or purchase market. CDPI SGR operates completely independently in managing FIA, in the interest of its investors, on the basis of strategic guidelines it establishes and assessing the economic and financial feasibility of the investments it plans to make.

In 2012, CDPI SGR's strategy to expand its reach bore fruit with the entry into the private social housing sector (PSH) sector in addition to the development of the real estate holdings of public bodies.

During the year, CDPI SGR began operation of a new real estate fund, the Fondo Investimenti per la Valorizzazione Plus (FIV Plus), a fund dedicated to investing in real estate with unexpressed potential value that can be leveraged through a change in use, rental or fractional sale, as part of the process by public bodies or companies they control to divest these assets, through auctions or other competitive procedures conducted for this purpose.

## STRUCTURE

Following the shareholders' meeting of CDPI SGR held on 24 April 2012, the board of directors confirmed the appointment of the serving General Manager, granting him the fullest powers for managing the company and the funds it operates, as well as the power to manage the liquidity of the company and of the FIA, a power previously shared between the General Manager and the CEO, a position the board decided not to fill. Given these new operational arrangements, the company's structure underwent the following changes:

- a deputy general manager in charge of Strategy and Institutional Relations was appointed;
- reporting directly to the General Manager is the new "Management and Development" area, composed of the following units: "FIA Investments"; "FIDA Investments"; "FIV Investments"; "Investment Monitoring", "Origination and New Products". The FIDA fund had not yet been formed at 31 December 2012.

As a result of the preceding organisational changes, the compliance model pursuant to Legislative Decree 231/01 was updated and the internal procedures manual is currently being revised.

A Supervisory Body was appointed pursuant to Article 6 of Legislative Decree 231/01 to ensure proper operation, updating and compliance with the model. The Supervisory Body consists of two members: one external member, who acts a chairman, and the head of the Internal Auditing unit.

During the first half of 2012, CDPI SGR considerably expanded its internal staff. Specifically, it strengthened its investment analysis and management structures by absorbing a portion of the staff of Fondazione Housing Sociale ("FHS"), with the consequent consensual termination of the existing contract.

At 31 December 2012, CDPI SGR had 26 employees: 6 senior managers, 13 middle managers and 7 office personnel.

### *1.2.2.2 Fondo Strategico Italiano S.p.A.*

FSI is a holding company that invests in companies in order to create value for its shareholders by promoting the growth, operating efficiency, consolidation and the national and international competitiveness of the companies in which it takes a stake.

The company was incorporated on 2 August 2011 with share capital of €1 billion, fully paid-in. The controlling shareholder is CDP, which subscribed 90% at incorporation, while the remaining 10% is held by Fintecna S.p.A.

FSI acquires equity holdings – usually non-controlling interests – in companies of "major national interest" that have a stable financial position and performance, adequate profit-generating prospects and significant scope for growth, capable of generating value for investors.

#### **MISSION**

Within the framework of its investment initiatives, FSI seeks to distinguish itself as a proactive catalyst for large, financially sound companies that intend to pursue a strategic development plan.

FSI's goal is to invest in non-controlling interests (mainly through capital increases) with market returns (pegged to the various benchmark business sectors) and a medium/long-term time horizon. In this context, given this time horizon, FIS plans to establish a clear agreement with the other shareholders of the investee companies in order to: (i) ensure an adequate degree of representation; (ii) ensure a constant flow of information; (iii) identify ways of leveraging and/or liquidating the investment on market terms. Therefore, FSI's goal is to ensure that once it divests itself of its stake, the target company will be left in a position to grow and become more competitive, capable of prospering in global markets and of generating wealth and sustainable employment.



FSI plans to make investments of a substantial individual size, establishing appropriate concentration limits for each sector based on available capital.

FSI operates transparently in selecting and approving investments. To that end, FSI has established transparent operational processes to facilitate investment decisions and will introduce governance guidelines for investments in line with the best market standards.

## **STRUCTURE**

FSI's organisational structure is composed of four macro-areas: the Investment department and three units, namely the Equity Investments department, the Legal Affairs, Corporate and Compliance unit and the Administration, Control, Operational Support and Human Resources unit. The Investment Department is responsible for selecting, assessing and conducting investment transactions, as well as actively monitoring the investee companies, while the other units are responsible for corporate functions and the associated reporting of the investee companies as well as overseeing support and corporate governance processes.

With regard to the size of its staff, FSI has essentially completed the hiring programme set out in the business plan to enable the start-up of operations and to complete the workforce needed to manage the various operations. Staff at 31 December 2012 numbered 19 employees (as well as the Chief Executive Officer and the seconded CDP personnel involved in staff and support functions), of which 9 in the Investment department and 10 in the other units (including administrative staff).

### ***1.2.2.3. Fintecna Group***

Fintecna was formed in 1993 with for the specific purpose of reorganising the recoverable businesses and/or performing transitional management activities connected with the liquidation of Iritecna S.p.A., preparing the way for its privatisation. At the end of this complex task, which entailed the privatisation of more than 200 companies over five years, the then shareholder, IRI, tasked Fintecna with the coordination and management of the liquidation, reorganisation and disposal of numerous other companies, among them Finsider S.p.A., Italsanità S.p.A., Finmare and Sofinpar S.p.A.

With effect from 1 December 2002, Fintecna and its residual assets were merged into IRI, which was in liquidation. With this operation, Fintecna, which was already specialised in the management of liquidation activities and the related privatisation, acquired major interests in important national companies operating in the industrial sector, particularly Fincantieri S.p.A., Tirrenia di Navigazione S.p.A. and Società Stretto di Messina S.p.A.

During the period from 2003 to 2005, Fintecna consolidated its presence in the real estate sector as a result of major acquisitions from the state amounting to around €1,250 million. At the end of 2006,

the real estate assets were spun off to a separate company, Fintecna Immobiliare S.r.l. (Fintecna Immobiliare), with the transfer of the portfolio on 1 January 2007. The same year saw the transfer to Fintecna, free of charge, of Patrimonio dello Stato S.p.A., with Fintecna responsible for divesting some of the property portfolio that the MEF had transferred at no cost to Patrimonio dello Stato S.p.A. in 2003 and 2004.

In the period from 2007 to 2010, specific legislation transferred to Fintecna or its wholly-owned subsidiaries the assets of Ente Partecipazioni e Finanziamento Industrie Manifatturiere (EFIM), which was in compulsory receivership, and those of EFIM's subsidiaries. Fintecna also received the assets of two liquidated public entities, IGED and Italtrade, and those of the *Comitato per l'intervento nella SIR ed in settori ad alta tecnologia* and assigned to manage the liquidation process. Fintecna designated three wholly-owned subsidiaries to carry out the work of winding-up and disposal: Ligestra S.r.l., Ligestra Due S.r.l. e Ligestra Tre S.r.l.

On 9 November 2012, CDP acquired the entire share capital of Fintecna from the MEF in exercise of a purchase option granted under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012.

## **MISSION**

Thanks to its very history, the Fintecna Group has developed special expertise in the administration of equity investments and in privatisation processes, which include the rationalisation and reorganisation of companies in a state of industrial, financial and organisational crisis.

Fintecna Group has also become expert at carrying out special projects to help government departments deal with specific issues.

The following are the main current activities of the Group:

- the management of equity investments involving policy-setting, planning, coordination and control both of companies destined for divestment (privatisation/liquidation) and of companies that will be held longer period in the Fintecna portfolio;
- the specialised management of complex liquidation processes with a view to shortening and optimising the resources resulting from the liquidation process;
- the comprehensive and flexible management of the significant litigation arising mainly from acquired companies, the aim of which is to reach arrangements that comply with the legal requirements and cost effectiveness criteria while opening the way to the successful and rapid settlement of ongoing litigation;
- other activities, including providing support (under specific legislation) to the people affected by the earthquakes in Abruzzo in 2009 and Emilia in 2012, as well as the provision of professional assistance to the special commissioner in charge of overseeing the debt reduction plan of Roma Capitale, which Fintecna has assigned to its wholly-owned subsidiary, XXI Aprile S.r.l.

## STRUCTURE

The main sectors of activity in which the Fintecna Group operates are:

- shipbuilding, through Fincantieri S.p.A. and its subsidiaries and associates. The Fincantieri Group designs, builds and sells merchant and military vessels, and carries out repairs and conversions. Its main business line is in the area of passenger ships (cruise ships and large ferries), mega-yachts (over 70 metres), military vessels and submarines. Fincantieri also operates in the field of mechanical engineering;
- real estate, through Fintecna Immobiliare and its subsidiaries and associates, and through Quadrante S.p.A. The Fintecna Immobiliare Group purchases, manages, develops and then sells real estate portfolios, and offers complementary property-related services (such as agency services and asset, project and building management);
- liquidation activities through separate asset pools assigned to special purpose entities. The Fintecna Group holds several asset portfolios transferred to the State such as: (i) the assets of the former EFIM and former Italtrade (held through the Fintecna subsidiary Ligestra S.r.l.); (ii) the assets of IGED (held through the Fintecna subsidiary Ligestra Due S.r.l.) (iii) the assets of the *Comitato per l'intervento nella SIR e nei settori ad alta tecnologia* (held through the Fintecna subsidiary Ligestra Tre S.r.l.).

At 31 December 2012, the employees of the Fintecna Group numbered 10,525, of whom 280 were executives, 4,450 junior management-level staff and 5,795 office staff.

Within the parent company, Fintecna, the employees numbered 185 at end-2011 and 166 at end-2012 following a rationalisation of its structures and a concomitant reduction in the workforce

At the same date, the employees of the Fincantieri Group numbered 10,240, an increase of 246 over the previous year, mainly the result of an increase of 501 employees in the Fincantieri Marine Group offset by a reduction of 275 at Fincantieri S.p.A. The dominant feature of the year in regard to industrial relations was the implementation of the activities set out in the company reorganisation plan, which was formalised at the national level with the signing on 21 December 2011 of an agreement between the Ministry of Labour, Fincantieri and the main trade unions. In the wake of the signing of the agreement, the trade unions at all the industrial sites, with the exception of the Castellammare di Stabia plant (for which an agreement was signed at the beginning of 2013) started procedures for workers to enter the pre-retirement redundancy programme. Thanks to the agreements reached during the year, voluntary redundancy was made available for a maximum of 729 people, and it was agreed that the labour surplus consisted of 1,573 workers.

### 1.2.2.4. SACE Group

SACE was established in 1977 as a public entity under the supervision of the MEF. In 2004, it was transformed into a joint-stock company (*società per azioni*), wholly owned by the MEF.

On 9 November 2012, CDP acquired the entire share capital of SACE from the MEF by exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August, 2012.

### **MISSION**

SACE is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring. Specifically, the corporate purpose of the parent company, SACE, is insurance, reinsurance, co-insurance and the provision of guarantees against risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other risks to which Italian companies and companies associated with them or controlled by them, including foreign companies, are directly or indirectly exposed in the performance of their activities outside Italy and or in the internationalisation of the Italian economy. SACE's corporate purpose also includes issuing, on market terms and conditions and in compliance with EU regulations, guarantees and insurance for foreign companies in Italy for transactions of strategic importance for the internationalisation of the Italian economy and for the economic security of Italy.

The SACE Group today serves over 25,000 customers in more than 180 countries around the world.

### **STRUCTURE**

The SACE Group is made up the parent company, SACE, and the following:

- SACE BT, established in 2004, specialising in short-term credit insurance services;
- SACE Do Brasil, established in 2012;
- SACE Fct, established in 2010, specialising in the financing of trade credit, with particular reference to government receivables;
- SACE SRV, established in 2007, a subsidiary of SACE BT specialising in the acquisition of business information, the management of applications and debt collection.

At 31 December, 2012 the employees of the SACE Group numbered 705, of which 37 executives, 259 management-level staff, 381 office staff and 28 producers. Of these, 451 worked for the parent company. The workforce expanded by 16 compared with 31 December 2011.

#### ***1.2.2.5. Other companies subject to management and coordination***

### **CDP GAS S.r.l.**

CDP GAS is an investment vehicle formed in November 2011 and wholly owned by CDP, through which, on 22 December 2011, an 89% interest in Trans Austria Gasleitung GmbH ("TAG") was acquired from Eni International B.V. Although it holds a 89% equity interest, CDP GAS classifies TAG as a jointly-controlled company under existing governance rules based on shareholders' agreements with the other shareholder, Gas Connect Austria.

TAG is the exclusive operator for the transport of gas in the nearly 400-km Austrian segment of the gas pipeline linking Russia to Italy through Ukraine, Slovakia and Austria. The infrastructure transports Russian gas to Italy, accounting for about 30% of Italy's gas imports, thus representing an asset of strategic importance to the country.

The mission of CDP GAS is the management of the equity investment in TAG, through a dedicated team with expertise in the gas transport sector.

In 2012, CDP GAS hired two experienced experts in the gas sector, one of whom was seconded to TAG to act as Managing Director.

### **CDP RETI S.r.l.**

CDP RETI is an investment vehicle, formed in October 2012 and wholly-owned by CDP, through which CDP purchased from ENI a stake of 30% less one share of the voting capital of SNAM on 15 October 2012. As a result of the purchase of additional shares on the market, CDP RETI's holding in SNAM at 31 December 2012 amounted to 1,014,491,489 shares, equal to 30.0258% of the voting share capital and 30.00000002% of the issued share capital of SNAM.

CDP RETI's mission is therefore to manage the holding in SNAM, monitoring the infrastructure it operates to ensure it is developed and maintained appropriately, and developing the necessary expertise in hydrocarbon transport, dispatching, distribution, regasification and storage in order to oversee its investments most effectively.

### **1.2.3. Terna Group**

Terna S.p.A. is the parent company of the Terna Group, which is discussed in more detail below.

#### **MISSION**

Terna – Rete Elettrica Nazionale S.p.A. is a major operator of electricity transmission grids. It is the operator and the main owner of the high-voltage National Transmission Grid (NTG).

Terna is responsible for the planning, construction and maintenance of the grid, bringing together skills, technologies and innovation in line with international best practice. It is also responsible for the transmission and dispatching of electricity on the high and very-high-voltage grid in Italy and, as such, it is charged with safely balancing electricity supply and demand. The company is also responsible for planning, developing and maintaining the NTG.

The current structure of the company is the result of the unification of ownership and operation of the NTG in November 2005 (in implementation of the Prime Minister's Order of 11 May 2004).

Since June 2004 the company has been listed on the Italian Stock Exchange.

Terna is also a founding member of ENTSO-E, the major European network of transmission operators. The organisation acts as a cooperative entity at the European level to promote the internal market in electricity and cross-border trade and to provide coordinated management of electricity transmission grids.

## STRUCTURE

At 31 December 2012 the Terna Group included, in addition to Terna, the following fully consolidated companies:

- Terna Rete Italia S.p.A., Terna Rete Italia S.r.l. (formerly Telat S.r.l.), Terna Storage S.r.l., Terna CG d.o.o., SunTergrid S.p.A. (formerly inTERNAtional S.p.A.) and Terna Plus S.r.l. directly controlled by Terna with a stake of 100%;
- Rete Solare S.r.l., an Italian company indirectly controlled through SunTergrid S.p.A., with a stake of 100%.

The Terna Group's scope of consolidation also includes the associated companies CESI S.p.A. (in which Terna has a 42.70% holding), CrnoGorski Elektroprenosni Sistem AD – CGES (22.09%), Coreso S.A. (22.49%) and the joint venture ELMED ETUDES S.à.r.l. (50%), all accounted for using the equity method.

Terna is responsible for the operational management of the subsidiaries under special service agreements for providing assistance, coordination and consulting services to the companies during the construction and operation of plants (relating to, for example, applications for permits or measures of any kind, procurement procedures, contract and tender management, accounting and financial services).

Starting from 1 April 2012 and following the decision of Terna's board of directors on 9 November 2011, the Terna Group has adopted a structure consisting of a parent company and two wholly-owned operating subsidiaries, in line with the strategies laid out in the business plan.

In addition to retaining ownership of the concession for the transmission and dispatching of electricity (issued by the Decree of the Minister for Productive Activities of 20 April 2005), Terna also continues to own the capital assets and is responsible for preparing the NTG Development Plan and the Defence Plan.

The two operating companies are:

- Terna Rete Italia S.p.A. (a subsidiary formed by Terna on 23 February 2012), responsible under a four-year operations and management agreement for all traditional business activities (ordinary and extraordinary maintenance of the NTG, management and performance of projects to develop the grid);
- Terna Plus S.r.l., a company that carries out non-traditional business projects and has a flexible, lean operational structure.

At 31 December 2012, the Terna Group had 3,433 employees (3,493 at the end of 2011). Figures for both periods are reported net of terminations taking effect from 31 December.

#### 1.2.4. SIMEST

SIMEST is a joint-stock company (*società per azioni*) formed in 1991 to promote foreign investment by Italian companies and to provide technical and financial support for investment projects.

On 9 November 2012, CDP acquired 76% of the share capital of SIMEST from the Ministry for the Economy and Finance, exercising the purchase option granted to it under Article 23-bis of Decree Law 95 of 6 July 2012, as ratified with Law 135 of 7 August 2012. The other shareholders consist of a group of private-sector investors, including UniCredit S.p.A. (12.8%), Intesa Sanpaolo S.p.A. (5.3%), Banca Popolare di Vicenza S.c.p.A. (1.6%) and ENI (1.3%).

#### MISSION

As the development finance institution charged with supporting and promoting Italian companies' activities abroad, SIMEST has, since 1999, administered various forms of public support for the international expansion of Italian firms.

Its main activities include:

- investment in the equity of companies outside the EU by: (i) directly acquiring up to 49% of the share capital of foreign firms; (ii) and through a venture capital fund established by the Ministry for Economic Development, to support foreign investment in countries outside the European Union;
- investment in the capital of companies in Italy and within the EU by directly acquiring stakes of up to 49% of the share capital of Italian companies and/or their EU subsidiaries that develop investments in production and in innovation and research at market terms without support (bailouts are not permitted);
- financing the activities of Italian companies abroad by: (i) supporting export credits for investment goods produced in Italy; (ii) financing feasibility studies and technical assistance programmes connected with investment projects; (iii) financing programmes for entering foreign markets;
- providing Italian companies seeking to internationalise their businesses with technical assistance and advisory services including: (i) seeking out foreign partners and investment opportunities, as well as foreign commercial contracts; (ii) prefeasibility and feasibility studies; (iii) advice on financial, legal and corporate questions concerning investment projects abroad.

#### ORGANISATIONAL STRUCTURE AND WORKFORCE

At the end of the year, the company had 156 employees, of which 10 senior managers, 76 middle managers and 70 office employees. The decrease of 2 employees compared with 31 December 2011 (158 employees) is the net balance of 3 terminations during the year and 1 hiring at mid-year.



## 2. The market

### 2.1 THE MACROECONOMIC SITUATION

In 2012, world GDP grew by 3.2%, although the pace of expansion was down from 2011 (3.9%). The growth was primarily driven by the emerging economies, which are continuing to expand at a significant rate (5.1%, compared with 6.3% in 2011). At the same time, the advanced economies grew more slowly (+1.3% in 2012, compared with +1.6% in 2011). Inflation remained low in the major advanced economies (2% in 2012), reflecting the weakness of the economic cycle, but was higher in the emerging and developing markets (6.1% in 2012)<sup>1</sup>.

In the second half of the year, global economic conditions improved slightly. However, the outlook for world growth is still coloured by uncertainty, despite signs of strengthening in a number of emerging economies and the easing of financial tensions in the euro area. This uncertainty has been fed by the deterioration in consumer and business confidence, the employment crisis and the potential risks tied to developments in the sovereign debt crisis in the euro area.

As to the crisis in the euro area, in order to ensure strong, sustainable growth built on healthy public finances, structural reforms and investments to improve competitiveness, during the year the heads of state or government of the euro area and the European Council unveiled measures designed to ease tensions in the financial markets and restore investor confidence. More specifically, to address serious dysfunctions in the bond markets and to ensure that monetary policy is properly transmitted within the euro area, the ECB, in its meeting in early September, announced that it would undertake outright transactions in secondary sovereign bond markets (Outright Monetary Transactions – OMT), subject to strict conditions.

More recently, the Eurogroup renewed support for Greece, while Greece itself has implemented a bond buy-back programme, helping to reduce its public debt. Finally, the EU Economic and Finance Ministers Council reached an agreement on a single supervisory mechanism for banks, with the goal of breaking the vicious circle between the fragility of the banking system and growth. These announcements had the effect of easing pressures on euro-area government securities.

As to the Italian economy, in 2012 GDP decreased by 2.2%. compared with the previous year. This decline mirrored the contraction in domestic demand, while foreign demand continued to contribute pos-

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<sup>1</sup> See International Monetary Fund, *World Economic Outlook Update*, January 2013.

itively, although there was a slight increase in imports. The weakness of demand in consumption and investment was caused by tight financial conditions and the effects of the measures taken to contain the public finances, which caused household disposable income to decline.

In the second part of the year, industrial production fell less steeply than in the earlier quarters. Activity was weak in the main industrial segments, especially consumer durables. Compared with 2011, where the contraction in the production of consumer goods was partly offset by the rise in the output of capital goods and intermediate goods, at the end of 2012 investment in capital goods decreased, although to a lesser extent than in the first half of the year, with a slowing of the decline in spending on machinery, equipment and intangible goods<sup>2</sup>.

Unemployment rose during the year, hitting 11.2% in December 2012, an increase of 0.1 percentage point over November, and 1.8 percentage points year-on-year.

Inflation in the second half of the year gradually subsided, falling below 3%. In recent quarters, private consumption has remained weak, undermined by the decline in real household disposable income (-4.3% in the first three quarters of 2012 compared with the corresponding period of 2011) as employment has fallen, the rise in commodity prices and the tightening of budget policies. During the same period, consumer households' propensity to save declined further, to 8.6% of disposable income<sup>3</sup>.

## 2.2. THE FINANCIAL MARKETS AND RATES

In 2012, the ECB continued to offer liquidity through refinancing operations, while in the second half of the year, the ECB Governing Council held the main refinancing rate at 0.75%. These measures allowed interest rates on the interbank market to diminish: at the start of December, the Eonia rate and 3-month Euribor fell to 0.069% and 0.19%, respectively<sup>4</sup>. As a result, the financing terms for European banks gradually improved.

Between the start of January 2012 and the end of December 2012, the spread between 10-year Italian and German bonds fell from 501 to 323 basis points after reaching a peak of 532 points in July<sup>5</sup>. However, in October, the average cost of financing for Italian banks was still more than 110 points higher than that reported in the euro-area countries spared the crisis<sup>6</sup>.

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2 See Bank of Italy, *Economic Bulletin*, No. 67, January 2013.

3 See Bank of Italy, *Economic Bulletin*, No. 67, January 2013.

4 European Central Bank, *Monthly Bulletin*, December 2012.

5 Source: Datastream.

6 See Bank of Italy, *Economic Bulletin*, No. 67, January 2013.

As a result of measures announced by the ECB in the second half of the year, tensions in the euro-area sovereign debt market subsided, with a positive repercussion on all the major international financial markets. In 2012, the Borsa Italiana index posted a gain of 5%, although this was smaller than that registered by the other major European markets (+25% in Germany and +13% in France). In general, international equity markets showed a rising trend: the Dow Jones index rose about 10%, while the Morgan Stanley index comprising the world's main indices rose by 13%<sup>7</sup>.

In foreign exchange markets, the easing of the uncertainty about the stability of the single currency and announcements of a more expansionary monetary policy stance in the United States caused the euro to strengthen against the other major currencies. Over the course of 2012, the euro appreciated by 1.5% in nominal terms against the US dollar and by 12.4% with respect to the Japanese yen<sup>8</sup>. Starting in the summer, the euro also appreciated against the currencies of the major Asian economies<sup>9</sup>.

### 2.3. BANK LENDING AND HOUSEHOLD SAVINGS

In Italy, demand for credit by households and businesses was affected by the adverse economic climate, while the supply of credit from banks was impacted by strains engendered by the deterioration in credit quality and the perception of a decline in borrower creditworthiness. As a result, during the year lending to the private sector continued to contract. With specific regard to the market in which CDP operates, at December 2012 the volume of lending to general government entities, non-financial corporations and producer households had fallen 1.8% year-on-year, compared with growth of 2.2% in 2011. In particular, the decline in 2012 was mainly driven by developments in lending to firms (non-financial corporations and consumer households), which fell by 3.3% year-on-year (+3.0% in 2011), in contrast to lending to general government entities, which rose by 4.0% during the same period (-0.5% in 2011).

The stock of households' financial assets<sup>10</sup> grew by 5.8% in 2012 (December 2012 on December 2011). The increase was mainly driven by the growth in asset management – mainly due to the performance of funds<sup>11</sup> during the year – and a recovery in bank funding in the form of current accounts and deposit accounts. In addition there was a slight recovery in the insurance segment during the year. In general, there was a reallocation of financial wealth towards short-term instruments with moderate risk-return profile, reflecting the higher risk aversion of households.

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7 Source: Datastream.

8 Source: Datastream.

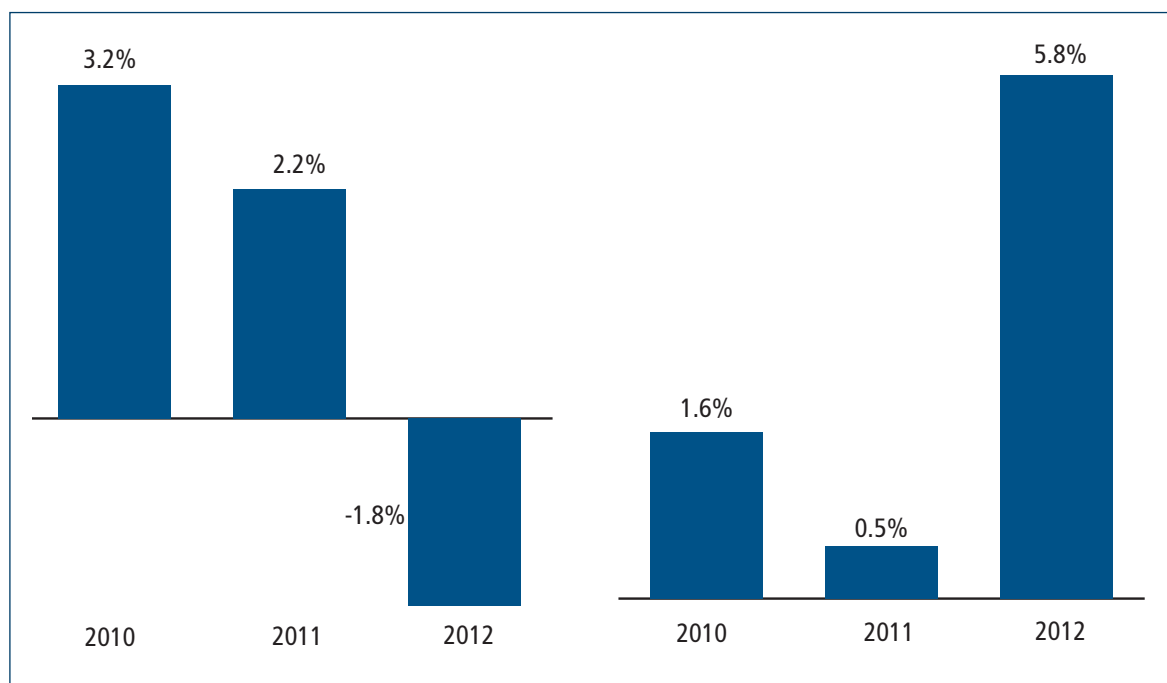
9 See Bank of Italy, *Economic Bulletin*, No. 67, January 2013; European Central Bank, *Monthly Bulletin*, December 2012.

10 Financial wealth of households in the form of bank assets (current accounts, deposits and bonds), investment fund units (asset management), government securities and the life insurance products.

11 Compared with net redemptions for the segment as a whole in 2012.

### Bank lending to general government and firms (% change in stock)

### Household financial assets (% change in stock)



## 2.4. PUBLIC FINANCES

Since the start of the sovereign debt crisis, various EU Member States have adopted a range of important measures to return their public finances to a sustainable path and to preserve their sovereign credit ratings. The measures helped those countries make considerable strides in reducing budget deficits, as shown by the decline in euro-area general government deficit from 4.1% of GDP in 2011 to 3.3% of GDP in 2012.

In Italy, the series of public finance measures, beginning with the 2011 Finance Act through to the 2012 Stability Act, profoundly modified the outlook for general government borrowing. The priority objective of the measures was to achieve structural budget balance by 2013 and stabilise the ratio of public debt to GDP. Furthermore, in December, the Italian Parliament approved the law implementing a constitutional amendment establishing the principle of a balanced budget. The new rules require general government entities to achieve structural budget balance, as well as ensuring that developments in the ratio of public debt to GDP and in expenditure are consistent with European rules.

Consequently, in 2012, the balances of public finance aggregates improved. According to European Commission estimates, the ratio of the general government deficit and GDP was around 2.9%, while the ra-

tio of public debt to GDP amounted to 126.5%<sup>12</sup>. In the third quarter of 2012, the ratio of net general government borrowing to GDP was 1.8%, 0.7 percentage points lower than in the corresponding quarter of 2011<sup>13</sup>.

As regards regional and local government, the Internal Stability Pact (ISP) ensured the commitments made at the EU level were decentralised through to the local level, not just with the goal of ensuring the stability of the national public finances, but also to comply with the obligations set out in the Stability and Growth Pact.

The ISP introduced a dual objective: first, beginning in 2012 regional and local governments are required to comply with the structural constraints, i.e. achieving budget balance as determined on the mixed cash/accruals basis; second, they must also contribute to the achievement of public finance targets with specific percentage reduction in current expenditure, net of government transfers. Restrictions on borrowing have also been tightened, so that local authorities cannot take out new loans or issue bonds if interest expenditure exceeds a given percentage of revenues. More specifically, regional and local governments cannot increase their debt over the previous year if the ratio of interest expenditure to revenues in the first three revenue titles of the budget in the year before the previous year exceeds 8% in 2012, 6% in 2013 and 4% as from 2014.

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 2012 was equal to about €79 billion, a decrease of 0.3% from December 2011. At the same date, the amount of securities issued was about €25 billion, a decline of €26 billion from the end of 2011.

Including securitisations and other forms of financial debt, amounting to about €11 billion, the total debt of regional and local governments therefore amounted to €115 billion. The largest share was accounted for by local governments (provinces and municipalities), which accounted for about 50% of the total (about €58 billion), followed by the regions, which accounted for 36% (€41 billion), with other entities accounting for 15% (about €17 billion).

Loans with costs borne by the central government amounted to about €53 billion at the end of 2012, essentially in line with December 2011<sup>14</sup>.

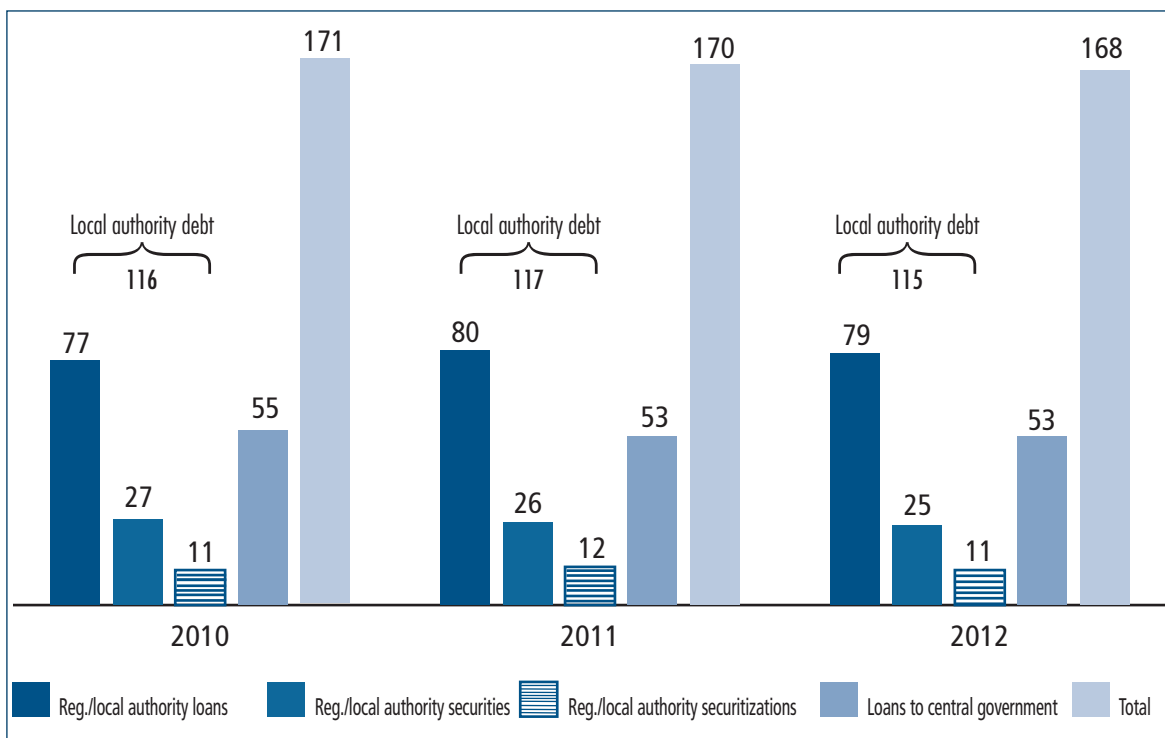
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12 European Commission, *General Government Data*, Autumn 2012.

13 ISTAT, *Conto economico trimestrale delle Amministrazioni pubbliche*, Third Quarter 2012. January 2013.

14 Source: CDP based on Bank of Italy data.

**Stock of regional and local authority debt and loans to central government** (€ billions)



## 2.5. THE REAL ESTATE MARKET

The outlook for the real estate sector is tied to developments in the macroeconomic framework: the deteriorating economy, combined with greater selectiveness on the part of banks, has again brought the Italian real estate market to a halt despite falling prices<sup>15</sup>.

The number of transactions in the third quarter of the year fell by 26% year on year for the entire real estate sector, with a fall of 47% compared with the third quarter of 2005, which represents the historic high for a third quarter. Moreover, as a result of the decline in the number of transactions, there has been an increase in the average time needed to close property sales and rentals.

As regards households' access to credit, at the end of November 2012, mortgage loans for home purchases from banks, amounting to €366 billion, remained essentially unchanged (-0.3%) on a year earlier, marking a deceleration as compared with the 4.8% year-on-year increase at the end of November 2011. The euro-area average was higher, at around 1.2%.

<sup>15</sup> Nomisma III Rapporto sul Mercato Immobiliare 2012 published in November 2012.

Between January and November 2012, banks disbursed around €18.8 billion in mortgage loans, just over half the €36.3 billion disbursed during the same period of 2011<sup>16</sup>.

The slowdown experienced in the last few months is attributable, among other things, to a steep decline in mortgage loan applications. The aggregate figure, given as the number of applications by Italian households, fell sharply in the first 10 months of 2012, contracting by around 44% compared with the first 10 months of 2011<sup>17</sup>.

## 2.6. FSI REFERENCE MARKET

An analysis of the FSI reference market at the European level reveals that the value of transactions reported through September 2012 was down compared with 2011, amounting to around one-quarter of the peak recorded in 2006-2007. Transactions mainly involved the industrial (27%) and pharmaceuticals (18%) sectors. A geographical breakdown of these transactions reveals that most were conducted in the United Kingdom (39%), Germany (28%) and France (10%), with those completed in Italy accounting for just 3% of the total (a historic low).

Additionally, in Italy, the private equity market represented just 0.14% of GDP in 2011, compared with 0.88% in the U.K., 0.48% in France and 0.24% in Germany and as against a European average of 0.33%. Furthermore, a variety of funds have decided to close their regional offices in Italy.

As to FSI's domestic market (as defined in the Ministerial Decree of 3 May 2011 and the company articles of association), in 2012, funds invested a total of €1.5 billion in mergers and acquisitions, down €2.5 billion from 2011.

Furthermore, two out of five transactions in 2012 were completed by FSI and these were the only primary transactions, i.e. involving capital increases through the issue of new shares.

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<sup>16</sup> ABI, *Monthly Outlook*, January 2013.

<sup>17</sup> EURISC.

## M&A transactions completed in 2012 in Italy in FSI's "fund buyer" segment

(millions of euros)

Target	Buyer	2011 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 8/5/2011	Transaction structure
Kedrion	Fondo Strategico Italiano	277	75	19%	Industry	Primary
Metroweb	Fondo Strategico Italiano	56	200	46%	Industry	Primary
Alpitour	Wise, J, Hirsch and others	1,125	100	90%	Size	Secondary
Valentino Fashion Group	Mayhoola for Investments	322	710	100%	Size	Secondary
Cerved Group	CVC Capital Partners	267	380	100%	Size with 20% exception	Secondary
<b>Total invested by funds</b>			<b>1,465</b>			

Source: Dealogic, Private Equity Monitor, Mergermarket, press reports

## M&A transactions completed in 2011 in Italy in FSI's "fund buyer" segment

(millions of euros)

Target	Buyer	2010 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 8/5/2011	Transaction structure
Ansaldo Energia	First Reserve Corporation	1,413	225	45%	Size	Secondary
SEA	F2i	573	385	30%	Industry	Secondary
G6 Rete Gas	F2i and Axa Private Equity	160	70	100%	Industry	Secondary
Metroweb	F2i, IMI Inv., Swisscom	52	168	75%	Industry	Secondary
Coin	BC Partners, Investindustrial	1,736	613	100%	Size	Secondary
Bormioli Rocco	Vision Capital	531	250	95%	Size	Secondary
Snai	Investindustrial and Palladio Fin.	537	186	67%	Size	Secondary
Moncler	Eurazeo and Co-investitori	429	418	45%	Size	Secondary
Savio Macchine Tessili	Alpha; Intesa Sanpaolo	332	138	100%	Size	Secondary
<b>Total invested by funds</b>			<b>2,453</b>			

Source: Dealogic, Mergermarket, press reports

There were five transactions completed with industrial partners in 2012, compared with seven in 2011, with a decline in the equity value involved. Even in such cases, the transactions were completed using a secondary-market structure, apart from two transactions featuring a significant debt restructuring and an acquisition in bankruptcy.



## M&A transactions completed in 2012 in Italy in FSI's "industrial buyer" segment

(millions of euros)

Target	Buyer	2011 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 8/5/2011	Transaction structure
Ducati	Audi	480	860	100%	Size	Secondary
Ospedale San Raffaele	Gruppo Ospedaliero San Donato	592	405	100%	Size	Acquisition in bankruptcy
Ferretti	Shandong Heavy Industry	521	178	75%	Size	Acquisition in reorganisation
Marazzi	Mohawk Industries	833	n.a.	100%	Size	Secondary
Avio*	General Electric	1,700**	n.a.	100%	Industry	Secondary

Source: Dealogic, Mergermarket, press reports

\* FSI submitted a bid to acquire a minority stake that was not accepted

\*\* Excluding Space business unit

## M&A transactions completed in 2011 in Italy in FSI's "industrial buyer" segment

(millions of euros)

Target	Buyer	2010 revenues	New equity	Stake acquired	FSI scope of investment Min. Dec. 8/5/2011	Transaction structure
Edison	Electricité de France - EDF	10,446	700*	30%	Industry	Secondary
Wind Telecom	Vimpelcom	5,422	4,700**	100%	Industry	Secondary
Parmalat	Lactalis Group	4,301	3,700	83%	Size	Secondary
Bulgari	LVMH	1,069	3,700	100%	Size	Secondary
Cesare Fiorucci	Campofrio Food Group	320	45	100%	Size	Secondary
La Rinascente	Central Retail Corp - CRC	350	205	100%	Size	Secondary
Permasteelisa	JS Group Corp	1,063	575	100%	Size	Secondary
<b>Total equity value acquired</b>			<b>13,625</b>			

Source: Dealogic, Mergermarket, press reports

\* Price for acquisition of remaining 50% of Transalpina di Energia

\*\* Total transaction value

## 2.7. THE ITALIAN ELECTRICITY MARKET

### ELECTRICITY DEMAND IN ITALY

In 2012, the demand for electricity amounted to 325,259 GWh, down 2.8% with respect to 2011 (provisional data).

### ELECTRICITY GENERATION

According to provisional data, in 2012 net domestic power generation decreased by 2.3% on 2011.

Breaking down the figures for generation by main source, net of ancillary services, there was a decrease in thermal power generation of 6.3% compared with 2011. In 2012, hydroelectric generation was 8.2% lower compared with 2011, net of consumption for ancillary services. Net generation from renewables, namely wind, photovoltaic and geothermal energy, again rose strongly compared with the previous year, expanding by 42.4% overall.

## **DISPATCHING AND SALES**

### *Coverage of demand*

Coverage of power demand in 2012 was guaranteed with adequate production margins. The Terna Group ensures that the system is capable of meeting demand by scheduling the unavailability of portions of the grid in coordination with the unavailability of power generation and by taking into account generation from renewable power plants and distributed generation facilities.

Foreign trade showed a decrease in net imports compared with the previous year of approximately 2.6 TWh. There was also a 41% increase in the price differential between the Italian energy market and cross-border markets, with an average price in 2012 of:

- €75.3/MWh (+4% year-on-year) on the Italian power exchange (IPEX);
- €46.0/MWh (-6% year-on-year) on the French power exchange (PNX);
- €41.7/MWh (-18% year-on-year) on the German power exchange (EEX).

## 3. Operating performance

### 3.1 THE PARENT COMPANY AND THE COMPANIES SUBJECT TO ITS MANAGEMENT AND COORDINATION

New lending and investment by the parent company in 2012 amounted to nearly €13 billion, essentially in line with 2011. This performance is mainly attributable to the strong expansion of lending to support the economy (+61%) and for infrastructure development (+27%), partly offset by lending to public entities as a result of the more stringent constraints on the public finances. Including non-recurring transactions in 2012 (acquisition of equity investments totalling €9 billion, net of disposals), new lending and investment in 2012 amounted to more than €22 billion, up significantly over the previous year (+35%) and reaching the highest level ever achieved by CDP S.p.A.

Taking into account the results attained in the first two years of CDP's 2011-2013 Business Plan, total resources already mobilised already amount to around 90% of that planned for the entire three-year period.

#### New lending

*(millions of euros)*

Business lines	31/12/2012	31/12/2011	% change
Public entities	3,308	6,213	-47%
Enterprises and public-private partnerships to develop infrastructure	2,717	2,145	27%
- of which: for projects promoted by public entities	1,449	763	90%
- of which: to enterprises for works used to deliver public services	1,269	1,382	-8%
Enterprises	6,326	3,931	61%
<b>Total lending to customers and banks</b>	<b>12,351</b>	<b>12,289</b>	<b>1%</b>
Equity investments and funds	508	667	-24%
<b>Total lending by business line</b>	<b>12,860</b>	<b>12,956</b>	<b>-1%</b>
Non-recurring transactions	9,368	3,533	165%
<b>Total</b>	<b>22,227</b>	<b>16,489</b>	<b>35%</b>

More specifically, new lending in 2012 was mainly in the form of lending to enterprises through operations to support the economy (€6.3 billion, or almost 50% of the total), direct lending to public entities (€3.3 billion, or 26% of the total) and financing for companies and public-private partnerships to develop infrastructure projects (€2.7 billion, or 21% of the total). In addition, investments in equity and funds, net of non-recurring transactions, amounted to €0.5 billion (4% of the total).

A breakdown of new CDP lending by sector for 2012 shows that considerable resources went to loans to SMEs and export finance (€5.1 billion, or 40% of the total) and investments in transportation networks and local public services (about €5.1 billion, or 39% of the total). Financing for public building and social housing projects (around €1.7 billion, or 13% of the total) also accounted for a significant share.

## New lending

(millions of euros)

Sector	31/12/2012	31/12/2011
SMEs and export finance	5,135	3,368
Transport networks and local public services *	5,069	6,487
Public building and social housing	1,689	1,698
Networks, energy and environment	472	690
Companies of major national interest	360	540
Research and innovation	135	172
<b>Total lending by sector</b>	<b>12,860</b>	<b>12,956</b>
Non-recurring transactions	9,368	3,533
<b>Total</b>	<b>22,227</b>	<b>16,489</b>

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

### 3.1.1. Lending and investment of the parent company

#### 3.1.1.1. Public entities

The parent company's support for public entities and public-law bodies is primarily offered through the Public Entities area, which is responsible for lending to these entities 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; %)

	2012	2011
<b>BALANCE SHEET</b>		
Loans to customers and banks	85,418	86,201
Amounts to disburse on loans in repayment	7,388	8,423
Commitments to disburse funds	8,018	9,809
<b>INCOME STATEMENT</b>		
Net interest income	355	358
Gross income	358	361
Operating income	352	353
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.086%	0.078%
Net writedowns/Net loans to customers and banks	0.0002%	0.001%
<b>Performance ratios</b>		
Spread interest-bearing assets - liabilities	0.4%	0.4%
Cost/income ratio	1.7%	1.8%
<b>MARKET SHARE (STOCK)</b>	<b>44.8%</b>	<b>44.4%</b>

Initiatives undertaken in 2012 include a series of measures aimed at enabling local authorities to optimise the residual undisbursed portions of long-term loans granted by CDP in order to free up financial resources. More specifically, the measures included: i) the conversion of "ordinary" loans into "flexible" loans, ii) use of the residual undisbursed portions for other works or to reduce the amounts owed to CDP; iii) immediate disbursement by CDP of the residual portions owed that amount to less than 5% of the loan, or up to €5 thousand.

In 2012, CPD promoted an initiative for local authorities affected by the recent earthquakes that hit several provinces in northern Italy (particularly the region of Emilia-Romagna). Given the operating difficulties faced by these entities, CDP granted a deferral, without additional costs, of payment of the instalments due in 2012 to the end of the loan repayment period. The measure was analogous to that adopted for the areas affected by the 2009 earthquake in Abruzzo, for which, considering that the previous measures taken would have led to the accumulation of several instalments with the same payment date, an additional provision was made to postpone repayment of the cumulative instalments to a date subsequent (within two years) to the contractual final payment date.

In 2012, CDP also promoted two initiatives to facilitate use of the resources appropriated under Decree Law 95 of 6 July 2012, as amended, for the purpose of reducing the public debt: a) in an exception to the contractual terms and official circulars governing access to credit by local entities, CDP permitted the partial repayment at 31 December 2012 of ordinary loans that have been fully disbursed, and b) extended the final deadline for receipt of applications for early repayment from 30 November 2012 to 13 December 2012.

Finally, during the first six months of the year, CDP promoted a programme allowing public universities and similar institutions to restructure their debt so as to help them achieve savings.

In 2012, there was a gradual expansion of use of the new “*Domanda online*” application service, which was introduced in 2011, such that almost all loan applications were submitted via the web.

As at 31 December 2012, loans to customers and banks totalled €85,418 million, including adjustments for IAS/IFRS purposes, a slight decrease from the end of 2011 (€86,201 million). The decline can be attributed to the amount of debt repaid during the period and early repayments, which more than offset the start of repayment periods for loans granted and the disbursements of loans without a pre-repayment grace period. Early repayments in 2012 were significantly higher than in the previous years as a result of the compliance with the provisions of Decree Law 95 of 6 July 2012, as amended, for reducing the public debt.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €92,039 million, a 3% decrease from 2011 (€94,631 million). The change can be attributed to the fact that the volume of new lending was more than offset by principal repayments falling due at 31 December 2012 and the increase in early repayments noted earlier.

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

(millions of euros)

	31/12/2012	31/12/2011	% change
Local authorities	44,786	45,907	-2.4%
Regions and autonomous provinces	25,690	25,051	2.6%
Other public entities and public-law bodies	13,544	13,864	-2.3%
<b>Total amounts disbursed or in repayment</b>	<b>84,021</b>	<b>84,823</b>	<b>-0.9%</b>
IAS/IFRS adjustments	1,397	1,379	1.3%
<b>Total loans to customers and banks</b>	<b>85,418</b>	<b>86,201</b>	<b>-0.9%</b>
<b>Total amounts disbursed or in repayment</b>	<b>84,021</b>	<b>84,823</b>	<b>-0.9%</b>
Commitments to disburse funds	8,018	9,809	-18.3%
<b>Total loans (including commitments)</b>	<b>92,039</b>	<b>94,631</b>	<b>-2.7%</b>

CDP’s market share came to almost 45% at 31 December 2012, compared with around 44% at the end of 2011. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government<sup>18</sup>. 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.

<sup>18</sup> Bank of Italy, *Supplement to the Statistical Bulletin (Monetary and Financial Indicators): the public finances, borrowing requirement and debt*, Tables TCCE0225 and TCCE0250.

Loan amounts to be disbursed, including commitments, decreased by 15% from €18,232 million at 31 December 2011 to €15,406 million at 31 December 2012, attributable to the large volume of disbursements made during the period, which more than offset new amounts granted.

## Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2012	31/12/2011	% change
Amounts to disburse on loans in repayment	7,388	8,423	-12.3%
Commitments to disburse funds	8,018	9,809	-18.3%
<b>Total amounts to disburse (including commitments)</b>	<b>15,406</b>	<b>18,232</b>	<b>-15.5%</b>

New lending contracted during 2012 compared with a year earlier, going from €6,213 million in 2011 (excluding the non-recurring loan granted to finance the past debt of the City of Rome) to €3,308 million. More specifically, the decline in the volume of new loans granted is mainly due to the drop in loans to the regions and the presence in 2011 of two large-value loans (totalling €1,668 million) with repayment borne by the central government, used for the construction of road and transport works. In general, in 2012, the tendency of public entities to reduce their debt burdens continued even more vigorously. This trend was spurred by a variety of legislative initiatives, including those introduced by the 2012 Stability Act, which, with regard to maximum borrowing ceilings, requires entities with the greatest exposure to gradually lower their stock of debt.

## Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	Total 2012	Total 2011	% change
Major local authorities	749	430	74.3%
Other territorial entities	556	999	-44.4%
<b>Total local authorities</b>	<b>1,305</b>	<b>1,429</b>	<b>-8.6%</b>
Regions	445	1,964	-77.4%
Other public entities and public law bodies	316	484	-34.8%
<b>Total</b>	<b>2,065</b>	<b>3,876</b>	<b>-46.7%</b>
Loans with repayment charged to state	1,243	2,337	-46.8%
<b>Grand total</b>	<b>3,308</b>	<b>6,213</b>	<b>-46.8%</b>
City of Rome special commissioner	-	3,000	n/s
<b>Total Public Entities</b>	<b>3,308</b>	<b>9,213</b>	<b>-64.1%</b>

A breakdown of financing by type of project shows that loans were mainly granted for road and transport projects (accounting for 45% of the total for 2012 compared with 23% for 2011) and loans for projects with sundry purposes (16% of the total compared with 57% in 2011).

A breakdown of new loans granted by product shows that the greatest recourse was made to loans without a pre-repayment grace period (51% of the total, in line with 2011), 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 declined in absolute terms compared with 2011, significant use was still made of both fixed- and floating-rate ordinary specific-purpose loans (30% of the total, compared with 15% in 2011), while the contribution of flexible loans (9%), despite a significant increase on 2011, and of unsecured loans and real estate loans (8%), with the latter going solely to non-territorial public entities, remained modest.

### Public Entities - Flow of new loans by purpose

(millions of euros)

	Total 2012	Total 2011	% change
Public and social building	378	355	6.4%
School and university building	121	413	-70.6%
Sports, recreational and lodging facilities	53	99	-46.8%
Healthcare building	5	58	-91.2%
Natural disaster restoration works	82	72	13.0%
Road and transport	1,475	2,142	-31.1%
Water projects	384	136	183.6%
Sanitation projects	24	46	-48.6%
Energy projects	47	79	-40.1%
Other public works	204	508	-59.8%
Loans for sundry projects *	518	5,245	-90.1%
<b>Total investments</b>	<b>3,292</b>	<b>9,154</b>	<b>-64.0%</b>
Recognised off-balance-sheet liabilities and other liabilities	16	59	-73.1%
<b>Total</b>	<b>3,308</b>	<b>9,213</b>	<b>-64.1%</b>

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

### Public Entities - Flow of new loans by product

(millions of euros)

	Total 2012	Total 2011	% change
Ordinary loans	1,007	1,362	-26.0%
Flexible loans	299	71	318.3%
Unsecured loans and real estate loans	269	307	-12.2%
Loans without pre-repayment grace period	1,687	4,301	-60.8%
<i>of which: loans granted under tender awards</i>	<i>1,278</i>	<i>2,204</i>	<i>-42.0%</i>
Securities	46	173	-73.5%
<b>Total</b>	<b>3,308</b>	<b>6,213</b>	<b>-46.8%</b>
City of Rome special commissioner	-	3,000	n/s
<b>Total Public Entities</b>	<b>3,308</b>	<b>9,213</b>	<b>-64.1%</b>



Loan disbursements totalled €5,429 million in 2012, down 13% from 2011, although the decline was less marked than that in new approvals. The change is attributable to the contraction in loans disbursed to regional governments (-76%), as well as in disbursements to local authorities (-20%) and to other public entities and public-law bodies (-39%), which was only partially offset by the increase in disbursements of loans with repayment charged to central government (+9%) and disbursements to the City of Rome in the amount of €1,170 million.

### Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

	Total 2012	Total 2011	% change
Major local authorities	952	1,267	-24.9%
Other territorial entities	1,343	1,594	-15.7%
<b>Total local authorities</b>	<b>2,295</b>	<b>2,862</b>	<b>-19.8%</b>
Regions	420	1,788	-76.5%
Other public entities and public law bodies	297	485	-38.8%
<b>Total</b>	<b>3,012</b>	<b>5,134</b>	<b>-41.3%</b>
Loans with repayment charged to state	1,247	1,143	9.1%
<b>Grand total</b>	<b>4,259</b>	<b>6,277</b>	<b>-32.1%</b>
City of Rome special commissioner	1,170	-	n/s
<b>Total Public Entities</b>	<b>5,429</b>	<b>6,277</b>	<b>-13.5%</b>

Compared with the previous year, the contribution of the Public Entities area to CDP's performance in 2012 saw net interest income essentially unchanged, going from €358 million in 2011 to €355 million for the current year due to the stability of the spread between assets and liabilities and the slight decline in the stock of loans. This performance is also seen in gross income (€358 million, down 1% from 2011) as commissions accrued in 2012 were comparable with those posted in 2011. Taking overhead costs into account, operating income for the area came to €352 million, contributing 10% to CDP's overall operating income.

The spread between interest-bearing assets and liabilities in 2012 came to 40 basis points, in line, as mentioned above, with 2011.

Finally, the cost-to-income ratio was about 1.7%, also consistent with the previous year.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially unchanged compared with 2011.

The restrictions on the public finances have made it difficult for public entities to satisfy their financing needs through the use of traditional debt instruments and, in response, during the year CDP expanded its support and assistance services to help them leverage their property assets.

To support these public entities in the process of surveying their property holdings, the Real Estate area has developed, in cooperation with the Pension Fund for Surveyors (Cassa di Previdenza ed Assistenza dei Geometri), a computer platform denominated “VOL - *Valorizzazione on line*” for the organized management of property surveying work. These steps are performed in preparation for the regularisation of the documentation for any given piece of property and its subsequent development.

The Real Estate area, with the support of the Relationship Management area, worked throughout the country providing assistance to municipal, regional and provincial governments and universities (i.e. the regions of Piedmont, Puglia, Umbria and Sicily, the cities of Naples, Bologna, Turin, Benevento and Venice, and a number of provinces, including Reggio Emilia, Chieti, Milan and Turin).

Likewise, various institutional entities (the National Association of Italian Municipalities – ANCI, Fondazione Patrimonio Comune, the agency that manages government-owned property (the Agenzia del Demanio), etc.) were contacted to develop joint procedures to support property asset development by public entities.

During the second and third quarters of 2012, CDP, in cooperation with CDPI SGR, managed the start-up of the Fondo Investimenti per la Valorizzazione Plus (FIV Plus), formed in late July 2012 and active since 30 October. As of that date, the Real Estate area has engaged in territorial development work to identify investment opportunities, compatible with the strategy of FIV Plus, to be submitted to CDPI SGR.

After the completion of its origination and scouting efforts, the Real Estate area submitted 16 possible investment opportunities to CDPI SGR, comprising 19 properties worth a total of around €400 million as estimated by the entities involved. CDPI SGR has initiated an independent pre-analysis process for five of the investment opportunities (seven properties worth an estimated €85 million).

## RATE POLICY

In 2012, the policy for setting interest rates for Separate Account financing to public entities and bodies 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 2012, no new notices were issued by the Ministry for the Economy and Finance setting 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. Therefore, those set with the notice of 23 November 2011 (for a 20-year floating-rate loan: 6-month Euribor plus 430 basis points; for a 20-year fixed-rate loan: benchmark interest rate swap rate plus 430 basis points) remained in effect.

CDP continued to update the interest rates and spreads for all products offered, generally on a weekly basis, maintaining the method adopted in the past. This made it possible to ensure consistency in the fi-

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.

### 3.1.1.2. Enterprises and PPPs for infrastructure development

The parent company's programmes to develop the country's infrastructure are carried out through the Public Interest Lending and the Financing areas.

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

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 key indicators.

### Public Interest Lending - Highlights

(millions of euros; %)

	2012	2011
<b>BALANCE SHEET</b>		
Loans to customers and banks	182	34
Commitments to disburse and guarantees	3,549	2,393
<b>INCOME STATEMENT</b>		
Net interest income	0.3	0.1
Gross income	18	3
Operating income	16	2
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	0.0004%	-
<b>Performance ratios</b>		
Spread on interest-bearing assets - liabilities	0.3%	0.3%
Cost/income ratio	6.7%	29.4%

The stock of loans at 31 December 2012 came to €182 million, up from the end of 2011 thanks to disbursements made during the year. As of the same date, loans, including disbursement commitments and guarantees, totalled €3,731 million, up 50% 2011.

## Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

	31/12/2012	31/12/2011	% change
Project finance	100	-	n/s
Loans with repayment charged to authority	82	34	140.7%
<b>Total amounts disbursed or in repayment</b>	<b>182</b>	<b>34</b>	<b>435.7%</b>
IAS/IFRS adjustments	(0.02)	-	n/s
<b>Total loans to customers and banks</b>	<b>182</b>	<b>34</b>	<b>435.7%</b>
<b>Total amounts disbursed or in repayment</b>	<b>182</b>	<b>34</b>	<b>435.7%</b>
Commitments to disburse funds and guarantees	3,549	2,393	48.3%
<b>Total loans (including commitments)</b>	<b>3,731</b>	<b>2,426</b>	<b>53.8%</b>

In 2012, new loans granted came to €1,449 million, almost double the amount reported for 2011. This increase is mainly due to lending for public interest projects using project financing arrangements, particularly in the motorway sector, for a total of €1,074 million. During the period CDP also won three public tenders to finance private-sector parties with repayment charged to central government for a total of €375 million.

## Public Interest Lending - Flow of new loan agreements

(millions of euros)

	Total 2012	Total 2011	% change
Project finance	1,074	763	40.8%
Loans with repayment charged to state	375	-	n/s
<b>Total</b>	<b>1,449</b>	<b>763</b>	<b>90.0%</b>

Disbursements in 2012 in respect of new loans and those from previous years totalled €152 million, an increase over 2011, primarily thanks to the beginning of disbursements for project financing projects and additional disbursements of loans with repayment charged to central government.

## Public Interest Lending - Flow of new disbursements

(millions of euros)

	Total 2012	Total 2011	% change
Project finance	100	-	n/s
Loans with repayment charged to state	52	30	75.0%
<b>Total</b>	<b>152</b>	<b>30</b>	<b>409.4%</b>

The area's contribution to overall CDP performance remains minor, at more than €16 million in operating income. An improvement over 2011, the performance was essentially generated by commission in-

come on the operations in its portfolio, partially offset by overheads for the year. The cost-to-income ratio for the area came to about 7%, sharply up from 2011, as a result of the increase in revenues mentioned previously.

The operations of the Financing area regard the financing, with funding not guaranteed by the central government or through EIB funding, on a corporate or project finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services (energy, multi-utilities, local public transportation and healthcare) and in reclamation projects.

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

## Financing - Highlights

(millions of euros; %)

	2012	2011
<b>BALANCE SHEET</b>		
Loans to customers and banks	5,485	4,598
Commitments to disburse and guarantees (off-balance-sheet)	1,185	1,369
<b>INCOME STATEMENT</b>		
Net interest income	48	31
Gross income	59	40
Operating income	52	32
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.167%	0.203%
Net writedowns/Net loans to customers and banks	0.087%	0.103%
<b>Performance ratios</b>		
Spread on interest-bearing assets - liabilities	1.0%	0.8%
Cost/income ratio	3.4%	6.8%

As at 31 December 2012, the stock of loans disbursed totalled €5,485 million, including IAS/IFRS adjustments, an increase of about 19% over the stock at the end of 2011 (€4,598 million). The increase is mainly attributable to the flow of new loans, partially offset by principal repayments.

Including disbursement commitments and excluding IAS/IFRS adjustments, the total comes to €6,644 million, a 12% increase over 2011 (€5,934 million).

During 2012, new loans totalling €1,269 million were agreed, a decrease from 2011 (€1,382 million), mainly due to the contraction in project finance operations, which in 2011 were represented by a single

large-value transaction in the motorway sector. Conversely, the number of loans agreed rose from 10 to 14, with a reduction in the average loan size. The new lending primarily concerned financing provided to local multi-utilities and enterprises operating in the production, transmission and distribution of electricity and gas, in addition to a new project financing initiative in the public works sector.

## Financing - Stock of loans to customers and banks

(millions of euros)

	31/12/2012	31/12/2011	% change
Project finance	328	311	5.4%
Corporate finance	5,047	4,171	21.0%
Securities	83	83	0.0%
<b>Total amounts disbursed or in repayment</b>	<b>5,458</b>	<b>4,565</b>	<b>19.6%</b>
IAS/IFRS adjustments	26	33	-19.7%
<b>Total loans to customers and banks</b>	<b>5,485</b>	<b>4,598</b>	<b>19.3%</b>
<b>Total amounts disbursed or in repayment</b>	<b>5,458</b>	<b>4,565</b>	<b>19.6%</b>
Commitments to disburse funds and guarantees	1,185	1,369	-13.4%
<b>Total loans (including commitments)</b>	<b>6,644</b>	<b>5,934</b>	<b>12.0%</b>

## Financing - Flow of new loan agreements

(millions of euros)

	Total 2012	Total 2011	% change
Project finance	6	182	-96.9%
Corporate finance	1,263	1,200	5.2%
<b>Total</b>	<b>1,269</b>	<b>1,382</b>	<b>-8.2%</b>

Disbursements in 2012 in respect of new loans and those from previous years totalled €1,237 million, primarily in the form of corporate finance initiatives.

## Financing - Flow of new disbursements

(millions of euros)

	Total 2012	Total 2011	% change
Project finance	61	83	-26.7%
Corporate finance	1,176	1,482	-20.6%
<b>Total</b>	<b>1,237</b>	<b>1,564</b>	<b>-20.9%</b>

The Financing area's contribution to CDP's performance for 2012 also increased. In particular, net interest income rose from €31 million in 2011 to €48 million in 2012. The increase is attributable to

the combination of growth in volumes and the widening of the spread between lending rates and funding costs. Taking commission income and overhead costs for the period into account, operating income came to €52 million (€32 million for 2011), confirming the growth trend seen in recent years.

The area's cost-to-income ratio came to about 3%, up from 2011 due to the combined effect of a decrease in overhead costs and an increase in revenues.

The credit quality of the Financing area's portfolio shows almost no problem positions and is in fact slightly improved compared with 2011.

At the end of December 2012, CDP's market share in the infrastructure investment area came to nearly 4.1%, compared with 3.5% at the end of 2011. The core segment remains the overall stock of debt relating to infrastructure in the following industries: motorways, ports, rail transport, energy and gas, and multi-utilities<sup>19</sup>.

### **3.1.1.3. Enterprises**

CDP's programmes in support of the country's economy are carried out through the Facilitated Credit and Economic Support Area, which 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 interest subsidies (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of central government funding in the form of capital grants and subsidised loans (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund, Kyoto Fund). Economic support measures already in place since 2009 include the funds available to banks for loans to SMEs and to assist in the reconstruction of the areas hit by earthquakes (Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lombardy in 2012).

Another initiative regards financing the international expansion and exports of Italian businesses through the "Export Bank" system, which helps foster such initiatives with financial support from CDP, SACE guarantees and the full involvement of SIMEST and banks in arranging loans for Italian exporters, based on a special convention that defines the roles of the players involved.

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 key indicators.

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<sup>19</sup> Bank of Italy, *Money and Banking*, Table 2.5 (TSC20400) and Table 2.9 (TSC20810).

## Facilitated Credit and Economic Support - Highlights

(millions of euros; %)

	2012	2011
<b>BALANCE SHEET</b>		
Loans to customers and banks	9,199	7,580
Amounts to disburse	33	33
Commitments to disburse funds	3,767	1,675
<b>INCOME STATEMENT</b>		
Net interest income	63	18
Gross income	71	18
Operating income	52	16
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.327%	0.205%
Net writedowns/Net loans to customers and banks	0.120%	0.0004%
<b>Performance ratios</b>		
Spread on interest-bearing assets - liabilities	0.7%	0.3%
Cost/income ratio	6.3%	12.2%

As regards new initiatives in 2012, in March CDP introduced the New SME Fund, which makes €10 billion of new funding available to SMEs through the network of banks taking part in the new agreement signed between CDP and the Italian Banking Association (ABI) on 1 March 2012. More specifically, the New SME Fund calls for the establishing of a new Investment Fund, totalling €8 billion, to provide support to SME in gaining access to credit, and the introduction of a Fund for Government Receivables, totalling €2 billion, to provide support to companies in managing the adverse impact of delayed payments from government entities.

During 2012, the banking system continued to access the SME fund established in 2009, which was completely depleted in July, and banks agreed to new loan agreements and drawings on the New SME Fund.

Again with reference to the New SME Fund, action was undertaken to support enterprises affected by earthquakes that hit several areas of Emilia-Romagna, Veneto and Lombardy. Taking account of the operational difficulties experienced by enterprises affected by the earthquake, CDP has provided banks with the opportunity to obtain 15-year financing, compared with a maximum term of 10 years for all other borrowers.

To help households and businesses located in areas hit by earthquakes in 2012, CDP also made an additional €12 billion available through the creation of two separate instruments: the "2012 Earthquake Moratorium" fund and the "2012 Earthquake Reconstruction" fund.

The "2012 Earthquake Moratorium" fund, which makes €6 billion of new funding available, aims to provide funding for banks participating in the agreement signed between CDP and the ABI on 5 No-



vember 2012 (as later amended), for payment deferrals for taxes, social security contributions and mandatory insurance premiums, as a result of the suspension from May to November 2012 of payment obligations and charges due through 30 June 2013. The mechanism, under which the beneficiary is required to repay only the principal portion, while the central government pays the interest, is designed to ensure that tax deadlines are met, while deferring the obligations and related charges of enterprises until June 30, 2013.

The “2012 Earthquake Reconstruction” fund, which also makes €6 billion of new funding available, instead focuses on providing funding to banks participating in the agreement signed between CDP and the ABI on 17 December 2012 for subsidized loans to persons affected by the earthquakes, to allow them to repair, restore and rebuild residential and commercial property (including plant and equipment). All the funding became available for use starting from January 2013.

In 2012, the Kyoto Fund was also launched. The Kyoto Fund is a revolving fund totalling around €600 million, financed by the Ministry for the Environment and managed by CDP, to fund greenhouse gas reduction measures in implementation of the Kyoto Protocol. As of December, around €0.2 million of the funding for that instrument had been distributed.

The Ministry is reviewing the instrument following the introduction of new criteria for the allocation of the resources with Decree Law 83 of 22 June 2012.

As regards operations involving the “Export Bank” system, in April CDP, the ABI, SACE, and SIMEST signed a further agreement with the goal of increasing financial support for Italian exporters, in addition to extending the agreement currently in force by one year. More specifically, the agreement calls for possibly expanding the scope of the mechanism to the following transactions: loans to Italian suppliers (“supplier credit”), loans in US dollars, transactions in cooperation with the banking system and the evaluation by the “Export Bank” system of any refinancing of existing transactions.

In September, the funding available to the “Export Bank” system was increased to €4 billion, given the extent to which resources already made available had been used and the large number of applications for funding received.

As regards the loan portfolio of the area, the stock of loans to customers and banks at the end of 2012 came to €9,199 million, up significantly from the end of 2011 (+21%), thanks mainly to the distributions made from the SME fund, Abruzzo Reconstruction fund and the “2012 Earthquake Moratorium” fund, which combined more than offset debt repayments and extinguishments made on the basis of the half-year reports, which mainly regarded the SME fund.

More specifically, the stock of SME loans came to €5,774 million (essentially in line with 2011), while the stock of loans for earthquake reconstruction in Abruzzo totalled €1,921 million (more than double the amount in 2011). For the Revolving Fund to support enterprises and research investment (FRI), the amount disbursed as at the end of 2012 came to €880 million (+6% on 2011). As a result of the initial disbursements from the “2012 Earthquake Moratorium” and “Export Bank” resources, the stock of these products amount to €545 million and €35 million, respectively.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €12,984 million, more than 40% higher than 2011, as the volume of new lending agreed more than offset principal repayments during the year.

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

(millions of euros)

	31/12/2012	31/12/2011	% change
SME support funds	5,774	5,844	-1.2%
FRI loans	880	828	6.3%
Abruzzo earthquake reconstruction loans	1,921	843	127.8%
2012 Earthquake Moratorium	545	-	n/s
Export Bank	35	-	n/s
Intermodal systems loans (Article 38.6, Law 166/2002)	62	68	-8.7%
<b>Total amounts disbursed or in repayment</b>	<b>9,217</b>	<b>7,583</b>	<b>21.6%</b>
IAS/IFRS adjustments	(18)	(3)	492.8%
<b>Total loans to customers and banks</b>	<b>9,199</b>	<b>7,580</b>	<b>21.4%</b>
<b>Total amounts disbursed or in repayment</b>	<b>9,217</b>	<b>7,583</b>	<b>21.6%</b>
Commitments to disburse funds	3,767	1,675	124.8%
<b>Total loans (including commitments)</b>	<b>12,984</b>	<b>9,258</b>	<b>40.2%</b>

More specifically, amounts to be disbursed, including commitments, increased significantly compared with the end of 2011 (+122%) thanks to the large flow of new loans agreed during the period compared with a lower volume of new disbursements and the reduction in undisbursed portions of existing loans. As a result, the aggregate went from €1,708 million at the end of 2011 to €3,799 million at 31 December 2012.

## Facilitated Credit and Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2012	31/12/2011	% change
Amounts to disburse *	33	33	-2.0%
Commitments to disburse funds	3,767	1,675	124.8%
<b>Total amounts to disburse (including commitments)</b>	<b>3,799</b>	<b>1,708</b>	<b>122.4%</b>

\* State funds managed by CDP

The total volume of resources mobilised during 2012 for loans granted through the economic support mechanisms amounted to €6,326 million, up sharply compared with 2011 (+61%). This increase is mainly due mainly to new resources made available by CDP for SMEs (€3,648 million) to help them face the difficult

market environment and the resulting lack of liquidity in the banking system. Moreover, there was an acceleration in reconstruction in the areas hit by the Abruzzo earthquake (€1,079 million) that completely depleted the funding available from CDP, and in December, the “2012 Earthquake Moratorium” fund became active, with a flow of new loans agreed totalling €745 million. In addition, €135 million in loans were channelled through the FRI and €61 million through disbursements of central government funds. After the signing of two loan agreements in 2011 for a total of €808 million, in 2012, the “Export Bank” system saw four new contracts signed in the amount of €695 million. These new loans, guaranteed by SACE in its support of Italian exporters, mainly relate to the construction, shipbuilding and aeronautics/defence sectors. Moreover, in 2012, six new contracts were signed for SACE in its support of Italian exporters under the programme.

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

(millions of euros)

	Total 2012	Total 2011	% change
SME support funds	3,648	2,449	49.0%
Export Bank	659	808	-18.4%
Abruzzo earthquake reconstruction loans	1,079	401	168.9%
2012 Earthquake Moratorium	745	-	n/s
FRI loans	135	172	-21.8%
Disbursements/agreements third-party funds	61	101	-40.0%
<b>Total</b>	<b>6,326</b>	<b>3,931</b>	<b>60.9%</b>

During 2012, disbursements came to €4,084 million, mainly in respect of loans to SMEs (50% of the total) and areas hit by the earthquake in Abruzzo (about 30% of the total).

### Facilitated Credit and Economic Support - Flow of disbursements by product

(millions of euros)

	Total 2012	Total 2011	% change
SME support funds	2,162	3,636	-40.5%
Export Bank	35	-	n/s
Abruzzo earthquake reconstruction loans	1,126	371	203.3%
2012 Earthquake Moratorium	545	-	n/s
FRI loans	156	187	-16.4%
Disbursements/agreements third-party funds	61	101	-40.0%
<b>Total</b>	<b>4,084</b>	<b>4,295</b>	<b>-4.9%</b>

With regard to loans granted to support SMEs, the total amount of loans granted amounted to €10,441 million (of which €8,000 million in respect of the funding made available in 2009 that was entirely drawn down

in 2012), of which €2,338 million for the New SME Fund established to continue to provide support to SMEs in accessing credit, in view of the depletion of the previous fund, and, finally, €103 million attributable to loans to businesses to support them in handling the negative effects of delays in payments by public entities.

## Facilitated Credit and Economic Support - SME support funds

(millions of euros)

	Total resources	Loans agreed	% resources used	Loans disbursed *
SME (I - II - III Agreements)	8,000	8,000	100.0%	8,000
SME Investment	8,000	2,338	29.2%	947
SME government receivables	2,000	103	5.2%	3
<b>Total SME support funds</b>	<b>18,000</b>	<b>10,441</b>	<b>58%</b>	<b>8,950</b>

\* Gross of extinguishments made on basis of half-year accounts

In terms of the contribution of the Facilitated Credit and Economic Support Area to CDP's performance in 2012, net interest income improved significantly, going from €18 million in 2011 to €63 million in 2012. This significant increase is mainly due to the widening of the spread between assets and liabilities, which came to about 70 basis points (30 basis points in 2011), and to the increase in volumes handled. More specifically, the widening of the spread between assets and liabilities is in large part attributable to the adjustment of the rates on loans granted under the FRI to market levels pursuant to the Decree of the Minister for the Economy and Finance no. 98392 of 1 December 2011.

Operating income grew similarly, from €18 million in 2011 to €71 million in 2012, in part generated by commission income on new "Export Bank" operations.

Finally, the cost-to-income ratio for the area was 6%, a sharp improvement over the 12% of 2011, due to the significant rise in the area's revenues, which more than offset the increase in overheads.

As regards the credit quality of the loan portfolio for the Facilitated Credit and Economic Support area in 2012, problem loans rose slightly, with all such positions being attributable to the FRI and all are in any event secured by the central government as the guarantor of last resort.

### 3.1.2. The activities of other companies subject to management and coordination

#### 3.1.2.1. The activities of CDPI SGR

With regard to investing, in 2012 there was a considerable increase in investment transactions by FIA. As of 31 December 2012, the Board of Directors had approved definitive resolutions authorising subscriptions totalling €337.4 million, up over the €123.3 million reported at the end of 2011.

As of the end of the year, FIA had completed subscriptions totaling €207 million in 10 target funds operating by six management companies.

As regards fundraising, the FIA's first subscription period expired during the first half of 2012, with the fifth and final partial closing for subscriptions on 9 March. Five insurance companies that had previously subscribed the fund's Class A units took part in the subscription in order to increase their respective shares in the fund. As such, on that date the first subscription period came to an end with total subscriptions reaching €2,028 million, thereby surpassing the initial funding target.

As to FIV Plus, the first subscription period began in July 2012 following the approval of the fund management rules by CDPI SGR's board of directors. The first partial closing for subscriptions of the fund was completed on 30 October 2012, with acceptance of the subscription order submitted by CDP for a total of €250 million. Also on that date, the fund began operation and is currently analyzing its maiden investment projects.

The work of CDPI SGR in the area of promoting the private social housing sector and in forging local relationships during the year continued along the following lines of action:

- publications and other initiatives involving the industry press (e.g. *Il Sole 24 Ore*, *Edilizia e Territorio*, *RE*, *Vita*, etc.);
- participation in sector trade fairs and events, such as the *Salone del risparmio*, *Urbanpromo* and *EIRE* in Milan;
- participation in 43 social housing conferences and three on the development and divestment of public property organised by others.

### **3.1.2.2 The activities of FSI**

Even though it has yet to implement any form of planned communication, FSI has, from the very start of its operations, attracted significant interest in its core activity from the Italian business community, local government leaders, labour representatives and trade associations.

Confirming the keen interest shown in FSI in Italy, in 2012 FSI's management met with more than 200 entrepreneurs (many of whom made visits on their own initiative), receiving a positive response.

The main strengths identified comprised: (i) a meritocratic investment process directly at financially sound companies; (ii) a general preference for investing through the subscription of capital increases; (iii) the policy of acquiring minority stakes, which facilitates relationships even with entrepreneurs less inclined to open up to the market; and (iv) the long-term time horizon, with market returns.

The requests received or identified to date focus on the idea that FSI can act as a "facilitator" in M&A processes or in the creation of company clusters, as in the local public services sector, in the acquisi-

tion of competitors abroad or in the creation of international distribution networks. As to the business sectors involved, particular interest was shown by engineering companies (important for exports) and in the traditional “Made in Italy” sectors (branded merchandise, tourism and retail, both in Italy and abroad).

All of FSI’s contacts were analysed in detail. In some cases, this produced a variety of investment possibilities; in other cases, it was decided not to pursue the initiative as the proposed investments did not meet the requirements imposed by FSI’s articles of association and/or its investment guidelines.

In 2012, the FSI board of directors approved the initial investments, as follows:

- the investment by FSI in the capital increase of Metroweb Italia. This transaction was completed on 24 December 2012, leading to the acquisition of a 46.2% stake in the company, jointly controlled with F2i (53.8%). FSI paid €198.7 million in the capital increase (plus an additional €1.3 million in contingent consideration based on the future performance of Metroweb S.p.A.). In addition, FSI holds an option to invest an additional €300 million in order to fund the second stage of the company’s investments;
- the investment in the Kedrion Group. The transaction was completed on 5 July 2012 and gave FSI an 18.6% stake in the company, with the other investors remaining the Marcucci family (48.8%) and Fondo Investitori Associati (32.6%). FSI paid €150 million in the capital increase, €75 million of which in ordinary shares and €75 million in convertible debt, or in the event no repayment is made, convertible at the discretion of FSI. The €75 million convertible loan bears a 6% interest rate, disbursable in one or more installments at the request of the Kedrion Group. The funding has not yet been disbursed, constituting a commitment for FSI;
- the investment agreement between FSI and Hera S.p.A. (Hera), entered into on 3 September 2012 based upon the authorisation of the board of directors of 27 August 2012. Under the agreements, FSI will become a shareholder of Hera following approval by the antitrust and regulatory authorities and after the completion of the Hera-Acegas APS merger. The transaction calls for FSI to invest no more than €100 million and to take a stake of between 2.6% and 5.6% in the new company formed by the merger of Hera and Acegas APS.

Other significant events in the second half of 2012 included:

- the announcement that the Bank of Italy would acquire a stake in FSI on 19 December 2012. FSI, CDP and the Bank of Italy signed an agreement calling for Italy’s central bank to become a shareholder of FSI, with a stable, non-controlling interest, in exchange for the transfer of its stake in Assicurazioni Generali S.p.A., representing 4.47% of the share capital;
- the signing of a Head of Terms with Qatar Holding LLC (QH) for the formation of a joint venture called “IQ Made in Italy Investment Company S.p.A.”. The agreement envisages: (i) a 50% interest each for FSI and QH; (ii) starting capital of €300 million, fully subscribed and paid in, as well as further capital increases of up to €2 billion following the approval of specific investments by FSI and QH.

### *3.1.2.3. The activities of the Fintecna Group*

#### **SHIPBUILDING**

The shipbuilding sector continues to be significantly affected by the global economic crisis and the mismatch (now structural) between demand and supply, with consequent pressures on the prices of new vessels.

In the cruise ship sector, where the Fincantieri Group continues to maintain a substantial market share, the second half of the year saw a slight upswing after a stagnant first half. The market for military vessels registered a decline in value of 20% to around €16 billion worldwide, with more than 70% of projects being awarded to domestic companies. A modest surge in demand was recorded in the offshore sector, where high oil prices and the growing demand for energy spurred investments by oil and gas companies.

An important event in this area was the recent acquisition of 50.75% of STX OSV and subsequent launch of a public tender offer, the finalisation of which involved a significant commitment from Fincantieri S.p.A. management in 2012.

The commercial activities of the Fincantieri Group enabled it to retain its place as one of the industry leaders, and included orders amounting to €906 million (€1,537 million in 2011). As regards the cruise ship sector in particular, the commercial terms for further orders worth a total of €5.1 billion (including options) were concluded, though the orders could not be considered as definitive as the financial package has yet to be finalised.

As regards output, the order backlog of €4,112 million (€4,902 million at end-2011) was once again not sufficient to absorb the full production capacity of all the shipyards in the short/medium term, which forced the Group to make recourse to the special wage supplementation mechanism (temporary layoffs), with an average of 1,463 employees in 2012, slightly down on the 1,563 registered in 2011.

#### **REAL ESTATE**

The developments in the real estate market mentioned above, with the reduction in transactions, the lengthening of the time necessary to move properties, the price reductions demanded and the difficulties of households in gaining access to credit, combined with the problems peculiar to the residual real estate portfolio of the group, have adversely affected Fintecna Immobiliare's urban development programmes (with specific regard to partnership-based real estate projects, which form the core of the company's business activities), which are often characterised by complex planning processes and long completion times. The main problems, as confirmed in an in-depth analysis of this specific issue at the end of 2011 by the parent company, Fintecna, regard to the renegotiation of debts falling due and the risk of disengagement by private-sector partners. In response to the findings, the Group took a fresh look at its business activities, especially the above-mentioned partnerships, with a view to exploiting any short-to medium-term opportunities available to it. It has therefore focused efforts on projects already at an advanced stage of planning (Cinque Cerchi, Manifatture Milano, Valcomp Tre and Quadrifoglio Mode-

na), where renovation work and the related pre-sales activities are under way. Another development worthy of note was the completion of the administrative formalities for the project to renovate the former Poligrafico dello Stato. Finally, as regards Italia Turismo, a framework agreement was reached with a leading international tour operator for the renovation/construction of tourist resorts.

As far as the balance sheet is concerned, net capital employed amounted to €442 million (of which €344 million accounted for by the real estate portfolio). The net financial position showed net debt of €136.3 million, including medium/long-term debt of €210.3 million (of which €102 million is payable to the parent company, Fintecna) offset by cash and cash equivalents of €74 million. At the end of 2012, Fintecna approved a number of transactions to strengthen the capital of its subsidiary (a capital increase of €50 million by means of a conversion of the increase into a line of credit for the same amount; the recognition of the opening of a credit line of up to €150 million, of which €102 million has already been drawn). Fintecna Immobiliare also repaid in full the outstanding balance on the current account for commercial transactions held with Fintecna.

#### **LIQUIDATION ACTIVITIES**

Liquidation activities continued in 2012 in accordance with the guidelines, where present, set in the budgets set at the start of the year. The activities remained within the financial limits of the specific provisions reported in the financial statements as at 31 December 2011.

Specifically, Ligestra utilised resources of €12 million in performing all its activities. The costs were covered in full, staying within the limits of the specific provisions set aside.

The activities of Ligestra Due remained completely within the limits of the provisions, which were utilised in the amount of €2 million, which was compatible with the total amount appropriated to them. Real estate sales generated gains that were set aside in a newly created provision to be used in the event of losses from future sales.

Finally, pending the report of the appraisers specifying the transfer value of the assets, Ligestra Tre continued with its cost-cutting work and operating as liquidator for the companies it controls. Three years after the assets of the companies targeted for liquidation had been received by Ligestra Tre, no panel of appraisers had yet been appointed, so in 2011 the company went ahead and carried out its own appraisal of value to determine how the liquidation should proceed most effectively.

#### ***3.1.2.4. The activities of the SACE Group***

In spite of the difficult macroeconomic environment, in 2012 SACE was able to meet its business plan targets, thanks to enhanced cooperation with CDP in the "Export Bank" programme and with the EIB in support of infrastructure projects and SMEs.



In 2012, SACE continued with the customer-first approach adopted in recent years by extending its local presence both in Italy (with the opening of an office in Brescia and “SACE Points” in Ancona and Pescara) and abroad (with the opening of an office in Mumbai), by strengthening offices already operating, and by setting up a commercial department to facilitate operational coordination at the local level.

One of the Group companies, SACE BT, was especially affected by the difficult economic conditions of 2012, as the rising number of bankruptcies had a significant impact on its performance. To cope with the worsening economic situation, SACE BT adopted even more conservative policies for assuming, pricing and managing exposures.

SACE Fct, the factoring company of the SACE Group, continued to consolidate its business, which consists mainly of supplying the market with products for assigning receivables in respect of government departments and private-sector companies, using standard and reverse factoring solutions. During the year, the company participated in a number of major joint initiatives with leading banks and factoring companies for pool operations. It also reached agreements with trade associations and strengthened its distribution partnership with Poste Italiane.

Another subsidiary, SACE SRV, began to offer its services in foreign markets as well.

#### PORTFOLIO OF LOANS AND GUARANTEES

The total exposure of SACE, calculated as the sum of credit and guarantees issued (principal and interest) amounted to €32.9 billion, down 4.9% compared with the end of 2011, running counter to the trend at the end of previous years. This development is a direct consequence of a contraction in the guarantee portfolio (which accounts for 97.7% of the overall exposure), which decreased by 5.1% on the end of 2011. The total exposure in portfolio of SACE BT decreased by 7.3% to €34.2 billion. Total receivables of SACE Fct, comprising only assigned invoices and gross of writedowns, amounted to €1.2 billion, up 1.2% compared with 31 December 2011.

(millions of euros)

Portfolio of credit and guarantees	31/12/2012	31/12/2011*	% change
<b>SACE</b>	32,937	34,646	-4.9%
Outstanding guarantees	32,193	33,928	-5.1%
- principal	27,532	28,885	4.7%
- interest	4,661	5,043	7.6%
Performing credits	744	718	3.7%
<b>SACE BT</b>	<b>38,455</b>	<b>38,796</b>	<b>-0.9%</b>
Short-term credit	13,208	15,579	15.2%
Surety Italy	7,256	7,479	3.0%
Other property damage	17,991	15,738	14.3%
<b>SACE Fct</b>	<b>1,235</b>	<b>1,220</b>	<b>1.2%</b>
Outstanding receivables	1,235	1,220	1.2%

\* The SACE Group forms part of the scope of consolidation since 2012. The figures for 2011 are for comparative purposes only

### 3.1.3. Equity investments of the parent company

As at 31 December 2012, equity investments and investments in investment funds of the parent company totalled €30,570 million, which includes the value of the portfolio of equity investments, equal to €30,276 million, and of investment funds and other investment vehicles, which totalled €293 million.

#### Equity investments, investment funds and investment vehicles

(thousands of euros)

	31/12/2011 Carrying amount	Change from inv./disinv.	Change from measurement	31/12/2012 Carrying amount
Equity investments	19,640,412	10,635,699	307	30,276,418
Investment funds and investment vehicles	185,316	148,395	(40,505)	293,205
<b>Total</b>	<b>19,825,728</b>	<b>10,784,094</b>	<b>(40,199)</b>	<b>30,569,623</b>

#### 3.1.3.1. Subsidiaries and other shareholdings

As at 31 December 2012, the carrying amount of the portfolio of equity investments showed growth of €10,636 million (+54%) over 31 December 2011.

#### Equity investments

(thousands of euros)

	31/12/2011 % holding	31/12/2011 Carrying amount	Change from inv./disinv.	Change from measurement	31/12/2012 % holding	31/12/2012 Carrying amount
<b>A. Listed companies</b>						
1. Eni S.p.A.	26.37%	17,240,440	(1,958,808)	-	25.76%	15,281,632
2. Terna S.p.A.	29.85%	1,315,200	-	-	29.85%	1,315,200
<b>B. Unlisted companies</b>						
3. SACE S.p.A.	-	-	6,050,000	-	100.00%	6,050,000
4. CDP RETI S.r.l.	-	-	3,517,360	-	100.00%	3,517,360
5. Fintecna S.p.A.	-	-	2,500,000	-	100.00%	2,500,000
6. Fondo Strategico Italiano S.p.A.	90.00%	540,000	360,000	-	90.00%	900,000
7. CDP GAS S.r.l.	100.00%	532,800	(65,434)	-	100.00%	467,366
8. Simest S.p.A.	-	-	232,500	-	76.00%	232,500
9. Sinloc S.p.A.	11.85%	5,891	-	92	11.29%	5,983
10. F2i SGR S.p.A.	15.99%	2,039	81	18	16.52%	2,137
11. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
12. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
13. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	577	-	196	12.50%	774
14. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
<b>Total</b>		<b>19,640,412</b>	<b>10,635,699</b>	<b>307</b>		<b>30,276,418</b>

During 2012, the portfolio of CDP equity investments changed as follows:

- the purchase from ENI by the special-purpose vehicle CDP RETI (wholly-owned by CDP) of 30% less one share of the voting capital of SNAM for around €3.517 billion. CDP has the option of paying in three installments. At 31 December 2012, two of these had already been paid, on 15 October 2012 (about €1,759 million) and on 31 December 2012 (about €879 million), respectively. As a result of the purchase of additional shares on the market, CDP RETI's holding in SNAM at 31 December 2012 amounted to 1,014,491,489 shares, equal to 30.0258% of the voting share capital and 30.00000002% of the issued share capital of SNAM. SNAM is the European leader in the management of gas infrastructure and among the top operators in terms of its regulatory asset base. The group, operating through four of its companies, is involved in the transport, regasification, storage and distribution of natural gas;
- the purchase of 100% di SACE for €6.05 billion;
- the purchase for €232.5 million of 76% SIMEST;
- the purchase of 100% of Fintecna for €2.5 billion;
- the payment of €360 million in respect of the unpaid portion of the capital subscribed in FSI in view of the development of investment activities;
- the repayment of €65 million of equity reserves by CDP GAS, made possible by the receipt of the 2012 dividend from the subsidiary TAG;
- the sale on the market of 120,000,000 ordinary shares of ENI, equal to 3.3% of the company's share capital, for more than €2.106 billion. Following the sale, CDP's stake in ENI fell to 25.76%.

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, FSI, CDP GAS, CDP RETI, Fintecna, SACE, SIMEST and CDPI SGR are classified as investments in subsidiaries and carried at purchase cost, net of writedowns;
- the investments in ENI 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 di Credito Sportivo, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., on the other hand, 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 in value taken to a specific equity reserve.

As concerns the separation of organisation and accounting, shareholdings in the CDP portfolio as of 31 December 2012, 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, CDPI SGR, F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account, as well as FSI, for which the initial investment in 2011, in the amount of €540 million, was classified under Joint Services, with the subsequent contribution, made in 2012 and amounting to €360 million, falling within the scope of the Separate Account.

Dividends accruing during 2012 came to about €1,207 million. This amount is mainly attributable to the investments held in ENI (€1,086 million) and Terna (€120 million). Dividends decreased by about €22 million overall (-1.8% compared with the €1,229 million reported in 2011), the net effect of the changes in the equity investment portfolio and a different dividend distribution policy adopted by the companies in 2012 as compared with 2011.

Below are brief descriptions of each of CDP's investees.

With respect to the subsidiaries consolidated on a line-by-line basis, please refer to the sections of this report that exam these entities individually.

## **ENI**

ENI is an integrated oil company operating in the sectors of oil and natural gas exploration and production, electricity generation and sale, the international transport and sale of natural gas, the refining and sale of oil products, chemicals, oil and gas engineering services and construction, with an excellent skill base and a strong international market position. ENI has a presence in some 85 countries, and has about 79,000 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 four divisions: i) "Exploration & Production", responsible for the exploration, development and extraction of natural gas and oil; ii) "Gas & Power", comprising international transport and supply and the sale of natural gas, as well as the generation and sale of electricity; iii) "Refining & Marketing", representing the refining and sale of oil products; and iv) "Trading", the new division responsible for the integrated management of commodity risk and asset-backed trading, operating through ENI Trading and Shipping (ETS). ENI also provides engineering and construction services in the oil and gas sector through its 42.9% stake in Saipem, a listed company. Finally, it produces and markets petrochemical products through its wholly-owned subsidiary Versalis (formerly 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 no. 453 of 20 October 2000, is a residual public-law bank in accordance with Article 151 of the 1993 Banking Act. It provides medium and long-term financing to public and private borrowers for the design and construction of sports facilities. Since 2004, it has also been authorised to provide financing for cultural initiatives. On 28 December 2011, the Min-

ister 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.

#### **F2i - 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. On 2 October 2012, the first closing of the Secondo Fondo Italiano per le Infrastrutture (see below) took place. The shareholder structure of F2i SGR was completely reorganized in concomitance with the launch of the fund, with the admission of new shareholders. CDP subsequently acquired the new shares of the company, thereby increasing its stake.

#### **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 promotes 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.

#### ***3.1.3.2. Investment funds and other investment vehicles***

At 31 December 2012, the portfolio of investment funds and other investment vehicles totalled about €293 million, up around €108 million (+58%) on 31 December 2011.

## Investment funds and investment vehicles

(thousands of euros)

	Sector	31/12/2011		Change		31/12/2012		Residual commitment
		% holding	Carrying amount	from inv./disinv.	from measurement	% holding	Carrying amount	
<b>A. Investment vehicles</b>								
1. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure	38.93%	28,952	29,514	(6,893)	38.93%	51,573	87,725
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	Infrastructure	14.08%	5,094	18,150	(4,654)	14.08%	18,590	74,750
3. Galaxy S.à.r.l. SICAR	Infrastructure	40.00%	11,708	(9,360)	-	40.00%	2,348	74,431
4. European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund)	Energy							
- A units		5.95%	210	-	-	5.95%	210	59,610
- C units		4.53%	80	-	-	4.53%	80	
<b>B. Investment funds</b>								
1. F2i - Fondi Italiani per le Infrastrutture	Infrastructure							
- A units		8.10%	85,942	14,845	(608)	8.10%	100,179	43,156
- C units		0.04%	470	82	(2)	0.04%	550	
2. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	27,444	37,919	(13,197)	20.83%	52,166	179,823
3. Fondo Investimenti per l'Abitare	Social housing	51.87%	8,630	37,434	(11,071)	49.31%	34,993	948,333
4. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure	-	-	18,322	(454)	17.39%	17,869	81,678
5. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social housing	17.39%	9,617	-	(1,829)	9.39%	7,789	11,000
6. PPP Italia	Infrastructure and PPP projects	14.58%	7,168	1,389	(1,728)	14.58%	6,828	7,222
7. FIV Plus	Public building	-	-	100	(69)	100.00%	31	249,900
<b>Total</b>			<b>185,316</b>	<b>148,395</b>	<b>(40,505)</b>		<b>293,205</b>	<b>1,817,628</b>

During 2012, the portfolio changed as a result of the following:

- the subscription of the Class-A units in F2i – Secondo Fondo Italiano per le Infrastrutture in the amount of €100 million. During the year, CDP paid in a total of €18.3 million on this commitment;
- the subscription of units in Fondo Investimenti per la Valorizzazione – Plus (FIV Plus) in the amount of €250 million. During the year, CDP paid in a total of €100 thousand;

- draw-downs called by the following funds: Fondo Italiano d'Investimento, Fondo Investimenti per l'Abitare, Inframed, F2i and F2i II, Marguerite, PPP Italia and FIV Plus, in relation to their own investment activities;
- the distribution of €9.3 million by Galaxy, which is currently divesting its holdings.

From an accounting point of view, the funds and investment vehicles can be classified as follows for the purposes of the separate financial statements:

- the investment in Galaxy S.à.r.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 the 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 in value taken to a specific equity reserve.

For the purposes of the separation of organisation and accounting, the stake held in Galaxy S.à.r.l. and investments in investment funds and private equity funds, except for holdings in Fondo Investimenti per l'Abitare, Fondo Italiano d'Investimento and FIV Plus, 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.

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

#### **Galaxy S.à.r.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 2012, the fund's size was €250 million, of which CDP had subscribed €100 million.

The fund's focus is on the management and sale of the remaining assets in its portfolio.

#### **Inframed Infrastructure SAS à capital variable ("Inframed Fund")**

In 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" 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 will focus on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development segments. Inframed has received commitments of over €385 million, of which around €160

million (41.55% of total commitments) had been received at 31 December 2012. CDP has committed to more than €150 million (39.9% of total fund commitments), of which over €62 million was already paid in at 31 December 2012.

### **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 the renewable energy sector. CDP has committed to a maximum investment of €100 million out of the fund’s total of around €710 million. The fund is currently in the investment phase. At 31 December 2012, around €179 million, or 25.5%, had been called up, of which €25 million payable by CDP.

### **European Energy Efficiency Fund SA, SICAV-SIF (“EEEF Fund”)**

The EEEF Fund is an investment fund 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 an investment commitment of about €60 million, while the overall resources of the fund, which is still in the fund-raising stage, total about €265 million, of which €125 million subscribed by the European Commission on a first-loss basis. At 31 December 2012, around €3.36 million had been paid in, of which €0.29 million by CDP.

### **F2i - Fondi Italiani per le Infrastrutture (“F2i”)**

The F2i fund, launched in 2008 with the purpose of investing in infrastructure, completed its investment phase in February 2013, with all of its resources committed. Within the infrastructure area, investment policy has focused mainly on brownfield projects in the gas distribution chain, airports, water, broadband telecommunications networks, renewable energy generation and motorway transport.

The fund, managed by F2i SGR, has received subscription commitments of €1,852 million, of which more than €1,322 million had been paid in by investors at 31 December 2012, and over €90 million has been distributed. CDP has committed to over €150 million (8.14% of total commitments), has paid in more than €107 million (around 71% of total commitments) and has received distributions totalling in excess of €7 million.

### **F2i – Secondo Fondo Italiano per le infrastrutture (“F2i II”)**

The Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR, was launched at the start of October last year. At the first closing on 2 October 2012, €575 million of Class-A units in



the fund had been subscribed by sponsors (shareholders of F2i SGR). At that time, CDP subscribed units totalling €100 million. At 31 December 2012, the fund called up commitments amounting to around €105 million (18.32% of the commitments subscribed), of which more than €18 million was paid in by CDP.

F2i II will continue the investment policy of the F2i fund, consolidating its presence in business areas pursued by the latter, in addition to its own waste-to-energy projects, in which initial investments have already been made.

### **PPP Italia**

PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) and is operated by Fondaco SGR. 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 will complete the investment stage in December 2013. At 31 December 2012, the fund had called up around €70.5 million (59% of the fund total), of which about €10 million payable by CDP.

### **Fondo Immobiliare di Lombardia - Sub-fund One ("FIL")**

The FIL is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by Polaris Investment Italia SGR S.p.A. The fund was promoted by the Fondazione Housing Sociale (Social Housing Foundation). 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. A significant percentage of the 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 fund started up operations in 2007. On 15 June 2012, the FIL unitholders' meeting approved transforming the fund into an "umbrella fund". Following this change, Sub-fund One was established to hold all the assets and liabilities of FIL on the date of its transformation into an umbrella fund.

At 31 December 2012, Sub-fund One's assets amounted to €213 million. CDP's subscription commitment remains unchanged at €20 million (of which €9 million paid in at 31 December 2012, corresponding to 45% of total commitments subscribed), and holds 9.39% of Sub-fund One (Class-A units), while the Fondo Investimenti per l'Abitare (owned 49.31% by CDP) holds 31.92% of Sub-fund One (Class-B units).

### **Fondo Investimenti per l'Abitare**

The Fondo Investimenti per l'Abitare is a real estate fund reserved to qualified investors, promoted and managed by CDPI SGR, a company operating in the private social housing sector. Its objective is to in-

crease the supply of social housing (governed by the Ministerial Decree of 22 April 2008) in Italy, which 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 selected by the Ministry for Infrastructure, 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”, investing in real estate investment funds operated by other asset management companies or holding stakes in real estate firms with qualified minority holdings of no more than 40% in order to attract additional third-party investors. The fund is also empowered to make 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, and has a 30-year life. At 31 December 2012, the fund totalled over €2 billion, of which more than €100 million had been called up (including about €52 million paid in by CDP).

#### **Fondo Investimenti per la Valorizzazione - Plus (“FIV Plus”)**

The first partial closing of subscriptions for Fondo FIV Plus, a closed-end real estate fund reserved to qualified investors, promoted and managed by CDPI SGR, came on 30 October 2012. CDP subscribed 2,500 units for a total of €250 million, making it the sole holder of all the fund’s units.

The investment policy of Fondo FIV Plus is to purchase properties (primarily through auctions or other competitive procedures), mainly intended for public, office, commercial, hotel or residential use, owned by public entities and/or companies that they control directly or indirectly, with unexpressed potential value that can be leveraged through a change in use, upgrading or rental. The fund will mainly focus on increasing the value of the properties, including through renovation, restoration or ordinary or extraordinary maintenance or by transforming and developing the properties.

#### **Fondo Italiano d’Investimento**

The Fondo Italiano d’Investimento is the result of a project by the MEF, the 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 Italian SMEs. The fund, managed by FII SGR S.p.A., offers the following types of investments: a) direct investment in the company’s share capital, usually in the form of a minority interest, and may involve 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. The fund has capital of €1.2 billion, of which €250 million subscribed by CDP. At 31 December 2012, the fund has called up €365 million, of which €70 million pertaining to CDP. There were 55 enterprises involved in the fund at year-end, comprising both those in which a direct investment has been made and those contained in the portfolios of the funds in which the fund has invested, for total revenues of about €3 billion and over 20,000 employees.

### 3.1.4. Treasury and funding activities of the parent company

#### 3.1.4.1. 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)

	31/12/2012	31/12/2011	% change
Cash and cash equivalents and other treasury investments	139,062	128,615	8.1%
- Treasury current account	132,704	122,030	8.7%
- Reserve requirement	446	4,434	-89.9%
- Other treasury investments - Separate Account	2,580	3	n/s
- Deposits (assets) - Ordinary Account	978	283	245.9%
- Deposits (assets) on Credit Support Annex transactions	2,354	1,865	26.2%
Debt securities	24,347	17,194	41.6%
- Separate Account	23,062	15,850	45.5%
- Ordinary Account	1,285	1,344	-4.4%
<b>Total</b>	<b>163,409</b>	<b>145,809</b>	<b>12.1%</b>

#### Stock of short-term funding from banks

(millions of euros)

	31/12/2012	31/12/2011	% change
Deposits and repurchase agreements - Separate Account	26,979	14,158	90.6%
Deposits and repurchase agreements - Ordinary Account	1,607	1,815	-11.4%
Deposits (liabilities) on Credit Support Annex transactions	626	455	37.7%
<b>Total</b>	<b>29,213</b>	<b>16,428</b>	<b>77.8%</b>
Net interbank position - Ordinary Account	-630	-1,532	-58.9%
Net deposits on Credit Support Annex transactions	1,728	1,410	22.5%

At 31 December 2012, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, came to about €132.7 billion, an increase of 9% over the same figure for 2011 (€122 billion). The change was mainly due to the growth in funding for the year, coming from postal savings products, liquidity from participation in three-year ECB refinancing operations (LTROs), and the effective use of funding instruments on the money market. As concerns the latter of these elements, it should be noted that, starting from March 2012, CDP be-

came a recognised counterparty in the liquidity management operations of the MEF (OPTES). In 2012, these operations generated average funding of €14 billion (with a balance of nil at 31 December 2012) that, to ensure financial balance, was used to i) comply with reserve requirements, ii) invest in very short-term Italian government securities and iii) carry out repurchase transactions to invest short-term liquidity with Italian government securities as collateral.

The liquidity deposited for the reserve requirement came to €446 million at 31 December 2012 (falling within the final maintenance period of 2012), against a reserve requirement (with which CDP was compliant) of around €2,500 million for CDP. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement and its remuneration is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

As regards the deposits for credit support annex (CSA) transactions, which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, as at 31 December 2012 there was a net creditor balance of €1,728 million, an increase compared the balance posted at the end of 2011 (€1,410 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 accounting separation between the two Accounts.

For short-term treasury management operations under the Ordinary Account, CDP uses money market instruments such as deposits and repurchase agreements in order to optimise the timing and cost of consolidation with medium and long-term funding. To invest any excess liquidity, CDP uses deposits with banks with high credit ratings and short-term Italian government securities. The net position on the money market as at December 2012 came to a negative €630 million, compared with the net negative €1,532 million at the end of 2011. This was mainly attributable to the three-year funding generated by participation in the ECB's LTROs and by repurchase agreements that finance short-term government securities through to maturity: the liabilities for repurchase agreements are balanced by investments in government securities totalling €1,285 million.

For the Separate Account, during the 2012 the securities portfolio expanded considerably, continuing the trend seen in 2011, increasing to €23.1 billion from the €15.9 billion of the end of 2011. This rise was primarily due to the ALM strategies implemented during the year aimed at significantly reducing the overall level of interest rate risk.

Another factor in the increase in the portfolio of Italian government securities was the purchase of Italian Treasury bonds (BTPs) to naturally hedge the inflation-linked component of postal savings bonds (more than €1.5 billion).

The securities acquired were refinanced, both with repurchase transactions and ECB refinancing operations totalling about €27 billion, compared with about €14 billion at the end of 2011.

### 3.1.4.2. Developments in medium and long-term funding

With regard to funding under the Separate Account other than postal savings, following the voluntary termination of the covered bond programme, approved by CDP in November 2011, on 2 February 2012 CDP issued a repurchase offer for the remaining two series that were still outstanding: Series no. 2 totalling €3 billion and with a maturity of January 2013 and Series no. 5 totalling ¥10 billion (about €65 million) and with a maturity of January 2017. By the end of the offer period, Series no. 5 had been repurchased in its entirety, whereas Series no. 2 was only partially repurchased. Series no. 2 subsequently matured on 31 January 2013.

As regards funding not backed by state guarantee, which falls under the Ordinary Account, in line with planned funding requirements for 2012 and taking into consideration market conditions, new issues in 2012 under CDP's Euro Medium-Term Notes (EMTN) programme had a total nominal value of €1,728 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 23-Jan-2014)	23-Jan-2012	526	Zero coupon
Issue (maturity date 23-Mar-2028)	23-Mar-2012	40	CMS Switchable
Issue (maturity date 23-Mar-2022)	23-Mar-2012	340	FR 5.242%
Issue (maturity date 11-May-2015)	18-May-2012	542	Zero coupon
Issue (maturity date 30-Oct-2017)	30-Oct-2012	50	FR 4.250%
Issue (maturity date 23-Nov-2020)	23-Nov-2012	230	FR 4.710%
<b>Total</b>		<b>1,728</b>	

Also during the period, securities that had reached maturity amounting to €900 million were redeemed, bringing total net funding for the period to €828 million.

Finally, in July, CDP increased the maximum funding threshold under the EMTN programme from €4 billion to €8 billion in order to meet the growing demand in respect of its lending operations.

During the year, CDP requested and obtained six new disbursements on credit facilities granted by the EIB in the amount of €792 million, having the characteristics shown in the following table.

## Flow of medium/long-term funding

(millions of euros)

<b>EIB credit facility</b>	<b>Date of issue/funding</b>	<b>Nominal value</b>
Draw (maturity date 31-Dec-2028)	9-Jan-2012	340
Draw (maturity date 15-Mar-2027)	27-Apr-2012	15
Draw (maturity date 15-Mar-2027)	29-Jun-2012	15
Draw (maturity date 20-Sep-2032)	20-Sep-2012	300
Draw (maturity date 30-Jun-2021)	27-Nov-2012	22
Draw (maturity date 20-Sep-2032)	20-Dec-2012	100
<b>Total</b>		<b>792</b>

Both the funds raised through EMTN issues and the funding related to the 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 2012, compared with the end of 2011, by product type.

## Stock of medium/long-term funding

(millions of euros)

	<b>31/12/2012</b>	<b>31/12/2011</b>	<b>% change</b>
<b>Medium/long-term funding from banks</b>	<b>3,026</b>	<b>2,245</b>	<b>34.8%</b>
EIB credit facility	3,026	2,245	34.8%
<b>Bond funding</b>	<b>6,407</b>	<b>8,069</b>	<b>-20.6%</b>
Covered bond programme	2,562	5,058	-49.3%
- Securities issued	2,563	5,064	-49.4%
- IAS/IFRS adjustment	(0.5)	(6)	-92.1%
EMTN programme	3,845	3,011	27.7%
- Securities issued	3,846	3,018	27.4%
- IAS/IFRS adjustment	(1)	(7)	-87.1%
<b>Total medium/long-term funding from banks and bond funding</b>	<b>9,433</b>	<b>10,314</b>	<b>-8.5%</b>

### 3.1.4.3. Developments in postal savings

At 31 December 2012, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €233,631 million, compared with €218,408 million at the end of 2011, an increase of 7%.

More specifically, the carrying amount of postal passbook savings accounts reached €98,778 million, while savings bonds, which are measured at amortised cost, came to €134,853 million.

## Stock of postal savings

(millions of euros)

	31/12/2012	31/12/2011	% change
Postal passbook savings accounts	98,778	92,614	6.7%
Postal savings bonds	134,853	125,794	7.2%
<b>Total</b>	<b>233,631</b>	<b>218,408</b>	<b>7.0%</b>

The increase in postal savings was essentially due to the increase in net funding that CDP posted both in passbook accounts and in savings bonds.

Examining the various types of passbooks offered by CDP, registered passbooks, accounting for nearly the entire stock, showed an increase over 2011 (+7%). Bearer passbooks, although marginal, declined significantly (-49%) to €83 million at year-end.

## Passbook savings accounts

(millions of euros)

	31/12/2011	Net funding	Reclassification and adjustments	Interest 01/01/2012-31/12/2012	Withholdings	31/12/2012
Registered passbook accounts	92,453	4,740	-	1,860	-359	98,695
- Ordinary	89,404	4,640	129	1,771	-341	95,603
- Time deposits	4	-0.04	-	0.00	0,00	4
- Minors	2,220	242	-129	70	-14	2,389
- Judicial	826	-142	-	19	-4	699
Bearer passbook accounts	161	-78	-	0.3	-0.1	83
- Ordinary	160	-78	-	0.3	-0.1	82
- Time deposits	0,5	-	-	-	-	0.5
<b>Total</b>	<b>92,614</b>	<b>4,662</b>	<b>-</b>	<b>1,861</b>	<b>-359</b>	<b>98,778</b>

More specifically, the stock of ordinary registered passbooks increased by 7%, as did the passbooks for minors, which grew by 8%. By contrast, judicial passbooks contracted by 15%.

Postal savings remains a major component of household savings, amounting to about 14% of that aggregate 31 December 2012, broadly unchanged on that at the end of 2011<sup>20</sup>. The reference segment is

<sup>20</sup> Bank of Italy, *Supplement to the Statistical Bulletin*; Assogestioni, *Mappa trimestrale del Risparmio Gestito*; ANIA, *Flussi e reserve tecniche settore Vita*; Bank of Italy, *Money and Banking*; Bank of Italy, *Financial Accounts*.

the stock of funding from households (held through financial assets), specifically in the following forms: deposits and current accounts, bonds, government securities, asset management products and insurance (life insurance).

Net funding from passbooks was a positive €4,662 million, thereby reversing the developments seen in 2011, when net funding came to a negative €5,629 million. This turnaround can be attributed in part to the success of the offers made by CDP on additional liquidity beginning in December 2011, and specifically: i) *"Bonus interessi lordi 2011"*, which awarded a gross bonus of €10 for every €1,000 in additional liquidity invested in December 2011 and held until 30 June 2012; ii) *"Tasso Oro per tutti"*, which extends the *"Oro"* return class to all holders of ordinary registered passbooks; iii) *"Più Risparmi Più Interessi"*, which granted a further annual gross 1.60% on additional liquidity invested in 2012; iv) *"Bonus interessi lordi 2012"*, which awards a gross bonus of €10 for every €1,000 in additional liquidity invested in the period from March to June 2012 and held until 31 March 2013; and v) *"Maggiorazione rendimento Libretti Minori"*, which for 2012 awarded a gross 1.00% bonus over the yield on additional liquidity for December 2011.

The following table shows a breakdown of net funding from passbooks, by product type.

### Passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2012	Net funding 2011
Registered passbook accounts	100,621	95,881	4,740	-5,451
- Ordinary	99,616	94,976	4,640	-5,170
- Time deposits	-	0.04	-0.04	-0.1
- Minors	590	348	242	223
- Judicial	415	556	-142	-504
Bearer passbook accounts	13	92	-78	-178
- Ordinary	13	92	-78	-178
- Time deposits	-	-	-	-0.01
<b>Total</b>	<b>100,634</b>	<b>95,972</b>	<b>4,662</b>	<b>-5,629</b>

There was an overall increase of 7% in the stock of postal savings bonds from 2011 thanks to positive net funding in 2012 and interest accrued during the year.

The stock figures for bonds issued up to 31 December 2011 also include 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 from indexed bonds and *BFPPremia* bonds. The carrying amount at 31 December 2012 reached almost €135 billion.



## Postal savings bonds - CDP stock

(millions of euros)

	31/12/2011	Net funding	Accrued	Withholdings	Transaction costs	Premiums accrued on postal bonds	31/12/2012
Ordinary bonds	74,757	-6,887	2,462	-97	44	-	70,280
Fixed-term bonds	461	-94	0.2	-3	-	-	364
Indexed bonds	6,106	-1,633	184	-12	-	-1	4,644
<i>BFPPremia</i> bonds	6,210	-1,917	243	-5	-	25	4,556
Inflation indexed bonds	14,070	-1,617	382	-18	-	-	12,817
Bonds for minors	3,313	445	134	-2	-	-	3,890
18-Month bonds	11,696	-5,249	219	-18	-	-	6,647
18-Month Plus bonds	7,241	3,052	277	-	-	-	10,571
3x4 bonds	1,940	5,265	142	-	-	-	7,347
<i>7Insieme</i> bonds	-	879	20	-	-	-	899
3-year Plus bonds	-	9,010	125	-	-	-	9,135
2-year Plus bonds	-	2,813	35	-	-	-	2,848
<i>Fedeltà</i> bonds	-	854	2	-	-	-	856
<b>Total</b>	<b>125,794</b>	<b>4,922</b>	<b>4,225</b>	<b>-156</b>	<b>44</b>	<b>24</b>	<b>134,853</b>

Note: transaction costs include the amortisation of the adjustment of commissions for 2007-2010

Gross subscriptions of savings bonds for 2012 came to €29,434 million, a decline of 17% from 2011. The types of savings bonds that posted increased subscription volumes were the following: new 3-year "Plus" bonds (32% of total subscriptions); 3x4 bonds (19% of total subscriptions); and 18-month "Plus" bonds (12% of total subscriptions).

As regards the expansion of the range of postal savings products offered by CDP, in addition to the 3-year "Plus" bonds, the "*7Insieme*" bonds, the 2-year "Plus" bonds and the *Fedeltà* bonds (subscribable until 10 January 2013 and reserved to holders of ordinary savings bonds issued between 1972 and 1982 who held the bonds until maturity) were also introduced during the year.

For reasons related to the optimisation of the range of products offered, some of the bonds offered by CDP in 2012 were no longer subscribable at the reporting date, specifically indexed bonds, *Premia* bonds and 3-year "Plus" bonds.

## Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 2012	Net funding 2011	% change
Ordinary bonds	1,956	8,842	-6,887	-2,552	169.9%
Fixed-term bonds	0.5	95	-94	-143	-34.1%
Indexed bonds	33	1,665	-1,633	-389	319.7%
BFPPremia bonds	32	1,948	-1,917	119	n/s
Inflation indexed bonds	1,067	2,684	-1,617	-365	342.8%
Bonds for minors	626	181	445	559	-20.4%
18-Month bonds	2,419	7,668	-5,249	6,136	n/s
18-Month Plus bonds	3,640	588	3,052	7,210	-57.7%
3x4 bonds	5,533	268	5,265	1,938	171.7%
7Insieme bonds	932	53	879	-	n/s
3-year Plus bonds	9,400	390	9,010	-	n/s
2-year Plus bonds	2,927	114	2,813	-	n/s
Fedeltà bonds	869	15	854	-	n/s
<b>Total</b>	<b>29,434</b>	<b>24,512</b>	<b>4,922</b>	<b>12,513</b>	<b>-60.7%</b>

Net CDP funding from savings bonds came to a positive €4,922 million, which even with the positive funding on savings passbooks for the year, is down from 2011, when net funding totalled €12,513 million. For bonds pertaining to the MEF, on the other hand, redemptions came to €8,452 million, down compared with the €11,927 million for 2011. As a result, total net redemptions of savings bonds (both CDP and MEF) for 2012 came to €3,530 million, compared with net funding of €586 million in 2011.

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

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 2012	Net funding 2011	% change
Ordinary bonds	-6,887	6,701	-13,587	-8,752	55.2%
Fixed-term bonds	-94	1,751	-1,846	-5,869	-68.6%
Indexed bonds	-1,633	-	-1,633	-389	319.7%
BFPPremia bonds	-1,917	-	-1,917	119	n/s
Inflation indexed bonds	-1,617	-	-1,617	-365	342.8%
Bonds for minors	445	-	445	559	-20.4%
18-Month bonds	-5,249	-	-5,249	6,136	n/s
18-Month Plus bonds	3,052	-	3,052	7,210	-57.7%
3x4 bonds	5,265	-	5,265	1,938	171.7%
7Insieme bonds	879	-	879	-	n/s
3-year Plus bonds	9,010	-	9,010	-	n/s
2-year Plus bonds	2,813	-	2,813	-	n/s
Fedeltà bonds	854	-	854	-	n/s
<b>Total</b>	<b>4,922</b>	<b>8,452</b>	<b>-3,530</b>	<b>586</b>	<b>n/s</b>

If passbook accounts are also considered, total net funding (CDP+MEF) comes to a positive €1,132 million, a clear improvement over the €5,043 million in net redemptions posted in 2011.

Of particular note is the fact that the reduction in net funding from CDP savings bonds was offset in part by the decline in redemptions of MEF bonds and, above all, by the improvement in net funding from passbooks.

## Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 2012	Net funding 2011	% change
Postal savings bonds	-3,530	586	n/s
- of which: pertaining to CDP	4,922	12,513	-60.7%
- of which: pertaining to the MEF	-8,452	-11,927	-29.1%
Passbook savings accounts	4,662	-5,629	n/s
CDP net funding	9,584	6,884	39.2%
MEF net funding	-8,452	-11,927	-29.1%
<b>Total</b>	<b>1,132</b>	<b>-5,043</b>	<b>n/s</b>

#### ***3.1.4.4. The agreement with Poste Italiane S.p.A.***

Following the signing of a new agreement between CDP and Poste Italiane for 2011-2013 on 3 August 2011, and subsequent supplementary agreements in 2011, additional supplementary agreements were entered into in 2012, aimed at expanding, improving and innovating the postal savings funding service. More specifically, the agreement contains a series of initiatives designed to further promote postal savings products and to improve the service of issuing and placing these products, as well as reformulating the amount and the conditions for payment of the commission for the year.

A review of the funding targets set out in the agreement for 2012 was also performed.

As a result of the above and the results achieved, the total commission expense accrued in relation to postal savings services payable to Poste Italiane for 2012 came to €1,649 million.

#### **3.1.5. The treasury activities of the Fintecna Group**

The funding of the Fintecna Group amounted to €448 million, of which €316 million in bank funding, of which €205 million attributable to the Fincantieri Group and the remainder to the real estate sector, notably Fintecna Immobiliare S.r.l. (about €108 million) and Quadrante S.p.A. (€2 million). The remainder of €132 million is mainly attributable to the Fincantieri Group in respect of the current account held with its investees.

As at 31 December, 2012, the balance of cash and cash equivalents of the Fintecna Group was approximately €1.3 billion, and was made up of the end-of-year balance on current accounts held with various banks. The increase of €564 million compared with 31 December 2011 is ascribable both to the increased liquidity of the Fincantieri Group, from receipts in connection with the conclusion of a number of contracts, and to the increased liquidity of the parent company, Fintecna.

The balance of the debt securities was €1.5 billion, and was made up of government securities in the amount of about €1.2 billion (BTP and CCT) and two bonds issued by banks totalling €360 million.

Of the total liquidity, 73% pertains to the parent company, Fintecna, which holds it as an asset against "provisions" on the liability side of its balance sheet.

During 2012, Fintecna's activity focused primarily on consolidating the improved overall yield of its liquidity, which in practice was achieved by generating capital gains through a disinvestment/reinvestment operation in government securities in the last quarter of the year.

The following table gives a breakdown of investments of cash and cash equivalents in the last two years:

### Stock of investments of financial resources

(millions of euros)

	31/12/2012	31/12/2011*	% change
Cash and cash equivalents and other treasury investments	1,289	725	77.8%
Debt securities	1,534	1,719	-10.7%
<b>Total</b>	<b>2,824</b>	<b>2,444</b>	<b>15.5%</b>

\* The Fintecna Group forms part of the scope of consolidation since 2012. The figures for 2011 are for comparative purposes only

### 3.1.6. The treasury activities of the SACE Group

The purpose of the financial operations of the SACE Group is to manage a range of risks through the application of asset-liability management (ALM) methods. In doing so, the Group has successfully kept within the risk limits set for each of its subsidiaries and for each type of investment.

The limits are set to ensure that assets are managed prudently and effectively, with a view to governing risk and keeping it within predetermined parameters. Value-at-Risk models are used to measure capital requirements.

As of 31 December 2012 the balance of cash and cash equivalents of SACE was about €1.1 billion, of which about €500 million in current accounts held with banks and about €660 million in time deposits. Equity investments and shares include units in investment funds and investment vehicles and, to a lesser extent, shares. The overall balance of the debt securities was approximately €5 billion, a decline of 12% compared with 2011, mainly as a result in changes in the portfolio of financial assets held for trading.

### Stock of investments of financial resources

(millions of euros)

	31/12/2012	31/12/2011*	% change
Cash and cash equivalents and other treasury investments	1,139	233	388.8%
Equity investments and shares	662	631	5.0%
Debt securities	4,974	5,625	-11.6%
<b>Total</b>	<b>6,775</b>	<b>6,489</b>	<b>4.4%</b>

\* The SACE Group forms part of the scope of consolidation since 2012. The figures for 2011 are for comparative purposes only

## 3.2 THE TERNA GROUP

### NATIONAL TRANSMISSION GRID

The number of plants belonging to the Terna Group at 31 December 2012 and 31 December 2011 is shown in the following table:

	Terna Group		Change
	31/12/2012	31/12/2011	
No. of stations	468	454	+14
No. of transformers	650	638	+12
MVA	136,809	126,623	+10,187
No. of bays	5,047	4,927	+120
Lines - km	57,438	57,649	-211
No. of 3-phase power lines	4,077	4,040	+37
km	63,448	63,625	-178

### DEVELOPMENT OF THE NATIONAL TRANSMISSION GRID

On 31 January 2012, in compliance with the Ministerial Decree of 20 April 2005 (regarding the concession, as amended by decree of the Ministry for Economic Development of 15 December 2010) and Legislative Decree 93/2011, the 2012 Development Plan was sent to the competent authorities for approval. The Plan, as approved by the Terna board of directors, underwent the consultation procedures with the Users' Consultative Committee<sup>21</sup> (10 October 2011, 28 November 2011 and 10 February 2012).

This year, in accordance with Legislative Decree 93 of 1 June 2011, two public presentations of the 2012 Development Plan were also held at premises of the Authority for Electricity and Gas on 28 May 2012 and 18 June 2012.

The 2012 Development Plan follows the structure of the previous year's version and is divided into two sections:

- Section I, which sets out the general framework, forecasts, and the new development requirements that emerged during 2011, along with a specific section, in accordance with the national action plan for renewable energy, related to development of the national grid for the full use of power generated from renewable sources;
- Section II, which describes the progress made on the work envisaged in previous development plans and the work proposed under the 2011 plan and already submitted for the strategic environmental assessment (SEA, in accordance with Legislative Decree 152/2006).

<sup>21</sup> The Users' Consultative Committee, established with the Prime Minister's Order of 11 May 2004, expresses a non-binding opinion on the Development Plan as required by Competition Authority Decision no. 14542 of 4 August 2005.

As concerns this SEA, it should be noted that the 2012 plan introduces two changes compared with the 2011 edition: the environmental characterisation of the new requirements (Section I) and environmental analyses of the actions presented in previous plans (Section II), particularly with regard to those being pursued under cooperation agreements, for which the state of progress of such activities is also reported. These changes have been made in order to integrate the environmental aspects into the planning documentation and the process itself, in accordance with the goals of Directive 2001/42/EC, which established the environmental assessment procedures. The changes are also in line with the new approach of the 2012 Environmental Report, which, compared with previous editions, aims to support the full scope of the Plan with regard to environmental assessment, rather than focusing on an assessment of the individual actions.

The 2012 edition of the European Ten-Year Network Development Plan (TYNDP) has been prepared under the ENTSO-E and calls for Terna to be directly involved in the Regional Forum, both Continental Central South (for which Terna is a member and coordinator) and Continental South East (member only). On 5 July 2012, the 2012 edition of the TYNDP was published on the web site of the ENTSO-E, along with the Regional Investment Plans and the System Outlook and Adequacy Forecast, as well as the pilot edition of the European Network Code, under the provisions of the EU Regulation for the Third Energy Package.

The 2012 Development Plan envisages investment of about €4.1 billion (including investment for the installation of distributed storage systems) in the period 2012-2016 and €3.8 billion over the following five years. Implementation of the Development Plan will add about 5,250 km of new lines to the NTG and 157 new stations with new transformation capacity of about 44,800 MVA.

#### *SEA procedure for the Development Plan*

The process for obtaining approval from the Ministry for Economic Development requires the release of a reasoned SEA opinion from the Ministry for the Environment together with the Ministry for Cultural Heritage. As concerns the 2011 plan, on 6 June 2012 the Ministry for the Environment provided the Ministry for Economic Development with its reasoned opinion and requested a consultation in order to assess the findings of said opinion. Subsequent to this discussion, the Ministry for Economic Development approved the plan on 2 October 2012, publishing the related summary statement indicating the process for implementing any comments included in the opinion.

The SEA process related to the 2012 Development Plan was started on 31 January 2012 by way of publication of the preliminary report. On 17 July 2012, the Ministry for the Environment transmitted its opinion on the 2012 Preliminary Report, and, on 21 December 2012, Terna published the Environmental Report relating to the 2012 Development Plan, the consultation phase for which in relation to the SEA process will be concluded on 19 February 2013.

#### **WORK PERFORMED DURING THE PERIOD**

The most important projects carried out in 2012 and still in progress involved activities to reduce network congestion, connect new generation plants (especially those using renewable energy resources) and increase the reliability of the NTG with ever greater attention to environmental and safety issues.

The following is a description of the major works that are currently in progress and those that were completed in 2012:

- new 380 kV “Sorgente-Rizziconi” underwater connection: the first phase of work on the Scilla (Calabria) station has been completed with the opening of the 150 kV section and the 150 kV cables. The expansion of the Rizziconi (Calabria) station has been completed. Work is nearing completion on the Sorgente (Sicily) station. The site is being organised for the station of Villafranca (Sicily). The first three-phase connection for the underwater cables between Villafranca and Favazzina have been laid, with the first fibre-optic cable. Excavation of the tunnel and the sub-horizontal gallery in Favazzina is being performed. Work on the 380 kV aerial line in Calabria is 70% complete and work is under way on the power line between Villafranca and Sorgente, in Sicily;
- 380 kV stations to connect renewable-resource plants: the 380/150 kV stations at Deliceto Brindisi Sud were expanded and construction of the new 380/150 kV Castellaneta station and the 150 kV Stornara station were completed; work sites were opened for the Erchie station and, as of 20 December, a bay for temporarily connecting the wind power generator has been up and running;
- work is at an advanced stage on the construction of the new 380 kV double three-phase power line connecting the 380 kV Trino station (in the province of Vercelli) with the Lacchiarella station (in the province of Milan), for a total length of over 100 km;
- installation of two system phase shifters, one at the Foggia power station and the other at the Villanova station, was completed;
- completion of the 380/150 kV Aliano station and the relative connections, the connections for the 150 kV power line are being built;
- Cassano-Chiari: completed relocation of 220 kV power line interfering with the construction of the new BREBEMI highway;
- completed installations of the following 380 kV shunt reactors rated at 285 MVar: Scandale, Aurelia, Montalto, Santa Sofia and Feroletto.

Also in 2012, the following work sites were opened:

- the 380 kV Foggia-Benevento power line: around 85 km long;
- the 380 kV “Feroletto-Maida” power line: around 13 km long;
- building of various 150 kV power line connections for the Aliano station (Basilicata), the Lacchiarella station (Lombardy), and the Villafranca station (Sicily);
- expansion of an additional 150 kV section and installation of the new high-voltage network for connecting new users to the existing Foggia (Puglia) and Scandale (Calabria) stations;
- installation of a 380 kV shunt reactor rated at 285 MVar at the Teramo station;
- construction of a new 380/150 kV station in Manfredonia (Puglia).



## 3.3 SIMEST

### EQUITY INVESTMENTS

In 2012, the company's board of directors approved 77 projects to acquire equity investments, including:

- 62 new investment projects;
- 3 capital increases by companies in which SIMEST already had an equity interest;
- 12 revisions of previously approved projects.

The companies in which SIMEST approved investment in 2012 envisage:

- a total investment by SIMEST of €103.7 million;
- total share capital of €1,050.5 million;
- total investment of €1,615.2 million.

The geographical breakdown of investments approved in 2012 shows that Central and South America, Asia, the EU and non-EU Europe are the main areas of interest for Italian companies investing abroad (with regard to the number of projects approved).

In 2012, SIMEST acquired 40 new equity investments for a total of €88.3 million. More specifically:

- 24 new investments in foreign companies pursuant to Law 100/1990 ("non-EU") for a total of around €52.2 million;
- the subscription of 9 capital increases and 4 revisions of previously approved projects by companies in which SIMEST already had an equity interest at 31 December 2012 ("non-EU") totaling €11.0 million;
- 7 new equity investments in Italian and EU companies ("EU") for €25.1 million.

Acquisitions were made primarily in the mechanical and electrical engineering sectors (32.3%), followed by energy, agriculture/food products, rubber/plastics and services (about 10% each).

New investments primarily targeted Asia (32.3%), the Americas (29.0%), the EU (22.6%) and non-EU Europe (9.7%).

In 2012, 40 investments were divested under the agreements in place with our partners for a total of €35.9 million.

### INVESTMENTS IN THE VENTURE CAPITAL FUND

In 2012, a total of 45 investments were approved by the Guidance and Oversight Committee, of which 43 involving new investments and 2 regarding capital increases (for expansion and/or development of companies in which the Fund has already invested). The figure does not include plan revisions and updates, which totalled 19 in 2012. The projects approved envisage:

- total commitment under the Unified Venture Capital Fund of €22.7 million;

- cumulative investments by the foreign companies of €354.9 million, funded by share capital of €339.1 million.

In 2012, acquisitions of equity investments through the Unified Venture Capital Fund totalled €12.4 million and involved:

- 18 new equity investments in companies abroad – in addition to the stakes acquired directly by SIMEST and/or FINEST – for €9.7 million;
- 8 capital increases and 1 plan revision in companies in which the Unified Fund had already invested at 31 December 2011 in the amount of €2.7 million.

Once again, the geographical distribution of new investments by the fund showed a preference for China (8 equity investments acquired, of which 4 capital increases), for a total of €3.9 million. Brazil drew growing interest, with 7 new investments totaling €3.9 million (5 equity investments acquired and 2 capital increases). The other acquisitions were made in a number of different countries (India, Russia, Egypt, Chile and Thailand).

#### **INTERNATIONAL EXPANSION FINANCIAL SUPPORT FUNDS**

As part of the financial assistance it provides to Italian companies for expanding operations abroad, SIMEST manages two funds: the Fund established by Article 3 of Law 295/1973 and the Revolving Fund established by Article 2 of Law 394/1981.

##### *Law 295/1973 Fund*

The activity of the Fund established by Law 295/1973 consists of:

- export credits, which are aimed at supporting sectors involved in the production of capital goods (plants, machinery, infrastructure, public transportation, telecommunications, etc.) that offer deferrals of payment on medium/long-term orders to foreign customers. Out of the €4,348 million total in deferred principal amount approved, €2,101 million (57.8%) relates to the supplier credit programme for medium-sized plant, machinery and parts, 35% of which for SMEs. The remaining €2,247 million (42.2%) allocated to the buyer credit programme was used for transactions involving large companies under major supply contracts (90.8%) involving large orders;
- support for investment in foreign companies, with the incentive mechanisms envisaged under Article 4 of Law 100/90, which provide for Italian firms to receive interest rate support for loans taken out to finance part of their equity investments in foreign companies in non-EU countries in which SIMEST has acquired an interest. In 2012, 45 operations were approved with a value of €114.8 million.

##### *Law 394/81 Revolving Fund*

The activity of the Revolving Fund consists of:

- loans at facilitated interest rates for foreign market penetration programmes. In 2012, loans approved numbered 129 (103 in 2011), and their value amounted to €107.7 million, a 17.3% increase over 2011 (€91.8 million);

- loans at facilitated interest rates for pre-feasibility and feasibility studies and technical assistance programmes. A total of 19 loans were approved in 2012, of which all for feasibility studies, with a value of €2.5 million, a 25% increase compared with 2011, when 11 applications were approved with a value of €2.0 million;
- loans at facilitated interest rates to improve and safeguard the financial stability of exporter SMEs so that they will be better equipped to compete in foreign markets. In 2012, 184 applications for a total of around €85.3 million were approved by the Committee relating to operations under review at 12 December 2011 (date that the acceptance of new applications was suspended). In 2011, 309 applications were approved for about €144.8 million.

## 4. Financial position and performance

### 4.1 PARENT COMPANY

The financial position and performance of the parent company at 31 December 2012 is presented below. In order to facilitate understanding of the results for the period, the analysis of the balance sheet and income statement uses the statements reclassified based on operational criteria.

#### 4.1.1. Reclassified balance sheet

##### 4.1.1.1. Assets

The assets of the parent company from the reclassified balance sheet at 31 December 2012 can be grouped into the following aggregates:

#### Reclassified balance sheet

(millions of euros)

	31/12/2012	31/12/2011	% change
<b>ASSETS</b>			
Cash and cash equivalents and other treasury investments	139,062	128,615	8.1%
Loans to customers and banks	100,508	98,591	1.9%
Debt securities	24,347	17,194	41.6%
Equity investments and shares	30,570	19,826	54.2%
Assets held for trading and hedging derivatives	1,012	941	7.6%
Property, plant and equipment and intangible assets	214	204	4.7%
Accrued income, prepaid expenses and other non-interest-bearing assets	8,972	7,362	21.9%
Other assets	748	853	-12.4%
<b>Total assets</b>	<b>305,431</b>	<b>273,586</b>	<b>11.6%</b>

At the end of the period, total assets came to €305 billion, a 12% increase from the end of the previous year, when the total was €274 billion.

The stock of cash and cash equivalents (with the available balance on the treasury account equal to €133 billion) was about €139 billion, an increase of about 8% over the end of 2011.

The stock of loans to customers and banks came to more than €101 billion, an increase of 2% compared with the end of 2011. The rise was primarily attributable to the effect of distributions for enterprises and infrastructures and the receipt of payments on loans granted in prior years (loans to public entities).

Debt securities totalled over €24 billion, an increase of more than 40% compared with the end of 2011. The rapid growth was mainly due to the subscription of government securities during the year.

At the end of 2012, the carrying amount of equity investments and shares was equal to about €31 billion, sharply up (54%) from the €20 billion reported at the end of 2011). This result is ascribable to the considerable resources employed in equity investments. In 2012, CDP became a shareholder of SNAM and began, with the acquisition of stakes in SACE, SIMEST and Fintecna, to strengthen the system for supporting the exports and international expansion of enterprises, as well as creating a core of real estate expertise to provide support to local entities in leveraging their property holdings.

Assets held for trading and hedging derivatives posted increased compared with the end of 2011 (+8%). This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedge positions that are not recognised as hedging derivatives for accounting purposes: at 31 December 2012, the change in this balance mainly benefited from the increase in the fair value of the options acquired to hedge the corresponding option component of the equity-linked bonds (indexed bonds and *BFPPremia* bonds).

The total balance of property, plant and equipment and intangible assets came to €214 million, of which €207 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to a larger volume of investments made during the period compared with the depreciation and amortisation charge recognised on existing assets. Specifically, capital expenditure amounted to more than €17.5 million (compared with €7.4 million in 2011), the result of an increase in investment for renovation works and new fittings of properties owned by CDP, as well as the acceleration 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 2011, going from €7,362 million to €8,972 million. The change was attributable to a variety of factors: a rise in accrued interest on liquidity, a decrease in past-due loans to be settled as a result of the payment date for instalments falling due at the end of 2011 being a holiday and the increase in the fair value of the loans hedged for financial risks using derivative instruments.

Finally, other assets amounted to €748 million, a decrease of 12% compared with the end of 2011 as a result of a decline in the balance of current and deferred tax assets. The item also includes 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 2012, loans to customers and banks totalled €100,508 million, up from €98,591 million at the end of 2011. 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 the SME fund, the Abruzzo Reconstruction fund and the “2012 Earthquake Moratorium” fund. The contribution of the Financing area also rose.

### Stock of loans to customers and banks

(millions of euros)

	31/12/2012	31/12/2011	% change
Public Entities	85,418	86,201	-0.9%
Facilitated Credit and Economic Support	9,199	7,580	21.4%
Financing	5,485	4,598	19.3%
Public Interest Lending	182	34	435.7%
Other loans	225	177	26.9%
<b>Total loans to customers and banks</b>	<b>100,508</b>	<b>98,591</b>	<b>1.9%</b>

The overall balance related to commitments to disburse funds and guarantees came to €16,520 million, up from €15,245 million at the end of 2011. This trend is mainly attributable to the Facilitated Credit and Economic Support area and the Public Interest Lending area as a result of the high volume of new loans during the year compared with a lower amount of new disbursements and the reduction in undisbursed loans granted previously. The impact of this was only partly offset by the reduction in the Public Entities area, where the large flow of disbursements outstripped new loan approvals.

### Commitments to disburse funds and guarantees

(millions of euros)

	31/12/2012	31/12/2011	% change
Public Entities	8,018	9,809	-18.3%
Facilitated Credit and Economic Support	3,767	1,675	124.8%
Financing	1,185	1,369	-13.4%
Public Interest Lending	3,549	2,393	48.3%
<b>Total commitments to disburse funds and guarantees</b>	<b>16,520</b>	<b>15,245</b>	<b>8.4%</b>

#### 4.1.1.2. Liabilities and equity

The reclassified liabilities and equity of CDP at 31 December 2012 can be grouped into the following aggregates:

#### Reclassified balance sheet

(millions of euros)

	31/12/2012	31/12/2011	% change
<b>LIABILITIES AND EQUITY</b>			
Funding	282,335	254,214	11.1%
- of which: postal funding	233,631	218,408	7.0%
- of which: funding from banks	32,242	18,680	72.6%
- of which: funding from customers	10,055	9,057	11.0%
- of which: funding from bonds	6,407	8,069	-20.6%
Liabilities held for trading and hedging derivatives	3,109	3,154	-1.4%
Accrued expenses, deferred income and other non-interest-bearing liabilities	695	757	-8.1%
Other liabilities	1,528	539	183.7%
Provisions, taxes and staff severance pay	928	454	104.5%
Equity	16,835	14,469	16.4%
<b>Total liabilities and equity</b>	<b>305,431</b>	<b>273,586</b>	<b>11.6%</b>

Total funding at 31 December 2012 came to €282 billion (+11% from the end of 2011). Within this aggregate, postal funding continued to grow (up 7% from the end of 2011), with the stock, which comprises passbook savings accounts and postal savings bonds, amounting to about €234 billion.

Also contributing to the balance of funding, albeit to a lesser extent, were the following components:

- funding from banks (which increased from about €19 billion at the end of 2011 to more than €32 billion at the end of 2012), the rise in which is mainly attributable to credit lines with the ECB and, to a consequently lesser extent, draws on EIB credit lines;
- funding from customers, the balance of which, equal to about €10 billion (up 11% on 2011), regards (i) the establishment of a deposit by CDP RETI pending payment of the third instalment of the price for SNAM; (ii) the recognition of a liability in respect of MEF for payment of the adjustment associated with the acquisition of Fintecna; (iii) the increase in funds held by FSI with the parent company following payment of residual share capital commitments by shareholders; and (iv) the portion of specific-purpose loans in repayment as at 31 December 2012 and not yet disbursed;
- funding from bonds, which declined by 21% from the end of 2011 to somewhat over €6 billion due to the redemption of covered bonds that had reached maturity in the amount of €2 billion and completion of the partial buy-back.

Liabilities held for trading and hedging derivatives posted a slight decrease compared with the end of 2011 (-1%) to stand at €3,109 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as hedge positions for accounting purposes. The decline registered in the period reflects the reduction in the fair value of the option component unbundled from the indexed bonds and *BFPPremia* bonds.

Accrued expenses, deferred income and other non-interest-bearing liabilities amounted to €695 million at the end of 2012, down about €61 million compared with 31 December 2011 as a result of a decrease in accrued expenses on bond funding, partly offset by an increase in liabilities to be settled with banks.

Developments in the other aggregates can be summarised as follows: (i) the increase in other liabilities, the stock of which totalled €1,528 million at the end of the period, was mainly due the rise in the liability in respect of Poste Italiane for the remuneration of fund-raising services in the postal savings system; and (ii) the rise in provisions for contingencies, taxes and staff severance pay (equal to €928 million), essentially due to an increase in payables related to current and deferred taxes.

Finally, equity at the end of December 2012 came to €16.8 billion. The increase over the end of 2011 (+16%) was due to the combined impact of net income for the period (€2,853 million), only partially offset by dividends paid to shareholders in the period in respect of 2011 net income, and the increase in the valuation reserves for securities classified as financial assets available for sale.

#### 4.1.1.3. Balance sheet ratios

##### Main indicators (reclassified data)

	2012	2011
Loans to customers and banks/Total assets	32.9%	36.0%
Loans to customers and banks/Postal funding	43.0%	45.1%
Equity investments and shares/Equity	1.82x	1.37x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.118%	0.096%
Net bad debts and substandard loans/Net loans to customers and banks	0.049%	0.032%
Net writedowns/Net loans to customers and banks	0.020%	0.009%

In 2012, funding from postal savings grew more than the stock of loans to customers and banks, thereby increasing the ratio of the stock of postal savings funding to total loans to customers and banks.

The ratio of equity investments and shares to the company's total equity increased as a result of new major investments CDP made during the year.



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

## 4.1.2. Reclassified income statement

### 4.1.2.1. 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)

	31/12/2012	31/12/2011	Change (+/-)	% change
<b>Net interest income</b>	<b>3,522</b>	<b>2,329</b>	<b>1,193</b>	<b>51.2%</b>
Dividends	1,207	1,229	(22)	-1.8%
Net commissions	(1,612)	(1,489)	(123)	8.2%
Other net costs and revenues	536	(39)	574	n/s
- of which Eni gain	365	-	365	n/s
<b>Gross income</b>	<b>3,653</b>	<b>2,030</b>	<b>1,622</b>	<b>79.9%</b>
Net writedowns	(23)	(10)	(13)	124.6%
Overheads	(111)	(93)	(18)	19.3%
- of which: administrative expenses	(103)	(85)	(18)	21.3%
<b>Operating income</b>	<b>3,530</b>	<b>1,939</b>	<b>1,591</b>	<b>82.1%</b>
Gain on equity investments	147	(14)	161	n/s
- of which Eni gain	147	-	147	n/s
<b>Net income</b>	<b>2,853</b>	<b>1,612</b>	<b>1,241</b>	<b>77.0%</b>

The results achieved in 2012 were very positive for CDP, thanks above all to the performance in net interest income. The results also reflect the non-recurring gain on the sale of 120 million ENI shares, equal to €513 million before taxes, although, as discussed further on, this was not the decisive factor in the strong performance.

Net interest income amounted to €3,522 million, more than 50% higher than in 2011 as lending rates rose more than the cost of funds.

The rise in net interest income was also reflected in gross income, where the impact of the rise in commission expense on postal savings consistent with the net funding targets set out in the agreement with Poste Italiane, was fully offset by the gain on the partial divestment of the shares held in ENI noted above and the positive performance of trading and hedging operations in derivatives.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets.

## Breakdown of overheads

(thousands of euros)

	31/12/2012	31/12/2011	Change (+/-)	% change
<b>Staff costs</b>	<b>54,905</b>	<b>51,452</b>	<b>3,453</b>	<b>6.7%</b>
<b>Other administrative expenses</b>	<b>45,362</b>	<b>31,146</b>	<b>14,216</b>	<b>45.6%</b>
Professional and financial services	8,862	5,381	3,481	64.7%
IT expenses	18,535	10,305	8,230	79.9%
General services	7,942	7,435	507	6.8%
Publicity and marketing expenses	2,515	2,021	494	24.4%
- of which for mandatory publicity	1,150	1,126	24	2.1%
Information resources and databases	1,264	1,383	(120)	-8.6%
Utilities, taxes and other expenses	5,799	4,187	1,612	38.5%
Corporate bodies expenses	445	434	11	2.6%
<b>Total net administrative expenses</b>	<b>100,267</b>	<b>82,598</b>	<b>17,669</b>	<b>21.4%</b>
Expenses rebilled to third parties	2,720	2,312	408	17.6%
<b>Total administrative expenses</b>	<b>102,987</b>	<b>84,910</b>	<b>18,077</b>	<b>21.3%</b>
Net adjustments of property, plant and equipment and intangible assets	7,690	7,888	(198)	-2.5%
<b>Total</b>	<b>110,677</b>	<b>92,798</b>	<b>17,879</b>	<b>19.3%</b>

Staff costs in 2012 came to €55 million, an increase of 7% compared with 2011. The increase mainly reflects the expansion in the workforce to strengthen CDP's skill set as envisaged in the 2011-2013 Business Plan, ordinary wage developments and higher expenses for employee services.

Other administrative expenses also increased, reflecting the full implementation of the initiatives contained in the Business Plan, but nevertheless expanded by less than revenues. The change was the primarily the result of: (i) higher IT costs due to the acceleration in spending on the technological innovation projects envisaged in the 2011-2013 Business Plan; (ii) increased expenses connected with the acquisition of equity investments; and (iii) increased expenses connected with the promotion of awareness of CDP's scope of business.

Taking into account the other residual items and taxes, net income in 2012 amounted to €2,853 million, up 77% on 2011.

Excluding the positive effects of the gain on the partial divestment of ENI shares, net income would have still increased by about 50%.

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

(millions of euros)

	31/12/2012	31/12/2011	Change (+/-)	% change
<b>Net interest income</b>	<b>3,522</b>	<b>2,329</b>	<b>1,193</b>	<b>51.2%</b>
Dividends	1,240	1,229	11	0.9%
Net commissions	(1,612)	(1,489)	(123)	8.2%
Other net revenues	171	(39)	209	n/s
<b>Gross income</b>	<b>3,321</b>	<b>2,030</b>	<b>1,290</b>	<b>63.6%</b>
Net writedowns	(23)	(10)	(13)	124.6%
Overheads	(111)	(93)	(18)	19.3%
<b>Operating income</b>	<b>3,198</b>	<b>1,939</b>	<b>1,259</b>	<b>65.0%</b>
<b>Net income</b>	<b>2,399</b>	<b>1,612</b>	<b>787</b>	<b>48.8%</b>

### 4.1.2.2. Performance indicators

#### Main indicators (reclassified data)

	2012	2011
Net interest income/Gross income	96.4%	114.7%
Net commissions/Gross income	-44.1%	-73.3%
Other revenues/Gross income	47.7%	58.6%
Commission expense/Postal funding	0.7%	0.7%
Spread on interest-bearing assets - liabilities	1.5%	1.1%
Cost/income ratio	3.0%	4.6%
Cost/income ratio (including commission expense on postal funding)	33.3%	45.3%
Net income/Opening equity (ROE)	19.7%	11.7%
Net income/Average equity (ROAE)	18.2%	11.4%

Analysing the indicators, we find a substantial increase in the spread between lending and funding rates, which went from about 110 basis points in 2011 to about 150 basis points in 2012.

Compared with 2011, there was also an improvement in the indicators of operating efficiency, such as the cost-to-income ratio, which went from 4.6% at the end of December 2011 to 3.0% at the end of 2012. This reflects the improvement in the performance of financial operations, only partially offset by the rise in overheads.

Finally, the return on equity (ROE) for 2012 increased compared with 2011, going from 11.7% to 19.7%, reflecting the increase in net income for the year.

### 4.1.3. Reconciliation

The following table reconciles the financial statements prepared in accordance with Bank of Italy circular no. 262/2005, as amended, and the aggregates as reclassified on an operational basis.

The reclassifications mainly regarded the following:

- the allocation to specific and distinct items of interest-bearing amounts and non-interest-bearing amounts;
- the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to products and business lines.

## Balance sheet - Assets

(millions of euros)

	2012	ASSETS - RECLASSIFIED SCHEDULES							
		Cash and Cash equivalents and other treasury investments	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
<b>ASSETS</b>									
10. Cash and cash equivalents	0.004	0.004							
20. Financial assets held for trading	640					640			
40. Financial assets available for sale	4,975				4,679	302			-5
50. Financial assets held to maturity	16,731				16,213				518
60. Loans to banks	13,178		3,858	8,767	500				54
70. Loans to customers	238,306		135,204	91,741	2,956				8,405
80. Hedging derivatives	372						372		
100. Equity investments	30,268					30,268			
110. Property, plant and equipment	207							207	
120. Intangible assets	7							7	
130. Tax assets	508								508
150. Other assets	239								239
<b>Total assets</b>	<b>305,431</b>	<b>139,062</b>	<b>100,508</b>	<b>24,347</b>	<b>30,570</b>	<b>1,012</b>	<b>214</b>	<b>8,972</b>	<b>748</b>

## Balance sheet - Liabilities and equity

(millions of euros)

	2012	LIABILITIES AND EQUITY - Reclassified schedules					
		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
<b>LIABILITIES AND EQUITY</b>							
10. Due to banks	34,055	33,725		330			
20. Due to customers	242,303	242,203		100			
30. Securities issued	6,672	6,407		265			
40. Financial liabilities held for trading	477		477				
60. Hedging derivatives	2,576		2,576				
70. Adjustment of financial liabilities hedged generically	56		56				
80. Tax liabilities	916					916	
100. Other liabilities	1,528				1,528		
110. Staff severance pay	1					1	
120. Provisions	12					12	
130. Valuation reserves	965						965
160. Reserves	9,517						9,517
180. Share capital	3,500						3,500
200. Net income for the period	2,853						2,853
<b>Total liabilities and equity</b>	<b>305,431</b>	<b>282,335</b>	<b>3,109</b>	<b>695</b>	<b>1,528</b>	<b>928</b>	<b>16,835</b>

## 4.2. THE IMPACT OF CONSOLIDATION

The financial position and performance of the CDP Group at 31 December 2012 is presented below. For more detailed information on financial position and performance, please see the separate reports and financial statements of the other CDP Group companies, which contain all the relevant accounting information and an analysis of the performance of these companies.

Regarding the Group's performance, it should be noted that the related figures do not include the contribution of SACE, the Fintecna Group and SIMEST, given that the acquisition was completed near the end of the year and in view of how the transaction was structured, which resulted in the shares being transferred prior to the date on which the definitive sales price was determined. In addition, CDPI SGR and FSI made only a limited contribution since they only recently started operations.

The following section discusses the main changes in the financial aggregates of the CDP Group, with the exception of the aspects already presented with regard to the parent company.

For the sake of full disclosure, a schedule reconciling management accounts with the financial statements is also provided.

### 4.2.1. Reclassified consolidated balance sheet

The following table presents the situation of the CDP Group, with specific reporting of the contributions of financial operations (CDP, SACE, SIMEST, CDPI SGR and FSI) and non-financial operations (Terna Group, Fintecna Group, CDP GAS and CDP RETI). The difference between the consolidated results and the sum of the contributions of the two spheres of operations is the result of consolidation eliminations and adjustments.

## Reclassified consolidated balance sheet

(millions of euros)

Assets	31/12/2012					31/12/2011	% change
	CDP Group	Parent company	of which financial operations (excl. parent company)	of which non-financial operations	Eliminations/ adjustments	CDP Group	
Cash and cash equivalents and other treasury investments	144,659	139,062	2,536	4,788	(1,727)	129,888	11.4%
Loans to customers and banks	102,783	100,508	2,423	605	(754)	98,091	4.8%
Debt securities	30,730	24,347	4,956	1,535	(107)	17,194	78.7%
Equity investments and shares	21,290	30,570	291	4,522	(14,092)	18,960	12.3%
Reinsurers' share of technical provisions	106	-	106	-	-	-	n/s
Assets held for trading and hedging derivatives	1,799	1,012	19	768	-	1,512	18.9%
Property, plant and equipment and intangible assets	12,981	214	106	10,526	2,136	11,542	12.5%
Accrued income, prepaid expenses and other non-interest-bearing assets	9,147	8,972	42	139	(6)	7,365	24.2%
Other assets	5,056	748	366	3,949	(8)	2,591	95.2%
<b>Total assets</b>	<b>328,551</b>	<b>305,431</b>	<b>10,845</b>	<b>26,833</b>	<b>-14,558</b>	<b>287,143</b>	<b>14.4%</b>

At 31 December 2012, the total assets of the CDP Group came to about €329 billion, up more than 14% compared with the end of 2011. The rise was mainly attributable to the increase in “Cash and cash equivalents and other treasury investments”, “Debt securities” and “Accrued income, prepaid expenses and other non-interest-bearing assets”.

The stock of cash and cash equivalents rose to nearly €145 billion (up more than €15 billion on the end of 2011). In addition to the items described in relation to the parent company, the remainder of this aggregate also includes deposits and other liquid assets attributable to FSI and SACE in relation to financial operations, which total about €2.5 billion, and the cash of the Terna Group, CDP RETI and CDP GAS, related to non-financial operations, which total some €4.8 billion. The increase in cash and cash equivalents can be broken down as follows: (i) the Terna Group (up about €1.2 billion) related to the cash generated by the bond issues completed in 2012 and by current operations; (ii) FSI with the parent company (eliminated during consolidation) as a result of to the payment of the remaining share capital by shareholders; (iii) the subsidiary CDP RETI, whose cash and cash equivalents (also eliminated during consolidation) mainly include amounts to pay the third instalment of the SNAM investment.

The stock of loans to customers and banks (essentially attributable to the parent company) increased compared with the end of 2011 (+5%), partly due to the change in the scope of consolidation. The ag-



aggregate came to €103 billion at 31 December 2012. The balance related to financial operations not attributable to the parent company, in the amount of €2.4 billion, includes the balance related to the SACE Group (about €2 billion), which is mainly related to the operations of SACE Fct (around €1.1 billion) and to receivables from foreign countries by subrogation originally transferred by the MEF (over €700 million). The aggregate also includes the equity investments held by SIMEST for a total of €376 million. The allocation of these equity investments under loans to customers takes account of the characteristics of the SIMEST transactions, which include the obligation of the partner to repurchase the stake upon expiration of the accords. The balance related to non-financial operations includes: (i) the portion attributable to the Fintecna Group, which is mainly related to financing granted by Fintecna to Ligestra S.r.l. and Ligestra Due S.r.l. (about €255 million) and to receivables from Fincantieri; (ii) the revolving shareholder loan granted by CDP GAS to TAG for the purpose of providing the company with financial support in conjunction with analogous financing granted to CDP GAS by the parent company, the latter of which has been eliminated in consolidation.

At 31 December 2012, debt securities amounted to nearly €31 billion, up 79% compared with the end of 2011. In addition to the developments discussed in relation to the parent company, the change is due to the recent consolidation of SACE (with the balance of about €5 billion being mainly attributable to the portfolio of securities recognized under financial assets held to maturity and financial assets held for trading) and of the Fintecna Group (in the amount of €1.5 billion, composed of government securities and the bonds of two banks subscribed by Fintecna).

Equity investments and shares increased by about 12% from their level at December 2011, reaching around €21 billion. The change in this aggregate is mainly attributable to CDP RETI (due to the acquisition of a stake in SNAM mentioned above), FSI (the acquisition of interests in Metroweb and Kedrion) and the Fintecna Group (the consolidation of the equity investments held by this group).

Reinsurers' share of technical provisions include reinsurers' commitments under reinsurance agreements with the SACE Group. At 31 December 2012, the balance was €106 million.

Assets held for trading and hedging derivatives amounted to €1.8 billion, increasing by 19% over the figure at the end of 2011. The 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. Apart from the impact of the change in the scope of consolidation compared with the end of 2011 and the developments discussed in relation to the parent company, the rest of the change in this aggregate is essentially attributable to the Terna Group (up €183 million) related to the increase, owing to the decline in interest rates, in the fair value of the derivative instruments used to hedge the interest rate risk on bond issues.

Property, plant and equipment and intangible assets totalled nearly €13 billion, up 12% over the end of 2011, pertaining almost entirely to non-financial operations. The Terna Group reports a figure of €9.8

billion (€9.1 billion at the end of 2011), of which nearly all (over €9.3 billion) relates to property, plant and equipment, with an additional €470 million in respect of intangible assets. The increase compared with the end of 2011 is attributable to ordinary changes during the period in respect of capital expenditure, disposals, and depreciation and amortisation. More specifically, the total capital expenditure by the Terna Group in 2012 amounted to about €1.2 billion (almost entirely relating to property, plant and equipment), while depreciation and amortisation, disposals and other negative changes came to more than €400 million. The change in the balance for the Group also includes about €800 million in respect of the contribution of the Fintecna Group (mainly industrial buildings, plant and goodwill for the Fincantieri Group) and, to a lesser extent, of SACE.

Accrued income, prepaid expenses and other non-interest-bearing assets increased by more than 24% compared with the end of 2011, going from €7,365 million to €9,147 million, almost entirely attributable to the parent company. Readers are invited to consult the discussion of the item with regard to the parent company for more information.

Finally, other assets amounted to about €5.1 billion, which is nearly double the figure for the end of 2011, mainly due to the expansion in the scope of consolidation. For the Terna Group, the aggregate, which includes tax assets and trade receivables, amounted to €2.0 billion. The increase over the end of 2011 of some €240 million is mainly attributable to the receivable related to the fees paid to Terna for the use of the NTG by electricity distributors. For the Fintecna Group, the aggregate includes construction contracts, inventories, advances and tax assets totaling €1.9 billion. The balance attributable to SACE, in the amount of €340 million, also includes tax assets and trade receivables.

## Reclassified consolidated balance sheet

(millions of euros)

Liabilities and equity	31/12/2012					31/12/2011		% change
	CDP Group	Parent company	of which financial operations (excl. parent company)	of which non-financial operations	Eliminations/adjustments	CDP Group		
Funding	289,738	282,335	216	9,776	(2,589)	259,391	11.7%	
- of which: postal funding	233,631	233,631	-	-	-	218,408	7.0%	
- of which: funding from banks	34,633	32,242	140	2,251	-	20,674	67.5%	
- of which: funding from customers	9,396	10,055	76	1,736	(2,471)	8,456	11.1%	
- of which: funding from bonds	12,078	6,407	-	5,789	(118)	11,852	1.9%	
Liabilities held for trading and hedging derivatives	3,295	3,109	12	174	-	3,271	0.7%	
Accrued expenses, deferred income and other non-interest-bearing liabilities	1,731	695	-	1,040	(4)	1,357	27.6%	
Other liabilities	5,967	1,528	129	3,915	396	2,825	111.2%	
Insurance provisions	2,570	-	2,590	-	(20)	-	n/s	
Provisions for contingencies, taxes and staff severance pay	4,194	928	359	2,132	774	1,950	115.1%	
Equity	21,057	16,835	7,540	9,797	(13,115)	18,349	14.8%	
- of which pertaining to shareholders of the parent company	18,183					15,525	17.1%	
<b>Total liabilities and equity</b>	<b>328,551</b>	<b>305,431</b>	<b>10,845</b>	<b>26,833</b>	<b>-14,558</b>	<b>287,143</b>	<b>14.4%</b>	

Total funding at 31 December 2012 came to €290 billion, up 12% over the end of 2011.

Within this aggregate, postal funding, attributable to the parent company, continued to grow. For a more complete analysis see the discussion above.

The aggregate also includes funding from banks, which rose from about €21 billion in 2011 to more than €35 billion at 31 December 2012, with the increase essentially being attributable to the parent company. Regarding the other companies of the Group, the balance for the Fintecna Group (of €316 million) includes €205 million related to the Fincantieri Group, with the remainder being attributable to Fintecna Immobiliare. The decrease posted for the period by the Terna Group (of about €60 million) was due to the repayment of EIB financing. Finally, as concerns SIMEST, funding from banks refers to the use of credit lines granted mainly by banks that are shareholders in the company.

Funding from customers increased by 11% compared with the end of 2011 to about €9.4 billion. In addition to the amount attributable to the parent company, this aggregate includes the CDP RETI debt

payable to ENI for the acquisition of SNAM (in the amount of about €880 million) and financing granted by the parent company to CDP GAS (in the amount of €225 million) and Terna (€500 million). Deposits with the parent company and financing granted by the parent company to other companies of the Group are eliminated in consolidation.

Funding from bonds increased by about €220 million (2%) compared with the end of 2011. The trend in the balance for the Terna Group ran counter to the decline registered by the parent company discussed earlier, with long-term debt for the Terna Group increasing by €2 billion, net of related expenses and issue discounts, as a result of two new bond issues maturing in 2017 and 2018.

The item "Liabilities held for trading and hedging derivatives" reports the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. There were no significant changes in the balance of this aggregate at the consolidated level compared with the end of 2011.

Accrued expenses, deferred income and other non-interest-bearing liabilities increased by 28% compared with the end of 2011, going from €1,357 million to €1,731 million. The parent company contributed €695 million to this figure, a decrease compared with the amount at the end of 2011. By contrast, the Terna Group's contribution rose by about €420 million, mainly due to the rise in the valuation of hedged funding and, to a lesser extent, higher accrued interest on bonds.

The balance of other liabilities came to about €6.0 billion (more than double the figure for 2011), €2.4 billion of which attributable to the Terna Group, €1.5 billion to the Fintecna Group and the remainder to financial operations. The balance also reflects the provisional allocation of the difference between the purchase price of the equity investments and the value of the equity of the companies that joined the scope of fully consolidated companies in 2012, in the amount of about €380 million. The increase in the balance, which also includes the trade payables of the various groups, came to about €1.6 billion in relation to non-financial operations due essentially to the change in the scope of consolidation for the period.

The balance of about €2.6 billion for insurance provisions includes the provisions set aside, on the basis of reasonable forecasts, against the commitments undertaken as part of the Group's insurance business. At 31 December 2012, the balance was entirely attributable to the SACE Group.

Provisions for contingencies, taxes and staff severance pay, in the amount of €4,194 million, more than doubled compared with the end of 2011, with the increases attributable to the parent company, the Fintecna Group and the SACE Group more than offsetting the decrease posted by the Terna Group. More specifically, and apart from the change attributable to the parent company, the most significant part of the increase was related to the recent consolidation of the Fintecna Group, the provisions of which totalled about €1.6 billion, which includes amounts allocated against probable charges and losses mainly

at the Fintecna level, given the company's business of managing liquidation and litigation proceedings. In particular, these provisions regard contingencies for disputes, the reclamation and conservation of real estate, real estate risks, and contractual commitments. The balance attributable to the SACE Group is essentially related to tax liabilities.

Equity at 31 December 2012 amounted to about €21.1 billion, up on the €18.3 billion posted at the end of 2011. This was attributable to the net income generated by the various Group companies, offset by dividends paid to shareholders out of income for 2011. Around €18.2 billion of total equity is pertaining to the shareholders of the parent company (an increase of 17% on 2011) and about €2.9 billion to non-controlling interests (in line with the previous year).

## Equity

*(millions of euros)*

	31/12/2012	31/12/2011
Equity attributable to the shareholders of the parent company	18,183	15,525
Non-controlling interests	2,874	2,824
<b>Total equity</b>	<b>21,057</b>	<b>18,349</b>

### 4.2.2. Reclassified consolidated income statement

The following table presents the situation of the CDP Group, with specific reporting of the contributions of financial operations (CDP, CDPI SGR and FSI) and non-financial operations (Terna Group, CDP GAS and CDP RETI). For the sake of clarity, consolidation eliminations and adjustments have been allocated either to the parent company or to the respective scope of operations of the consolidated companies.

## Reclassified income statement

(millions of euros)

	31/12/2012				31/12/2011	% change
	CDP Group	parent company	of which financial operations (excl. parent company)	of which non-financial operations	CDP Group	
<b>Net interest income</b>	<b>3,449</b>	<b>3,531</b>	<b>0.2</b>	<b>(82)</b>	<b>2,214</b>	<b>55.8%</b>
Dividends	0.4	0.4	-	-	3	-86.0%
Net commission income	(1,603)	(1,612)	10	(1)	(1,483)	8.1%
Other net revenues	165	171	(0.01)	(5)	(69)	n/s
<b>Gross income</b>	<b>2,011</b>	<b>2,090</b>	<b>10</b>	<b>(89)</b>	<b>665</b>	<b>202.5%</b>
Net writedowns	(23)	(23)	-	-	(10)	124.6%
Overheads	(997)	(111)	(13)	(873)	(937)	6.4%
- of which: administrative expenses	(523)	(103)	(13)	(408)	(488)	7.3%
Other operating income (costs)	1,798	2	0.02	1,796	1,633	10.1%
<b>Operating income</b>	<b>3,263</b>	<b>1,966</b>	<b>(2)</b>	<b>1,300</b>	<b>1,799</b>	<b>81.3%</b>
Profit on equity investments	1,628	1,476	-	152	1,711	-4.9%
<b>Net income</b>	<b>3,232</b>	<b>2,641</b>	<b>(0.4)</b>	<b>591</b>	<b>2,345</b>	<b>37.8%</b>
Net income (loss) for the year pertaining to non-controlling interests	308				177	73.6%
<b>Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,924</b>				<b>2,167</b>	<b>34.9%</b>

The net income of the CDP Group rose significantly, mainly due to developments in net interest income of the parent company.

As noted elsewhere, the major changes in the scope of consolidation have had no material impact on performance given the timing and structure of the acquisitions carried out at the end of 2012.

Group net income for 2012 amounted to €3,232 million (€2,924 million of which pertaining to the shareholders of the parent company), an increase of 38% over 2011.

More specifically, net interest income came to €3,449 million, an increase of 56% over 2011. This performance is mainly attributable to the increase in the spread between lending and funding registered by the parent company, whereas there was a negligible impact from non-financial operations, including the reduction in net financial expense posted by the Terna Group (down €26 million), the increase in interest income for CDP GAS related to the shareholder loan to TAG (up €6 million) and the interest expense of CDP RETI on the deferral of the payment to ENI (in the amount of €6 million, which was not present in 2011 given the change in the scope of consolidation).

The balance for dividends was essentially nil because, with the exception of income from investment funds and other investment vehicles (about €400 thousand), it reports the contribution of ENI, Terna

and CDPI SGR (to the parent company in the total amount of €1,206 million), TAG (to CDP GAS in the amount of €103 million) and SNAM (to CDP RETI in the amount of €101 million), all of which is eliminated in consolidation.

Net commission expense amounted to €1,603 million (up 8% compared with 2011), essentially borne by the parent company. The balance also includes the management fee income reported by CDPI SGR, which amounted to about €10 million in the period, for its operation of the FIA, an increase of 25% on fees received in 2011.

These factors were accompanied by the positive effects of the contribution of other net revenues, mainly related to the improvement in the performance of trading and hedging activities by the parent company (in the amount of about €170 million).

Overhead costs include staff costs and other administrative expenses, as well as value adjustments of property, plant and equipment and intangible assets. The aggregate increased slightly (6%) over 2011 to €997 million, of which €124 million pertaining to financial operations and €873 million to non-financial operations. In particular, the change attributable to the Terna Group (up €33 million) was due to the increase in depreciation of property, plant and equipment as new plant was put into operation. At the same time, administrative expenses remained essentially stable, given that staff costs declined while operating costs increased (due largely to the increase in costs for general services and to the new municipal property tax). Regarding financial operations, the increase in overhead costs was mainly due to developments in the expenditure of the parent company and, to a lesser extent, to the increase in costs incurred by FSI as a result of beginning full operations in 2012.

Other operating income and costs showed €1,798 million in net other operating income, an increase of 10% compared with 2011. For the Terna Group, the figure is composed of operating income representing revenues from the core businesses of Terna and its subsidiaries. There was an increase of €166 million in 2012 compared with 2011, mainly due to the effects of Resolution 199/11 of the Authority for Electricity and Gas, which established the remuneration for transmission services for the 2012-2015 regulatory period.

Profit on equity investments, which amounted to about €1.6 billion, down 5% on 2011, comprises income from equity investments accounted for using the equity method, as well as the impact at the consolidated level of the disposal of ENI shares discussed elsewhere. The decline compared with 2011 is attributable to the decrease in ENI net income pertaining to the group, partly offset by the entry into the scope of consolidation of SNAM and TAG, the latter of which was only consolidated at the balance-sheet level in 2011.

Considering other residual items and income tax, net income for the period amounted to €3,232 million, a substantial increase compared with the same figure for 2011 (38%).

In particular, the contribution of financial operations came to €2,640 million (up €557 million over 2011), which is almost entirely attributable to the parent company, whereas non-financial operations posted net income of €591 million, an increase of around €330 million compared with 2011 due mainly to the contribution of Terna (up €184 million compared with 2011), the consolidation of TAG at equity by CDP GAS (for a total of €64 million), and the consolidation of SNAM at equity by CDP RETI (in the amount of €80 million).

The performance of the CDP Group can be analysed on the basis of the contribution of the main business areas of the parent company and the consolidated companies to operating income. More specifically:

### Reclassified income statement

(thousands of euros)

	Operating income 2012	Operating income 2011	% change
<b>Financial operations</b>	<b>1,963,453</b>	<b>707,435</b>	<b>177.5%</b>
- of which Finance area of the parent company	2,248,789	888,500	153.1%
- of which Public Entities area of the parent company	351,900	353,449	-0.4%
- of which other areas of the parent company	(634,900)	(537,007)	18.2%
- of which financial operations excluding the parent company	(2,336)	2,493	n/s
<b>Non-financial operations</b>	<b>1,299,620</b>	<b>1,091,948</b>	<b>19.0%</b>
<b>Total CDP Group</b>	<b>3,263,073</b>	<b>1,799,383</b>	<b>81.3%</b>

In 2012, the Finance area of the parent company made a major contribution to operating income, thanks to the positive trend in the return on loans, even taking account of the rise in interest paid to investors. In line with 2011, another major contribution came from the Public Entities area, which accounts for 11% of overall operating income. The aggregate "Other areas of the parent company" groups the Financing area, the Public Interest Lending area, the Facilitated Credit and Economic Support area and equity investments, as well as the costs attributable to the other functions and costs and revenues not otherwise allocable. That aggregate shows a loss, attributable to the presentation at the consolidated level of the income from the interest in ENI reported under "Profit on equity investments" below operating income in the income statement. The contribution of non-financial operations (the Terna Group, CDP GAS and CDP RETI) rose by about 19%, contributing about 40% to the Group's overall performance.

The reclassified consolidated income statement is shown below, not including the impact of the non-recurring item related to the sale of the ENI shares on the market.



## Reclassified income statement - pro forma excluding non-recurring items

(millions of euros)

	31/12/2012				31/12/2011	% change
	CDP Group	parent company	of which financial operations (excl. parent company)	of which non-financial operations	CDP Group	
<b>Net interest income</b>	<b>3,449</b>	<b>3,531</b>	<b>0.2</b>	<b>(82)</b>	<b>2,214</b>	<b>55.8%</b>
Dividends	0.4	0.4	-	-	3	-86.0%
Net commission income	(1,603)	(1,612)	10	(1)	(1,483)	8.1%
Other net revenues	(200)	(195)	(0.01)	(5)	(69)	190.3%
<b>Gross income</b>	<b>1,646</b>	<b>1,725</b>	<b>10</b>	<b>(89)</b>	<b>665</b>	<b>147.6%</b>
Net writedowns	(23)	(23)	-	-	(10)	124.6%
Overheads	(997)	(111)	(13)	(873)	(937)	6.4%
- of which: administrative expenses	(523)	(103)	(13)	(408)	(488)	7.3%
Other operating income (costs)	1,831	35	0.02	1,796	1,633	12.2%
<b>Operating income</b>	<b>2,931</b>	<b>1,634</b>	<b>(2)</b>	<b>1,300</b>	<b>1,799</b>	<b>62.9%</b>
Profit on equity investments	1,565	1,413	-	152	1,711	-8.5%
<b>Net income</b>	<b>2,804</b>	<b>2,213</b>	<b>(0.4)</b>	<b>591</b>	<b>2,232</b>	<b>25.6%</b>
Net income (loss) for the year pertaining to non-controlling interests	308				98	213.2%
<b>Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,496</b>				<b>2,134</b>	<b>17.0%</b>

### 4.2.3. Reconciliation of equity and net income of the parent company and consolidated equity and net income

The following table reconciles the equity and net income of the parent company with the corresponding consolidated figures, expressed in both detailed form and aggregate form for major companies.

## Reconciliation of equity and net income of the parent company and consolidated equity and net income

(thousands of euros)

2012 financial year	Net income	Capital and reserves	Total
<b>PARENT COMPANY FINANCIAL STATEMENTS</b>	<b>2,852,617</b>	<b>13,982,668</b>	<b>16,835,285</b>
Balance from financial statements of fully consolidated companies	686,659	16,650,185	17,336,844
Consolidation adjustments:	(615,359)	(15,373,735)	(15,989,094)
- carrying amount of fully consolidated equity investments		(15,083,826)	(15,083,826)
- provisional allocation		(451,986)	(451,986)
- goodwill		295,669	295,669
- reclassifications	(2,418)	2,418	-
- revaluation of property, plant and equipment and intangibles		2,340,100	2,340,100
- elimination of revaluation of divested intangible assets		(62,298)	(62,298)
- depreciation/amortisation of revaluation of non-current assets	(45,100)	(324,478)	(369,578)
- dividends from fully consolidated companies	(120,140)	120,140	-
- valuation of equity investments accounted for with equity method	(156,684)	1,148,124	991,440
- elimination of intercompany transactions	16	(212)	(196)
- deferred tax assets and liabilities	16,863	(791,320)	(774,457)
- non-controlling interests	(307,896)	(2,566,066)	(2,873,962)
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>2,923,917</b>	<b>15,259,118</b>	<b>18,183,035</b>

(thousands of euros)

	Net income	Capital and reserves	Total
<b>PARENT COMPANY FINANCIAL STATEMENTS</b>	<b>2,852,617</b>	<b>13,982,668</b>	<b>16,835,285</b>
ENI consolidation	(96,930)	1,148,078	1,051,148
TERNA consolidation	19,623	138,429	158,052
Other	148,607	(10,057)	138,550
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>2,923,917</b>	<b>15,259,118</b>	<b>18,183,035</b>

## RECONCILIATION OF OPERATIONAL AND FINANCIAL STATEMENT FIGURES

The following schedule reconciles the consolidated financial statements and the aggregates as reclassified on an operational basis.

These reclassifications mainly concerned: the allocation, to specific and distinct items, of interest-bearing amounts and non-interest-bearing amounts; the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

## Consolidated balance sheet - Assets

(mlions of euros)

	2012	ASSETS - Reclassified schedules								
		Cash and cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Reinsurers' share of technical provisions	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Income, prepaid expenses and other non-interest bearing assets	Other assets
<b>ASSETS</b>										
10. Cash and cash equivalents	0.4	0.4								
20. Financial assets held for trading	4,656	662		3,324		670				
40. Financial assets available for sale	5,288		1	4,928	364				(5)	
50. Financial assets held to maturity	19,215			18,663					552	
60. Loans to banks	18,503	8,793	8,767	860					80	3
70. Loans to customers	240,752	135,204	94,015	2,956	156				8,422	
80. Hedging derivatives	1,191						1,129		62	
100. Equity investments	20,770			20,770						
110. Reinsurers' share of technical provisions	106					106				
120. Property, plant and equipment	12,157							12,157		
130. Intangible assets	824							824		
140. Tax assets	1,020									1,020
160. Other assets	4,068								35	4,033
<b>Total assets</b>	<b>328,551</b>	<b>144,659</b>	<b>102,783</b>	<b>30,730</b>	<b>21,290</b>	<b>106</b>	<b>1,799</b>	<b>12,981</b>	<b>9,147</b>	<b>5,056</b>

**Consolidated balance sheet - Liabilities and equity**

(millions of euros)

	2012	<b>LIABILITIES AND EQUITY - Reclassified schedules</b>						
		Funding	Liabilities held for trading and hedging derivatives	Accrued, expenses deferred income and other non-interest bearing liabilities	Other liabilities	Technical provisions	Provisions, taxes and staff severance pay	Equity
<b>LIABILITIES AND EQUITY</b>								
10. Due to banks	36,450		36,116		334			
20. Due to customers	241,673		241,543	28	101			
30. Securities issued	13,218		12,078		1,140			
40. Financial liabilities held for trading	523			523				
60. Hedging derivatives	2,700			2,688	12			
70. Adjustment of financial liabilities hedged generically	56			56				
80. Tax liabilities	2,323							2,323
100. Other liabilities	6,111				144	5,967		
110. Staff severance pay	153							153
120. Provisions	1,717							1,717
130. Technical provisions	2,570					2,570		
140. Valuation reserves	313							313
170. Reserves	11,440							11,440
180. Share premium reserve	6							6
190. Share capital	3,500							3,500
210. Non-controlling interests (+/-)	2,874							2,874
220. Net income (loss) for the period	2,924							2,924
<b>Total liabilities and equity</b>	<b>328,551</b>	<b>289,738</b>	<b>3,295</b>	<b>1,731</b>	<b>5,967</b>	<b>2,570</b>	<b>4,194</b>	<b>21,057</b>

## 5. Risk monitoring

### 5.1 MONITORING THE RISKS OF THE PARENT COMPANY

Risk monitoring activities are the responsibility of the head of Risk Management and Anti-Money Laundering (RMA), who reports directly to the Chief Executive Officer. Four units report to the head of the RMA:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational Risks;
4. Anti-Money Laundering.

The RMA staff possesses the necessary qualifications for managing real estate risk, risk pertaining to equity investments and relationships with rating agencies.

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 CDP's overall risk policy and management and operational assessment of especially large risks.

Risk management and anti-money laundering duties are among the functions for which CDP performs management and coordination activities within the Group.

From the point of view of the overall risk environment, 2012 was characterised by major factors exogenous to the operations of CDP, essentially associated with developments in the sovereign debt crisis in the euro area. Italian Republic debt was downgraded by each of the three main rating agencies in the first half of the year, and one of the rating agencies downgraded the debt again in July. Between May and July, the crisis reached an acute stage and the credit spreads on Italian government securities were close to the peaks reached at the end of 2011, while the banking systems of various euro-area countries experienced unprecedented strains. Starting in August, a return to more normal conditions began to emerge, although elements of considerable uncertainty remain. The impact of these exogenous factors affected all of the risk categories to which CDP is exposed.

#### 5.1.1. Credit risk

Credit risk arises primarily in relation to lending activities – both under the Separate Account and the Ordinary Account – and on a secondary level in derivatives operations for hedging purposes and securities

financing (see the next section on counterparty risk). The Separate Account, which has traditionally been exposed to the state and to local authorities, has seen exposures to the main banking groups operating in Italy rise steadily (in respect of SME support programmes and for the reconstruction of Abruzzo). Exposures under the Separate Account to private-sector borrowers involved in public interest projects promoted by public entities are still relatively limited. The Ordinary Account grants corporate and project financing for initiatives involving the delivery of public services.

The principles followed by CDP in its lending activities are set out in the Lending Rules, approved by the Board of Directors, 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. The RMA focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. The RMA also monitors overall developments in the risk level of the loan portfolio with a view to identifying any necessary risk mitigation actions and quantifying economic capital requirements.

In compliance with the Risk Management Rules, in 2012 CDP adopted a "Rating and Recovery Rate Policy". The purpose of the policy is to explicate the methodologies adopted by CDP in assigning internal ratings to counterparties and developing internal estimates of the recovery rate for individual loan transactions. In particular, the policy seeks to maximise the replicability and uniformity of internal ratings and recovery rates. The RMA, acting in close coordination with the Credit department, also initiated the review, testing and validation of the internal scoring and rating models used by CDP, using the parametric rating model for local governments as a foundation. During the period, CDP undertook the development of a new version of the model, which is used to classify local governments in uniform risk categories, identifying cases in which a more extensive assessment of the borrower's creditworthiness is necessary. It is expected to be rolled out in early 2013.

In 2012, CDP constantly monitored credit risk, especially in view of the deterioration of the financial crisis. More specifically, the proprietary portfolio model, which CDP has been using since 2007, was recalibrated so as to supplement metrics based on long-term average default probabilities ("through-the-cycle") with metrics that reflect a correction for adverse economic conditions. In the first half of the year, the terms applied to new loans reflected the general increase in the marginal cost of funding; thereafter, the compression of spreads on government securities facilitated a return to a better balance between the funding spread and the margins that CDP must apply to cover expected and unexpected losses on loans. Under the Separate Account, activities to support the economy continued, using the banking system to channel postal savings funds to stimulate and sustain medium-term lending to SMEs. CDP's exposure to Italian banks therefore increased and, at the end of 2012, CDP's ten largest exposures include two major Italian banking groups. In 2012, in order to mitigate credit risk in lending through the banks, a mechanism for assigning the banks' receivables in respect of SMEs as security to CDP was introduced.

In the first half of the year, the RMA executed and submitted stress tests of the loan portfolio to the Risk Committee. The tests considered various scenarios involving generalised downgrades of counterparties, increases in the probability of default, declines in recovery rates and increases in correlation parameters.

In 2012, CDP's risk policies were supplemented with the introduction of a global concentration limit designed to reflect CDP's specific characteristics and based on the ratio between CDP's exposure to a counterparty (or a group of related counterparties) and its capital resources.

### **5.1.2. Counterparty risk**

During 2012, the minimum criteria for transactions in derivatives were lowered to take account of the increased severity of the ratings assigned by rating agencies to CDP's bank counterparties. Nevertheless, very high standards for public ratings were maintained.

In line with past practice, in order to mitigate counterparty risk in derivatives transactions, new transactions are only permitted with counterparties with whom a master netting agreement is in place (compliant with the ISDA 2002 standard) supported by Credit Support Annexes ("CSA"), which provide for the exchange of collateral. With regard to existing transactions, only one contract, nearing maturity and of marginal importance, is not supported by a CSA.

During the year, the frequency of calculation and settlement for some existing CSA was increased, thereby enhancing their effectiveness in containing the exposure.

In view of the volume of securities financing activities, the sections of the Risk Policy that govern the credit exposures that CDP may assume in this area were revised. In the first part of 2012, the RMA brought its monitoring into line with the new policy. With regard to mitigating the risk associated with such activities, three Global Master Repurchase Agreements (ISMA 2000 version) were in effect at the end of 2012. They are netting agreements that provide for the exchange of collateral. In December, CDP also joined the Cassa di Compensazione e Garanzia, a central counterparty that makes it possible to enter into repurchase transactions backed by sound counterparty risk protection mechanisms.

### **5.1.3. Interest rate and inflation 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. The issue of postal savings bonds indexed to consumer prices (index for blue collar and office worker households) is the prime source of CDP's exposure to inflation risk, which is measured and managed in the same manner as interest rate risk.

In 2012, the contract was awarded in the European-level call for tenders for the acquisition of an Asset & Liability Management (ALM). The implementation and parameterization process reached an advanced stage during the year. The new system will support CDP in managing interest rate and inflation risk, which will supplement the proprietary system in use since 2005. The latter will remain in service at least until the transition phase is complete.

CDP continued its initiative under way since 2009 to limit its net positive exposure to an increase in interest rates<sup>22</sup>, which rose from +€11.7 million at the end of 2010 to +€16.5 million at the end of 2011. The exposure, which tends to increase as the IRS rates decrease, amounted to +€18 million at the end of 2012. As in 2011, corrective action regarded the derivatives portfolio only marginally, through the early termination of a number of outstanding IRSs, and was mainly implemented with the purchase of Italian government securities, primarily in the first half of the year, and therefore at higher yields.

Exposure to inflation<sup>23</sup> went from -€3.7 million at the end of 2011 to -€3.0 million at the end of 2012, a contraction attributable in part to purchases of inflation-indexed Italian government securities.

The exposure to parallel movements in interest rates and inflation is also monitored in terms of the impact on CDP's economic value of parallel movements in the forward curves of these two risk factors. These effects<sup>24</sup> as at the end of 2012 are reported in the following table:

(billions of euros)

Change	Effect of interest rate change	Effect of inflation rate change
+100 basis points	1.4	(0.30)
-100 basis points	(2.30)	0.30

The interest rate and inflation rate VaR<sup>25</sup> (entirely associated with the banking book exposure) decreased from €683 million at the end of 2011 to €415 million at the end of 2012. This reduction, which occurred despite the slight uptick in sensitivity metrics during the year, reflects the decline in rate volatility in the second half of the year, corresponding to a period of lower risk aversion and a shift towards more normal conditions. The sovereign debt crisis represented the most severe test of the robustness of the statistical model, which had already weathered the storm triggered by the Lehman collapse. The performance of the model in backtesting was still compatible with the confidence interval adopted (99%).

22 Defined as the exposure of the present value of rate-sensitive balance-sheet items to an increase of 1 basis point in zero-coupon rates across all maturities.

23 Defined as the exposure of the present value of inflation-sensitive balance-sheet items to an increase of 1 basis point in the inflation curve across all maturities.

24 These exposure metrics are subject to limits approved by the Board of Directors.

25 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. The Value at Risk over a confidence interval of 99% represents an estimate of the level of loss that is exceeded in only 1% of cases.



#### 5.1.4. 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 and is subject to reserve requirements. The new Asset & Liability Management system will also strengthen the instruments available to CPD to manage liquidity risk.

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 liquidity buffer on the treasury current account.

In 2012, postal funding remained sound despite the difficult macroeconomic environment. In particular, there was a reversal in the downward trend in the stock of funds held in passbook savings accounts registered in 2011. Despite the challenging economic situation, CDP's net funding was positive in both 2011 and 2012. The buffer on the treasury current account remained well above the required limits set out in the Risk Policy at the end of the period, and in fact increased compared with the end of 2011. In addition to this buffer, CDP has ample volumes of assets that can be used for refinancing on the market (through repurchase agreements) and/or through refinancing operations with the European Central Bank.

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 issues carried out in 2012 increased the ratio between medium/long-term liabilities and medium/long-term assets and, together with the change in the maturity of payment flows on loans, produced a degree of maturity transformation significantly below the permitted maximum. In addition to monitoring these thresholds, CDP uses the following in managing liquidity risk pertaining to the Ordinary Account:

- liquidity gap analyses in order to identify short-, medium- and long-term imbalances;
- stress tests on the basis of scenarios established by the RMA;
- a Contingency Funding Plan that establishes the indicators for identifying alert or crisis situations and specifies the roles of the various organizational units and the measures to be taken in such situations.

For both the Separate Account and Ordinary Account, CDP took part in the extraordinary long-term refinancing operation conducted by the European Central Bank on 29 February 2012 (LTROs), using part of its eligible assets to secure the funding offered by the Eurosystem.

#### 5.1.5. Operational risks

In 2012, the methodological framework for loss data collection was completed.

In addition, work began on assessing the exposure to operational risks to allow the constant monitoring of the company's risk profile. The operational risk work plan envisaged a pilot project involving the analysis of the primary processes of CDP's core business, which has recently undergone significant process and system innovations. The results of the assessment will be used in operations to prevent and mitigate operational risks.

#### **5.1.6. Money laundering and terrorist financing risk**

In 2012, the revision of internal procedures to bring them into compliance with regulatory developments was conducted, with the implementation of a series of self-regulatory measures designed to create a system for managing this risk based, among other elements, on the attribution of duties and responsibilities, line and second-level controls and the traceability of documentation and decisions.

The Anti-Money Laundering Service, established in compliance with the measure of the Bank of Italy of 10 March 2011, carried out a variety of controls to ensure compliance with internal and external anti-money-laundering rules, specifically regarding: (i) customer due diligence, (ii) recording of information in a single computerized archive, and (iii) reporting suspicious transactions.

During the year, training was provided to staff members who are directly involved in ensuring compliance with anti-money-laundering rules, with an emphasis on specially preparing employees and associates who have more direct contact with customers.

#### **5.1.7. Risks connected with equity investments**

CDP possesses a sizable portfolio of equity investments (listed and unlisted) and investment funds, held solely for stable 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, also providing for specific stress tests, with a specific focus on the larger investments in listed companies.

In 2012, the composition of CDP's portfolio of equity investments underwent important changes, as discussed previously.

With respect to the acquisitions of Fintecna, SACE and SIMEST, the call option was exercised after due diligence activities, which also regarded the main risk profiles of these companies.

#### **5.1.8. Other material risks**

Although CDP does not engage in the trading of financial instruments, it is exposed to a number of market risks, in addition to interest rate and inflation risks relating to the banking book and to equity risk related to its equity investment portfolio.

For funding transactions exposed to equity risk, such as postal savings bonds indexed to the Euro Stoxx 50, CDP purchases offsetting equity options for hedging purposes and monitors discrepancies between the notionals of options written and purchased produced by unexpected developments in redemptions. CDP has always incorporated a margin of prudence in its operational hedging, purchasing option with smaller notionals than the nominal amount issued, but slightly higher than the statistical forecasts of the nominal amount expected at maturity. In this manner, any lower-than-expected redemptions would not expose CDP to the risk of paying a premium for which no corresponding hedge had been established. In 2012, redemptions of bonds indexed to the Euro Stoxx 50 were substantial, with an immediate positive impact of CDP performance (item 80 of the income statement), as investors who redeem the bonds forgo the option on the index, eliminating a liability for CDP. Against this positive effect, CDP remains partly exposed to the effect of future decreases in the value of the index, as the hedge position is greater than the options still held by investors. Certain activities of CDP can also generate exchange rate risk, mainly issues of bonds (EMTN and covered bonds) denominated in foreign currencies, the granting of loans denominated in foreign currencies and the purchase of bonds denominated in foreign currencies. In general, CDP undertakes activities potentially exposed to changes in exchange rates only if covered by appropriate exchange rate hedges. In the case of bonds issued or purchased in foreign currencies, the risk is hedged using cross currency swaps, which transform CDP's cash flows into those equivalent to an issue in euros.

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 the RMA is a member of the Eligibility Committee.

## **5.2. MONITORING RISK IN THE COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION**

### **5.2.1. Managing risk in CDPI SGR**

The financial risks to which the CDPI SGR is exposed are those associated with the investment of liquidity and with the management of the funds it has established.

Liquidity risk is managed through careful planning of cash flows (the cash flow forecast) by the Administration, Planning and Control unit, with the forecast then being transmitted to Risk Management.

Investment decisions are always taken in line with the cash flow forecast, which is the basis of the accounting classification of the government securities as "held to maturity". Holding those investments to maturity means that no impairment losses due to adverse interest rate movements will be realized. The risk associated with investments of liquidity is therefore limited.

Risk Management verifies that each investment of liquidity in financial instruments is in compliance with the qualitative and quantitative limits established by the board of directors.

In view of the draw-down nature of the FIA and FIV Plus, CDPI SGR is exposed to credit risk in respect of the subscribers. In this regard, it should be noted that more than half of the resources of the FIA and all of the resources of FIV Plus have currently been subscribed by CDP. In addition, with respect to the FIA, its investors include the Ministry of Infrastructure and Transportation. As the fund is reserved exclusively to qualified investors, the remaining subscribers are institutions, such as banks, insurance companies and pension funds, of proven standing. Credit risk in respect of subscribers is in any case mitigated with specific contractual provisions in the rules for each fund that safeguard the company and the funds in the event of default (for example, through the use of penalties levied on the subscribers for failure to make payments).

In general, market risks are managed using the risk technology of the parent company, CDP, to which the Risk Management function has been outsourced.

As regards operational risks, CDPI SGR has adopted as its benchmark the guidelines set out by the Basel Committee for the banking industry, which were reiterated by the Bank of Italy in circular no. 263 of 27 December 2006.

The methodological approach adopted to evaluate the potential impact of operational risks on internal procedures is based on the A.P.R.O. model developed by the Technical Committee for Research and Analysis of the Italian Banking Association (ABI). The approach is qualitative in nature and its main objective is to identify the potentially prejudicial events to which CDPI SGR is exposed through an analysis of the risks associated both with internal company procedures and exogenous factors. The evaluation involves the use of self-assessment techniques.

### **5.2.2. Managing risk in FSI**

FSI, in close coordination with the parent company, has drafted its own Risk Rules, which consist of two documents: *Risk Principles* and *Risk Principles Implementation Manual*.

The first of these was approved by the board of directors at its meeting of 19 March 2012. It sets out the basic operating principles and associated guidelines for identifying, measuring, monitoring and controlling the various types of risk to which the company could be exposed in performing its activities.

In order to lend substance to these principles, the second document sets out: (i) the procedures for measuring risk with reference to a collective dimension, enabling assessment of extent to which the risk is

typical to the company, characterising it in relative and absolute terms; (ii) the procedures for managing and assessing embedded derivatives; and (iii) the organisational arrangements that govern interactions with the parent company with regard to risk management. The implementation manual was approved by the board of directors on 25 June 2012.

With regard to the three operations approved in 2012 regarding the Kedrion Group, Metroweb Italia and Hera, each underwent a risk analysis consistent with the *Risk Principles Implementation Manual*. The transactions all qualified as ordinary exposures, without position size restrictions, albeit accompanied by management recommendations and precautions.

The company is not exposed to funding liquidity risk in the absence of any borrowing. Asset liquidity risk is also not material, as no disposals are planned in the short term. As regards other risks, we report:

- the agreement of a fixed-rate line of credit for €75 million made available to the Kedrion Group by FSI, which is currently undrawn by the company, with the possibility of early repayment. In the event of failure to repay, FSI has the option of converting the position at its discretion;
- the absence of exchange rate risk;
- that operational risks defined in the action plans aimed at eliminating or mitigating any issues, as indicated in the "Intervention Master Plan" developed while preparing to make changes to the compliance model pursuant to Legislative Decree 231/2001;
- the expansion of the analysis of reputational risk to comprise the ESG issues (environmental, social, governance) for all investment opportunities analyzed.

### **5.2.3. Managing risk in the Fintecna Group**

The following discusses the main risks to which the Fintecna Group is exposed, as well as the policies for their management. They are broken down into risks relating to the markets in which the subsidiaries and associated companies operate and financial risks.

## **MARKET RISK**

### **Risks associated with general economic conditions**

The performance and financial position of the Fintecna Group are influenced by macroeconomic conditions in Europe and North America (the main markets of the Fintecna Group and its main customers), such as GDP growth rates, consumer and business confidence, the credit system and the cost of raw materials.

The Fintecna Group has continued to cut internal costs and enhance efficiency, while at the same time making use of the operational flexibility mechanisms envisaged in contracts and Italian law. In the ship-

building sector in particular, it has launched a reorganisation plan that seeks to adjust the Fincantieri Group's production capacity to changing conditions in the market and evolving demand forecasts.

### **Market risk**

The Fintecna Group has operated for many years both in shipbuilding and in real estate, and has focused on providing products that make the most of its experience and know-how.

To defend its competitive position in the shipbuilding sector in particular, where it is most exposed to competitive pressures, Fintecna has sought to maintain high manufacturing standards, which has entailed investment in the continuous training of technical staff, with a view to retaining key management personnel. In addition, it selects its strategic suppliers with care, while seeking new ways to optimise costs and achieve the technical and financial flexibility it needs to remain commercially competitive and broaden its customer base.

The performance of the Fincantieri Group is also strongly influenced by the financial circumstances of its principal customers, good relations with which constitute one of the group's strengths.

### **Risks relating to property values**

Risks relating to property values are generated by fluctuations in the market value of certain properties, which are impacted by some of the difficulties of the sector. Recent external developments, which have been sharply impacted by the crisis of the real estate sector in recent years, have affected projects in the course of implementation, most notably partnerships with private-sector operators to leverage real estate holdings. The Fintecna Immobiliare Group finds itself dealing with a portfolio of property development projects during a lasting downturn in the market, which has deteriorated even further in recent months and shows no signs of recovery in the near future. In this environment, the main causes for concern regard the outcome of renegotiations of partnership debts falling due and the associated risk of private-sector partners withdrawing from the initiatives.

The Fintecna Group's policy seeks to minimise the impact of this risk by adapting its operational policies to leverage the real estate portfolio in the current more challenging market environment. Its options could even include the adoption of solutions other than those originally envisaged and precautionary budget measures.

### **Compliance risk**

The Fintecna Group is subject to the laws of the countries in which it operates. Any violation of these laws may result in civil, administrative and criminal penalties and the obligation to implement reorganisation measures. The associated costs and liabilities could have a negative impact on Fintecna Group's operations and its performance. The group's activities are subject to, among other things, laws on environmental protection and workplace health and safety.

The Fintecna Group encourages compliance with all the laws to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. In particular, the measures contained in Legislative Decree 81/2008 (the Consolidated Workplace Health and Safety Act) as amended have been implemented in full.

## FINANCIAL RISKS

### Exchange rate risk

Exposure to exchange rate risk is mostly associated with the Fincantieri Group's shipbuilding contracts denominated in foreign currencies and, to a small extent, the result of the sourcing of supplies priced in currencies other than the euro. The group policy is designed to minimise the impact of exchange rate fluctuations on performance. The management of exchange rate risk, for which the group makes use of forward foreign currency purchase and/or sale contracts or option structures, is conducted consistently with developments in foreign exchange markets and with regard to the expected time horizon for foreign currency flows. Whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but focuses on larger amounts only in payments. Fincantieri has also carried out forward foreign currency purchases to hedge its exposure to the exchange-rate risk arising from a payment in Singapore dollars for the acquisition of a majority stake in STX OSV Holdings Ltd.

### Interest rate risk

Interest rate risk arises essentially from: i) the medium- and long-term financial liabilities of a number of joint ventures in the real estate sector (which do not appear in the present consolidated financial statements because the companies are accounted for using the equity method) in respect of floating-rate mortgages and loans obtained for the purchase of properties or for their development; ii) a number of long-term loans taken out by the Fincantieri Group, on which interest rates are affected by developments in the money market.

The policy of these companies is to mitigate the possible impact of changes in key interest rates on performance. To this end, the group has entered into a number of derivative contracts (in some cases in compliance with the terms of the loan agreements with the lenders), whose notional amounts and maturities correspond to those of the hedged financial liabilities. These transactions are undertaken depending on developments in the financial markets and, therefore, with due regard to their cost-effectiveness.

### Liquidity risk

Liquidity risk refers to the group's ability to discharge its obligations in respect of financial liabilities. The financial resources of the Fintecna Group produce sufficient liquidity to manage these risks.

Fintecna's treasury policy for the year was oriented mainly towards consolidating the improved return on liquidity, which was essentially achieved by generating gains on a disinvestment/reinvestment in government securities.

The Fintecna Group also channelled part of its liquidity into short-term instruments with leading financial institutions at the best money market rates. To ensure flexibility in treasury operations, the Fintecna Group also has a number of credit lines that, at the balance-sheet date, were only minimally drawn, given the group's current capacity for self-financing.

### Other risks

The Fintecna Group (i.e. mainly the parent company, Fintecna, and other group subsidiaries that carry out liquidation activities through special purpose entities that are accounted for in the consolidated financial statements using the equity method) is also exposed to the risks arising from on-going litigation, which is mostly related to the many companies already in liquidation that have come under its control over the years. Taking into consideration the complexity and considerable uncertainty of these situations, the directors, acting to the best available information and a prudent assessment of the circumstances, periodically update the evaluations of the adequacy of the provisions recognised in the financial statements. The liquid assets of the Fintecna Group are considered adequate to meet prospective cash requirements arising from legal disputes, while the Group's medium-term investments are considered the ideal support for provisions.

### 5.2.4. Managing risk in the SACE Group

The company's risk management process complies with the reference regulations<sup>26</sup>. The rules followed by SACE in managing its risk are based upon three pillars:

- Pillar I: introduces a capital requirement for addressing the typical risks of insurance/finance activities (technical, counterparty, market and operational risks);
- Pillar II: requires Group companies to be equipped with a strategy and control process for capital adequacy;
- Pillar III: introduces reporting requirements regarding capital adequacy, exposure to risks and the general characteristics of related management and control systems.

The following are the most significant risks:

#### Technical risk

Technical risk is intended as underwriting risk and credit risk<sup>27</sup>. The former, relating to the portfolio of policies, refers to the risk of loss arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default and migration of a counterparty's creditworthiness. Both risks are managed by the adoption of prudent pricing and reserve policies defined using the best market practices, underwriting criteria, monitoring techniques and active portfolio management.

26 SACE Fct follows Bank of Italy circular no. 216 of 5 August 1996 – 7th update of 9 July 2007 "Supervisory instructions for financial intermediaries listed in the Special Register"; SACE BT and SACE follow ISVAP Rule no. 20 of 26 March 2008, the EU Solvency II Directive no. 2009/138 and SACE Group guidelines.

27 Underwriting risk pertains to SACE and SACE BT.



### **Market risk**

Market risk includes risks from markets operations involving financial instruments, currencies and goods, controlled through asset liability management and kept within preset limits by adopting asset allocation guidelines and quantitative risk measurement models (Market VaR).

### **Operational risk**

Operational risk refers to the risk of suffering losses from inadequacy or failure in procedures, human resources and internal systems, or from exogenous events. SACE and SACE BT regularly carry out qualitative evaluations of potential risk factors (risk self-assessment), tracking and logging effective operating losses through the loss data collection process. These data represent the input process for measuring and managing operating risks in line with the principles drawn from the reference standards. For the purpose of more accurate overall risk management, SACE Fct will soon be implementing loss data collection and self-assessment systems.

### **Liquidity risk**

Liquidity risk is the risk that the company will not be able to liquidate investments and other assets to manage its own financial commitments at maturity. With respect to the insurance portfolio, there are no significant liquidity risks since, in addition to the technical forms of underwriting that allow the settlement of any claim to be made over time, the investment policy is closely connected with the liquidity requirements of such investments. All the instruments held in the trading portfolio hedging technical reserves derive from securities traded on regulated markets and the lower average life of the investments ensures a rapid turnover. In this context, SACE Fct is in the process of defining a specific policy for the management of liquidity risk, in compliance with the prudential regulatory reference framework.

### **Concentration risk**

The risk resulting from exposure to counterparties, groups of connected counterparties in the same economic sector or which carry out the same activities or are located in the same geographical area.

### **Interest rate risk**

This risk is specific to the operations of SACE Fct and relates to activities other than those in the trading portfolio. It represents the exposure of the company's financial situation in regard to unfavourable variations in interest rates.

In addition, the following risks are identified and, where necessary, measured and mitigated through suitable management processes:

- reputational risk, intended as the risk of deterioration of the company's image and an increase in conflict with the insured, due also to poor quality services, placement of inadequate insurance policies or the behaviour of the sales network. This risk is greatly mitigated by existing safeguards with regards to internal control and risk management, as well as the adoption of specific internal procedures designed to regulate the group companies' operations;

- group risk, intended as the risk of “contagion”, that is the risk that, as a result of transactions entered into with other group companies, difficult situations encountered by one group company could spread, negatively affecting that company’s solvency;
- compliance risk, intended at the risk of incurring legal or administrative sanctions, suffer losses or reputational harm as a result of the failure to comply with laws, regulations or measures set out by supervisory authorities or corporate governance rules, such as by-laws, codes of conduct or corporate governance codes; risk arising from unfavorable changes in the regulatory framework or legal interpretation.

### 5.3. MONITORING RISK IN THE TERNA GROUP

In the conduct of its operations, the Terna Group is exposed to various financial risks: market risk (namely exchange rate risk, interest rate risk and inflation risk), liquidity risk and credit risk. Terna’s risk management policies seek to identify and analyse the risks the group is exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the group companies.

As a part of the financial risk management policies approved by the board of directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them. The exposure of the Terna Group to the aforementioned risks is substantially represented by the exposure of the parent company.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk comprises three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Generally, Terna hedges exchange rate risk through the forward sale or purchase of currencies (forward contracts) or the use of options. Currency options give Terna the right or the obligation to buy or sell predetermined amounts of a currency at a specific exchange rate at the end of a specific period of time. Normally, both forward contracts and options have maturities of no more than 12 months.

Interest rate risk is represented by the uncertainty associated with movements in interest rates. The Terna Group’s main source of interest rate risk is associated with items of net financial debt and the related hedging positions in derivative instruments that generate financial expense. The hedging instruments used, at various maturity dates, include both derivatives that transform fixed rates into floating rates and derivatives that transform floating rates into fixed rates.

As regards inflation risk, the rates established by regulators to remunerate Terna's activities are determined so as to allow coverage of the sector's recognised costs. Such cost components are updated on an annual basis to consider the accrued impact of inflation. In 2007, the company used an inflation-linked bond issue to obtain an effective hedge of profit for the year: any decrease in expected revenues due to a decrease in the inflation rate can be offset by lower financial expense.

### **Liquidity risk**

The liquidity risk is the risk Terna might encounter difficulty in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing of any surplus liquidity. At 31 December 2012 Terna had €500 million in medium-term credit lines and €664.7 million in short-term credit lines available.

### **Credit risk**

Credit risk is the risk a customer or one of the counterparties in a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by trade receivables and the financial investments of the company. The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since the counterparties, in compliance with financial risk management policies, are leading international credit institutions with high ratings and such transactions are diversified in compliance with specific concentration limits.

Terna essentially renders its services to counterparties considered solvent by the market, with an accordingly high credit standing, and does not have concentrations of credit risk.

Credit risk management is guided by the provisions of Resolution 11/06 of the Authority for Electricity and Gas (the Authority), which, at Article 49, introduced instruments for the limitation of risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of actual default. In particular, the resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their revenues), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee defined by the Authority.

The total value of the exposure to credit rate risk at 31 December 2012 is represented by the carrying amount of financial assets (current and non-current), trade receivables and cash and cash equivalents.

### **Default risk and debt covenants**

This risk is associated with the possibility that the loan contracts or bond rules to which the Terna is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. For more information on the contractual provisions of outstanding loans at 31 December 2012, please see the section "Loans and financial liabilities" in the notes to the financial statements of Terna.

## 5.4. MONITORING RISK IN SIMEST

The primary business risks identified, monitored and actively monitored by SIMEST relate to the financial risk connected with equity investments.

To manage this risk, SIMEST thoroughly evaluates proposed investments brought to its attention, looking at the company proposing the investment and to the investment itself, with the aim of reducing its exposure to this financial/credit risk.

In this regard, the process starts with an examination of the financial position, financial statements and the business plan of the partner company (extended to the group to which it belongs, if necessary) and the primary competitive features that characterise its business, analyzing in addition the potential for and the consistency of (by scale and on the operational/sector level) the investment within the overall strategic plan of the Italian company.

The analysis also carefully considers any existing relationships with the company and with the group as a whole (so as to avoid excessive portfolio concentration), verifying (including using an internal scoring system) various aspects of the proposed investment (stability of the partner/group of origin, validity/ effectiveness of the investment project, consistency between the sponsor and the project and, finally, country risk).

The results of the assessment performed are summarised in the investment proposal submitted to the internal Investment Committee. If the proposal is found to be sound and of interest– also taking into account the correlated financial/credit risk and the methods for managing and reducing such risk – the proposal is submitted to the board of directors of SIMEST for final approval.

During the equity investment acquisition phase, all recommendations are followed, as are any suggestions by SIMEST's board of directors and guarantees are obtained, if needed. Financial risks are also mitigated by monitoring both the Italian partner and the investee company through the receipt of periodic accounting records and management data. The Italian partner and the corporate guarantors are monitored using special databases.

The price risk and exchange rate risk associated with equity investments are eliminated through contracts that guarantee SIMEST a return on investment for the price paid in euros to acquire the equity investment.

Management of liquidity risk and interest rate risk is continuously monitored through a methodical analysis of company cash flows, especially as they relate to equity investments. This monitoring makes it possible to obtain, at good market terms, the lines of credit needed to meet the requirements for managing company cash flows, taking into consideration the rating assigned SIMEST by the ratings agencies.

## 5.5. LEGAL DISPUTES

### 5.5.1. Legal disputes of the parent company

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 2012, 66 suits were pending with a total estimated liability of €2 million. Of these, four regard disputes with suppliers. There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or lack of 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 disputes not related to customer operations (labour disputes), at 31 December 2012, 39 lawsuits were pending, for which the estimated total potential liability does not exceed €2 million.

### 5.5.2. Disputes involving companies subject to management and coordination

During the year ended 31 December 2012, the Fintecna Group saw the natural evolution in the extensive amount of disputes it is involved in, mainly pertaining to the parent company, Fintecna, leading to a substantial decrease in the number of those disputes. More specifically, it continued to monitor and manage such cases, based upon specific needs and opportunities, with the help and support of legal counsel, in order to guide the procedural strategy for a more focused development of its defence.

As in the past, the group also moved forward on finding settlement possibilities, where legal and financial factors made this appropriate. However, in this regard, there was a significant increase in the adverse outcomes of this strategy, due to the greater difficulties involved in the unsettled cases and much more resistance by the counterparties to settlement attempts, likely due to the general economic crisis. This has consolidated the greater financial expectations concerning the outcomes of pending disputes, given the decline in employment opportunities in the reference market, thereby rendering litigation a substantial source of income.

On the other hand, we cannot ignore the fact that suits can take a very long time to make it through the entire process – sometimes upwards of 10 years – if all levels of appeal are used, with the consequent difficulties in documenting and managing the historical record of the facts.

As to the number of disputes, the situation can be summarised as follows:

## Disputes

	31/12/2011	Settled in 2012	New in 2012	31/12/2012
Civil/Administrative/Tax	395	171	44	268
Labour	347	264	320	403
<b>Total</b>	<b>742</b>	<b>435</b>	<b>364</b>	<b>671</b>

With specific regard to labour disputes, once again in 2012 there was an increase in the number of disputes, essentially relating to claims for damages for illnesses that emerged following a long period of latency and allegedly contracted due to unsafe working conditions in factories already owned by merged or sold companies, or in any case attributable in various ways to Fintecna.

Furthermore, in 2012, Fintecna essentially completed the transitional management of positions arising from the merger of the former Servizi Tecnici S.p.A., with the specification of the technical and administrative requirements for obtaining the inspection certificates for orders being completed and those needed for disputes that are still pending against the entities awarding contracts and against contractors.

As of 31 December 2012 the SACE Group was involved in 41 disputes relating to the parent company SACE, most of them involving insurance commitments assumed prior to 1998. More specifically, there are 31 pending suits against the company, potentially worth an estimated €45.5 million, while the group itself has filed 10 lawsuits, seeking a total of around €220 million.

None of the other companies subject to CDP's management and control are involved in significant legal disputes.

## 6. Governance and activity in support of the parent company

### 6.1. COMMUNICATIONS

In 2012, communication focused on strengthening CDP's image with the public at large and consolidating it among its customers, both old and new.

The main project carried out was the new corporate Internet site, which has been integrated and coordinated with the new intranet. The project is part of the broader CDP digitalisation process, which, in the web area, includes the launch of multiple dedicated portals for its businesses, alongside the corporate site.

In cooperation with other CDP organizational units, a comprehensive restyling and rationalization of the content of the corporate Intranet was carried out to coincide with the launch of the website.

Furthermore, the FSI site, for which CDP developed the image and handled media relations, was also launched.

The handling of media relations contributed towards ensuring that CDP and FSI received prominent coverage in the Italian and foreign press. Media relations for CDPI SGR also included the local press, notably during real estate industry events (Urbanpromo, Eire, etc.) and at local meetings and conferences.

Communications with customers continued at full steam, using more highly focused marketing tools depending upon the business line supported, with the aim of conveying even more specific information on CDP product and processes.

With respect to local authorities in particular, direct marketing initiatives were undertaken to provide better training and information.

CDP also participated in annual institutional events (FORUM PA, the assembly of the National Association of Italian Municipalities, etc.), promoting its new image across all CDP business lines.

CDP communications also included educational programmes, such as a project carried out in partnership with Poste Italiane aimed at elementary school children. It was conceived to mark the 88th World Savings Day and impress upon young people the importance and value of saving.

As regards mandatory financial publicity, the goal of achieving complete transparency of financial terms and conditions for customers (loans to public entities) and small investors (postal savings bonds and pass-books) was renewed, confirming the constant presence in the major national media.

In the interest of ensuring the completeness and transparency of information, the image and content of the formats for the media were updated.

## **6.2. HUMAN RESOURCE MANAGEMENT**

### **6.2.1. The workforce**

At 31 December 2012, CDP had 524 employees, of whom: 45 executives, 196 middle managers, 269 office staff, 9 persons in other types of contractual relationship (ongoing collaboration arrangements, interns, temps) and 5 employees seconded from other agencies.

In 2012, the trend of expanding and raising the skills of the workforce continued as envisaged in the 2011-2013 Business Plan: 32 employees were hired, offset by the departure of 7 employees due to retirement or resignation.

The average age of employees was 45 years. The percentage of women was 41%, while the percentage of university graduates reached 58%.

Recruitment efforts focused on seeking out recent university graduates and qualified candidates, possessing solid expertise and aptitude in keeping with the institutional environment.

Recruitment notices were published on the CDP website and applications were submitted online by around 5,000 interested candidates. Our long-standing partnership with the leading Italian universities has facilitated our access to high-potential young graduates.

### **6.2.2. Personnel training and management**

Personnel evaluation, management and training programmes, adjusted to reflect the development of the company, were implemented during the year.

Investment in training rose substantially, both in terms of the hours of training provided and in the costs of that training, in order to develop the skills necessary to manage a wide variety of complex operations. Around 22,000 training hours were provided, a 52% increase over the previous year.

The growth involved all types of training, but was primarily geared towards specialized technical training, with a focus on administrative, IT, financial and regulatory issues as they relate each professional area.

Training was also provided on cross-departmental projects, including the development of inter-function communication (with the contribution of Fondo Banche Assicurazioni) for all professional areas, seminars on postal savings, project management and the expansion of web-based courses to cover the Privacy Code.



The investment in language training, consistent with developments in CDP's activities, continued, making it possible for the corporate functions to operate in an increasingly international environment.

The development of relationships with CDP's European partners has led to the consolidation of a valuable international exchange programme between CDP, Caisse des Dépôts et Consignations ("CDC"), Kreditanstalt für Wiederaufbau ("KfW"), the EIB and the European Commission for comparing operational and management practices and sharing information.

To make the best use of internal resources, during the year, 35 employees were transferred to new assignments following retraining.

### **6.2.3. Industrial relations**

The national collective bargaining agreement for the banking and insurance industry, applicable to CDP employees, was renewed in 2012.

The renewal came about in a considerably complex macroeconomic environment due to the financial crisis and the deterioration in the performance of Italy's banks.

Given this situation, a variety of measures, including extraordinary initiatives, were identified to preserve the profitability and competitiveness of banks, while at the same time seeking to maintain employment and ensure generational turnover.

With compensation being increased in line with inflation, cost reductions were sought through measures impacting severance pay, the supplemental pension fund and seniority increases.

## **6.3. IT SYSTEMS AND INTERNAL PROJECTS**

During the year, a range of projects supporting the strategic objectives of the 2011-2013 Business Plan were continued and in many cases completed. More specifically, the set of IT projects pursued in 2012 contributed to achieving the Plan objective to radically innovate the operating platform in order to improve service quality and internal working procedures and to support product innovation.

More specifically, building upon the process begun in 2011 by introducing an interactive channel via the web with local authorities ("*Domanda online*", DOL), CDP created a new institutional site and completed the installation of the basic infrastructure for the new services portal. Two new sections dedicated to banking customers for the New SME Fund and for the "2012 Earthquake Reconstruction" fund were implemented on the portal. The electronic loan application system was also rolled out and the Docu-

ment Management functions were extended to support the application processing activities of the two new products. Simultaneously, with regard to the Public Entities area, CDP encouraged local authorities to use the DOL system as the sole channel for submitting loan applications and, starting from the final quarter of the year, 100% of applications are being handled electronically from the outset through to the time the contractual loan terms are transmitted.

These initiatives are supported by a document management system, with the consequent de-materialisation of the application file and the retention of electronic files as required by applicable regulations. This work is being conducted in order to expand the range of the products and events managed electronically and to eventually completely de-materialise loan management by extending the use of the new application platform for all products in stock and through the adoption of a policy to de-materialisation paper files at the source, in synergy with the current programme to outsource the archives.

In the lending area, in parallel with the achievements of prior initiatives, the installation and configuration of the new platform in support of middle/back-office processes was completed, on which new CDP products, including the "Export Bank", the "2012 Earthquake Reconstruction" fund and the New SME Fund, were activated.

Also in support in the "2012 Earthquake Reconstruction" fund, the new Moratorium Fund was established, and the project to develop a standard procedure for managing extraordinary events that require CDP's immediate intervention to assist public entities located in areas affected by calamitous events is nearing completion. Moreover, relations with entities affected by the 2009 Abruzzo earthquake and the 2012 earthquake were handled through this procedure.

In addition, the process of automating the external transmission of information continued with the addition of MEF reporting concerning grants in respect of the fund for Territorial Pacts and Area Contracts. This initiative is part of a broader project, begun in 2012, to develop the new reporting platform.

Finally, during the year, CDP systems were upgraded to support local government renegotiation transactions promoted by CDP in the first half of the year, and the Kyoto Fund, managed by CDP on behalf of the Ministry for the Environment, was launched.

In the Finance area, a series of measures aimed at supporting the growing treasury operations were undertaken during the year. More specifically, a new reserve requirement management dashboard was developed, repurchase agreement operations were automated, including for the related collateral (global master repurchase agreements), the project for participation in the wholesale government securities market (MTS) and in the Cassa di Compensazione e Garanzia (central counterparty guarantee system) was begun and various initiatives for automating the management of market data were completed.

In the postal savings area, existing applications were upgraded to manage five new types of bonds introduced in 2012, and new functions for analysing the behaviour of postal product investors were developed. A new management reporting dashboard was created that can also be accessed using mobile devices.

As regards risk management, work began on implementing and integrating the new Asset & Liability Management (ALM) platform, which is expected to be completed in the first half of 2013, and an application supporting the collection of loss data for operational risks was developed.

In synergy with the ALM project, the database integrating the company's information base with risk systems was developed further.

Finally, with regard to credit analysis, a new application was developed for the automated management of the scoring of Separate Account customers.

As far as payment systems are concerned, work was completed on the project to upgrade systems to the SEPA Credit Transfer standard on the basis of the Payment Services Directive. During the second half of the year, a feasibility study was begun to identify a solution for managing SEPA Direct Debit, which is expected to be implemented in 2013.

With regard to supervisory reporting obligations, last year saw the continuation of the project to automate the process for producing the prudential returns with the completion of the process for producing the return for financial statement data.

The new corporate intranet was also developed and new web initiatives in the Real Estate area were supported.

On the technology infrastructure front, the IT infrastructure reinforcement project was completed to support new Plan initiatives and a series of measures to achieve greater levels of redundancy and business continuity were implemented.

The project to develop a disaster recovery solution was completed during the year and, in July, the solution was certified and the annual test performed.

CDP also completed a range of initiatives to implement tools to support the new corporate communication and collaboration needs, including completely renovating desktop and mobile workstations and wi-fi coverage at the Rome and Milan offices.

Finally, during the last quarter, a feasibility study was performed for the Business Continuity project. The project will continue into 2013 with the completion of the Business Impact Analysis phase and the determination of business continuity solutions.

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.

## 6.4. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP PURSUANT TO ARTICLE 123-BIS.2 B) OF THE CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION

### 6.4.1. 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 verifying that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, ensuring that internal practices and rules comply with applicable regulations.

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 a number of the companies subject to management and coordination under specific service agreements with the parent company for internal audit activities. With regard to the other companies subject to CDP's management and coordination, as a result of the expansion in the number of Group companies, Internal Auditing will set policy for and monitor the internal control system for the Group.

Finally, the Internal Auditing unit advises other CDP units on improving internal audit activities and assists the manager responsible for preparing the company financial reports and the Supervisory Body (established pursuant to Legislative Decree 231/2001) in carrying out their work.

#### **6.4.2. Financial and operational 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. This makes it possible to capture the effect of moving between credit quality classes other than the “preclusionary” category of default<sup>28</sup>. The credit model makes it possible to calculate a variety of risk metrics (VaR, Expected Shortfall)<sup>29</sup> 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 banks).

A report on the counterparty risk associated with derivative transactions and securities financing is submitted on a weekly basis by the Risk Management and Anti-Money Laundering Area (RMA) using proprietary tools, which make it possible to monitor the current credit exposure (taking account of the net mark-to-market and collateral) and the potential exposure.

The RMA 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 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.

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<sup>28</sup> Default is technically a “preclusionary” category since, once a counterparty reaches that state, it is theoretically unable to move to another category (rating).

<sup>29</sup> Value at Risk over a given confidence interval (e.g. 99%) represents an estimate of the level of loss that is exceeded only with a probability equal to the complement of the confidence interval (e.g. 1%). The expected shortfall at a given confidence interval represents the expected value only of “extreme” losses that exceed the VaR.

In order to monitor the various risk elements associated with derivatives, positions in securities and securities financing activities, the RMA 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, the RMA 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 for verifying the limits, generating liquidity gap analyses and performing stress tests, as described in the section on "Liquidity Risk".

As mentioned previously, in 2012 CDP purchased a new 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 uses an outsourcer to create, maintain and manage the unified database, to which CDP's Anti-Money-Laundering function has direct and immediate access.

### **6.4.3. 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.

Further changes of a specific and/or formal nature, required to ensure that the system is compliant with changes in the law, in internal and external rules and in operations, were approved by the Chief Executive Officer on 5 June 2012.

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 ongoing, independent monitoring of the appropriate operation of company processes, as well as oversight of the internal control system as a whole. The Supervisory Body met on ten occasions during 2012.

The principles of Cassa Depositi e Prestiti's compliance model can be viewed in the "chi siamo/Organizzazione e Governance" section of the corporate website at: <http://www.cassaddpp.it/cdp/Areagenerale/Chisiamo/index.htm>.

#### **6.4.4. Key characteristics of the risk and internal control management systems with regard to the financial reporting process**

Cassa Depositi e Prestiti S.p.A. is fully aware that financial reporting plays a key role in establishing and maintaining positive relations between the company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up to ensure that information is reliable, accurate and timely, in compliance with the applicable accounting standards.

The company's control system is structured to comply with the model adopted in the CoSO Report<sup>30</sup>, 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 finan-

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<sup>30</sup> Committee of Sponsoring Organisations of the Treadway Commission.

cial 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.

At the 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 S.p.A. monitoring phase is structured as follows:

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

In order to ensure that the system described above functions properly, CDP has established a system for the integrated action of multiple units/functions. The 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 on 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.

Since there were considerable changes in the scope of consolidation in 2012, at the Group level, CDP performed a general (synthetic) analysis of the methodological approach taken by those companies whose contribution to Group financial reporting is most significant for ensuring the quality of their financial reporting. The analysis revealed that, for these companies as well, the internal control system applied to the financial reporting process was developed using the CoSo Report as a methodological foundation. As a result, we were able to identify, as with CDP, the phase of mapping activities into written procedures, the phase of risk analysis and design/identification of mitigation controls and the phase of monitoring/testing.

To enable the financial reporting manager and the Chief Executive Officer to issue the certification pursuant to Art. 154-bis of the Consolidated Law on Financial Intermediation, a flow of information to the financial reporting manager of the parent company was established, comprising: (i) the results of the testing performed; (ii) the final report on the internal control system applied to the financial reporting process from the financial reporting managers to their respective boards of directors; (iii) the intra-Group "chain" certification system, which use the standard certification established by Consob and adopted by the parent company, CDP.

#### **6.4.5. 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 that firm to audit the financial statements and accounts for the 2011-2019 period.

### 6.4.6. Manager responsible for the preparation of the company's financial reports

As of closure of the 2012 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 unit.

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 can 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.

#### **6.4.7. Insider register**

In 2009, in its role as an issuer of debt securities listed in Luxembourg and pursuant to the combined provisions of Articles 13 and 16 of the Luxembourg law of 9 May 2006 concerning market abuse, CDP has set up a "Register of persons with access to Cassa Depositi e Prestiti S.p.A. privileged information".

Management of the register is governed by rules establishing the regulations and procedures for storing and updating the register.

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. They also set out criteria regarding the prerequisites and timing of entry in the register, as well as obligations incumbent upon registered parties, and penalties applicable to breaches of such obligations under the rules and applicable law.

The Legal and Corporate Affairs area is responsible for maintaining and updating the register.

The "Register of persons with access to Terna S.p.A. privileged information", set up in 2007 by CDP in its role as an entity with a controlling relationship over Terna S.p.A. (listed on the stock exchange organised by Borsa Italiana S.p.A.) was cancelled following the entry into force of Legislative Decree 184/2012, which abolished the requirement for parties with a controlling relationship over listed issuers, provided for by Article 115-bis of the Consolidated Law on Financial Intermediation, to maintain this register.

#### **6.4.8. Code of ethics**

CDP's Code of Ethics establishes a set of values accepted and shared throughout the entire organisation that informs 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 the contractual obligations, and is governed by a disciplinary code

In 2012 there were no breaches of the Code by CDP employees or associates.

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For more information on the Terna Group, please see the "Report on corporate governance and ownership structure" prepared and distributed by Terna S.p.A.

## 7. Relations of the parent company with the MEF

### 7.1 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.

### 7.2. 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 agreements were renewed, retaining the existing terms and conditions, on 23 December 2009 and will remain in force until 31 December 2014.

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.

### 7.3. 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 €12,945 million at 31 December 2012, compared with €14,713 million at the end of 2011. The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled €75,750 million, compared with €79,173 million at 31 December 2011.

In accordance with the above-mentioned ministerial decree, CDP continues to handle a number of activities established under specific legislative provisions, financed primarily 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 €3,053 million at 31 December 2012; the natural gas infrastructure programme for the South, which had resources totalling €247 million; and resources for territorial agreements and area contracts, which came to €526 million.

## 8. Outlook for the full year

### 8.1. THE PARENT COMPANY AND THE COMPANIES SUBJECT TO ITS MANAGEMENT AND COORDINATION

As regards the outlook, 2013 represents the final phase of the 2011-2013 Business Plan approved in March 2011. Despite the challenging macroeconomic context, we expect that the main targets set out in the Plan will be achieved in full.

Specifically, we expect the volume of new lending to easily surpass the targets set out in the Plan, and a mix of loans and investments that, consistent with economic conditions, will see loans in support of the economy and equity investments playing a leading role.

On the asset side, we expect the stock of loans to customers and banks to expand more rapidly than lending for the banking system as a whole, primarily thanks to expected lending for enterprises and infrastructure.

We expect a decline in net interest income in 2013 as a result of the normalisation of the spread between lending and funding rates after the especially positive performance posted in 2012. The contraction in net interest income will be partly offset by an increase in the dividends expected as a result of the expansion in the portfolio at the end of 2012. From a profitability standpoint, expected results are fully in line with Business Plan targets.

The primary risks and uncertainties affecting results for 2013 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. 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.

With regard to the main products offered by CDPI SGR, operations in 2013 will focus on initiating a substantial volume of direct investment in real estate. As regards the FIA, following possible regulatory changes as a result of the publication of the Prime Minister's Order of July 2012, which repeals the 40% limit on investments, a further acceleration of investment of the funds resources is likely, as it will be possible to undertake worthwhile projects that call for real estate investments in line with the management policy of the FIA but which to date have been suspended owing to the difficulty of finding investors to acquire the remaining 60% of equity.

The operations of FSI will continue apace and, in addition to the transactions already agreed, which will be completed (Hera and IQ Made in Italy Investment Company), other opportunities have emerged from among the many proposals received and analysed. In view of the existing pipeline and the advanced stage of work on a number of investment opportunities, additional investment are expected to be completed in 2013.

The activities of the Fintecna Group in 2013 will proceed as in previous years, with no new lines of development are under consideration, pending the policy instructions of the new owner, CDP.

With specific regard to the Fincantieri Group, with the acquisition of STX OSV the year 2013 marks the entry of the group in a new high value-added market, with the intention of continuing the diversification of production launched in recent years and considered, together with the implementation of the company reorganisation plan, an essential element of consolidating and strengthening the market position of the Fincantieri Group and containing the impact of the crisis that has impacted the global shipbuilding industry. In this context, the Fincantieri Group will continue to implement the reorganisation measures set out in the plan, which in return for retaining all existing Italian facilities provides for the rebalancing of the workforce in relation to the order backlog, with an increase in flexibility and productivity.

In 2013 the SACE Group will continue its implementation of the guidelines set out in the 2011-2013 business plan, in a macroeconomic environment that looks set to improve in the second half of the year, albeit with persistently high levels of uncertainty and volatility.

## 8.2. THE OUTLOOK FOR THE TERNA GROUP

The 2013 financial year will see the company involved in implementing the actions provided for under the 2012-2017 business plan, approved by the board of directors on 6 February 2013.

In line with the strategy adopted under the previous business plan, the Terna Group has completed the corporate reorganisation process that will result in an organisational structure that will have a greater focus on non-traditional businesses in addition to consolidating traditional activities.

With regard to traditional businesses, specifically the development and upgrading of the NTG, the company expects to make investments in line with 2012. More specifically, under the business plan, the Terna Group will continue to develop and build foreign interconnections (Montenegro and France), to reduce grid congestion (the Sorgente-Rizziconi and Dolo-Camin projects) and to pursue the development of electricity storage systems.

In continuity with previous years, the Terna Group will pursue the rationalisation of processes and enhancing the efficiency of operating expenses, while at the same time ensuring the maximum quality of transmission and dispatching services.



As regards financial management, the bond issues made in 2012 have raised sufficient resources for use in business operations until 2015.

### **8.3. THE OUTLOOK FOR SIMEST**

The 2013 financial year will continue to see SIMEST actively operating in those geographical areas in which it has long provided support for Italian companies, such as the BRIC countries, NAFTA, the Western Balkans, MENA, Africa and the EU.

To take advantage of further opportunities to grow its portfolio, SIMEST will continue to expand its support for Italian companies by using company cash flow and a careful use of leverage, with high margins.

## 9. Proposed allocation of net income for the year

We also submit for shareholder approval the following proposal for the allocation of 2012 earnings, which total €2,852,617,356.

In consideration of the automatic conversion of preference shares into ordinary shares scheduled for 1 April 2013 and assuming that the shareholders will approved the consequent resolution submitted to the Shareholders' Meetings called for 20 and 27 March 2013, as of the date of approval of the allocation of net income for 2012 the share capital of CDP will be represented by 296,450,000 ordinary shares, of which 4,451,160 held by the company as treasury shares and therefore without rights in net income, pursuant Article 2357-ter of the Italian Civil Code.

Pursuant to Article 30 of the articles of association, having deducted the amount to be allocated to the legal reserve, equal to €94,433,036 (after which the legal reserve will be equal to one fifth of share capital), we propose to allocate the net income to holders of ordinary shares to a dividend in the amount of €998,636,032.80.

Taking account of treasury shares, the proposed dividend amounts to €3.42 per ordinary share bearing rights to net income.

It is further proposed to retain a total of €1,759,548,287 in earnings.

### PROPOSED ALLOCATION OF NET INCOME

(euros)

Net income	2,852,617,356
Legal reserve	94,433,036
<b>Distributable income</b>	<b>2,758,184,320</b>
<b>Dividend</b>	<b>998,636,033</b>
<b>Retained earnings</b>	<b>1,759,548,287</b>
<b>Dividend per share</b>	<b>3.42</b>

Rome, 20 March 2013

The Chairman  
*Franco Bassanini*

\*\*\*\*

For information on subsequent events, please see the notes to the financial statements, Part A.1., section 3.

CDP S.p.A.



**2012 Annual Report**

**Separate Financial Statements**

## Form and content of the separate financial statements at 31 December 2012

The separate financial statements at 31 December 2012 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 separate financial statements.

The notes to the separate 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 separate 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.



2012 Annual Report

## **Separate Financial Statements**

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement

## Balance sheet

(euros)

Assets	31/12/2012	31/12/2011
10. Cash and cash equivalents	4,061	2,237
20. Financial assets held for trading	640,480,778	581,080,782
40. Financial assets available for sale	4,975,191,408	2,714,382,743
- of which securing covered bonds	-	200,479,303
50. Financial assets held to maturity	16,730,803,183	9,289,252,925
60. Loans to banks	13,178,302,664	19,404,824,607
- of which securing covered bonds	575,161,865	5,138,958,155
70. Loans to customers	238,305,758,261	220,537,662,851
- of which securing covered bonds	2,102,395,438	-
80. Hedging derivatives	371,592,827	359,793,786
100. Equity investments	30,267,806,038	19,641,548,187
110. Property, plant and equipment	206,844,583	199,727,962
120. Intangible assets	7,142,943	4,574,652
130. Tax assets	508,263,385	617,523,230
a) current	359,110,010	399,759,826
b) deferred	149,153,375	217,763,404
150. Other assets	239,289,471	235,665,166
<b>Total assets</b>	<b>305,431,479,602</b>	<b>273,586,039,128</b>

(euros)

<b>Liabilities and equity</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
10. Due to banks	34,055,028,612	19,415,892,384
20. Due to customers	242,303,149,301	227,042,396,990
30. Securities issued	6,672,411,389	8,512,364,699
- of which covered bonds	2,639,474,757	5,307,748,156
40. Financial liabilities held for trading	477,087,678	471,815,234
60. Hedging derivatives	2,575,862,638	2,621,250,529
70. Adjustment of financial liabilities hedged generically (+/-)	56,412,601	60,440,182
80. Tax liabilities	915,731,204	443,585,327
a) current	818,196,453	356,236,426
b) deferred	97,534,751	87,348,901
100. Other liabilities	1,527,970,453	538,517,108
110. Staff severance pay	750,996	732,560
120. Provisions	11,789,925	9,681,415
b) other provisions	11,789,925	9,681,415
130. Valuation reserves	965,418,317	1,081,113,568
160. Reserves	9,517,249,132	8,276,343,556
180. Share capital	3,500,000,000	3,500,000,000
200. Net income for the period (+/-)	2,852,617,356	1,611,905,576
<b>Total liabilities and equity</b>	<b>305,431,479,602</b>	<b>273,586,039,128</b>

## Income statement

(euros)

	31/12/2012	31/12/2011
10. Interest income and similar revenues	10,590,682,908	7,737,829,670
20. Interest expense and similar charges	(7,068,867,902)	(5,408,988,524)
<b>30. Net interest income</b>	<b>3,521,815,006</b>	<b>2,328,841,146</b>
40. Commission income	38,348,222	15,704,980
50. Commission expense	(1,650,123,072)	(1,504,737,356)
<b>60. Net commission income</b>	<b>(1,611,774,850)</b>	<b>(1,489,032,376)</b>
70. Dividends and similar revenues	1,206,749,144	1,229,134,522
80. Net gain (loss) on trading activities	156,407,006	(17,238,205)
90. Net gain (loss) on hedging activities	(10,120,204)	(27,825,910)
100. Gains (losses) on disposal or repurchase of:	389,563,961	6,425,648
a) loans	19,469,378	6,074,385
b) financial assets available for sale	366,189,473	345,580
c) financial assets held to maturity	145,310	5,683
d) financial liabilities	3,759,800	-
<b>120. Gross income</b>	<b>3,652,640,063</b>	<b>2,030,304,825</b>
130. Net impairment adjustments of:	(22,884,956)	(10,188,369)
a) loans	(22,097,331)	(7,565,679)
d) other financial transactions	(787,625)	(2,622,690)
<b>140. Financial income (expense), net</b>	<b>3,629,755,107</b>	<b>2,020,116,456</b>
150. Administrative expenses:	(103,285,487)	(85,168,357)
a) staff costs	(54,205,757)	(50,780,722)
b) other administrative expenses	(49,079,730)	(34,387,635)
160. Net provisions	(2,058,191)	(350,298)
170. Net adjustments of property, plant and equipment	(5,225,787)	(5,677,509)
180. Net adjustments of intangible assets	(2,464,066)	(2,210,473)
190. Other operating income (costs)	3,504,759	3,730,374
<b>200. Operating costs</b>	<b>(109,528,772)</b>	<b>(89,676,263)</b>
210. Gains (losses) on equity investments	147,334,875	(13,861,048)
240. Gains (losses) on the disposal of investments	(107,901)	-
<b>250. Income (loss) before tax from continuing operations</b>	<b>3,667,453,309</b>	<b>1,916,579,145</b>
260. Income tax for the period on continuing operations	(814,835,953)	(304,673,569)
<b>270. Income (loss) after tax on continuing operations</b>	<b>2,852,617,356</b>	<b>1,611,905,576</b>
<b>290. Income (loss) for the period</b>	<b>2,852,617,356</b>	<b>1,611,905,576</b>



## Statement of comprehensive income

(euros)

	31/12/2012	31/12/2011
<b>10. Income (loss) for the period</b>	<b>2,852,617,356</b>	<b>1,611,905,576</b>
<b>Other comprehensive income net of taxes</b>		
20. Financial assets available for sale	(139,907,692)	(171,364,227)
60. Cash flow hedges	24,212,441	2,341,008
<b>110. Total other comprehensive income net of taxes</b>	<b>(115,695,251)</b>	<b>(169,023,219)</b>
<b>120. Comprehensive income (items 10+110)</b>	<b>2,736,922,105</b>	<b>1,442,882,357</b>

## Statement of changes in equity: current period

(euros)

	Balance at 31/12/2011	Changes in opening balance	Balance at 01/01/2012	Allocation of net income for previous year		Changes for the period							Equity at 31/12/2012					
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for 2012				
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options						
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	8,276,343,556		8,276,343,556		1,240,905,576													9,517,249,132
b) other																		
Valuation reserves:																		
a) available for sale	916,941,766		916,941,766															916,941,766
b) cash flow hedges	(3,400,200)		(3,400,200)															(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	1,611,905,576		1,611,905,576		(1,240,905,576)													2,852,617,356
<b>Equity</b>	<b>14,469,362,700</b>		<b>14,469,362,700</b>		<b>-</b>													<b>16,835,284,805</b>

Statement of changes in equity: previous period

(euros)

	Balance at 31/12/2010	Changes in opening balance	Balance at 01/01/2011	Allocation of net income for previous year		Changes for the period							Equity at 31/12/2011									
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for 2011								
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options										
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																		916,941,766	
b) cash flow hedges	(5,741,208)		(5,741,208)																		(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	
<b>Equity</b>	<b>13,726,480,343</b>		<b>13,726,480,343</b>	<b>-</b>	<b>(700,000,000)</b>																<b>14,442,882,357</b>	
																						<b>14,469,362,700</b>

## Cash flow statement (indirect method)

(euros)

A. OPERATING ACTIVITIES	31/12/2012	31/12/2011
<b>1. Operations</b>	<b>(1,268,664,051)</b>	<b>4,407,689,471</b>
- net income for the year (+/-)	2,852,617,356	1,611,905,576
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(137,571,535)	8,996,389
- gains (losses) on hedging activities (-/+)	(200,183,695)	(189,561,628)
- net impairment adjustments (+/-)	22,884,956	10,188,369
- net value adjustments to property, plant and equipment and intangible assets (+/-)	7,689,853	7,887,982
- net provisions and other costs/revenues (+/-)	7,428,900	7,050,418
- unpaid taxes and duties (+)	814,835,953	304,673,569
- net impairment adjustments of disposal groups held for sale	-	-
- net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	-	13,861,048
- other adjustments (+/-)	(4,636,365,839)	2,632,687,748
<b>2. Cash generated by/used in financial assets</b>	<b>(1,358,378,980)</b>	<b>(14,525,818,442)</b>
- financial assets held for trading	78,171,539	266,360,752
- financial assets at fair value	-	-
- financial assets available for sale	(2,030,319,043)	(669,973,585)
- loans to banks: on demand	-	-
- loans to banks: other	6,948,868,710	(10,121,091,617)
- loans to customers	(6,374,480,471)	(4,060,860,800)
- other assets	19,380,285	59,746,809
<b>3. Cash generated by/used in financial liabilities</b>	<b>34,558,471,140</b>	<b>18,405,402,883</b>
- due to banks: on demand	-	-
- due to banks: other	14,456,286,818	11,561,064,716
- due to customers	20,235,839,912	7,427,749,672
- securities issued	(1,720,450,110)	795,615,500
- financial liabilities held for trading	5,272,444	(468,218,474)
- financial liabilities at fair value	-	-
- other liabilities	1,581,522,076	(910,808,531)
<b>Cash generated by/used in operating activities</b>	<b>31,931,428,109</b>	<b>8,287,273,912</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>24,715,175,635</b>	<b>259,988,457</b>
- sale of equity investments	2,034,309,999	-
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	22,680,756,000	259,988,457
- sale of property, plant and equipment	109,636	-
<b>2. Cash used in</b>	<b>(42,581,105,251)</b>	<b>(7,589,857,643)</b>
- purchase of equity investments	(12,660,567,850)	(1,072,800,000)
- purchase of financial assets held to maturity	(29,903,053,001)	(6,509,653,862)
- purchase of property, plant and equipment	(12,452,043)	(5,592,908)
- purchase of intangible assets	(5,032,357)	(1,810,872)
<b>Cash generated by/used in investing activities</b>	<b>(17,865,929,616)</b>	<b>(7,329,869,186)</b>
<b>C. FINANCING ACTIVITIES</b>		
- dividend distribution and other allocations	(371,000,000)	(700,000,000)
<b>Cash generated by/used in financing activities</b>	<b>(371,000,000)</b>	<b>(700,000,000)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>13,694,498,493</b>	<b>257,404,726</b>

## Reconciliation

Items*		
Cash and cash equivalents at beginning of year	124,035,182,663	123,777,777,937
Total cash generated/used during the year	13,694,498,493	257,404,726
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	137,729,681,156	124,035,182,663

\* 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 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.



**2012 Annual Report**

**Notes to the financial statements**

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

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

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

The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet, 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 2012 and 2011 financial years.

Tables with no amounts for either 2012 or 2011 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 in the accounts with an "of which" indication on the financial statements.

## 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 no. 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 no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

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

### 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 and interpretive issues concerning accounting treatment;
- 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 20 March 2013, no events occurred that would require an adjustment to the figures approved or the provision of additional information, other than the information provided in Section 14 of liabilities "Equity" concerning the conversion of preference shares.

## SECTION 4 - OTHER ISSUES

### ACCOUNTING STANDARDS THAT WILL ENTER FORCE IN SUBSEQUENT FINANCIAL YEARS

As required under IAS 8 – Accounting policies, changes in accounting estimates and errors, the following section briefly discusses new accounting standards and interpretations that have already been issued but have not yet entered force or have not yet been endorsed by the European Union and are therefore not applicable.

#### **Amendments to IFRS 1 - First time adoption of International Financial Reporting Standards (Revised)**

The amendments to IFRS 1 eliminate the reference it contains to 1 January 2004 as the date of transition to the IFRSs and provide guidance on presentation of the financial statements in accordance with the IFRSs after a period of hyperinflation. More specifically, the amendments specify that if an entity should decide, upon transition to the IFRSs, to measure its assets and liabilities at fair value and to adopt that fair value as deemed cost in their first IFRS financial statements, in cases of severe hyperinflation the first IFRS financial statements shall disclose how, and why, it had, and then ceased to have, a functional currency with both of the following the characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency;
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

The endorsement of the amendments, with Regulation (EC) 1255/2012 of 11 December 2012, establishes that the amendments will enter force for reporting periods beginning on or after 1 January 2013, although the IASB had established an effective date of on or after 1 January 2012.

#### **Amendment to IAS 12 - Income taxes**

The amendment of IAS 12 requires entities to measure deferred tax liabilities arising from an asset in relation to the way the carrying amount of the asset will be recovered (through continuing use or through a sale). Following the amendment, SIC 21 – Income taxes – Recovery of revalued non-depreciable assets was withdrawn.

The endorsement of the amendment, with Regulation (EC) 1255/2012 of 11 December 2012, establishes that the amendment will enter force for reporting periods beginning on or after 1 January 2013, although the IASB had established an effective date of on or after 1 January 2012.

#### **IFRS 9 - Financial instruments**

IFRS 9 represents the first of the three phases of the project to replace IAS 39 – Financial instruments: Recognition and measurement, the main objective of which being reduce its complexity.

The scope of application of IFRS 9 was narrowed to financial assets only: the classification and measurement of financial liabilities remains governed by IAS 39 for now.

The endorsement process for IFRS 9 has been suspended.



**IFRS 10 - Consolidated financial statements**

IFRS 10 - Consolidated financial statements, replaces and supplements part of IAS 27 - Consolidated and separate financial statements and SIC 12 - Consolidation - Special purpose entities. IFRS 10 provides a single model for the consolidated financial statements under which control is the basis for consolidation of all types of entity. The new standard also provides additional guidance on determining whether control exists in cases in which this is difficult to assess.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

**IFRS 11 - Joint arrangements**

IFRS 11 - Joint arrangements, replaces IAS 31 - Interests in joint ventures and SIC 13 - Jointly controlled entities - Non-monetary contributions by venturers, and establishes accounting rules for entities who are parties to joint arrangements. While the previous standards focused on the legal form of the arrangement in dictating its accounting treatment, IFRS 11 focuses on the nature of the related rights and obligations arising from the arrangement itself. In particular, the new standard does not permit the proportionate consolidation of joint ventures, which must only be accounted for using the equity method.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

**IFRS 12 - Disclosure of interests in other entities**

IFRS 12 - Disclosure of interests in other entities, combines, strengthens and replaces the disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It sets out mandatory disclosures for all types of investment in other entities, including subsidiaries, joint ventures, associates and special purpose entities. IFRS 12 replaces the provisions previously included in IAS 27 - Separate financial statements, in IAS 28 - Investments in associates and IAS 31 - Interests in joint ventures.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

**IAS 27 - Separate financial statements (Revised)**

IAS 27 - Separate financial statements was revised after the issue of IFRS 10, which includes new provisions concerning the consolidated financial statements that had previously been included in IAS 27. IAS 27 (Revised) retains its provisions concerning the accounting treatment of investments in subsidiaries, associates and joint ventures in the separate financial statements.

The IASB had established an effective date for the new version of the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012

of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

#### **IAS 28 - Investments in associates and joint ventures (Revised)**

IAS 28 - Investments in associates and joint ventures was revised in order to bring it into line with the new provisions of IFRS 10 and IFRS 11. IAS 28 (Revised) includes new provisions concerning the accounting treatment of joint ventures, which, as with associates, shall be accounted for using the equity method.

The IASB had established an effective date for the new version of the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

#### **IFRS 13 - Fair value measurement**

IFRS 13 - Fair value measurement provides a precise definition of fair value and sets out, in a single standard, guidelines for measuring fair value and the disclosures concerning the valuation techniques adopted. The new standard represents a single IFRS framework to be used for the measurement of fair value and offers full guidance on how to measure the fair value of financial and non-financial assets and liabilities. It does not introduce significant changes in the use of fair value, but rather establishes how it should be measured when its use is required or permitted.

The standard forms part of a more general project for the convergence of international accounting standards and US GAAP. It will enter force for reporting periods beginning on or after 1 January 2013, and was endorsed by the European Union with Regulation (EC) 1255/2012 of 11 December 2012.

#### **IAS 19 - Employee benefits (Revised)**

The revised version of IAS 19 - Employee benefits introduces significant changes and clarifications concerning the accounting treatment of employee benefits. More specifically, it eliminates the option of deferring recognition of part of actuarial gains and losses (the "corridor method"). "Remeasurements" of the net liability for defined benefits, comprising actuarial gains and losses; the return on plan assets; and changes in the effect of the asset ceiling are recognized under other comprehensive income.

The amendments, which will enter force for reporting periods beginning on or after 1 January 2013, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

#### **Amendments to IAS 1 - Presentation of financial statements**

The amendments of IAS 1 - Presentation of financial statements introduce changes in the aggregation of items in the statement of other comprehensive income. More specifically, the amendments call for the separate presentation of items of other comprehensive income (OCI) that can be reclassified to profit or loss in the future and those that because of their nature will never be recycled.

The amendments, which entered force for reporting periods beginning on or after 1 July 2012, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

**Amendments to IFRS 10, IFRS 11 and IFRS 12**

The amendments govern the transition to the new accounting standards. The amendments will enter force for reporting periods beginning on or after 1 January 2013 and have not yet been endorsed by the European Union. In addition, the ARC has postponed the effective date by a year.

**Amendment of IFRS 1 - Government loans**

The amendment, issued on 13 March 2012, allows first-time adopters of the IFRS to not recognise the benefit arising from government loans at a below-market interest rate as government assistance.

The amendment will enter force for reporting periods beginning on or after 1 January 2013 but has not yet been endorsed by the European Union.

**Amendments to IFRS 7 and IAS 32: Offsetting financial assets and financial liabilities**

The amendments of IFRS 7 establish additional quantitative disclosures to enable users to compare and reconcile disclosures made in application of the IFRS more effectively. The amendments modify both IFRS 7 and IAS 32. However, the European Commission, in endorsing the standard with Regulation (EC) 1256/2012 of 11 December 2012, established different effective dates:

- the amendments to IFRS 7 (paragraphs IN 89, 13A-13F, and B40-B53) will enter force for reporting periods beginning on or after 1 January 2013;
- the amendments of IAS 32 will enter force for reporting periods will enter force for reporting periods beginning on or after 1 January 2014.

**IFRIC 20 - Stripping costs in the production phase of a surface mine**

The objective of IFRIC 20 is to provide guidance on the recognition of stripping costs in the production phase as an asset and on initial and subsequent measurement of the asset arising out of stripping operations in order to reduce differences in the practices used by entities in accounting for costs incurred in the production phase of a surface mine. The interpretation will enter force for reporting periods beginning on or after 1 January 2013 and was endorsed by the European Union with Regulation (EC) 1256/2012.

**Other information**

On 20 March 2013 the Board of Directors approved the draft financial statements for 2012 of CDP, which will be published in accordance with the procedures provided for in the regulations applicable to CDP.

**The consolidated taxation mechanism**

For the period 2012-2014, CDP has opted, in its capacity as the consolidating entity, to adopt the "consolidated taxation mechanism" introduced with Legislative Decree 344 of 12 December 2003 together with the subsidiaries Fondo Strategico Italiano S.p.A. and CDP GAS S.r.l.

Bearing in mind the contractual agreements between the entities, the adoption of the mechanism had a number of benefits with regard to the Group's tax liability, including:

- the immediate total or partial deductibility of tax losses for the period of the companies participating in the mechanism from the earnings of the other consolidated companies;
- the introduction of a comprehensive and permanent mechanism for offsetting IRES (corporate income taxes) receivables and payables between the companies participating in the mechanism.

On the basis of the analysis of the OIC, in its Interpretation no. 2 – *Accounting treatment of consolidation and fiscal transparency*, paragraph 1.2.2, which states:

- *“that it does not seem appropriate to allocate the (current and deferred) taxation to the income statement of the consolidating entity in compliance with the principles of pertinence, accruals accounting and ability to pay of the parent company;*
- *it would appear appropriate to treat those transfers as payables/receivables, recognising them in the balance sheet of the consolidating entity, which in that way acts as a clearing house”,*

the consolidating entity has recognized taxes pertaining to itself in its own income statement and recognized current tax payables/receivables in the balance sheet in respect of the positive/negative taxable incomes transferred by the consolidated companies.

## 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) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.

Financial assets held for trading meet the following prerequisites:

- a) they are purchased with the intention of being sold in the short term;
- b) they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- c) they are derivatives (with the exception of derivatives that are designated and effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

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

The financial instruments are measured subsequently at fair value based on the official prices as of the 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 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 (other comprehensive income – OCI), net of tax effects, until the investment is sold or written down.

In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

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 the disposal or repurchase of financial assets available for sale” (item 100.b).

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

### 3 - FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.

The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.

Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment

or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

## 4 - LOANS

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

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

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

The loans made to public entities and public-law bodies under CDP’s Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after 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 is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

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

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. 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 90-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 derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (IAS 39, paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.

A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and, in the case of cash flow hedges, any reserve is reversed to profit or loss. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.

Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the 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 (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, paragraph 1, and IAS 31, paragraph 1. Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing 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 can 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

"Amounts due to banks" (item 10) and "Amounts due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than "Financial liabilities held for trading" (item 40), "Financial liabilities at fair value through profit or loss" (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, 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 can 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 postal 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 postal 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 postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings 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 are retained, the liability remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from 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 2012 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 savings 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	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		636,753	3,728		579,738	1,343
2. Financial assets at fair value						
3. Financial assets available for sale	4,668,773	4,601	301,817	2,524,232	5,971	184,180
4. Hedging derivatives		368,910	2,683		357,457	2,337
<b>Total</b>	<b>4,668,773</b>	<b>1,010,264</b>	<b>308,228</b>	<b>2,524,232</b>	<b>943,166</b>	<b>187,860</b>
1. Financial liabilities held for trading		63,559	413,529		37,506	434,309
2. Financial liabilities at fair value						
3. Hedging derivatives		2,562,811	13,052		2,612,712	8,539
<b>Total</b>		<b>2,626,370</b>	<b>426,581</b>		<b>2,650,218</b>	<b>442,848</b>

#### 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
<b>1. Opening balance</b>	<b>1,343</b>		<b>184,180</b>	<b>2,337</b>
<b>2. Increases</b>	<b>2,385</b>		<b>159,192</b>	<b>346</b>
2.1 Purchases	2,385		158,886	
2.2 Profits taken to:			306	346
2.2.1 Income statement				346
- of which: capital gains				
2.2.2 Equity	x	x	306	
2.3 Transfers from other levels				
2.4 Other increases				
<b>3. Decreases</b>			<b>41,555</b>	
3.1 Sales			1,050	
3.2 Repayments				
3.3 Losses taken to:			40,505	
3.3.1 Income statement				
- of which: capital losses				
3.3.2 Equity	x	x	40,505	
3.4 Transfers to other levels				
3.5 Other decreases				
<b>4. Closing balance</b>	<b>3,728</b>		<b>301,817</b>	<b>2,683</b>

### 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
<b>1.</b>	<b>Opening balance</b>	<b>434,309</b>		<b>8,539</b>
<b>2.</b>	<b>Increases</b>	<b>28,884</b>		<b>7,681</b>
2.1	Purchases	3,124		
2.2	Losses taken to:	25,760		7,681
2.2.1	Income statement	25,760		
	- of which: capital losses			
2.2.2	Equity	x	x	7,681
2.3	Transfers from other levels			
2.4	Other increases			
<b>3.</b>	<b>Decreases</b>	<b>49,664</b>		<b>3,168</b>
3.1	Sales	27,456		
3.2	Repayments			
3.3	Profits taken to:	22,208		3,168
3.3.1	Income statement	22,208		3,168
	- of which: capital gains			
3.3.2	Equity	x	x	
3.4	Transfers to other levels			
3.5	Other decreases			
<b>4.</b>	<b>Closing balance</b>	<b>413,529</b>		<b>13,052</b>

### 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 can 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)*

	31/12/2012	31/12/2011
a) Cash	4	2
b) Free deposits with central banks		
<b>Total</b>	<b>4</b>	<b>2</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
<b>A. On-balance-sheet assets</b>						
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						
<b>Total A</b>						
<b>B. Derivatives</b>						
1. Financial derivatives		636,753	3,728		579,738	1,343
1.1 trading						
1.2 associated with fair value option						
1.3 other		636,753	3,728		579,738	1,343
2. Credit derivatives						
2.1 trading						
2.2 associated with fair value option						
2.3 other						
<b>Total B</b>		<b>636,753</b>	<b>3,728</b>		<b>579,738</b>	<b>1,343</b>
<b>Total (A+B)</b>		<b>636,753</b>	<b>3,728</b>		<b>579,738</b>	<b>1,343</b>

#### 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)

	31/12/2012	31/12/2011
<b>A. ON-BALANCE-SHEET ASSETS</b>		
<b>1. Debt securities</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>2. Equity securities</b>		
a) Banks		
b) Other issuers		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
<b>3. Units in collective investment undertakings</b>		
<b>4. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total A</b>		
<b>B. DERIVATIVES</b>		
a) Banks	640,481	581,081
- fair value	640,481	581,081
b) Customers		
- fair value		
<b>Total B</b>	<b>640,481</b>	<b>581,081</b>
<b>Total (A+B)</b>	<b>640,481</b>	<b>581,081</b>



## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
1. Debt securities	4,668,773	4,601		2,524,232	5,971	
1.1 Structured securities						
1.2 Other debt securities	4,668,773	4,601		2,524,232	5,971	
2. Equity securities			10,960			10,572
2.1 At fair value			8,894			8,506
2.2 At cost			2,066			2,066
3. Units in collective investment undertakings			290,857			173,608
4. Loans						
<b>Total</b>	<b>4,668,773</b>	<b>4,601</b>	<b>301,817</b>	<b>2,524,232</b>	<b>5,971</b>	<b>184,180</b>

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

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Debt securities</b>	<b>4,673,374</b>	<b>2,530,203</b>
a) Governments and central banks	4,668,774	2,524,232
b) Other government agencies	4,600	5,971
c) Banks		
d) Other		
<b>2. Equity securities</b>	<b>10,960</b>	<b>10,572</b>
a) Banks	2,066	2,066
b) Other issuers	8,894	8,506
- insurance undertakings		
- financial companies	8,894	8,506
- non financial companies		
- other		
<b>3. Units in collective investment undertakings</b>	<b>290,857</b>	<b>173,608</b>
<b>4. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total</b>	<b>4,975,191</b>	<b>2,714,383</b>

#### 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
<b>A. Opening balance</b>	<b>2,530,203</b>	<b>10,572</b>	<b>173,608</b>		2,714,383
<b>B. Increases</b>	<b>15,269,461</b>	<b>388</b>	<b>158,805</b>		15,428,654
B1. Purchases	14,929,382	81	158,805		15,088,268
B2. Fair value gains	340,079	307			340,386
B3. Writebacks					
- recognised through income statement					
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes					
<b>C. Decreases</b>	<b>13,126,290</b>		<b>41,556</b>		13,167,846
C1. Sales	100,000		1.050		101,050
C2. Repayments	12,956,899				12,956,899
C3. Fair value losses	1,275		40,506		41,781
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	68,116				68,116
<b>D. Closing balance</b>	<b>4,673,374</b>	<b>10,960</b>	<b>290,857</b>		<b>4,975,191</b>

## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2012				31/12/2011			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	16,730,803	17,946,627			9,289,253	8,720,182		
- structured								
- other	16,730,803	17,946,627			9,289,253	8,720,182		
2. Loans								
<b>Total</b>	<b>16,730,803</b>	<b>17,946,627</b>			<b>9,289,253</b>	<b>8,720,182</b>		

#### Key

FV = fair value

CA = carrying amount

The item includes fixed-rate government securities with a nominal value of €13,328.5 million, and inflation-linked government securities with a nominal value of €3,600 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)

	31/12/2012	31/12/2011
<b>1. Debt securities</b>	<b>16,730,803</b>	<b>9,289,253</b>
a) Governments and central banks	16,730,803	9,289,253
b) Other government agencies		
c) Banks		
d) Other		
<b>2. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total</b>	<b>16,730,803</b>	<b>9,289,253</b>

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
<b>A. Opening balance</b>	<b>9,289,253</b>		<b>9,289,253</b>
<b>B. Increases</b>	<b>30,122,306</b>		<b>30,122,306</b>
B1. Purchases	29,903,053		29,903,053
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes	219,253		219,253
<b>C. Decreases</b>	<b>22,680,756</b>		<b>22,680,756</b>
C1. Sales	1,100,000		1,100,000
C2. Repayments	21,580,756		21,580,756
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other changes			
<b>D. Closing balance</b>	<b>16,730,803</b>		<b>16,730,803</b>

## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Claims on central banks</b>	<b>447,906</b>	<b>4,437,508</b>
1. Fixed-term deposits		
2. Reserve requirement	447,906	4,437,508
3. Repurchase agreements		
4. Other		
<b>B. Loans to banks</b>	<b>12,730,397</b>	<b>14,967,317</b>
1. Current accounts and free deposits	1,059,024	285,786
2. Fixed-term deposits	2,354,373	1,865,942
3. Other financing	8,816,994	7,678,213
3.1 Repurchase agreements		
3.2 Finance leasing		
3.3 Other	8,816,994	7,678,213
4. Debt securities	500,006	5,137,376
4.1 Structured		
4.2 Other debt securities	500,006	5,137,376
<b>Total (carrying amount)</b>	<b>13,178,303</b>	<b>19,404,825</b>
<b>Total (fair value)</b>	<b>13,296,157</b>	<b>18,811,379</b>

Loans to banks are primarily composed of:

- loans amounting to about €8,817 million;
- deposits in respect of Credit Support Annexes (cash collateral) at banks to hedge the counterparty credit risk on derivatives of €2,354 million;
- current account balances totalling €1,059 million;
- debt securities amounting to about €500 million, acquired in order to serve as eligible (AAA rating) collateral for the existing covered bond issues;
- the balance on the management account for the reserve requirement of about €448 million.

## 6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Loans with specific fair value hedges:</b>	<b>131,429</b>	<b>141,932</b>
a) interest rate risk	131,429	141,932
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>131,429</b>	<b>141,932</b>

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP. They also include bonds subscribed as part of lending to customers and eligible securities (AAA rating) held as collateral for outstanding issues of covered bonds. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

### 7.1 Loans to customers: composition by type

(thousands of euros)

	31/12/2012		31/12/2011	
	Performing	Impaired Acquired Other	Performing	Impaired Acquired Other
1. Current accounts	186		95	
1.1 Liquidity held with Central State Treasury	136,718,590		123,817,580	
2. Repurchase agreements				
3. Loans	93,826,109	76,006	94,483,732	46,253
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other	3,548,543	135	634,035	179
8. Debt securities	4,136,189		1,555,789	
8.1 Structured				
8.2 Other debt securities	4,136,189		1,555,789	
<b>Total (carrying amount)</b>	<b>238,229,617</b>	<b>76,141</b>	<b>220,491,231</b>	<b>46,432</b>
<b>Total (fair value)</b>	<b>234,919,787</b>	<b>76,141</b>	<b>205,913,060</b>	<b>46,432</b>

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 €4,015 million.

The difference between the fair value and carrying amount of loans to customers reflects the persistently high premium for the sovereign risk of the Italian Republic in the market at the end of 2012.

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 of liabilities, 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 2012, 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)

	31/12/2012		31/12/2011	
	Performing	Impaired Acquired Other	Performing	Impaired Acquired Other
<b>1. Debt securities:</b>	<b>4,136,189</b>		<b>1,555,789</b>	
a) Governments	899,767		407,397	
b) Other government agencies	551,988		632,503	
c) Other issuers	2,684,434		515,889	
- non financial companies	210,798		87,019	
- financial companies	2,473,636		428,870	
- insurance undertakings				
- other				
<b>2. Finanziamenti verso:</b>	<b>234,093,428</b>	<b>76,141</b>	<b>218,935,442</b>	<b>46,432</b>
a) Governments	174,059,309		159,974,487	
b) Other government agencies	49,796,812	5,380	50,550,743	3,168
c) Other issuers	10,237,307	70,761	8,410,212	43,264
- non financial companies	10,153,630	70,661	8,343,767	43,264
- financial companies	51,600		33,308	
- insurance undertakings				
- other	32,077	100	33,137	
<b>Total</b>	<b>238,229,617</b>	<b>76,141</b>	<b>220,491,231</b>	<b>46,432</b>



### 7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Loans with specific fair value hedges:</b>	<b>11,890,085</b>	<b>13,816,827</b>
a) interest rate risk	11,890,085	13,816,827
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>11,890,085</b>	<b>13,816,827</b>

## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

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

(thousands of euros)

	Fair value 31/12/2012			NV	Fair value 31/12/2011			NV
	L1	L2	L3	31/12/2012	L1	L2	L3	31/12/2011
<b>A. Financial derivatives</b>		<b>368,910</b>	<b>2,683</b>	<b>6,678,853</b>		<b>357,457</b>	<b>2,337</b>	<b>7,742,022</b>
1) Fair value		317,837	2,683	6,150,730		321,647	2,337	7,642,221
2) Cash flow		51,073		528,123		35,810		99,801
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>368,910</b>	<b>2,683</b>	<b>6,678,853</b>		<b>357,457</b>	<b>2,337</b>	<b>7,742,022</b>

#### 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 operations	
	Specific					Generic	Specific		Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						X		X	
2. Loans				X		X	51,073	X	
3. Financial assets held to maturity	X			X		X		X	
4. Portfolio	X	X	X	X	X		X	X	
5. Other						X		X	
<b>Total assets</b>							<b>51,073</b>		
1. Financial liabilities	273,212			X	47,308	X		X	
2. Portfolio	X	X	X	X	X		X	X	
<b>Total liabilities</b>	<b>273,212</b>				<b>47,308</b>				
1. Forecast transactions	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
<b>A. Wholly-owned subsidiaries</b>			
1. Terna S.p.A.	Rome	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Rome	70.00%	70.00%
3. Simest S.p.A.	Rome	76.00%	76.00%
4. Fondo Strategico Italiano S.p.A.	Milan	90.00%	90.00%
5. SACE S.p.A.	Rome	100.00%	100.00%
6. Fintecna S.p.A.	Rome	100.00%	100.00%
7. CDP GAS S.r.l.	Rome	100.00%	100.00%
8. CDP RETI S.r.l.	Rome	100.00%	100.00%
<b>B. Joint ventures</b>			
<b>C. Companies under significant influence</b>			
1. Eni S.p.A.	Rome	25.76%	25.76%
2. Galaxy S.à.r.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	Carrying amount	Fair value (*)
<b>A. Wholly-owned subsidiaries</b>	<b>31,481,874</b>	<b>3,637,879</b>	<b>892,795</b>	<b>16,072,985</b>	<b>14,983,826</b>	
1. Terna S.p.A. (1)	12,336,664	1,711,590	418,902	2,555,344	1,315,200	1,814,399
2. CDP Investimenti SGR S.p.A.	11,270	10,355	3,323	7,427	1,400	x
3. Simest S.p.A. (1)	393,874	49,365	12,185	239,764	232,500	x
4. Fondo Strategico Italiano S.p.A.	1,025,218	19,408	14,434	1,015,534	900,000	x
5. SACE S.p.A. (1)	8,522,045	1,445,547	183,963	5,713,206	6,050,000	x
6. Fintecna S.p.A. (1)	3,893,320	185,387	54,626	2,351,648	2,500,000	x
7. CDP GAS S.r.l.	797,441	108,984	103,806	571,147	467,366	x
8. CDP RETI S.r.l.	4,502,042	107,243	101,556	3,618,915	3,517,360	x
<b>B. Joint ventures</b>	-	-	-	-	-	
<b>C. Companies under significant influence</b>	<b>82,179,950</b>	<b>49,902,540</b>	<b>4,234,401</b>	<b>35,395,869</b>	<b>15,283,980</b>	
1. Eni S.p.A. (1)	82,021,346	49,876,149	4,212,687	35,254,999	15,281,632	17,169,532
2. Galaxy S.à.r.l. SICAR (2)	151,741	25,608	22,176	146,507	2,348	x
3. Europrogetti & Finanza S.p.A. in liquidazione (3)	6,863	783	(462)	(5,637)	-	x
<b>Total</b>	<b>113,661,824</b>	<b>53,540,419</b>	<b>5,127,196</b>	<b>51,468,854</b>	<b>30,267,806</b>	

(1) Figures from financial statements at 2011

(2) Figures from financial statements at 2011

(3) Figures from financial statements at 2009

(\*) at 31/12/12

### 10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Opening balance</b>	<b>19,641,548</b>	<b>18,582,609</b>
<b>B. Increases</b>	<b>12,660,568</b>	<b>1,072,800</b>
B.1 Purchases	12,660,568	1,072,800
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
<b>C. Decreases</b>	<b>2,034,310</b>	<b>13,861</b>
C.1 Sales	2,034,310	
C.2 Writedowns		13,861
C.3 Other decreases		
<b>D. Closing balance</b>	<b>30,267,806</b>	<b>19,641,548</b>
<b>E. Total revaluations</b>		
<b>F. Total writedowns</b>	<b>16,968</b>	<b>16,968</b>

The sub-item B.1 "Purchases" mainly relates to the acquisitions of 100% of SACE S.p.A. (€6,050 million), 100% of Fintecna S.p.A. (€2,500 million), and 76% of Simest S.p.A. (€232.5 million) and capital contributions made to CDP RETI S.r.l. formed in 2012 (€3,517.4 million) and to Fondo Strategico Italiano S.p.A. (€360 million).

The sub-item C.1 "Sales" refers mainly to the sale of Eni S.p.A. shares (€1,958.8 million).

### 10.6 Commitments in respect of companies subject to significant influence

CDP is a shareholder of Galaxy S.à.r.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)

	31/12/2012	31/12/2011
<b>A. Operating assets</b>		
<b>1.1 owned</b>	<b>206,845</b>	<b>199,728</b>
a) land	117,406	117,406
b) buildings	63,079	65,135
c) movables	2,043	2,548
d) electrical plant	1,288	1,239
e) other	23,029	13,400
<b>1.2 acquired under finance leases</b>		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
<b>Total A</b>	<b>206,845</b>	<b>199,728</b>
<b>B. Investment property</b>		
<b>2.1 owned</b>		
a) land		
b) buildings		
<b>2.2 acquired under finance leases</b>		
a) land		
b) buildings		
<b>Total B</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>206,845</b>	<b>199,728</b>

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

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>117,406</b>	<b>83,125</b>	<b>12,388</b>	<b>17,738</b>	<b>32,601</b>	<b>263,258</b>
A.1 Total net writedowns	-	(17,990)	(9,840)	(16,499)	(19,201)	(63,530)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>65,135</b>	<b>2,548</b>	<b>1,239</b>	<b>13,400</b>	<b>199,728</b>
<b>B. Increases</b>	<b>-</b>	<b>448</b>	<b>194</b>	<b>828</b>	<b>11,262</b>	<b>12,732</b>
B.1 Purchases		168	194	828	11,262	12,452
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		280				280
<b>C. Decreases</b>	<b>-</b>	<b>2,504</b>	<b>699</b>	<b>779</b>	<b>1,633</b>	<b>5,615</b>
C.1 Sales				86	24	110
C.2 Depreciation		2,504	699	693	1,330	5,226
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					279	279
<b>D. Closing net balance</b>	<b>117,406</b>	<b>63,079</b>	<b>2,043</b>	<b>1,288</b>	<b>23,029</b>	<b>206,845</b>
D.1 Total net writedowns	-	(20,494)	(10,180)	(10,943)	(20,301)	(61,918)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>83,573</b>	<b>12,223</b>	<b>12,231</b>	<b>43,330</b>	<b>268,763</b>
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)*

	31/12/2012		31/12/2011	
	Definite life	Indefinite life	Definite life	Indefinite life
<b>A.1 Goodwill</b>	<b>x</b>		<b>x</b>	
<b>A.2 Other intangible assets</b>	<b>7,143</b>		<b>4,575</b>	
A.2.1 Assets carried at cost	7,143		4,575	
a) internally-generated intangible assets				
b) other assets	7,143		4,575	
A.2.2 Assets carried at fair value				
a) internally-generated intangible assets				
b) other assets				
<b>Total</b>	<b>7,143</b>		<b>4,575</b>	



## 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	
<b>A. Opening gross balance</b>				<b>17,164</b>		<b>17,164</b>
A.1 Total net writedowns				(12,589)		(12,589)
<b>A.2 Opening net balance</b>				<b>4,575</b>		<b>4,575</b>
<b>B. Increases</b>				<b>5,032</b>		<b>5,032</b>
B.1 Purchases				5,032		5,032
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						
<b>C. Decreases</b>				<b>2,464</b>		<b>2,464</b>
C.1 Sales						
C.2 Writedowns				2,464		2,464
- Amortisation				2,464		2,464
- 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						
<b>D. Closing net balance</b>				<b>7,143</b>		<b>7,143</b>
D.1 Total net writedowns				(15,053)		(15,053)
<b>E. Closing gross balance</b>				<b>22,196</b>		<b>22,196</b>
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 available-for-sale financial assets and derivatives hedging cash flows in respect of liabilities (cash flow hedges).

### 13.2 Deferred tax liabilities: composition

Conversely, deferred tax liabilities arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will fall due in periods following the period in which they are recognised. They regard the fair value measurement of available-for-sale investments and securities and derivatives hedging cash flows in respect of financial liabilities (cash flow hedges).

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

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>106,269</b>	<b>9,175</b>
<b>2. Increases</b>	<b>8,714</b>	<b>99,983</b>
2.1 Deferred tax assets recognised during the year	8,714	99,879
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	8,714	99,879
2.2 New taxes or increases in tax rates		104
2.3 Other increases		
<b>3. Decreases</b>	<b>2,557</b>	<b>2,889</b>
3.1 Deferred tax assets derecognised during the year	2,557	2,889
a) reversals	2,557	2,889
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation into tax credits under Law 214/2011		
b) other		
<b>4. Closing balance</b>	<b>112,426</b>	<b>106,269</b>

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

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>316</b>	<b>-</b>
<b>2. Increases</b>	<b>-</b>	<b>316</b>
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		
<b>3. Decreases</b>	<b>316</b>	<b>-</b>
3.1 Deferred tax liabilities derecognised during the year	316	
a) reversals	316	
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>-</b>	<b>316</b>

### 13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>111,494</b>	<b>28,996</b>
<b>2. Increases</b>	<b>28,906</b>	<b>85,389</b>
2.1 Deferred tax assets recognised during the year	28,906	84,907
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	28,906	84,907
2.2 New taxes or increases in tax rates		482
2.3 Other increases		
<b>3. Decreases</b>	<b>103,673</b>	<b>2,891</b>
3.1 Deferred tax assets derecognised during the year	103,673	2,891
a) reversals	103,673	2,891
b) writedowns for supervening non-recoverability		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>36,727</b>	<b>111,494</b>

### 13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>87,033</b>	<b>78,224</b>
<b>2. Increases</b>	<b>38,205</b>	<b>9,432</b>
2.1 Deferred tax liabilities recognised during the year	38,205	2,117
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	38,205	2,117
2.2 New taxes or increases in tax rates		7,315
2.3 Other increases		
<b>3. Decreases</b>	<b>27,703</b>	<b>623</b>
3.1 Deferred tax liabilities derecognised during the year	27,703	623
a) reversals	27,703	623
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>97,535</b>	<b>87,033</b>

## 13.7 Other information

### 13.7.1 Deferred tax assets: composition

(thousands of euros)

	31/12/2012	31/12/2011
Provisions for liabilities and contingencies	3,224	2,467
Depreciation and amortisation	3,714	3,708
Financial instruments	2,540	1,856
Payables	1,148	2,044
Financial assets available for sale	34,187	109,638
Other	104,340	98,050
<b>Total</b>	<b>149,153</b>	<b>217,763</b>

### 13.7.2 Deferred tax liabilities: composition

(thousands of euros)

	31/12/2012	31/12/2011
Financial assets available for sale	25,390	2,194
Equity investments	59,322	84,664
Financial instruments	12,823	176
Other		315
<b>Total</b>	<b>97,535</b>	<b>87,349</b>

## SECTION 15 - OTHER ASSETS - ITEM 150

### 15.1 Other assets: composition

(thousands of euros)

	31/12/2012	31/12/2011
1. Trade receivables and advances to public entities	14,166	20,903
2. Receivables due from investees	1,044	23,671
3. Payments on account for withholding tax on interest on postal passbook savings accounts	217,100	188,558
4. Other	6,979	2,533
<b>Total</b>	<b>239,289</b>	<b>235,665</b>

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 passbook savings accounts”: the balance at end-2012 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-2012 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)*

	<b>31/12/2012</b>	<b>31/12/2011</b>
<b>1. Due to central banks</b>	<b>27,518,037</b>	<b>7,836,132</b>
<b>2. Due to banks</b>	<b>6,536,992</b>	<b>11,579,760</b>
2.1 Current accounts and demand deposits		
2.2 Fixed-term deposits	2,134,256	1,007,869
2.3 Loans	4,402,736	10,571,891
2.3.1 Repurchase agreements	1,268,069	8,183,254
2.3.2 Other	3,134,667	2,388,637
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables		
<b>Total</b>	<b>34,055,029</b>	<b>19,415,892</b>
<b>Fair value</b>	<b>34,055,029</b>	<b>19,415,892</b>

The item "Due to central banks" mainly refers to lines of credit extended by the ECB.

Fixed-term deposits refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives and the balance on 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-re-course assignment of receivables.

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2012	31/12/2011
1. Current accounts and demand deposits	1,580,717	458,553
2. Fixed-term deposits	232,217,230	217,933,852
3. Loans		
3.1 Repurchase agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	8,505,202	8,649,992
<b>Total</b>	<b>242,303,149</b>	<b>227,042,397</b>
<b>Fair value</b>	<b>242,303,149</b>	<b>227,042,397</b>

“Fixed-term deposits” mainly refers to the balance at the end of 2012 of 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 2012 of the fair value of those liabilities that would be less than the carrying amount. However, taking account of the demand redemption option for bondholders and the considerable uncertainty about redemption forecasts in the presence of the large and volatile spreads that continued to be experienced at the end of 2012, 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 2012 amounted to €9,117 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)

	31/12/2012	31/12/2011
<b>1. Liabilities covered specifically by fair value hedges:</b>	-	-
a) interest rate risk		
b) exchange rate risk		
c) multiple risks		
<b>2. Liabilities covered specifically by cash flow hedges:</b>	<b>424,248</b>	<b>413,299</b>
a) interest rate risk	424,248	413,299
b) exchange rate risk		
c) other		
<b>Total</b>	<b>424,248</b>	<b>413,299</b>

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)

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,672,411		5,998,748	409,904	8,512,365		7,505,619	491,303
1.1 structured	48,306		42,482					
1.2 other	6,624,105		5,956,266	409,904	8,512,365		7,505,619	491,303
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>6,672,411</b>		<b>5,998,748</b>	<b>409,904</b>	<b>8,512,365</b>		<b>7,505,619</b>	<b>491,303</b>

The item includes covered bonds in the amount of €2,639 million and bonds issued under the Euro Medium-Term Notes programme totalling €4,033 million.

### 3.3 Securities issued: securities hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Securities covered by specific fair value hedges</b>	<b>6,478,492</b>	<b>8,117,340</b>
a) interest rate risk	6,077,840	7,594,471
b) exchange rate risk		
c) multiple risks	400,652	522,869
<b>2. Securities covered by specific cash flow hedges</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>6,478,492</b>	<b>8,117,340</b>

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2012					31/12/2011				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance-sheet liabilities</b>										
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
<b>Total A</b>										
<b>B. Derivatives</b>										
1. Financial derivatives			63,559	413,529				37,506	434,309	
1.1 Trading	x				x	x				x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		63,559	413,529	x	x		37,506	434,309	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
<b>Total B</b>	<b>x</b>		<b>63,559</b>	<b>413,529</b>	<b>x</b>	<b>x</b>		<b>37,506</b>	<b>434,309</b>	<b>x</b>
<b>Total (A+B)</b>	<b>x</b>		<b>63,559</b>	<b>413,529</b>	<b>x</b>	<b>x</b>		<b>37,506</b>	<b>434,309</b>	<b>x</b>

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)

	Fair value 31/12/2012			NV	Fair value 31/12/2011			NV
	L1	L2	L3	31/12/2012	L1	L2	L3	31/12/2011
<b>A. Financial derivatives</b>		<b>2,562,811</b>	<b>13,052</b>	<b>9,902,943</b>		<b>2,612,712</b>	<b>8,539</b>	<b>12,098,781</b>
1) Fair value		2,562,811		9,516,943		2,612,712		11,712,781
2) Cash flow			13,052	386,000			8,539	386,000
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>2,562,811</b>	<b>13,052</b>	<b>9,902,943</b>		<b>2,612,712</b>	<b>8,539</b>	<b>12,098,781</b>

#### 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					Generic	Flussi finanziari		Investment in foreign operation
	Specific						Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risk				
1. Financial assets available for sale						x		x	x
2. Loans	2,562,811				x	x		x	x
3. Financial assets held to maturity		x			x	x		x	x
4. Portfolio		x	x	x	x		x		x
5. Other						x		x	
<b>Total assets</b>	<b>2,562,811</b>								
1. Financial liabilities					x	x	13,052	x	x
2. Portfolio		x	x	x	x		x		x
<b>Total liabilities</b>							<b>13,052</b>		
1. Forecast transactions		x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities		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)

	31/12/2012	31/12/2011
1. Positive adjustments of financial liabilities	56,413	60,440
2. Negative adjustment of financial liabilities		
<b>Total</b>	<b>56,413</b>	<b>60,440</b>

### 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)*

	31/12/2012	31/12/2011
1. Items being processed	10,681	4,445
2. Charges for postal funding service	939,615	129,050
3. Tax payables	517,641	384,946
4. Other	60,033	20,076
<b>Total</b>	<b>1,527,970</b>	<b>538,517</b>

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 €940 million, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about €518 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, adjustments to guarantees issued and commitments to disburse funds and amounts due to the subsidiaries Fondo Strategico Italiano S.p.A. and CDP GAS S.r.l. in respect of their participation in the consolidated taxation mechanism.

## SECTION 11 - STAFF SEVERANCE PAY - ITEM 110

### 11.1 Staff severance pay: change for the year

*(thousands of euros)*

	31/12/2012	31/12/2011
<b>A. Opening balance</b>	<b>733</b>	<b>705</b>
<b>B. Increases</b>	<b>1,097</b>	<b>1,226</b>
B.1 Provision for the year	1,097	1,226
B.2 Other increases		
<b>C. Decreases</b>	<b>1,079</b>	<b>1,198</b>
C.1 Severance payments		
C.2 Other decreases	1,079	1,198
<b>D. Closing balance</b>	<b>751</b>	<b>733</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	31/12/2012	31/12/2011
1. Company pension plans		
2. Other provisions	11,790	9,681
2.1 legal disputes	3,957	1,957
2.2 staff costs	6,438	6,091
2.3 other	1,395	1,633
<b>Total</b>	<b>11,790</b>	<b>9,681</b>

### 12.2 Provisions: change for the year

(thousands of euros)

	Pension	Other provisions	Total
<b>A. Opening balance</b>		<b>9,681</b>	<b>9,681</b>
<b>B. Increases</b>		<b>8,390</b>	<b>8,390</b>
B.1 Provision for the year		2,058	2,058
B.2 Changes due to passage of time			
B.3 Changes due to changes in discount rate			
B.4 Other increases		6,332	6,332
<b>C. Decreases</b>		<b>6,281</b>	<b>6,281</b>
C.1 Use during the year		6,281	6,281
C.2 Changes due to changes in discount rate			
C.3 Other decreases			
<b>D. Closing balance</b>		<b>11,790</b>	<b>11,790</b>

### 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 April 2013, without prejudice to the right of preference shareholders to withdraw. The right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. No preference share holder opted for conversion at par through payment of an adjustment, as provided for in the articles of association.

The 105,000,000 preference shares will therefore be automatically converted into 51,450,000 ordinary shares, on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares).

The shares of the withdrawing foundations, pursuant to Article 2437-quater of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties, requesting, in the agenda for the Ordinary Shareholders' Meeting of 20 March 2013, authorisation to purchase own shares as part of the liquidation procedure referred to Article 2437-quater of the Italian Civil Code.

The shares of the withdrawing foundations will be purchased with the use of available reserves at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013, for a total of €57,220,116.00.

At 31 December 2012, the company did not hold treasury shares.



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

	Ordinary	Other
<b>A. Shares at start of the year</b>	<b>245,000,000</b>	<b>105,000,000</b>
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
<b>B. Increases</b>		
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		
<b>C. Decreases</b>		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
D.1 Treasury shares (+)		
<b>D.2 Shares at end of the year</b>	<b>245,000,000</b>	<b>105,000,000</b>
- fully paid	245,000,000	105,000,000
- partly paid		

## 14.4 Income reserves: additional information

(thousands of euros)

	31/12/2012	31/12/2011
<b>Income reserves</b>	<b>9,517,249</b>	<b>8,276,344</b>
Legal reserve	605,567	524,972
Other	8,911,682	7,751,372

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

(thousands of euros)

	Balance at 31/12/2012	Possible uses (*)	Amount available
Share capital	3,500,000	-	
Reserves	9,517,249		
- Legal reserve	605,567	B	605,567
- Other income reserves	8,911,682	A, B, C	8,911,682
Valuation reserves	965,418		
- AFS reserve	777,034		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	20,812		
<b>Total</b>	<b>13,982,667</b>		<b>9,684,821</b>

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

## OTHER INFORMATION

### 1. Guarantees issued and commitments

(thousands of euros)

	31/12/2012	31/12/2011
1. Financial guarantees issued	506,751	226,198
a) Banks		
b) Customers	506,751	226,198
2. Commercial guarantees issued		
a) Banks		
b) Customers		
3. Irrevocable commitments to disburse funds	15,291,176	13,630,974
a) Banks	1,967,874	124,171
i) certain use	1,967,874	124,171
ii) uncertain use		
b) Customers	13,323,302	13,506,803
i) certain use	13,290,784	13,506,803
ii) uncertain use	32,518	
4. Commitments underlying credit derivatives: sales of protection		
5. Assets pledged as collateral for third-party debts		
6. Other commitments	1,817,628	1,986,433
<b>Total</b>	<b>17,615,555</b>	<b>15,843,605</b>

### 2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	31/12/2012	31/12/2011
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	3,747,330	2,391,219
4. Financial assets held to maturity	11,253,303	6,386,351
5. Loans to banks	575,162	5,138,958
6. Loans to customers	40,101,223	23,332,609
7. Property, plant and equipment		

The assets pledged as collateral for own debts are mainly represented by receivables pledged as collateral in refinancing operations with the ECB. The remainder are assets securing bond issues (covered bonds), securities in repurchase agreements used for funding, and receivables pledged as security for loans from the EIB.

## 4. Management and intermediation on behalf of third parties

(thousands of euros)

31/12/2012

### 1. Order execution on behalf of customers

a) purchases

1. settled

2. not yet settled

b) sales

1. settled

2. not yet settled

### 2. Asset management

a) individual

b) collective

### 3. Custody and administration of securities

a) third-party securities held as part of depository bank services  
(excluding asset management)

1. securities issued by the reporting bank

2. other securities

b) other third-party securities on deposit (excluding asset management)

3,966,523

1. securities issued by the reporting bank

2. other securities

3,966,523

c) third-party securities deposited with third parties

3,966,523

d) securities owned by bank deposited with third parties

### 4. Other transactions

## 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	31/12/2012	31/12/2011
1. Financial assets held for trading					
2. Financial assets available for sale	148,706			148,706	69,819
3. Financial assets held to maturity	804,001			804,001	201,829
4. Loans to banks	3,913	320,005		323,918	241,270
5. Loans to customers	83,411	9,230,647		9,314,058	7,224,912
6. Financial assets at fair value					
7. Hedging derivatives	x	x			
8. Other assets	x	x			
<b>Total</b>	<b>1,040,031</b>	<b>9,550,652</b>	<b>-</b>	<b>10,590,683</b>	<b>7,737,830</b>

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

- loans to banks and customers:
  - interest income on loans by CDP amounted to about €4,335 million;
  - interest income on current account no. 29814, equal to about €5,184 million;
  - interest income on current accounts, equal to about €31 million;
- debt securities: interest income on debt securities amounted to about €1,040 million.

The item includes interest income accrued on impaired assets of about €1,973 thousand.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payable	Securities	Other	31/12/2012	31/12/2011
1. Due to central banks	209,417	x		209,417	22,834
2. Due to banks	99,260	x		99,260	106,072
3. Due to customers	6,287,948	x		6,287,948	4,699,033
4. Securities issued	x	221,334		221,334	252,032
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	555	555	2,220
8. Hedging derivatives	x	x	250,354	250,354	326,798
<b>Total</b>	<b>6,596,625</b>	<b>221,334</b>	<b>250,909</b>	<b>7,068,868</b>	<b>5,408,989</b>

Interest expense on amounts due to central banks regards financing from the ECB.

Interest expense on amounts due to customers mainly regards interest on postal savings products (about €6,126 million).

Interest on debt securities regarded bond issues in the amount of about €221 million.

The negative differences on hedges amounted to about €250 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2012	31/12/2011
A. Positive differences on hedging transactions	96,289	114,060
B. Negatives differences on hedging transactions	346,643	440,858
<b>C. Balance (A-B)</b>	<b>(250,354)</b>	<b>(326,798)</b>

## 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 €28 million, 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 and commission income of €4 million relating to the management of the Kyoto Fund.

Commission income of around €3 million was accrued on guarantees given.

(thousands of euros)

	31/12/2012	31/12/2011
a) guarantees issued	3,343	357
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	35,005	15,348
<b>Total</b>	<b>38,348</b>	<b>15,705</b>

## 2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to about €1,649 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

The agreement signed between CDP and Poste Italiane for the 2011-2013 period sets the fee for placement activities and no longer provides for a commission directly attributable to the issue of new postal savings bonds, but rather a comprehensive fee for the activities involved in providing the service, that starting from the financial statements for the year ended 31 December 2011, is 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 S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services.

*(thousands of euros)*

	31/12/2012	31/12/2011
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:	1,649,115	1,504,050
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	1,649,115	1,504,050
6. off-premises distribution of securities, products and services		
d) collection and payment services	906	586
e) other services	102	101
<b>Total</b>	<b>1,650,123</b>	<b>1,504,737</b>



## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

## 3.1 Dividends and similar revenues: composition

*(thousands of euros)*

	31/12/2012		31/12/2011	
	dividends	income from units in collective investment undertakings	dividends collective	income from units in investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		401	2,642	221
C. Financial assets at fair value				
D. Equity investments	1,206,348	x	1,226,272	x
<b>Total</b>	<b>1,206,348</b>	<b>401</b>	<b>1,228,914</b>	<b>221</b>

The balance consists of dividends and similar income authorised for distribution in the year from equity investments in ENI (about €1,086 million), Terna (€120 million), CDPI SGR (€140 thousand) and the PPP Italia fund (about €401 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 result [(A+B) - (C+D)]
<b>1. Financial assets held for trading</b>					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
<b>3. Other financial assets and liabilities: exchange rate differences</b>					
	x	x	x	x	(2)
<b>4. Derivatives</b>	<b>231,724</b>	<b>25,238</b>	<b>64,876</b>	<b>35,677</b>	<b>156,409</b>
4.1 Financial derivatives	231,724	25,238	64,876	35,677	156,409
- on debt securities and interest rates	25,682	12,229	391	35,677	1,843
- on equity securities and equity indices	206,042	13,009	64,485		154,566
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
<b>Total</b>	<b>231,724</b>	<b>25,238</b>	<b>64,876</b>	<b>35,677</b>	<b>156,409</b>

The result of trading activities, equal to €156.4 million, is almost entirely attributable to the operational hedges of the option component embedded in the *Premia* and indexed savings bonds established with the purchase of options mirroring the exposure.

The result in 2012 is the consequence of overhedging, already seen in 2011 but which was amplified during the year by developments in early redemptions of equity linked bonds, combined with an increase in stock indices at 31 December 2012 compared with a year earlier.

In any event, to limit the risk of volatility in profit or loss, in 2012 we continued to unwind explicit option positions used for operational hedging whose notional exceeded that of the hedged embedded options.

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

### 5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Income on:</b>		
A.1 Fair value hedges	98,370	72,146
A.2 Hedged financial assets (fair value)	811,344	1,483,219
A.3 Hedged financial liabilities (fair value)	47,387	95,512
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	20,736	19,287
<b>Total income on hedging activities (A)</b>	<b>977,837</b>	<b>1,670,164</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	873,205	1,604,766
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)	94,016	73,937
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	20,736	19,287
<b>Total expense on hedging activities (B)</b>	<b>987,957</b>	<b>1,697,990</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(10,120)</b>	<b>(27,826)</b>

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

### 6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2012			31/12/2011		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks						
2. Loans to customers	23,727	(4,258)	19,469	8,907	(2,833)	6,074
3. Financial assets available for sale	366,190		366,190	346		346
3.1 Debt securities	982		982	346		346
3.2 Equity securities	365,208		365,208			
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	145		145	6		6
<b>Total assets</b>	<b>390,062</b>	<b>(4,258)</b>	<b>385,804</b>	<b>9,259</b>	<b>(2,833)</b>	<b>6,426</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued	3,760		3,760			
<b>Total liabilities</b>	<b>3,760</b>		<b>3,760</b>			

The balance mainly regards the sale of ENI shares and represents the release to profit or loss of the share of the AFS valuation reserve at the time of the reclassification of the holding in ENI from item 40. "Financial assets available for sale" to item 100. "Equity investments", following the acquisition of an additional interest as part of the share exchange with the MEF.

Prior to the exchange, CDP already held 400,288,338 shares of ENI, which were classified under "Financial assets available for sale" and measured at fair value with changes recognised in equity.

Following the exchange, CDP's stake in ENI rose from 9.9% to 26.37%, and as CDP exercised a significant influence pursuant to paragraph 6 of IAS 28, the holding was reclassified under "Equity investments".

At the time of the reclassification, the original interest in ENI was revalued on the basis of its market value, following which the valuation reserve amounted to €1,141 million, net of taxes.

The reserve, recognised among the valuation reserves, was partly reversed to profit or loss, on a FIFO basis, on the occasion of the sale of 120,000,000 ENI shares in 2012.

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €22.9 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				31/12/2012	31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks			(16,013)					(16,013)	
- Loans			(16,013)					(16,013)	
- Debt securities									
B. Loans to customers	(7)	(5,213)	(1,328)	323	141			(6,084)	(7,566)
Purchased impaired receivables									
- Loans			X					X	
- Debt securities			X					X	
Other receivables									
- Loans	(7)	(5,213)	(1,322)	323	141			(6,078)	(7,550)
- Debt securities			(6)					(6)	(16)
<b>C. Total</b>	<b>(7)</b>	<b>(5,213)</b>	<b>(17,341)</b>	<b>323</b>	<b>141</b>			<b>(22,097)</b>	<b>(7,566)</b>

**Key**

A = interest

B = other writebacks

## 8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2012	31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(162)					(162)	(123)
B. Credit derivatives									
C. Commitments to disburse funds		(487)	(145)				6	(626)	(2,500)
D. Other transactions									
<b>E. Total</b>		<b>(487)</b>	<b>(307)</b>				<b>6</b>	<b>(788)</b>	<b>(2,623)</b>

### Key

A = interest

B = other writebacks

## SECTION 9 - GENERAL AND ADMINISTRATIVE EXPENSES - ITEM 150

### 9.1 Staff costs: composition

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Employees</b>	<b>52,705</b>	<b>49,407</b>
a) wages and salaries	38,612	35,728
b) social security contributions	165	124
c) severance pay		
d) pensions	9,669	9,139
e) allocation to staff severance pay provision	1,098	1,226
f) allocation to provision for pensions and similar liabilities		
- defined contribution		
- defined benefit		
g) payments to external pension funds	1,124	1,269
- defined contribution	1,124	1,269
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	2,037	1,921
<b>2. Other personnel in service</b>	<b>16</b>	<b>38</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>1,512</b>	<b>1,671</b>
<b>4. Retired personnel</b>		
<b>5. Recovery of expenses for employees seconded to other companies</b>	<b>(364)</b>	<b>(576)</b>
<b>6. Reimbursement of expenses for third-party employees seconded to the company</b>	<b>337</b>	<b>241</b>
<b>Total</b>	<b>54,206</b>	<b>50,781</b>

### 9.2 Average number of employees by category

<b>Employees</b>	<b>501</b>
a) Senior management	46
b) Middle management	195
- of which: grade 3 and 4	129
c) Other employees	260
<b>Other personnel</b>	<b>11</b>

## 9.4 Other employee benefits

(thousands of euros)

	31/12/2012	31/12/2011
Lunch vouchers	772	726
Staff health insurance	1,040	1,036
Interest subsidies on loans	53	44
Other benefits	172	115
<b>Total</b>	<b>2,037</b>	<b>1,921</b>

## 9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2012	31/12/2011
Professional and financial services	8,657	5,772
IT costs	19,206	10,751
General services	8,661	7,518
Advertising and marketing	2,918	2,033
- of which mandatory publicity	1,150	1,138
Information resources and databases	1,264	1,383
Utilities, duties and other expenses	6,908	5,451
Corporate bodies	445	434
Other personnel costs	1,021	1,046
<b>Total</b>	<b>49,080</b>	<b>34,388</b>

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2012 paid for services provided by PricewaterhouseCoopers 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	PricewaterhouseCoopers S.p.A.	402
Certification	PricewaterhouseCoopers S.p.A.	36
<b>Total</b>		<b>438</b>

The fees paid in 2012 to the audit firm PricewaterhouseCoopers S.p.A regard auditing of the annual separate and consolidated financial statements, auditing of the 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)

	31/12/2012		31/12/2011
	Accruals	Reversal of excess	Total
Review of existing provision for litigation	(2,000)		(481)
Provision for tax liabilities	(58)		131
<b>Total</b>	<b>(2,058)</b>	<b>-</b>	<b>(350)</b>

## 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)
<b>A. Property, plant and equipment</b>				
A.1 Owned	5,226			5,226
- Operating assets	5,226			5,226
- Investment property				
A.2 Acquired under finance leases				
- Operating assets				
- Investment property				
<b>Total</b>	<b>5,226</b>			<b>5,226</b>

## SECTION 12 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 180

### 12.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedown for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	2,464			2,464
- Internally generated				
- Other	2,464			2,464
A.2 Acquired under finance leases				
<b>Total</b>	<b>2,464</b>			<b>2,464</b>

## SECTION 13 - OTHER OPERATING COSTS AND INCOME - ITEM 190

### 13.1 Other operating costs: composition

(thousands of euros)

	31/12/2012	31/12/2011
Operating costs in respect of supply chain		1
Charges from adjustment of asset items		18
<b>Total</b>	<b>-</b>	<b>19</b>

### 13.2 Other operating income: composition

(thousands of euros)

	31/12/2012	31/12/2011
Income from adjustment of liability items		55
Income for corporate offices paid to employees	282	248
Sundry reimbursements	1,504	2,632
Other income from services	1,719	814
<b>Total</b>	<b>3,505</b>	<b>3,749</b>

## SECTION 14 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 210

### 14.1 Gains (losses) on equity investments: composition

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Gains</b>	<b>147,335</b>	<b>-</b>
1. Revaluations		
2. Gains on disposals	147,335	
3. Writebacks		
4. Other		
<b>B. Losses</b>	<b>-</b>	<b>(13,861)</b>
1. Writedowns		(13,861)
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>147,335</b>	<b>(13,861)</b>

The balance for 2012 regards the gain on the disposal of 120,000,000 ENI shares, equal to 3.3% of its share capital.

## SECTION 17- GAINS (LOSSES) ON THE DISPOSAL OF INVESTMENTS - ITEM 240

### 17.1 Gains (losses) on the disposal of investments: composition

(thousands of euros)

	31/12/2012	31/12/2011
A. Property		
- Gains from disposal		
- Losses from disposal		
B. Other assets		
- Gains from disposal	3	
- Losses from disposal	(111)	
<b>Net gain (loss)</b>	<b>(108)</b>	

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

### 18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2012	31/12/2011
1. Current taxes (-)	(823,258)	(402,225)
2. Change in current taxes from previous years (+/-)	1,949	773
3. Reduction of current taxes for the year (+)		
3.bis Reduction of current taxes for tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	6,157	97,094
5. Change in deferred tax liabilities (+/-)	316	(316)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(814,836)	(304,674)

Current taxation for 2012 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.

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 2012 shows a substantial increase, essentially attributable to the allocations to the risk provision and the provision for future employee costs.

As regards deferred tax liabilities, the decrease in 2012 regards the collection of receivables in respect of dividends recognized on an accrual basis in 2011.

## 18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

		<b>Tax rate</b>
<b>Income (loss) before taxes</b>	<b>3,667,453</b>	
<b>IRES Theoretical tax liability (27.5% rate)</b>	<b>(1,008,550)</b>	<b>-27.5%</b>
Permanent increases		
- non-deductible interest expense	(77,758)	-2.1%
- non-deductible costs	(1,045)	n.s.
Temporary increases		
- temporarily non-deductible costs	(8,147)	-0.2%
- temporarily non-taxable income	(316)	n.s.
Permanent decreases		
- tax exempt dividends	315,263	8.6%
- participation exemption	133,902	3.7%
- other changes	2,815	0.1%
Temporary decreases	2,406	0.1%
<b>IRES Actual tax liability</b>	<b>(641,430)</b>	<b>-17.5%</b>
<b>Taxable income for IRAP purposes</b>	<b>2,998,169</b>	
<b>IRAP Theoretical tax liability (5.57% rate)</b>	<b>(166,998)</b>	<b>-5.57%</b>
non-deductible interest 4%	(15,749)	-0.5%
deductible costs from prior years	151	n.s.
deductible costs in respect of staff	984	n.s.
other non-deductible costs	(216)	n.s.
<b>IRAP Actual tax liability</b>	<b>(181,828)</b>	<b>-6.1%</b>

## Part D - COMPREHENSIVE INCOME

### Detailed breakdown of comprehensive income

*(thousands of euros)*

	Gross amount	Income taxes	Net amount
<b>10. Net income (loss) for the period</b>	<b>3,667,453</b>	<b>(814,836)</b>	<b>2,852,617</b>
<b>Other comprehensive income</b>			
20. Financial assets available for sale:	(66,603)	(73,305)	(139,908)
a) fair value changes	298,605	(98,669)	199,936
b) reversal to income statement	(365,208)	25,364	(339,844)
- impairment adjustments			
- gain/loss on realisation	(365,208)	25,364	(339,844)
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:	36,176	(11,963)	24,213
a) fair value changes	36,176	(11,963)	24,213
b) reversal to income statement			
c) other changes			
70. Exchange rate differences:			
a) change of value			
b) reversal to income statement			
c) other changes			
80. Non-current assets held for sale:			
a) change of value			
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			
<b>110. Total other comprehensive income</b>	<b>(30,427)</b>	<b>(85,268)</b>	<b>(115,695)</b>
<b>120. Comprehensive income (items 10+110)</b>	<b>3,637,026</b>	<b>(900,104)</b>	<b>2,736,922</b>

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within the CDP organisational structure, the head of Risk Management and Anti-Money Laundering (RMA) and the units that report directly to that officer are 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 associated with each category of risk.

These risk categories are defined in the 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), operational risks and reputational risk.

The RMA area is structured into four units:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational Risks;
4. Anti-Money Laundering.

Staff qualified in managing in real estate risk, risk pertaining to equity investments and relationships with rating agencies also report to the head of the RMA.

The Risk Committee, established in 2010, is a collegial body with responsibility for guidance and control in risk management.

The RMA 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 Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement 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 hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to central government and regional and local authorities.

In the last three years, an increasingly important 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 areas hit by earthquakes.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially immunised for credit risk, and those assumed under “Export Bank” operations.

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

### 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 Lending department is responsible for reviewing loans and, among other things, for the assignment of internal ratings and estimating loss given default, parameters that are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy, a document approved by the CEO that sets out the methodologies used by CDP in assigning internal ratings to counterparties and in generating internal estimates of recovery rates for individual lending transactions.

As part of pre-lending assessments, the RMA focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. The RMA also monitors overall developments in the risk level of the loan portfolio, partly with a view to identifying any necessary corrective actions to optimise the risk/return profile.

The RMA'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 and updating of the Rating and Recovery Rate Policy in accordance with the requirements set out 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 pursuant to Decree Law 185 of 29 November 2008, 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 associated with country risk.

The RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The RMA 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. Similarly, the RMA provides for the monitoring of exposures to counterparties in treasury activities, verifying compliance with the limits and criteria set out in the Risk Policy.

## **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 and that involving non-public entities under the Separate Account can 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. In addition, CDP recently joined the Cassa di Compensazione e Garanzia (central counterparty guarantee system), with a view to carrying out repurchase transactions backed by sound counterparty risk protection mechanisms.

## 2.4 Impaired financial assets

Impaired financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit 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 of the credit exposure. In order to ensure that such events are reflected promptly, the information on the financial and economic situation of borrowers is monitored periodically and developments in any out-of-court arrangements being negotiated and the various stages of court proceedings involving customers 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 past-due/overlimit positions.

In the pre-litigation stage, impaired positions are monitored and managed by the Lending department 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.

## 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 position	Past due position	Other assets	Total
1. Financial assets held for trading					640,481	640,481
2. Financial assets available for sale					4,673,374	4,673,374
3. Financial assets held to maturity					16,730,803	16,730,803
4. Loans to banks					13,178,303	13,178,303
5. Loans to customers	7,955	42,715		25,471	238,229,617	238,305,758
6. Financial assets at fair value						-
7. Financial assets being divested						-
8. Hedging derivatives					371,593	371,593
<b>Total at 31/12/2012</b>	<b>7,955</b>	<b>42,715</b>	<b>-</b>	<b>25,471</b>	<b>273,824,171</b>	<b>273,900,312</b>
<b>Total at 31/12/2011</b>	<b>6,070</b>	<b>26,736</b>	<b>-</b>	<b>13,626</b>	<b>252,656,387</b>	<b>252,702,819</b>

### 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	640,481	640,481
2. Financial assets available for sale				4,673,374		4,673,374	4,673,374
3. Financial assets held to maturity				16,730,803		16,730,803	16,730,803
4. Loans to banks				13,194,316	(16,013)	13,178,303	13,178,303
5. Loans to customers	154,503	(78,362)	76,141	238,233,326	(3,709)	238,229,617	238,305,758
6. Financial assets at fair value				x	x		-
7. Financial assets being divested							-
8. Hedging derivatives				x	x	371,593	371,593
<b>Total at 31/12/2012</b>	<b>154,503</b>	<b>(78,362)</b>	<b>76,141</b>	<b>272,831,819</b>	<b>(19,722)</b>	<b>273,824,171</b>	<b>273,900,312</b>
<b>Total at 31/12/2011</b>	<b>117,611</b>	<b>(71,179)</b>	<b>46,432</b>	<b>251,717,893</b>	<b>(2,381)</b>	<b>252,656,387</b>	<b>252,702,819</b>

### 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
<b>A. On-balance-sheet exposures</b>				
a) Bad debts				x
b) Substandard loans				x
c) Restructured positions				x
d) Past due positions				x
e) Other assets	13,194,316	x	(16,013)	13,178,303
<b>TOTAL A</b>	<b>13,194,316</b>	<b>-</b>	<b>(16,013)</b>	<b>13,178,303</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired				x
b) Other	1,968,018	x	(145)	1,967,873
<b>TOTAL B</b>	<b>1,968,018</b>	<b>-</b>	<b>(145)</b>	<b>1,967,873</b>
<b>TOTAL A+B</b>	<b>15,162,334</b>	<b>-</b>	<b>(16,158)</b>	<b>15,146,176</b>

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
<b>A. ON-BALANCE-SHEET EXPOSURES</b>				
a) Bad debts	47,264	(39,309)	x	7,955
b) Substandard loans	81,768	(39,053)	x	42,715
c) Restructured positions			x	
d) Past due positions	25,471		x	25,471
e) Other assets	259,637,503	x	(3,709)	259,633,794
<b>TOTAL A</b>	<b>259,792,006</b>	<b>(78,362)</b>	<b>(3,709)</b>	<b>259,709,935</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	15,068	(1,455)	x	13,613
b) Other	13,818,251	x	(1,811)	13,816,440
<b>TOTAL B</b>	<b>13,833,319</b>	<b>(1,455)</b>	<b>(1,811)</b>	<b>13,830,053</b>
<b>TOTAL A+B</b>	<b>273,625,325</b>	<b>(79,817)</b>	<b>(5,520)</b>	<b>273,539,988</b>

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
<b>A. Opening gross exposure</b>	<b>44,490</b>	<b>59,495</b>	<b>-</b>	<b>13,626</b>
<i>- of which: exposures assigned but not derecognised</i>				
<b>B. Increases</b>	<b>3,344</b>	<b>28,281</b>	<b>-</b>	<b>36,789</b>
B.1 transfers from performing positions		505		36,569
B.2 transfers from other categories of impaired positions	1,917	24,192		
B.3 other increases	1,427	3,584		220
<b>C. Decreases</b>	<b>570</b>	<b>6,008</b>	<b>-</b>	<b>24,944</b>
C.1 to performing loans		1,870		50
C.2 writeoffs	367			
C.3 collections	169	2,083		702
C.4 assignments				
C.5 transfers to other categories of impaired positions		1,917		24,192
C.6 other decreases	34	138		
<b>D. Closing gross exposure</b>	<b>47,264</b>	<b>81,768</b>	<b>-</b>	<b>25,471</b>
<i>- of which: exposures assigned but not derecognised</i>				

### 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
<b>A. Total opening adjustments</b>	<b>38,420</b>	<b>32,759</b>	-	-
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>1,581</b>	<b>6,440</b>	-	-
B.1 writedowns	878	4,335		
B.1.bis losses on disposal				
B.2 transfers from other categories of impaired positions				
B.3 other increases	703	2,105		
<b>C. Decreases</b>	<b>692</b>	<b>146</b>	-	-
C.1 writebacks from valuations	318	146		
C.2 writebacks from collection				
C.2.bis gains on disposal				
C.3 writeoffs	367			
C.4 transfers to other categories of impaired positions				
C.5 other decreases	7			
<b>D. Total closing adjustments</b>	<b>39,309</b>	<b>39,053</b>	-	-
- 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		
<b>A. On-balance-sheet exposures</b>	2,616,175	3,899,448	226,274,274	1,292,394	26,141	32,138	39,038,524	273,179,094
<b>B. Derivatives</b>								-
B.1 Financial derivatives								-
B.2 Credit derivatives								-
<b>C. Guarantees issued</b>			119,957				386,794	506,751
<b>D. Commitments to disburse funds</b>		19,694	10,617,803	566,166	101,836		3,985,677	15,291,176
<b>E. Other</b>								-
<b>Total</b>	2,616,175	3,919,142	237,012,034	1,858,560	127,977	32,138	43,410,995	288,977,021

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)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)
		Land and buildings		Securities	Other assets	Credit derivatives				Guarantees				
		Mortgages	Finance lease			CIN	Other derivatives			Governments and central banks	Other governments agencies	Banks	Other	
				Governments and central banks	Other government agencies		Banks	Other						
<b>1. Secured on-balance-sheet credit exposures:</b>														
1.1 fully secured - of which: impaired	1,522,331			951,129						551,740			19,779	1,522,648
1.2 partially secured - of which: impaired														
<b>2. Secured off-balance-sheet credit exposures:</b>														
1.1 fully secured - of which: impaired	2,965,200			2,488,762						220,107			256,476	2,965,345
1.2 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					
		Land and buildings		Securities	Other assets	CLN	Other derivatives			Governments and central banks	Other governments agencies	Banks		Other
		Mortgages	Finance lease				Governments and central banks	Other government agencies	Banks					
<b>1. Secured on-balance-sheet credit exposures:</b>														
1.1 fully secured	6,439,382	192,374	212,048	414,237					3,061,234	346,552	31,247	2,151,118	6,408,810	
- of which: impaired	62,593								62,609				62,609	
1.2 partially secured	84,284,572	5,410	8,728	7,388,177							7,334		7,409,649	
- of which: impaired	6,645			491									491	
<b>2. Secured off-balance-sheet credit exposures:</b>														
1.1 fully secured	2,657,737	7,904	73,764	250,837					691,186	105,526		1,528,520	2,657,737	
- of which: impaired	13,614								13,614				13,614	
1.2 partially secured	427,804		351	350,000									350,351	
- 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 undertaking		Non financial companies			Other	
	Net exposure	Specific writedowns Portfolio writedowns	Net exposure	Specific writedowns Portfolio writedowns	Portfolio writedowns	Net exposure	Specific writedowns Portfolio writedowns	Portfolio writedowns	Net exposure Specific writedowns Portfolio writedowns	Net exposition	Specific writedowns Portfolio writedowns	Portfolio writedowns	Net exposure	Specific writedowns Portfolio writedowns	
<b>A. On-balance-sheet exposures</b>															
A.1 Bad debts		x	2,767	(3,474)	x	(2,456)	x	x	5,188	(33,379)	x		x		
A.2 Substandard loans		x		(31,843)	x		x	x	42,615	(7,210)	x	100	x		
A.3 Restructured positions		x			x		x	x			x		x		
A.4 Past due positions		x	2,613		x		x	x	22,858		x		x		
A.5 Other	196,358,652	x	50,353,400	x	2,525,236	x	(6)	x	10,364,429	x	(3,703)	32,077	x		
<b>Total A</b>	<b>196,358,652</b>	<b>- -</b>	<b>50,358,780</b>	<b>(35,317)</b>	<b>- 2,525,236</b>	<b>(2,456)</b>	<b>(6)</b>	<b>- - -</b>	<b>10,435,090</b>	<b>(40,589)</b>	<b>(3,703)</b>	<b>32,177</b>	<b>- -</b>		
<b>B. Off-balance-sheet exposures</b>															
B.1 Bad debts		x			x	(1,455)	x	x			x		x		
B.2 Substandard loans		x			x		x	x	5,848		x		x		
B.3 Other impaired assets		x			x		x	x	7,765		x		x		
B.4 Other	4,970,845	x	3,353,482	x	89,058	x	x	x	5,400,911	x	(1,811)	2,144	x		
<b>Total B</b>	<b>4,970,845</b>	<b>- -</b>	<b>3,353,482</b>	<b>- -</b>	<b>89,058</b>	<b>(1,455)</b>	<b>- - -</b>	<b>- - -</b>	<b>5,414,524</b>	<b>- (1,811)</b>	<b>2,144</b>	<b>- -</b>			
<b>Total (A+B) at 31/12/2012</b>	<b>201,329,497</b>	<b>- -</b>	<b>53,712,262</b>	<b>(35,317)</b>	<b>- 2,614,294</b>	<b>(3,911)</b>	<b>(6)</b>	<b>- - -</b>	<b>15,849,614</b>	<b>(40,589)</b>	<b>(5,514)</b>	<b>34,321</b>	<b>- -</b>		
<b>Total (A+B) at 31/12/2011</b>	<b>178,059,342</b>	<b>- -</b>	<b>55,237,927</b>	<b>(34,630)</b>	<b>- 527,821</b>	<b>(2,837)</b>	<b>- - -</b>	<b>- - -</b>	<b>12,278,928</b>	<b>(34,679)</b>	<b>(4,036)</b>	<b>35,281</b>	<b>- -</b>		

## 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 the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts	7,955	(39,309)								
A.2 Substandard loans	42,715	(39,053)								
A.3 Restructured positions										
A.4 Past due positions	25,471									
A.5 Other	257,523,730	(3,709)	2,110,064							
<b>Total A</b>	<b>257,599,871</b>	<b>(82,071)</b>	<b>2,110,064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts		(1,455)								
B.2 Substandard loans	5,849									
B.3 Other impaired assets	7,765									
B.4 Other	13,008,439	(1,811)			808,000					
<b>Total B</b>	<b>13,022,053</b>	<b>(3,266)</b>	<b>-</b>	<b>-</b>	<b>808,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2012</b>	<b>270,621,924</b>	<b>(85,337)</b>	<b>2,110,064</b>	<b>-</b>	<b>808,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2011</b>	<b>245,881,594</b>	<b>(76,182)</b>	<b>208,527</b>	<b>-</b>	<b>49,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	10,304,145	(16,013)	2,854,379				19,779			
<b>Total A</b>	<b>10,304,145</b>	<b>(16,013)</b>	<b>2,854,379</b>	-	-	-	<b>19,779</b>	-	-	-
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	1,708,326	(145)	3,071				256,476			
<b>Total B</b>	<b>1,708,326</b>	<b>(145)</b>	<b>3,071</b>	-	-	-	<b>256,476</b>	-	-	-
<b>Total (A+B) at 31/12/2012</b>	<b>12,012,471</b>	<b>(16,158)</b>	<b>2,857,450</b>	-	-	-	<b>276,255</b>	-	-	-
<b>Total (A+B) at 31/12/2011</b>	<b>12,584,332</b>	-	<b>7,836,360</b>	-	-	-	-	-	-	-

## 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);
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);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

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

The loans underlying the transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

## 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
<b>A. With own underlying assets:</b>	<b>7,083</b>	<b>7,083</b>										
a) Impaired												
b) Other	7,083	7,083										
<b>B. With third-party underlying assets:</b>												
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	Write-downs/write-backs	Carrying amount	Write-downs/write-backs	Carrying amount	Write-downs/write-backs	Carrying amount	Write-downs/write-backs	Carrying amount	Write-downs/write-backs	Carrying amount	Write-downs/write-backs
<b>A. Fully derecognised</b>	<b>7,083</b>											
A.1 CPG - Società di cartolarizzazione a r.l.												
- Long-term loans	7,083											
<b>B. Partially derecognised</b>												
<b>C. Not derecognised</b>												

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

(thousands of euros)

	Financial assets held for trading	Financial assets (fair value option)	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2012	31/12/2011
<b>1. On-balance-sheet exposures</b>					<b>7,083</b>	<b>7,083</b>	<b>14,726</b>
- senior					7,083	7,083	14,726
- mezzanine							
- junior							
<b>2. Off-balance-sheet exposures</b>							
- 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)					
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
					Impaired assets	Performing assets	Impaired assets	performing assets	Impaired assets	Performing assets
CPG - Società di cartolarizzazione a r.l.		130,950		72,153						

## C.2 Asset disposals

### A. Financial assets assigned but not derecognised

#### QUALITATIVE DISCLOSURES

Financial assets assigned but not derecognised regard government securities classified as “Financial assets available for sale” and “Financial assets held to maturity” involved in repurchase agreements used for funding with banks.

#### QUANTITATIVE DISCLOSURES

##### C.2.1 Financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)

	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
<b>A. On-balance-sheet assets</b>							303,445			964,382									1,267,827	8,577,091
1. Debt securities							303,445			964,382									1,267,827	8,577,091
2. Equity securities										X	X	X	X	X	X	X	X	X		
3. Units in collective investment undertakings										X	X	X	X	X	X	X	X	X		
4. Loans																				
<b>B. Derivatives</b>				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
<b>Total 31/12/2012</b>							303,445			964,382									1,267,827	x
<i>of which: impaired</i>																				x
<b>Total 31/12/2011</b>							2,190,740			6,386,351									x	8,577,091
<i>of which: impaired</i>																				x

#### Key

A = Assigned financial assets fully recognised (carrying amount)

B = Assigned financial assets partially recognised (carrying amount)

C = Assigned financial assets partially recognised (total value)

## C.2.2 Financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

(thousands of euros)

	Financial assets held for trading	financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
<b>2. Due to banks</b>			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>
a) In respect of assets fully recognised			295,849	972,220			1,268,069
b) In respect of assets partially recognised							
<b>Total 31/12/2012</b>			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>
<b>Total 31/12/2011</b>			<b>2,142,539</b>	<b>6,040,715</b>			<b>8,183,254</b>



### C.2.3 Disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros)

	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2012	31/12/2011
<b>A. On-balance-sheet assets</b>					303,445		986,679						1,290,124	8,311,466
1. Debt securities					303,445		986,679						1,290,124	8,311,466
2. Equity securities							x	x	x	x	x	x		
3. Units in collective investment undertakings							x	x	x	x	x	x		
4. Loans														
<b>B. Derivatives</b>			x	x	x	x	x	x	x	x	x	x		
<b>Total assets</b>					303,445		986,679						1,290,124	8,311,466
<b>C. Associated liabilities</b>													x	x
1. Due to customers													x	x
2. Due to banks					295,849		972,220						x	x
<b>Total liabilities</b>					295,849		972,220						1,268,069	8,183,254
<b>Net value 31/12/2012</b>					7,596		14,459						22,055	x
<b>Net value 31/12/2011</b>					41,183		87,029						x	128,212

**Key**

A = Assigned financial assets fully recognised

B = Assigned financial assets partially recognised

### B. Financial assets assigned and derecognised with recognition of continuing involvement

#### QUALITATIVE DISCLOSURES

CDP does not have any transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

### 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 (following redemptions the nominal amount of securities in circulation at 31 December 2012 was about €2.6 billion) as well as a privately-placed yen-denominated issue equal to about €64 million (redeemed in full in 2012).

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).

In the same month, the Board of Directors approved the termination of the covered bond programme and in November 2011 the desegregation of the portfolio of loans in the segregated pool designated to secure the covered bond programme was completed.

During 2012, the following issues were partially repurchased and fully redeemed at maturity:

- Issue (Series no. 4) of 8 September 2006, nominal amount of €2 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.

With the redemption at maturity on 31 January 2013 of Issue (Series no. 2) of 20 October 2005, nominal amount of €3 billion, whose residual balance following acceptances of the repurchase offer was equal to €2.6 billion, all covered bond issues were fully extinguished.

## 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 the stock of loans 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 net income.

From this perspective, CDP analyses its exposure and risk profile by assessing 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 managed 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 "operational 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 RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received 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. For these purposes, investments in units of investment funds, including real estate funds, are treated like shares by CDP. 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 and the Fondo Investimenti per la Valorizzazione (FIV Plus).

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 RMA monitors the net exposure to such risk.

## 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 immunization involves specific hedges of fixed-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.

As regards financial liabilities, in 2005, with a negative exposure to a reduction in interest rates, CDP hedged (classified as macro fair value hedge) the interest rate risk on a portfolio of ordinary postal savings bonds, using roller-coaster IRSs in which CDP received fixed and paid 12-month Euribor plus a spread. CDP terminated the hedge positions early at the end of 2009 as part of its strategy for managing the overall exposure.

The issues of fixed-rate covered bonds in euros that were systematically transformed into floating rates using IRSs at the origination stage matured on 31 January 2013.

As regard financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features.

The programme was implemented using plain vanilla 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 other hedges on fixed-rate assets were terminated early in 2011 and in 2012 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 operational 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. In most of the transactions in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships:

- until March 2012, the fixed-rate covered bond in yen was hedged with a cross currency swap to counter the uncertainty concerning cash flows due to possible exchange rate variations. The hedge converted the original exposure into a fixed rate in euros; the hedge was terminated early as a result of the repurchase of the security by CDP;
- since March 2012, two hedges were established with cross currency swaps with which CDP transforms the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed-rate securities in euros.

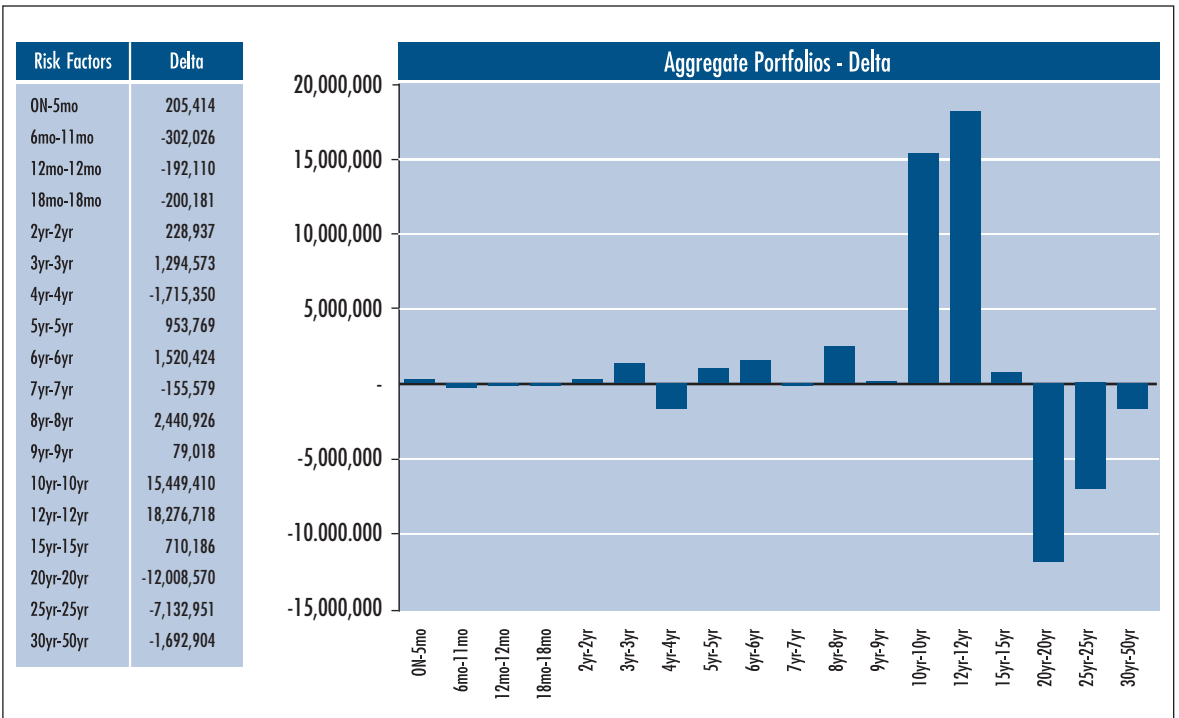
QUANTITATIVE DISCLOSURES

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

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

Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2012



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, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies and possibly the granting of loans denominated in currencies other than the euro under the "Export Bank" system.

## **B. Hedging exchange rate risk**

The exchange rate risk in respect of foreign-currency issues (currently 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. The exchange rate risk associated with the purchase of bonds denominated in foreign currencies (currently two securities in yen issued by the Republic of Italy) is hedged with cross currency swaps that transform CDP's cash flows into the equivalent of fixed-rate securities in euros.



## QUANTITATIVE DISCLOSURES

### 1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
<b>A. Financial assets</b>			<b>455,183</b>			
A.1 Debt securities			455,183			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
<b>B. Other assets</b>						
<b>C. Financial liabilities</b>	<b>284,760</b>		<b>115,892</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	284,760		115,892			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives:</b>						
- Options						
+ long positions	284,760		115,892			
+ short positions			455,183			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>	<b>284,760</b>		<b>571,075</b>			
<b>Total liabilities</b>	<b>284,760</b>		<b>571,075</b>			
<b>Difference (+/-)</b>	<b>-</b>		<b>-</b>			

## 2.4 Derivatives

### A. Financial derivatives

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

##### A.2.1 Hedging

(thousands of euros)

	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	15,653,890		19,320,282	
a) Options				
b) Swaps	15,653,890		19,320,282	
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	927,906		520,522	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	927,906		520,522	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>16,581,796</b>		<b>19,840,804</b>	
<b>Average values</b>	<b>18,211,300</b>		<b>20,564,195</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,785,727		899,080	
a) Options				
b) Swaps	1,705,727		899,080	
c) Forwards				
d) Futures				
e) Other	80,000			
2. Equity securities and equity indices	69,203,695		91,997,294	
a) Options	69,203,695		91,997,294	
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				
<b>Total</b>	<b>70,989,422</b>		<b>92,896,374</b>	
<b>Average values</b>	<b>81,942,898</b>		<b>93,042,190</b>	

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

(thousands of euros)

	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Supervisory trading book</b>				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
<b>B. Banking book - hedging</b>	371,593		359,794	
a) Options				
b) Interest rate swaps	273,212		261,159	
c) Cross currency swaps	98,381		98,635	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
<b>C. Banking book - other derivatives</b>	640,481		581,081	
a) Options	575,767		543,806	
b) Interest rate swaps	60,320		37,275	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	4,394			
<b>Total</b>	<b>1,012,074</b>		<b>940,875</b>	

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

(thousands of euros)

	31/12/2012		31/12/2011	
	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	2,575,863		2,621,251	
a) Options				
b) Interest rate swaps	2,575,863		2,621,251	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	477,088		471,815	
a) Options	417,451		434,311	
b) Interest rate swaps	55,243		37,504	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	4,394			
<b>Total</b>	<b>3,052,951</b>		<b>3,093,066</b>	

## 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
<b>1. Debt securities and interest rates</b>							
- notional value							40,000
- positive fair value							4,394
- negative fair value							
- future exposure							
<b>2. Equity securities and equity indices</b>							
- notional value							29,746,095
- positive fair value							
- negative fair value							413,529
- future exposure							
<b>3. Foreign currencies and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4. Other</b>							
- 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
<b>1. Debt securities and interest rates</b>							
- notional value			16,803,253	596,364			
- positive fair value			318,787	14,746			
- negative fair value			2,630,481	5,020			
<b>2. Equity securities and equity indices</b>							
- notional value			39,457,600				
- positive fair value			575,767				
- negative fair value			3,921				
<b>3. Foreign currencies and gold</b>							
- notional value			927,906				
- positive fair value			98,380				
- negative fair value							
<b>4. Other</b>							
- 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
<b>A. Supervisory trading book</b>				
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>B. Banking book</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	87,571,218
B.1 Financial derivatives on debt securities and interest rates	2,562,800	3,571,252	11,305,565	17,439,617
B.2 Financial derivatives on equity securities and equity indices	18,384,506	49,170,931	1,648,258	69,203,695
B.3 Financial derivatives on exchange rates and gold		399,784	528,122	927,906
B.4 Financial derivatives on other assets				
<b>Total at 31/12/2012</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	<b>87,571,218</b>
<b>Total at 31/12/2011</b>	<b>18,198,494</b>	<b>72,961,083</b>	<b>21,577,601</b>	<b>112,737,178</b>



## 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
<b>1. Bilateral financial derivatives agreements</b>							
- positive fair value			992,933			14,746	
- negative fair value			2,634,401			5,020	
- future exposure			430,837			316	
- net counterparty risk			405,884			251	
<b>2. Bilateral credit derivatives agreements</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
<b>3. Cross product agreements</b>							
- 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 RMA, together with a number of aggregates that represent CDP's capacity to cope with potential crisis situations.

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 the RMA.

Management of treasury activities by Finance enables CDP to raise funds 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: eur

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>1,916,063</b>	<b>504,250</b>	<b>236,038</b>	<b>2,482,516</b>	<b>521,331</b>	<b>5,720,967</b>	<b>7,491,602</b>	<b>33,753,706</b>	<b>80,811,454</b>	<b>447,906</b>
A.1 Government securities		4,250	232,250	350,000	268,718	881,556	885,042	8,996,158	11,529,712	
A.2 Other debt securities		500,000	3,788	2,102,400		5,131	90,299	365,561	595,969	
A.3 Units in collective investment undertakings	290,857									
A.4 Loans	1,625,206			30,116	252,613	4,834,280	6,516,261	24,391,987	68,685,773	447,906
- banks	1,087,415					783,888	1,320,082	4,563,966	2,375,959	447,906
- customers	537,791			30,116	252,613	4,050,392	5,196,179	19,828,021	66,309,814	
<b>On-balance-sheet liabilities</b>	<b>215,894,830</b>	<b>187,462</b>	<b>146,668</b>	<b>3,021,734</b>	<b>71,679</b>	<b>576,540</b>	<b>305,957</b>	<b>31,293,917</b>	<b>5,914,198</b>	<b>7,413,510</b>
B.1 Deposits	215,813,142		10,018	23,010	34,677	61,926	132,929	1,117,137	2,286,237	
- banks	1,492,894		10,018	15,014						
- customers	214,320,248			7,996	34,677	61,926	132,929	1,117,137	2,286,237	
B.2 Debt securities				2,639,713	25,371	14,920	52,468	2,300,500	1,193,000	
B.3 Other liabilities	81,688	187,462	136,650	359,011	11,631	499,694	120,560	27,876,280	2,434,961	7,413,510
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			3,573	20,821	18,865	25,996	7,222	560,451	578,565	
- short positions			643	15,459	17,312	16,357	1,025	710,945	12,345	
C.2 Financial derivatives without exchange of principal										
- long positions					10,857					
- short positions				397		179,375	201,587	1,171,946	2,861,040	
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										15,261,783
- short positions	15,261,783									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## 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	months 1 year to 5 years	months 5 years	Indefinite life
<b>On-balance-sheet transactions</b>									<b>528,123</b>	
A.1 Government securities									528,123	
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			<b>532</b>		<b>633</b>	<b>659</b>	<b>1,808</b>	<b>399,784</b>		
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities			532		633	659	1,808	399,784		
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			532		633	659	1,808	399,784		
- short positions			394		364	629	1,034	8,258	531,723	
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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## Section 4 - Operational risks

### QUALITATIVE DISCLOSURES

#### A. General aspects, management and measurement of operational risks

##### *System for managing 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 no. 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.

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).

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).

### ***Loss data collection***

CDP has adopted a framework for loss data collection on operational losses incurred by the company and recognised through the income statement. The framework uses the “event guide” approach suggested by the Basel II Committee and adopted by the Italian Banking Association (ABI) in designing the Italian Operational Loss Database (DIPO).

The primary loss data collection actions performed by CDP 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.

Specific criteria were established for date of occurrence and amount thresholds for inclusion of loss events.

### ***Assessment of level of exposure to operational risks***

CDP has also developed a qualitative methodology for assessing the company’s exposure to operational risks. The objective is to use subjective assessments provided by internal resources (process owners and experts) to create a set of information that can be used to identify and assess those risks and obtain operational guidance for any appropriate mitigation actions.

The aim is to build a qualitative model to assess operational risks, based on past loss experience and prospective analysis.

The methodology adopted by CDP makes it possible to estimate:

- the absolute exposure to each risk identified in processes (inherent risk), i.e. the risk that would exist if the company had no internal controls;
- the residual exposure to each risk identified in processes (residual risk), i.e. the risk remaining following the implementation of controls;
- the effectiveness of controls in place.

The preparatory work for the assessment of the level of exposure to operational risks consists in mapping adverse events (risk mapping) that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The risk mapping of processes, which involves obtaining subjective estimates from process owners (self-assessment), is consequence of the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and assessing the advisability of taking targeted monitoring, control, prevention and mitigation actions.

The risk mapping process is structured into the following three sub-processes:

- identification of the potential types of operational risk events on the basis of the event types proposed by the Basel Committee;

- classification of the risk factors and loss event types in accordance with the models in the methodological framework;
- maintenance of the risk maps, with continuous updating in order to capture any changes in the company's operational context.

As regards the adverse events to be mapped, the risk map focuses special attention on compliance risk, on the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to Article 11 of Law 300 of 29 September 2000, published in *Gazzetta Ufficiale* no. 140 of 19 June 2001, arising in respect of criminal offenses committed by natural persons connected with the legal person in an employment relationships and who act in its interest), on the risk governed by Legislative Decree 231 of 21 November 2007 (Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as well as Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC) and on outsourcing risk.

For the self-assessment phase, connected with the identification of operational risks that could potentially produce unexpected losses for the company, interviews were conducted with CDP personnel in order to gain an understanding of their activities and the configuration of the internal environment.

The risk mapping process is based on two dimensions:

- corporate processes (broken down into sub-processes, phases and activities), that serve as guides in identifying adverse events that could generate material financial losses;
- the loss event types proposed by the Basel Committee.

The intersection of the two dimensions forms the basis for constructing, in collaboration with the units involved, a "risk-process" matrix, in which each cell specifies the potential risks to be assessed.

At CDP, the main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk unit:
  - recommends the methodologies and procedures for identifying risks;
  - controls and ensures correct application of the methodologies and procedures;
  - provides methodological and technical support for identifying risks;
  - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2. the process owners and experts:
  - identify and assess the main risks in the processes for which they are responsible;
  - regulatory monitor the evolution of those risks and the emergence of new risks;
3. the Compliance unit:
  - identifies compliance risk for internal and external regulations, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);

4. the Internal Auditing area:

- as part of its third-level controls, assesses the methodological framework of the risk mapping process, carrying out controls of the correct application of that framework;
- recommends the mapping of all risks that – while not identified by owners and experts – have been identified in corporate processes during audit activities;
- assesses the risk of commission of the criminal offenses referred to in Legislative Decree 231 of 8 June 2001.

The assessment of the exposure to operational risks enables the supplementation of historical loss data collection with subjective estimates whenever loss data – for specific processes – are not reliable and/or sufficiently abundant to be able to support the decision-making of top management concerning specific activities within the company's core business.

At the end of the assessment process, interventions are prioritised on the basis of the problem areas that have emerged and the "qualitative" rating assigned to each risk identified:

- "low" residual risk: optimal situation, low risk of operational losses;
- "medium" residual risk: signs of a potential adverse events with non-negligible operational losses;
- "high" residual risk: problem situation. More extensive investigation is necessary – including through additional risk mapping – in order to assess potential mitigation actions and the possibility of implementing new controls;
- "very high" residual risk: very high risk situation calling for prompt mitigation action.

Once estimated, the residual risk for each activity is monitored by the Operational Risk unit with the cooperation of the organisational units involved. More specifically, in order to monitor the exposure to the most significant operational risks, the Operational Risk unit only considers activities for which residual risk has been rated "very high", "high" or "medium" and, if necessary and in cooperation with the organizational units involved, develops mitigation recommendations to restructure or supplement existing procedures and controls.

A report is prepared for each procedure, consisting of three documents:

- a summary document presenting selected summary data;
- a detailed document, which reports all of the results of the analysis (the risks identified and the associated assessment of inherent risk, controls and residual risk) for each phase/activity in the process;
- a controls chart, which summarises all controls, both those incorporated in procedures and those that form part of operational practices.



## 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 2012, 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 Board of Directors and Board of Auditors

*(thousands of euros)*

	<b>31/12/2012</b>
a) Board of Directors	1,393
b) Board of Auditors	119
<b>Total</b>	<b>1,512</b>

### Remuneration of other key management personnel

*(thousands of euros)*

	<b>31/12/2012</b>
a) short-term benefits	5,637
b) post-employment benefits	336
c) other long-term benefits	
d) severance benefits	
e) share-based payments	
<b>Total</b>	<b>5,973</b>

## Remuneration paid to Board of Directors and Board of Auditors

(thousands of euros)

Name	Position	Period in office	End of term*	Compensation and bonuses
<b>Directors</b>				
Franco Bassanini	Chairman	01/01/12 - 31/12/12	2012	280
Giovanni Gorno Tempini	Chief Executive Officer	01/01/12 - 31/12/12	2012	1,035
Cristian Chizzoli	Director	01/01/12 - 31/12/12	2012	35
Cristiana Coppola	Director	01/01/12 - 05/07/12	2012	18
Piero Gastaldo	Director	01/01/12 - 31/12/12	2012	***
Ettore Gotti Tedeschi	Director	01/01/12 - 31/12/12	2012	35
Nunzio Guglielmino	Director	01/01/12 - 31/12/12	2012	35
Mario Nuzzo	Director	01/01/12 - 31/12/12	2012	35
Vincenzo La Via	Director	30/05/12 - 31/12/12	2012	**
<b>Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)</b>				
Giovanni De Simone	Director(1)	01/01/12 - 31/12/12	2012	35
Maria Cannata	Director(2)	01/01/12 - 31/12/12	2012	**
Giuseppe Pericu	Director	01/01/12 - 31/12/12	2012	35
Romano Colozzi	Director	01/01/12 - 31/12/12	2012	35
Guido Podestà	Director	01/01/12 - 31/12/12	2012	35
<b>Board of Auditors</b>				
Angelo Provasoli	Chairman	01/01/12 - 31/12/12	2012	27
Paolo Fumagalli	Auditor	01/01/12 - 11/09/12	2012	14
Piergiuseppe Dolcini	Auditor	12/09/12 - 31/12/12	2012	6
Biagio Mazzotta	Auditor	01/01/12 - 31/12/12	2012	**
Gianfranco Romanelli	Auditor	01/01/12 - 26/04/12	2012	7
Francesco Bilotti	Alternate auditor	27/04/12 - 29/05/12	2012	1
Gerhard Brandstätter	Auditor	30/05/12 - 31/12/12	2012	12
Giuseppe Vincenzo Suppa	Auditor	01/01/12 - 31/12/12	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) Delegate of State Accountant General

(2) Delegate of Director General of the Treasury

## 2. Information on transactions with related parties

Certain transactions between CDP and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions. In any event, CDP did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

At the end of 2012 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 30% 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)*

<b>Transaction with Ministry for the Economy and Finance</b>	<b>31/12/2012</b>
Financial assets available for sale	4,668,774
Financial assets held to maturity	16,730,803
Loans to customers	175,067,224
<i>of which liquidity held with Treasury</i>	<i>136,718,591</i>
Other assets	14,166
Due to customers	2,696,312
Other liabilities	93
Interest income and similar revenues	7,759,854
Interest expense and similar charges	(55,818)
Commission income	7,672
Commitments for loans to be disbursed	5,261,091

## 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 the end of 2012 were as follows:

(thousands of euros)

<b>Transactions with Terna S.p.A.</b>	<b>31/12/2012</b>
Loans to customers	501,137
Interest income and similar revenues	10,405

### Transactions with CDP Investimenti SGR S.p.A.

Transactions with the subsidiary CDPI SGR regarded a guarantee issued by CDP, CDP's payable to CDPI SGR for amounts deposited by CDPI SGR in a passbook savings account, 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 the end of 2012 were as follows:

(thousands of euros)

<b>Transactions with CDP Investimenti SGR S.p.A.</b>	<b>31/12/2012</b>
Loans to customers	2,732
Other assets	479
Commission income	4
Interest expense and similar charges	(40)
Administrative expenses (reimbursement expenses - seconded personnel)	159
Other operating revenues	517
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 the end of 2012 were as follows:

(thousands of euros)

<b>Transactions with Fondo Strategico Italiano S.p.A.</b>	<b>31/12/2012</b>
Other assets	497
Due to customers	740,684
Other liabilities	3,658
Other operating revenues	641
Interest expense and similar charges	(19,408)

### Transactions with CDP GAS S.r.l.

Transactions with the subsidiary CDP GAS S.r.l. mainly regarded receivables for loans disbursed and commitments assumed for loans to be disbursed. CDP GAS S.r.l. also has deposits held with CDP.

Outstanding transactions and the related financial effects at the end of 2012 were as follows:

*(thousands of euros)*

<b>Transactions with CDP GAS S.r.l.</b>	<b>31/12/2012</b>
Loans to customers	225,067
Other assets	162
Due to customers	9,552
Other liabilities	2,867
Interest income and similar revenues	6,148
Interest expense and similar charges	(52)
Other operating revenues	134
Commitments for loans to be disbursed	75,733

### Transactions with CDP RETI S.r.l.

Transactions with the subsidiary CDP RETI S.r.l. mainly regarded deposits with CDP and the related accrued interest.

Outstanding transactions and the related financial effects at year-end were as follows:

*(thousands of euros)*

<b>Transactions with CDP RETI S.r.l.</b>	<b>31/12/2012</b>
Due to customers	981,710
Other assets	6
Interest expense and similar charges	(5,881)
Other operating revenues	3

### Transactions with SACE S.p.A.

Transactions with the subsidiary SACE S.p.A. regard Euro Medium Term Notes issued by CDP and held by SACE S.p.A.

*(thousands of euros)*

<b>Transactions with SACE S.p.A.</b>	<b>31/12/2012</b>
Securities issued	118,275

## Transactions with associates

### Transactions with Eni S.p.A.

Receivables from customers include a loan granted to ENI under the Revolving Fund to support enterprises and investment in research.

During the year, the subsidiary CDP RETI S.r.l. acquired a 30% less one share stake in the voting capital of Snam S.p.A. from ENI at a price of €3,517 million.

Outstanding transactions and the related financial effects at year-end were as follows:

(thousands of euros)

Transactions with Eni S.p.A.	31/12/2012
Loans to customers	612
Interest income and similar revenues	4
Commitments for loans to be disbursed	479
Acquisition of interest in Snam S.p.A. through CDP RETI S.r.l.	3,520,230

### 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 €3.9 million, of which about €2.5 million had been disbursed as at the end of 2012. 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	31/12/2012		
	Gross exposure	Writedowns	Net exposure
Loans to customers	2,456	(2,456)	-
Commitments for loans to be disbursed	1,455	(1,455)	-
<b>Income statement</b>			
Writedowns for impairment of financial assets	(1,074)		

## Transactions with other related parties

### Transactions with Poste Italiane S.p.A.

Transactions with Poste Italiane S.p.A. regard the funding service for postal savings products and loans granted by CDP.

The service provided by Poste Italiane S.p.A. is remunerated with an annual commission set in a specific agreement between the parties.

Outstanding transactions and the related financial effects at the end of 2012 were as follows:

*(thousands of euros)*

<b>Transactions with Poste Italiane S.p.A.</b>	<b>31/12/2012</b>
Loans to customers	3,068,502
Other liabilities	939,615
Interest income and similar revenues	37,802
Commission expense	(1,649,115)
Securities deposited with third parties	2,952,032

#### **Transactions with Snam S.p.A.**

Transactions with Snam S.p.A., in which the subsidiary CDP RETI S.r.l. holds 30.0258% of the voting capital (30.00000002% of issued share capital) regard loans granted by CDP.

Outstanding transactions and the related financial effects at the end of 2012 were as follows:

*(thousands of euros)*

<b>Transaction with Snam S.p.A.</b>	<b>31/12/2012</b>
Loans to customers	402,634
Commission income	100
Interest income and similar revenues	2,634

#### **Transactions with Fincantieri Cantieri Navali Italiani S.p.A.**

Transactions with Fincantieri Cantieri Navali Italiani S.p.A., a company in which the subsidiary Fintecna S.p.A. holds a 99.36% interest, regard loans granted and residual commitments for loans to be disbursed.

Outstanding transactions and the related financial effects at the end of 2012 were as follows:

*(thousands of euros)*

<b>Transactions with Fincantieri Cantieri Navali Italiani S.p.A.</b>	<b>31/12/2012</b>
Loans to customers	2,291
Interest income and similar revenues	15
Commitments for loans to be disbursed	19,623



## 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.

As regards the organisational structure of CDP, the contribution of the main areas to the formation of the income statement and the balance sheet is specified below.

### Finance

Treasury operations and funding activities are managed by the Finance area, which is responsible for meeting the CDP's funding needs. It is also responsible for sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.

### Public Entities

Lending to public entities and public-law bodies is mainly conducted by the Public Entities area 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.

### Other areas

This aggregate comprises:

- the Public Interest Lending area, which intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified;
- the Financing area, which is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care);

- the Facilitated Credit and Economic Support area, which is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments;
- equity investments, as well as the costs of other functions and costs and revenues not otherwise attributable.

Under the provision of IFRS 8, CDP has not given a separate breakdown of the results of its other areas as they do not meet the materiality thresholds provided for such reporting.

### **Construction of the balance sheet by area**

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual 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), “cash and cash equivalents and other treasury investments” and “equity investments and shares” represent the stock of assets related to the specific operating activities of each area. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Finance area.

Notional funding between CDP areas is not reported separately in the detailed schedules as it is eliminated between areas.

### **Construction of the income statement by 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 area 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 and funding.

For the other aggregates of the income statement, each area is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs is allocated to each area on the basis of their actual use of resources or services.

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)

	Finance	Public Entities	Other areas	Total CDP
Cash and cash equivalents	139,029,087	-	32,525	139,061,612
Loans to customers and banks	1,500,520	83,953,251	15,054,167	100,507,938
Debt securities	24,346,908	-	-	24,346,908
Equity investments and shares	-	-	30,569,623	30,569,623
Funding	252,877,592	-	29,457,638	282,335,231
- of which: postal funding	205,917,207	-	27,713,576	233,630,783
- of which: funding from banks	32,242,210	-	-	32,242,210
- of which: funding from customers	9,147,245	-	908,019	10,055,264
- of which: funding from bonds	5,570,930	-	836,044	6,406,974

## Reclassified income statement

( thousands of euros)

	Finance	Public Entities	Other areas	Total CDP
Net interest income	3,586,865	354,528	(419,578)	3,521,815
Dividends	-	-	1,206,749	1,206,749
Net commissions	(1,526,365)	3,133	(88,542)	(1,611,775)
Other net revenues	170,479	-	365,371	535,851
<b>Gross income</b>	<b>2,230,979</b>	<b>357,661</b>	<b>1,064,000</b>	<b>3,652,640</b>
Net writedowns	-	(192)	(22,693)	(22,885)
Overheads	(7,571)	(5,900)	(97,206)	(110,677)
<b>Operating income</b>	<b>2,223,408</b>	<b>351,900</b>	<b>954,666</b>	<b>3,529,974</b>

CDP S.p.A.



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## **Annexes**

Annex 1

List of equity investments

Annex 2

Accounting separation statements

# Annex 1

## LIST OF EQUITY INVESTMENTS

(thousands of euros)

	Registered office	% holding	Carrying amount
<b>A. Listed companies</b>			
1. Eni S.p.A.	Rome	25.76%	15,281,632
2. Terna S.p.A.	Rome	29.85%	1,315,200
<b>B. Unlisted companies</b>			
1. SACE S.p.A.	Rome	100.00%	6,050,000
2. CDP RETI S.r.l.	Rome	100.00%	3,517,360
3. Fintecna S.p.A.	Rome	100.00%	2,500,000
4. Fondo Strategico Italiano S.p.A.	Milan	90.00%	900,000
5. CDP GAS S.r.l.	Rome	100.00%	467,366
6. Simest S.p.A.	Rome	76.00%	232,500
7. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Paris	38.93%	51,573
8. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Luxembourg	14.08%	18,590
9. Sinloc S.p.A.	Turin	11.29%	5,983
10. Galaxy S.à.r.l. SICAR	Luxembourg	40.00%	2,348
11. F2i SGR S.p.A.	Milan	16.52%	2,137
12. Istituto per il Credito Sportivo	Rome	21.62%	2,066
13. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
14. Fondo Italiano d'Investimento SGR S.p.A.	Milan	12.50%	774
15. European Energy Efficiency Fund SA SICAV-SIF (EEEE Fund)	Luxembourg		
- A units		5.95%	210
- C units		4.53%	80
16. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-

## Annex 2

### SEPARATION OF ACCOUNTS

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

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

#### Separate Account

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

The 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, 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 can 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 con-

ducted 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, can 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 can 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 recognized 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 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 rep-

resents 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 and other treasury investments	135,996,823	3,065,346	(557)	139,061,612
Loans to customers and banks	94,825,301	5,682,638	-	100,507,938
Debt securities	23,061,977	1,284,931	-	24,346,908
Equity investments and shares	29,422,383	607,240	540,000	30,569,623
Funding	273,847,775	8,487,455	-	282,335,231
- of which: postal funding	233,630,783	-	-	233,630,783
- of which: funding from banks	27,608,965	4,633,245	-	32,242,210
- of which: funding from customers	10,045,712	9,552	-	10,055,264
- of which: funding from bonds	2,562,315	3,844,659	-	6,406,974

## Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	3,481,968	40,382	(534)	3,521,815
Dividends	1,206,208	541	-	1,206,749
Net commissions	(1,621,602)	10,393	(566)	(1,611,775)
Other net revenues	528,912	6,939	-	535,851
<b>Gross income</b>	<b>3,595,486</b>	<b>58,254</b>	<b>(1,100)</b>	<b>3,652,640</b>
Net writebacks (writedowns)	(16,957)	(5,928)	-	(22,885)
Overheads	(15,973)	(3,094)	(91,909)	(110,975)
<b>Operating income</b>	<b>3,562,893</b>	<b>50,275</b>	<b>(83,194)</b>	<b>3,529,974</b>

CDP S.p.A.



**2012 Annual Report**

## **Report of the Board of Auditors**

Shareholders,

In the course of the financial year ending 31 December 2012, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of Consob in its communications, to the extent compatible with the status of CDP S.p.A.

We preface our remarks as follows:

- A. the financial statements for 2012 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 decree of the Ministry for the Economy and Finance (MEF) of 6 October 2004, involves the preparation of separate accounting statements for the 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. The separate accounting statements are presented as an annex to the separate financial statements;
- D. the financial statements for 2012 report net income of €2,853 million and equity of €16,835 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 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;
- continued monitoring 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, ad-

ministrative 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 course of the year, a number of transactions were carried out, notably those involving the portfolio of equity investments, that had a significant impact on the performance or the financial position of CDP, as well as a number of events that, while less significant in terms of their impact on results, did affect the financial statements for 2012. The Board of Auditors was kept appropriately informed of these transactions. More specifically:
  - *Gain on sale of ENI shares*: during 2012 CDP sold a total of 120,000,000 ENI shares, equal to about 3.3% of share capital, for a total of more than €2,106 million. The transaction, which was carried out as part of the acquisition of 30% less one share of Snam S.p.A., generated a non-recurring post-tax gain of €485.1 million;
  - *Acquisition of equity investments*:
    - during the year, CDP acquired 100% of SACE S.p.A. and 100% of Fintecna S.p.A. from the MEF and about 76% of Simest S.p.A. owned by the Ministry for Economic Development, after exercising the option to purchase pursuant to Decree Law 95 of 6 July 2012. The prices for the investments, as specified in the decree of the Minister for the Economy and Finance of 28 December 2012, amounted to €6,050 million for SACE and €232.5 million for Simest; for Fintecna, €1,592 million were paid as a provisional price, equal to 60% of the book equity value of the Group at 31 December 2011. The balance will be paid during 2013 after a further decree of the Minister for the Economy and Finance that will establish the final price. The company has therefore recognised the equity investment assuming a definitive price of €2.5 billion, on the basis of the best possible estimated of that final price. The acquisition of the controlling interests indicated above gave rise to a significant change in the scope of consolidation of the CDP Group. As regards their contribution to the consolidated financial statements for 2012, only the balance sheets of the acquirees will be consolidated, in view of the fact that the operation was completed close to the end of the year and considering the structure of the transaction, which involved the transfer of the shares before the determination of the final price. Their contribution to the performance of the CDP Group will therefore not be taken into consideration as it is felt that the final price was calculated using an approach that reflects the results of

the companies in the period between the transfer of control and the date of the decree that set the final price.

- in October, the acquisition of 30% less one share of the voting capital of Snam S.p.A. from Eni S.p.A. was closed at a price of about €3,517 million, equal to the weighted average official price of SNAM shares between 26 April and 25 May 2012, increased by 3%. The equity investment is accounted for as an associated company, pending determination of whether CDP exercises de facto control over the company.
- *Net gain on trading and hedging activities*: the net gain on trading activities amounted to €156.4 million in 2012, almost entirely attributable to the valuation of operational hedges of the option component embedded in the *Premia* and indexed savings bonds established with the purchase of options mirroring the exposure. 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. In consideration of the early redemption option granted to investors, the notional amount of the options purchased for each issue is determined using estimates based on a proprietary model of customer redemption behaviour. The use of such estimates means that situations of under/over-hedging may occur. The balance for 2012 is the product of a situation of overhedging, already seen in 2011 but which was amplified increased during the year by developments in early redemptions of equity linked bonds. The net result on hedging activities showed a loss of €10.1 million (0.06% of the notional value of the hedging derivatives), mainly generated by the early termination of a number of hedging IRSs, for ALM purposes, during the first half of 2012.
- *Agreement with Poste Italiane*: after the signing, on 3 August 2011, of the new agreement between CDP and Poste Italiane for 2011-2013, as amended by the supplemental agreements reached in 2011, during 2012 additional supplemental accords were signed in order to improve, expand and innovate the postal savings funding service. More specifically, the agreements provide for a number of initiatives to enhance the promotion of postal savings products and improve services connected with the issue and placement of those products. In addition, the amount and timing of payment of the commission for the year were adjusted. At the same time, a review of the targets set in the agreement was conducted. In view of the foregoing and of the results achieved, the accrued commission expense in respect of the postal savings services provided by Poste Italiane for 2012 amounted to €1,649 million.
- *Specific and collective impairment of loans*: following the impairment testing conducted at the end of 2012, total writedowns amounted to about €5.7 million while writebacks amounted to about €334 thousand, with a total loss for 2012 of €5.4 million before taxes. The company also recognised impairment losses from the collective assessment of performing exposures to private-sector parties, which from this year also include exposures to banks. The net writedown before taxes from collective assessment came to about €17.5 million (of which €16.2 in respect of exposures to banks), while the overall provision for collective impairment at 31 December amounted to €21.7 million (of which €16.2 million in respect of banks).
- *Conversion of preference shares*: 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. Under the CDP articles of association, the preference shares will be automatically converted into ordinary shares as from 1 April 2013, without prejudice to the right of preference shareholders to withdraw. The 105,000,000 preference shares will therefore be automatically converted into 51,450,000 ordinary shares, on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares). At the end of 2012, the right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. The shares of the withdrawing foundations, pursuant to Article 2437-quater of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties, requesting, in the agenda for the Ordinary Shareholders' Meeting of 20 March 2013, authorisation to purchase own shares as part of the liquidation procedure referred to Article 2437-quater of the Italian Civil Code. The Shareholders' Meeting of 20 March 2013 authorised the company to purchase the 9,084,000 preference shares as part of the liquidation procedure referred to Article 2437-quater of the Civil Code. The shares of the withdrawing foundations will be purchased with the use of available reserves at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013, for a total of €57,220,116.00. The Board of Directors determined the liquidation value in compliance with Article 36.3-septies, of Decree Law 179 of 18 October 2012 and Article 9.3, of the articles of association. At 31 December 2012, the company did not hold any treasury shares.

2. In the notes to the financial statements for 2012, 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, 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 Auditors 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 2012, there were a total of 12 meetings of the Board of Directors and 4 Shareholders' Meetings, all of which were attended by the Board of Auditors. The Board of Auditors held 13 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.

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. In a context of continuous improvement of the internal control system, initiatives planned by the company to upgrade information technology systems are under way. In addition, in view of the expansion of the group, instruments supporting the consolidation process will be strengthened.
11. 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 2012 financial year together with the report on operations submitted by the Board of Directors and the proposed allocation of net income for the year.

The Board of Auditors also notes that with the approval of the financial statements for 2012 its three-year term will expire and the Shareholders' Meeting is therefore called upon to take appropriate action in this regard.

Rome, 20 March 2013

#### **THE BOARD OF AUDITORS**

<i>/signature/Angelo Provasoli</i>	Chairman
<i>/signature/Gerhard Brandstätter</i>	Auditor
<i>/signature/Biagio Mazzotta</i>	Auditor
<i>/signature/Piorgiuseppe Dolcini</i>	Auditor
<i>/signature/Giuseppe Vincenzo Suppa</i>	Auditor



CDP S.p.A.



**2012 Annual Report**

**Report of the independent auditors**





**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 2012 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.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 24 April 2012.

- 3 In our opinion, the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2012 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

**PricewaterhouseCoopers SpA**

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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 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 2012.

Rome, 27 March 2013

PricewaterhouseCoopers SpA

*Signed by*

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.



**2012 Annual Report**

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

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

**1.** The undersigned 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 2012.

**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 2012 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 2012 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, 27 March 2013

Chief Executive Officer

*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager

*/signature/Andrea Novelli*

CDP S.p.A.



**2012 Annual Report**

## **Consolidated Financial Statements**

# Form and content of the consolidated financial statements at 31 December 2012

The consolidated financial statements at 31 December 2012 have been prepared in conformity with the applicable regulations and are composed of:

- Consolidated balance sheet;
- Consolidated income statement;
- Statement of consolidated comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated cash flow statement;
- Notes to the consolidated financial statements.

The notes to the consolidated financial statements are composed of:

## INTRODUCTION

PART A - Accounting policies

PART B - Information on the consolidated balance sheet

PART C - Information on the consolidated income statement

PART D - Consolidated comprehensive income

PART E - Information on risks and related hedging policies

PART G - Business combinations

PART H - Transactions with related parties

PART I - Share-based payments

PART L - Operating segments



CDP S.p.A.



2012 Annual Report

## **Consolidated financial statements**

Consolidated balance sheet

Consolidated income statement

Statement of consolidated comprehensive income

Statement of changes in consolidated equity

Consolidated cash flow statement

## Consolidated balance sheet

(thousands of euros)

Assets	31/12/2012	31/12/2011
10. Cash and cash equivalents	350	701
20. Financial assets held for trading	4,656,129	581,081
40. Financial assets available for sale	5,287,839	2,715,044
- of which securing covered bonds	-	200,479
50. Financial assets held to maturity	19,215,105	9,289,691
60. Loans to banks	18,502,789	20,681,933
- of which securing covered bonds	575,162	5,138,958
70. Loans to customers	240,752,149	220,035,532
- of which securing covered bonds	2,102,395	-
80. Hedging derivatives	1,190,984	931,313
100. Equity investments	20,770,242	18,774,671
110. Reinsurers' share of technical provisions	106,305	-
120. Property, plant and equipment	12,157,413	10,771,247
130. Intangible assets	823,833	771,196
- of which:		
- goodwill	485,897	485,897
140. Tax assets	1,019,669	633,613
a) current	590,833	415,582
b) deferred	428,836	218,031
160. Other assets	4,068,477	1,957,136
<b>Total assets</b>	<b>328,551,284</b>	<b>287,143,158</b>



(thousands of euros)

<b>Liabilities and equity</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
10. Due to banks	36,450,013	21,420,820
20. Due to customers	241,672,774	226,440,121
30. Securities issued	13,218,183	12,886,745
- of which covered bonds	2,639,475	5,307,748
40. Financial liabilities held for trading	522,596	498,355
60. Hedging derivatives	2,699,921	2,712,621
70. Adjustment of financial liabilities hedged generically (+/-)	56,413	60,440
80. Tax liabilities	2,323,410	1,625,477
a) current	1,130,156	495,146
b) deferred	1,193,254	1,130,331
100. Other liabilities	6,111,219	2,825,384
110. Staff severance pay	153,289	65,231
120. Provisions	1,716,812	259,030
a) post-employment benefits	1,992	-
b) other provisions	1,714,820	259,030
130. Technical provisions	2,569,657	-
140. Valuation reserves	312,810	292,111
170. Reserves	11,440,320	9,559,258
180. Share premium reserve	5,988	5,988
190. Share capital	3,500,000	3,500,000
210. Non-controlling interests (+/-)	2,873,962	2,824,163
220. Net income (loss) for the year	2,923,917	2,167,414
<b>Total liabilities and equity</b>	<b>328,551,284</b>	<b>287,143,158</b>

## Consolidated income statement

(thousands of euros)

	31/12/2012	31/12/2011
10. Interest income and similar revenues	10,661,134	7,764,322
20. Interest expense and similar charges	(7,212,610)	(5,550,742)
<b>30. Net interest income</b>	<b>3,448,524</b>	<b>2,213,580</b>
40. Commission income	48,411	23,448
50. Commission expense	(1,651,321)	(1,506,161)
<b>60. Net commission income</b>	<b>(1,602,910)</b>	<b>(1,482,713)</b>
70. Dividends and similar revenues	401	2,862
80. Net gain (loss) on trading activities	143,951	(47,758)
90. Net gain (loss) on hedging activities	(7,969)	(27,469)
100. Gains (losses) on disposal or repurchase of:	29,499	6,426
a) loans	19,469	6,074
b) financial assets available for sale	6,125	346
c) financial assets held to maturity	145	6
d) financial liabilities	3,760	-
<b>120. Gross income</b>	<b>2,011,496</b>	<b>664,928</b>
130. Net impairment adjustments of:	(22,885)	(10,189)
a) loans	(22,097)	(7,566)
d) other financial transactions	(788)	(2,623)
<b>140. Financial income (expense), net</b>	<b>1,988,611</b>	<b>654,739</b>
180. Administrative expenses	(523,673)	(488,167)
a) staff costs	(262,662)	(267,763)
b) other administrative expenses	(261,011)	(220,404)
190. Net provisions	(12,530)	(9,030)
200. Net adjustments of property, plant and equipment	(416,626)	(396,159)
210. Net adjustments of intangible assets	(56,879)	(53,035)
220. Other operating income (costs)	1,798,132	1,632,809
<b>230. Operating costs</b>	<b>788,424</b>	<b>686,418</b>
240. Gains (losses) on equity investments	1,627,959	1,711,002
270. Gains (losses) on disposal of investments	5,745	3,604
<b>280. Income (loss) before tax from continuing operations</b>	<b>4,410,739</b>	<b>3,055,763</b>
290. Income tax for the period on continuing operations	(1,178,903)	(823,686)
<b>300. Income (loss) after tax on continuing operations</b>	<b>3,231,836</b>	<b>2,232,077</b>
310. Income (loss) after tax on disposal groups held for sale	(23)	112,704
<b>320. Net income (loss) for the year</b>	<b>3,231,813</b>	<b>2,344,781</b>
330. Net income (loss) for the year pertaining to non-controlling interests	307,896	177,367
<b>340. Net income (loss) for the year pertaining to shareholders of the parent company</b>	<b>2,923,917</b>	<b>2,167,414</b>

## Statement of consolidated comprehensive income

(thousands of euros)

	31/12/2012	31/12/2011
<b>10. Net income (loss) for the period</b>	<b>3,231,813</b>	<b>2,344,781</b>
<b>Other comprehensive income net of taxes</b>		
20. Financial assets available for sale	199,937	(164,055)
60. Cash flow hedges	8,401	(31,830)
100. Share of valuation reserves of equity investments accounted for using equity method	(198,730)	360,640
<b>110. Total other comprehensive income net of taxes</b>	<b>9,608</b>	<b>164,755</b>
<b>120. Comprehensive income (items 10+110)</b>	<b>3,241,421</b>	<b>2,509,536</b>
130. Consolidated comprehensive income pertaining to non-controlling interests	296,805	153,397
<b>140. Consolidated comprehensive income pertaining to shareholders of the parent company</b>	<b>2,944,616</b>	<b>2,356,139</b>

## Statement of changes in consolidated equity: current period

(thousands of euros)

	Balance at 31/12/2011	Changes in opening balance	Balance at 01/01/2012	Allocation of net income for previous year		Changes in reserves	Changes for the period						Equity at 31/12/2012 - Group	Equity at 31/12/2012 Non-controlling interests		
				Reserves	Dividends and other allocations		Equity transactions									
							Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options			Comprehensive income for 2012	
Share capital:																
a) ordinary shares	2,450,000		2,450,000												2,450,000	373,350
b) preference shares	1,050,000		1,050,000												1,050,000	
Share premium reserve	5,988		5,988												5,988	14,489
Reserves:																
a) income	9,402,439		9,402,439	1,796,414		84,648									11,283,501	1,653,505
b) other	156,819		156,819												156,819	573,205
Valuation reserves	292,111		292,111									20,699			312,810	(48,479)
Equity instruments																
Treasury shares																
Net income (loss) for the year	2,167,414		2,167,414	(1,796,414)	(371,000)							2,923,917			2,923,917	307,892
<b>Equity - Group</b>	<b>15,524,771</b>		<b>15,524,771</b>		<b>(371,000)</b>	<b>84,648</b>									<b>18,183,035</b>	
<b>Equity - Non-controlling interests</b>	<b>2,824,163</b>		<b>2,824,163</b>		<b>(282,129)</b>	<b>35,123</b>									<b>2,873,962</b>	

(thousands of euros)

## Statement of changes in consolidated equity: previous period

	Balance at 31/12/2010	Changes in opening balance	Balance at 01/01/2011	Allocation of new income for previous year		Changes for the period							Equity at 31/12/2011	Equity at 31/12/2011 - Group	Equity at 31/12/2011 Non-controlling interests		
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions									Comprehensive income for 2011	
							Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options					
Share capital:																	
a) ordinary shares	2,450,000		2,450,000														2,450,000
b) preference shares	1,050,000		1,050,000														1,050,000
Share premium reserve	2,601		2,601			(7)	3,394										5,988
Reserves:																	
a) income	7,766,169	4,245	7,770,414	1,643,556		(11,531)											9,402,439
b) other	196,770		196,770			(39,650)						(301)					156,819
Valuation reserves	103,386		103,386											188,725			292,111
Equity instruments																	
Treasury shares																	
Net income (loss) for the year	2,344,028	(472)	2,343,556	(1,643,556)	(700,000)								2,167,414				2,167,414
<b>Equity - Group</b>	<b>13,912,954</b>	<b>3,773</b>	<b>13,916,727</b>		<b>(700,000)</b>	<b>(51,188)</b>	<b>3,394</b>					<b>(301)</b>	<b>2,356,139</b>				<b>15,524,771</b>
<b>Equity - Non-controlling interests</b>	<b>2,887,391</b>	<b>8,831</b>	<b>2,896,222</b>		<b>(296,100)</b>	<b>62,510</b>	<b>8,842</b>					<b>(707)</b>	<b>153,397</b>				<b>2,824,163</b>

## Consolidated cash flow statement (indirect method)

(thousands of euros)

<b>A. OPERATING ACTIVITIES</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
<b>1. Operations</b>	<b>3,271,751</b>	<b>4,172,460</b>
- net income for the year (+/-)	3,231,813	2,344,781
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(162,940)	34,356
- gains (losses) on hedging activities (-/+)	7,969	(189,919)
- net impairment adjustments (+/-)	22,885	10,188
- net value adjustments to property, plant and equipment and intangible assets (+/-)	473,505	449,195
- net provisions and other costs/revenues (+/-)	12,530	89,931
- unpaid taxes and duties (+)	(103,247)	434,673
- writedowns/writebacks of equity investments (+/-)	(1,564,813)	(1,703,631)
- other adjustments (+/-)	1,354,049	2,702,886
<b>2. Cash generated by/used in financial assets</b>	<b>(11,015,237)</b>	<b>(15,344,767)</b>
- financial assets held for trading	(3,912,108)	266,361
- financial assets available for sale	(1,457,703)	(670,074)
- loans to banks: on demand	-	(1,124,702)
- loans to banks: other	5,979,752	(10,121,092)
- loans to customers	(7,821,578)	(3,556,636)
- other assets	(3,803,600)	(138,624)
<b>3. Cash generated by/used in financial liabilities</b>	<b>38,596,185</b>	<b>19,309,603</b>
- due to banks: other	14,888,842	11,513,843
- due to customers	15,232,653	6,322,894
- securities issued	53,933	2,371,295
- financial liabilities held for trading	24,241	(468,218)
- other liabilities	8,396,516	(430,211)
<b>Cash generated by/used in operating activities</b>	<b>30,852,699</b>	<b>8,137,296</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>25,989,851</b>	<b>1,377,280</b>
- sale of equity investments	1,968,105	-
- dividends from equity investments	1,290,364	1,100,272
- sale of financial assets held to maturity	22,680,756	259,988
- sale of property plant and equipment	50,473	17,020
- sale of intangibles	153	-
<b>2. Cash used in</b>	<b>(38,274,467)</b>	<b>(8,316,963)</b>
- purchase of equity investments	(3,884,059)	(570,344)
- purchase of financial assets held to maturity	(32,386,816)	(6,510,089)
- purchase of property, plant and equipment	(1,893,923)	(1,183,603)
- purchase of intangible assets	(109,669)	(52,927)
<b>Cash generated by/used in investing activities</b>	<b>(12,284,616)</b>	<b>(6,939,683)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of capital instruments	-	61,200
- dividend distribution and other allocations	(653,129)	(996,100)
<b>Cash generated by/used in financing activities</b>	<b>(653,129)</b>	<b>(934,900)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>17,914,954</b>	<b>262,713</b>

## Reconciliation

<b>Items*</b>		
Cash and cash equivalents at beginning of year	124,043,263	123,780,550
Total cash generated/used during the year	17,914,954	262,713
Cash and cash equivalents at end of year	141,958,217	124,043,263

\* 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 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.



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# Introduction

## STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

As in previous years, the Cassa Depositi e Prestiti Group (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 2005 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 consolidated financial statements are expressed in euros and include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and these explanatory notes to the financial statements, as well as the directors' report on operations.

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

## BASIS OF PRESENTATION

In line with the rules issued by the Bank of Italy, the financial statements and the tables in the notes to the financial statements are expressed, unless otherwise specified, in thousands of euros.

Accounts with zero balances for both the current and prior period have been excluded.

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 balances 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.

The parts of the notes to the financial statements provided for in the Bank of Italy circular of 22 December 2005 that have not been reported regard issues that do not apply to the CDP Group.

## 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 "B" of the supervisory instructions issued by the Bank of Italy.

Tables with no amounts for both 2012 and 2011 have been omitted.

## COMPARISON WITH 2011

As discussed more extensively in the report on operations, the scope of consolidation of the Group expanded considerably as a result of CDP's acquisition of interests in Fintecna, SACE and SIMEST. In the light of the comments in Part G, Section 1, the income statement of those companies have not been consolidated, while their balance sheets have been included.

## CDP SEGREGATED ASSET POOLS

The parent company, 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 in the accounts with an "of which" indication on the financial statements.

## AUDITING OF THE FINANCIAL STATEMENTS

The audit of the CDP Group consolidated financial statements 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.

## 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 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.

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.

In the tables of the notes to the financial statements, the contribution of companies that do not belong to the banking group to the various line items is reported only if significant.

## **Use of estimates**

The application of international accounting standards in preparing the consolidated financial statements requires the CDP Group 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 and interpretive issues concerning accounting treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the technical provisions of insurance undertakings.

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 consolidated financial statements.



### SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of controlling interests in companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2012, as approved by their competent corporate bodies, adjusted as necessary to harmonise them with the Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in circular no. 262 of 22 December 2005, updated to 18 November 2009.

The following table reports the companies included in the scope of consolidation on a full line-by-line basis.

## Equity investments in subsidiaries and joint ventures (consolidated proportionately)

Name	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
			Investor	% holding	
<b>A. Enterprises</b>					
<b>A.1 Consolidated on a line-by-line basis</b>					
1. Terna S.p.A.	Rome	2	CDP S.p.A.	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Rome	1	CDP S.p.A.	70.00%	70.00%
3. Fondo Strategico Italiano S.p.A.	Milan	1	CDP S.p.A.	90.00%	90.00%
			Fintecna S.p.A.	10.00%	10.00%
4. CDP GAS S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
5. SunTergrid S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
6. Terna Rete Italia S.p.A.	Rome	1	Terna S.p.A.	100.00%	100.00%
7. Terna Rete Italia S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
8. Terna Crna Gora	Podgorica	1	Terna S.p.A.	100.00%	100.00%
9. Rete Solare S.r.l.	Rome	1	SunTergrid S.p.A.	100.00%	100.00%
10. Terna Plus S.r.l.	Rome	1	Terna S.p.A.	100.00%	100.00%
11. Terna Storage	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
12. CDP RETI S.r.l.	Rome	1	CDP S.p.A.	100.00%	100.00%
13. SACE S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
14. SACE BT S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
15. SACE Fct S.p.A.	Rome	1	SACE S.p.A.	100.00%	100.00%
16. SACE SRV S.r.l.	Rome	1	SACE BT S.p.A.	100.00%	100.00%
17. Fintecna S.p.A.	Rome	1	CDP S.p.A.	100.00%	100.00%
18. Fincantieri S.p.A.	Trieste	1	Fintecna S.p.A.	99.36%	99.36%
19. Quadrante S.p.A.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
20. Fintecna Immobiliare S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
21. Ace Marine LLC	Wisconsin - WI - USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
22. Bacini di Palermo S.p.A.	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
23. Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
24. Delfi S.r.l.	Follo (SP)	1	Fincantieri S.p.A.	51.00%	51.00%
25. FMSNA YK	Sasebo-Nagasaki-Japan	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
26. Fincantieri do Brasil Participações S.A.	Brazil	1	Fincantieri S.p.A.	80.00%	80.00%
27. Fincantieri Holding B.V.	Amsterdam - NL	1	Fincantieri S.p.A.	100.00%	100.00%
28. Fincantieri Marine Group Holdings Inc.	Green Bay - WI - USA	1	Fincantieri USA Inc.	87.44%	87.44%
29. Fincantieri Marine Group LLC	Marinette - WI - USA	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
30. Fincantieri Marine Systems North America Inc.	Chesapeake - VI - USA	1	Fincantieri Holding B.V.	100.00%	100.00%
31. Fincantieri Oil & Gas S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
32. Fincantieri USA Inc.	Wilmington - DE - USA	1	Fincantieri S.p.A.	86.02%	86.02%
33. Gestione Bacini La Spezia S.p.A.	Muggiano (SP)	1	Fincantieri S.p.A.	99.89%	99.89%
34. Giardino Tiburtino S.p.A.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
35. Isotta Fraschini Motori S.p.A.	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
36. Marinette Marine Corporation LLC	Wisconsin - WI - USA	1	Fincantieri Marine Group LLC	100.00%	100.00%
37. Quadrifoglio Palermo S.r.l.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
38. Quadrifoglio R.E. S.r.l.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
39. Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
40. Seastema S.p.A.	Genoa	1	Fincantieri S.p.A.	50.00%	50.00%
41. Valcomp Uno S.r.l.	Rome	1	Fintecna Immobiliare S.r.l.	100.00%	100.00%
42. XXI Aprile S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
43. SIMEST SpA	Rome	1	CDP S.p.A.	76.005%	76.005%
<b>A.2 Consolidated proportionately</b>					

### Key

#### (1) Type of relationship

- 1 = Majority of voting rights in ordinary shareholders' meeting
- 2 = Dominant influence in ordinary shareholders' meeting
- 3 = Agreements with other shareholders
- 4 = Other form of control
- 5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
- 6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92
- 7 = Joint control

#### (2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

Compared with 31 December 2011, the greatest changes in the scope of full consolidation are represented by the entry of Fintecna, SACE and SIMEST and their respective subsidiaries and associates.

### **Full line-by-line consolidation**

Full consolidation involves the line-by-line incorporation of the aggregates of the balance sheets and income statements of subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Assets, liabilities, revenues and costs in respect of intercompany transactions between the consolidated companies are eliminated entirely.

Acquisitions of companies are accounted for using the “acquisition method” provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable assets assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 “Other liabilities” if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., the difference resulting from the transaction must be allocated definitively within 12 months of the acquisition date. If positive, the difference is recognised – after any allocation to the elements of the assets and liabilities of the subsidiary – as goodwill under intangible assets. If negative, it is recognised as a gain through profit or loss.

The acquisition method is applied as from the moment in which control of the acquiree is effectively acquired.

With regard to the companies that entered the scope of consolidation in 2012, in view of the fact that the operation was completed close to the end of the year and considering the structure of the transaction, which involved the transfer of the shares before the determination of the final price, only the balance sheets of the acquirees were consolidated as at 31 December 2012.

It is felt that the final prices of the SACE Group and SIMEST were calculated, or will be calculated in the case of the Fintecna Group, using an approach that reflects the results of the companies in the period between the transfer of control and the date of the MEF decrees that set, or will set, the final prices.

Accordingly, in the 2012 consolidated financial statements the new companies make no contribution to the overall performance of the CDP Group.

### **Accounting for companies using the equity method**

Associates and joint ventures are accounted for using the equity method.

For joint ventures, CDP opted to use the equity method instead of proportionate consolidation, as permitted under IAS 31.

The equity method involves initial recognition of the equity interest at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity interest and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment of the value of an equity investment, the recoverable value of the interest is estimated, calculating the present value of the future cash flows that the investment could generate, including the final disposal value of the interest. If the recoverable value is less than the carrying amount, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent financial statements (annual or interim) approved by the companies.

The investments in Kedrion Group S.p.A. and Metroweb Italia S.p.A., both of which are under joint control, were recognised at 31 December 2012 at their purchase price, taking account of the completion of the transactions in the second half of 2012.

As provided for under IFRS 3, paragraph 45, the purchase price allocation process will be completed within twelve months of the acquisition.

## SECTION 4 - EVENTS SUBSEQUENT TO THE REPORTING DATE

During the period between the reporting date for the consolidated financial statements and their approval by the Board of Directors on 20 March 2013, no events occurred that would require an adjustment to the figures approved or the provision of additional information other than that reported here below.

As regards the major transactions carried out in that period:

- please see the comments in Part B, Section 15 of liabilities – Group equity with regard to the conversion of the preference shares of the parent company;
- please see Part G, Section 2 – Business combinations carried out after the close of the year for more information on the acquisition of 50.75% of STX OSV by the subsidiary Fincantieri; on 1 March 2013, in compliance with the joint venture agreement signed the previous 3 February, the subsidiary Fondo Strategico Italiano (FSI) and Qatar Holding LLC (QH), with a 50% interest, incorporated “IQ Made in Italy Investment Company S.p.A.”. The agreements provide for initial capital of €300 million and additional capital increases totalling €2 billion following approval of specific investments by FSI and QH.

## SECTION 5 - OTHER ISSUES

### Accounting standards that will enter force in subsequent financial years

As required under IAS 8 – Accounting policies, changes in accounting estimates and errors, the following section briefly discusses new accounting standards and related interpretations that have already been issued but have not yet entered force or have not yet been endorsed by the European Union and are therefore not applicable.

#### **Amendments to IFRS 1 - First time adoption of International Financial Reporting Standards (Revised)**

The amendments to IFRS 1 eliminate the reference it contains to 1 January 2004 as the date of transition to the IFRSs and provide guidance on presentation of the financial statements in accordance with the IFRSs after a period of hyperinflation. More specifically, the amendments specify that if an entity should decide, upon transition to the IFRSs, to measure its assets and liabilities at fair value and to adopt that fair value as deemed cost in their first IFRS financial statements, in cases of severe hyperinflation the first IFRS financial statements shall disclose how, and why, it had, and then ceased to have, a functional currency with both of the following the characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency;
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

The endorsement of the amendments, with Regulation (EC) 1255/2012 of 11 December 2012, establishes that the amendments will enter force for reporting periods beginning on or after 1 January 2013, although the IASB had established an effective date of on or after 1 January 2012.

#### **Amendment to IAS 12 - Income taxes**

The amendment of IAS 12 requires entities to measure deferred tax liabilities arising from an asset in relation to the way the carrying amount of the asset will be recovered (through continuing use or through a sale). Following the amendment, SIC 21 – Income taxes – Recovery of revalued non-depreciable assets was withdrawn.

The endorsement of the amendment, with Regulation (EC) 1255/2012 of 11 December 2012, establishes that the amendment will enter force for reporting periods beginning on or after 1 January 2013, although the IASB had established an effective date of on or after 1 January 2012.

#### **IFRS 9 - Financial instruments**

IFRS 9 represents the first of the three phases of the project to replace IAS 39 – Financial instruments: Recognition and measurement, the main objective of which being reduce its complexity.

The scope of application of IFRS 9 was narrowed to financial assets only: the classification and measurement of financial liabilities remains governed by IAS 39 for now.

The endorsement process for IFRS 9 has been suspended.

### **IFRS 10 - Consolidated financial statements**

IFRS 10 – Consolidated financial statements, replaces and supplements part of IAS 27 – Consolidated and separate financial statements and SIC 12 – Consolidation – Special purpose entities. IFRS 10 provides a single model for the consolidated financial statements under which control is the basis for consolidation of all types of entity. The new standard also provides additional guidance on determining whether control exists in cases in which this is difficult to assess.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

### **IFRS 11 - Joint arrangements**

IFRS 11 – Joint arrangements, replaces IAS 31 – Interests in joint ventures and SIC 13 – Jointly controlled entities – Non-monetary contributions by venturers, and establishes accounting rules for entities who are parties to joint arrangements. While the previous standards focused on the legal form of the arrangement in dictating its accounting treatment, IFRS 11 focuses on the nature of the related rights and obligations arising from the arrangement itself. In particular, the new standard does not permit the proportionate consolidation of joint ventures, which must only be accounted for using the equity method.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

### **IFRS 12 - Disclosure of interests in other entities**

IFRS 12 – Disclosure of interests in other entities, combines, strengthens and replaces the disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It sets out mandatory disclosures for all types of investment in other entities, including subsidiaries, joint ventures, associates and special purpose entities. IFRS 12 replaces the provisions previously included in IAS 27 – Separate financial statements, in IAS 28 – Investments in associates and IAS 31 – Interests in joint ventures.

The IASB had established an effective date for the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

### **IAS 27 - Separate financial statements (Revised)**

IAS 27 – Separate financial statements was revised after the issue of IFRS 10, which includes new provisions concerning the consolidated financial statements that had previously been included in IAS 27. IAS 27 (Revised) retains its provisions concerning the accounting treatment of investments in subsidiaries, associates and joint ventures in the separate financial statements.

The IASB had established an effective date for the new version of the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

**IAS 28 - Investments in associates and joint ventures (Revised)**

IAS 28 – Investments in associates and joint ventures was revised in order to bring it into line with the new provisions of IFRS 10 and IFRS 11. IAS 28 (Revised) includes new provisions concerning the accounting treatment of joint ventures, which, as with associates, shall be accounted for using the equity method.

The IASB had established an effective date for the new version of the standard of on or after 1 January 2013. However, the European Commission, in endorsing the standard with Regulation (EC) 1254/2012 of 11 December 2012, postponed its entry into force until reporting periods beginning on or after 1 January 2014.

**IFRS 13 - Fair value measurement**

IFRS 13 – Fair value measurement provides a precise definition of fair value and sets out, in a single standard, guidelines for measuring fair value and the disclosures concerning the valuation techniques adopted. The new standard represents a single IFRS framework to be used for the measurement of fair value and offers full guidance on how to measure the fair value of financial and non-financial assets and liabilities. It does not introduce significant changes in the use of fair value, but rather establishes how it should be measured when its use is required or permitted.

The standard forms part of a more general project for the convergence of international accounting standards and US GAAP. It will enter force for reporting periods beginning on or after 1 January 2013, and was endorsed by the European Union with Regulation (EC) 1255/2012 of 11 December 2012.

**IAS 19 - Employee benefits (Revised)**

The revised version of IAS 19 – Employee benefits introduces significant changes and clarifications concerning the accounting treatment of employee benefits. More specifically, it eliminates the option of deferring recognition of part of actuarial gains and losses (the “corridor method”). “Remeasurements” of the net liability for defined benefits, comprising actuarial gains and losses; the return on plan assets; and changes in the effect of the asset ceiling are recognized under other comprehensive income.

The amendments, which will enter force for reporting periods beginning on or after 1 January 2013, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

**Amendments to IAS 1 - Presentation of financial statements**

The amendments of IAS 1 – Presentation of financial statements introduce changes in the aggregation of items in the statement of other comprehensive income. More specifically, the amendments call for the separate presentation of items of other comprehensive income (OCI) that can be reclassified to profit or loss in the future and those that because of their nature will never be recycled.

The amendments, which entered force for reporting periods beginning on or after 1 July 2012, were endorsed by the European Union with Regulation (EC) 475/2012 of 5 June 2012.

**Amendments to IFRS 10, IFRS 11 and IFRS 12**

The amendments govern the transition to the new accounting standards. The amendments will enter force for reporting periods beginning on or after 1 January 2013 and have not yet been endorsed by the European Union. In addition, the ARC has postponed the effective date by a year.

### **Amendment of IFRS 1 – Government loans**

The amendment, issued on 13 March 2012, allows first-time adopters of the IFRS to not recognise the benefit arising from government loans at a below-market interest rate as government assistance.

The amendment will enter force for reporting periods beginning on or after 1 January 2013 but has not yet been endorsed by the European Union.

### **Amendments to IFRS 7 and IAS 32: Offsetting financial assets and financial liabilities**

The amendments of IFRS 7 establish additional quantitative disclosures to enable users to compare and reconcile disclosures made in application of the IFRS more effectively. The amendments modify both IFRS 7 and IAS 32. However, the European Commission, in endorsing the standard with Regulation (EC) 1256/2012 of 11 December 2012, established different effective dates:

- the amendments to IFRS 7 (paragraphs IN 89, 13A-13F, and B40-B53) will enter force for reporting periods beginning on or after 1 January 2013;
- the amendments of IAS 32 will enter force for reporting periods will enter force for reporting periods beginning on or after 1 January 2014.

### **Other information**

The Board of Directors approve the consolidated financial statements of CDP, which will be published in accordance with the procedures provided for in the regulations applicable to CDP.

### **The consolidated taxation mechanism**

For the period 2012-2014, the parent company has opted, in its capacity as the consolidating entity, to adopt the “consolidated taxation mechanism” introduced with Legislative Decree 344 of 12 December 2003 together with the subsidiaries Fondo Strategico Italiano S.p.A. and CDP GAS S.r.l.



## 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) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.

Financial assets held for trading meet the following prerequisites:

- they are purchased with the intention of being sold in the short term;
- 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;
- they are derivatives (with the exception of derivatives that are designated and effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

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

The financial instruments are measured subsequently at fair value based on the official prices as of the 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 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.

Following initial recognition, assets available for sale are measured at fair value, with the recognition of the amortized cost through profit or loss, while gains or losses associated with a change in fair value are recognised in other comprehensive income (OCI) in equity, net of tax effects, until the financial asset is either derecognised or an impairment loss is recognised. At the time of the disposal or the recognition of the impairment loss the accumulated gains or losses are reversed in whole or in part to profit or loss. In the case of a partial disposal, the recycling of the valuation reserve to the income statement is carried out on a FIFO basis.

Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.

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. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.

Available-for-sale financial assets undergo impairment testing to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. 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. In the case of impairment of an available-for-sale security, 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 value that the instrument would have had in the absence of the prior adjustments.

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

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

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

### 3 - FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.

The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.

Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

## 4 - LOANS

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

Loans are 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 by the CDP Group to public entities and public-law bodies under the 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 local authorities 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 authority as the work is performed by the various contractors involved.

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

Group's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins.

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

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

Loans granted by the CDP Group to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

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

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

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. 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 90-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 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.

This also includes receivables from Italian post offices and variation margins with clearing bodies for derivatives transactions.

"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

## 6 - HEDGING TRANSACTIONS

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

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the position hedged, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- 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 al-

most 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. 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.

In the case of hedges to neutralise the risk of changes in future cash flows generated by the execution of a forecast transaction considered highly probable at the balance-sheet date (cash flow hedge), the effective portion of changes in the fair value of the derivative subsequent to initial recognition are recognised under "reserves" in shareholders' equity. When the financial effects originated by the hedged item become manifest, the reserve is reclassified to profit or loss under operating components. If the hedge is not perfectly effective, the ineffective portion of the change in the fair value of the hedging instrument is recognised immediately in profit or loss.

If during the life of a derivative instrument, the hedged expected cash flows are no longer considered to be highly probable, the "reserves" associated with that instrument are immediately reversed to profit or loss for the year. Conversely, if the derivative instrument is transferred or no longer qualifies as an effective hedge, the "reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged. If the hedged transaction is no longer considered probable, the unrealised gains or losses recognised in equity are recognised immediately in profit or loss.

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 item includes equity interests in joint ventures (IAS 31) and associates subject to significant influence (IAS 28).

Joint ventures are companies in which control is shared with other parties, including on the basis of contractual agreements.

Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Minority holdings are recognised as financial assets available for sale (item 40) and are treated as described above.

Equity investments are initially recognised at cost at the settlement date. They are subsequently accounted for using the equity method. Acquisitions are treated in the same manner as business combinations. Accordingly, the difference with the price paid (difference between the purchase price and the fraction of equity acquired) is allocated on the basis of the fair value of the net identifiable assets of the associate.



Any excess not allocated represents goodwill. The allocated excess is not reported separately but is instead included in the carrying amount of the equity investment (synthetic consolidation).

Any positive difference between the value of the share of equity in the investee and the cost of the investment is recognised as income.

In applying the equity method, account is also taken of treasury shares held by the investee.

Where there is evidence that the value of an equity investment can be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and 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.

## 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.

Property, plant and equipment is recognised at purchase cost including incidental expenses and non-deductible 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.

Property, plant and equipment held under finance leases that transfer to the Group substantially all the risks and rewards of ownership are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments due, including any amount payable to exercise the bargain purchase option. The corresponding liability to lessor is recognised under financial debt. The assets are depreciated using the same criteria as those used for assets owned.

Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs in respect of operating leases are recognised on a straight-line basis over the term of the lease.

Property, plant and equipment leased to others under finance lease agreements (or agreements treated in the same manner as finance leases), under which substantially all the risks and rewards of ownership of the asset have been transferred to the user of the asset, are recognised as financial receivables in the balance sheet. At the time of transfer of the asset to the user, the selling profit on the sale of the leased asset is recognised. That profit is determined as the difference between: i) the fair value of the asset at the inception of the lease or, if lower, the present value of the minimum payments due under the lease that pertain to the Group, calculated at a market interest rate; and ii) the cost of producing the leased asset increased by legal costs and internal costs directly attributable to the negotiation and arranging of



the lease contract. Subsequent to recognition of the financial receivable, financial income is recognised in an amount reflecting the constant periodic rate of return on the receivable allocated over the term of the lease on a systematic and rational basis.

Assets to be relinquished free of charge are recognised at cost, including any disposal and removal costs that will be incurred under contractual obligations to restore the assets to their original condition, net of depreciation calculated over the lesser of the estimated useful life of the asset and the term of the concession, net of dismantling and removal costs.

Land and buildings are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

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.

Financial expense directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation under IAS 23 (revised in 2007) is capitalised in the carrying amount of the asset as part of its cost.

“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, and primarily include concessions, licenses and brands, customer contracts, R&D costs and industrial patents and intellectual property rights.

Concessions, licenses, brands and similar rights arising from an acquisition are recognised at fair value as of the date of the acquisition and are amortised over their expected life. More specifically, brands are not amortised but undergo impairment testing on an annual basis or more frequently if specific events or changes in circumstances suggest that they can be impaired.

Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship.

Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:

- the project is clearly identifiable and the costs associated with it are identifiable and can be measured reliably;

- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and sell the intangible assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- adequate technical and financial resources to complete the project are available.

The amortization of any development costs recognised under intangible assets begins as from the date on which the result of the project is ready for sale and is carried out on a straight-line basis.

Costs incurred for the acquisition of industrial patents and intellectual property rights are amortised on a straight-line basis, allocating the acquisition cost over the shorter of the expected period of use and the term of the associated contracts, as from the time the right acquired can be exercised.

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) future economic benefits from the asset are expected to flow to the entity;
- (b) the cost of the asset can be measured reliably.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Following initial recognition, goodwill is not amortised but is reduced for any impairment losses. The estimate of the recoverable value of goodwill recognised uses a discounted cash flow model, which determines value in use on the basis of an estimation of future cash flows and an appropriate discount rate.

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.

Goodwill in respect of investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is taken to the income statement at the time of the acquisition.

## 10 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale rather than through continuing use are classified as held for sale and reported separately from other assets and liabilities in the balance sheet. Non-current assets (or disposal groups) classified as held for sale are first measured in conformity with the IFRS/IAS applicable to each asset and liability and subsequently are measured at the lower of their carrying amount and fair value less costs to sell. The carrying amounts of each asset and liability that are not governed by the measurement rules set out in IFRS 5 but are held for sale are remeasured on the basis of the applicable IFRS before the fair value less costs to sell is redetermined. The individual assets of the companies classified as held for

sale are not depreciated/amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an operation acquired exclusively with a view to resale.

## 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 period under applicable tax law.

Deferred tax items regard the recognition of the effects of differences between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year). "Taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future. Deferred tax assets are recognised if the conditions for their recovery obtain.

Deferred tax liabilities – which are correlated with the amount of income that will become taxable in future years – calculated on the basis of the tax rates established by current regulations, are recognised in the tax provision without offsetting against deferred tax assets, which are recognised in the balance sheet under "Other assets".

If the deferred tax items regard developments that directly affect equity, they are recognised in equity. As regards the consolidated tax mechanism, from an administrative standpoint tax positions pertaining to CDP and those originated by the other companies participating in the mechanism are treated separately. The tax positions of the companies included in the consolidated tax mechanism are recognised by those companies, on an accruals basis and in consideration of the scope of the mechanism limited to the settlement of current tax positions.

## 12 - PROVISIONS

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

- there is a present (legal or constructive) obligation resulting from a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- 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.

The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

### 13 - DEBT AND SECURITIES ISSUED

"Amounts due to banks" (item 10) and "Amounts due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than "Financial liabilities held for trading" (item 40), "Financial liabilities at fair value through profit or loss" (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It also includes securities which, as of the balance sheet date, have matured but have not yet been redeemed. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These are initially measured at fair value including the costs incurred to issue the securities. Subsequent measurement is at amortised cost. The payables are eliminated when they mature or are extinguished.

### 14 - FINANCIAL LIABILITIES HELD FOR TRADING

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

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

Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with

the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

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

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

The gains and losses on sale or redemption and unrealised gains and losses resulting from 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.

The effects of foreign exchange differences related to the equity of investments measured using the equity method are recognised in an equity reserve.

The financial statements of companies denominated in currencies other than the euro are translated in accordance with the following rules:

- assets and liabilities are converted using the exchange rates prevailing at the balance-sheet date;
- costs and revenues are converted using the average exchange rate for the period;

- the “translation reserve” comprises exchange rate differences generated by the conversion of financial variables at a different rate from the closing rate and those generated by the translation of opening shareholders’ equity at a different rate from the closing rate of the reporting period;
- goodwill and fair value adjustments associated with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate for the period.

## 17 - INSURANCE ASSETS AND LIABILITIES

Insurance assets include amounts in respect of risks ceded to reinsurers under contracts governed by IFRS 4. Reinsurers’ share of technical provisions are determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

Insurance liabilities represented by technical provisions, under the provisions of IFRS 4, may continue to be accounted for using local GAAP. A review of the contracts written by the Group insurance undertakings found that they all qualify as insurance contracts. Technical provisions also include any provisions that made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. The provisions are recognised in accordance with the accounting standards adopted before the IFRS, as all of the policies fall within the scope of IFRS 4 (Insurance contracts). Specifically, this item includes:

- the provision for unearned premiums, which comprises two items: the provision for premium instalments determined on a pro rata temporis basis, as required by Article 45 of Legislative Decree 173 of 26 May 1997 and the provision for unexpired risks comprising amounts to be allocated to cover claims payments and expenses that exceed the provision for premium instalments on outstanding contracts and are not subject to claim at the year-end, while meeting the requirements of IFRS 4 for the liability adequacy test;
- the provision for claims outstanding, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

## 18 - OTHER INFORMATION

### Staff severance pay

The liability in respect of employee benefits to be paid at the time of or subsequent to termination of the employment relationship under defined benefit and other long-term benefit plans is recognised net of any plan assets. It is determined separately for each plan on the basis of actuarial assumptions, estimating the

amount of future benefits accrued by employees at the reference date. The liability is recognised over the period in which the entitlement accrues. The liability is estimated by independent actuaries.

It should be noted that a number of Group companies with a small number of employees and a small overall severance pay liability continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

### **Interest income and expense**

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

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

### **Commissions**

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

### **Dividends**

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

Dividends from equity investments accounted for using the equity method are deducted from the carrying amount of the investments.

### **Contract work in progress (construction contracts)**

When the profit or loss of a contract can be reliably estimated, the related contract costs and revenues are recognised separately in profit or loss on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are taken immediately to profit or loss under contract costs.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

### **Share-based payments**

The cost of employee service remunerated through stock option plans is measured at the fair value of the options granted to employees at the grant date. The fair value of options granted is recognised under staff costs over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. Such estimate is reviewed where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of market conditions.

### **Capitalised borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable borrowing cost is that which would not have been incurred if the expenditure for the asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a year shall in any case not exceed the amount of borrowing costs incurred during that year.

Capitalisation commences as from the date all the following conditions have been met: (a) expenditures have been incurred for the asset; (b) borrowing costs are being incurred; and (c) activities to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.



## Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and taken to the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

## Revenues

Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

## 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, the Group 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 the Group's corporate systems.

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, the Group 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 2012 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 the Group, the following measurements are classified as Level 3:

- the valuation of options on equity indices embedded in certain categories of postal savings 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, other equity instruments and unlisted debt 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.

## Business combinations

Business combinations are recognised using the acquisition method. Under that method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities assumed and equity instruments issued by the acquirer in exchange for control of the acquiree. Transaction costs are generally recognised in profit or loss at the time they are incurred.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 “Other liabilities” if negative, net of any goodwill in the balance sheets of the acquirees. In accordance with IFRS 3, paragraph 45 et seq., within 12 months of the acquisition date, the difference resulting from the transaction must be allocated definitively, recognising the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. The following items are exceptions, being measured as provided for in the relevant standard governing their treatment:

- deferred tax assets and liabilities;
- assets and liabilities in respect of employee benefits;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree;
- assets held for sale and discontinued operations.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the any equity interest previously held by the acquirer in the acquiree over the acquisition-date fair value of the net assets acquired and liabilities assumed. If the acquisition-date fair value of the net assets acquired

and liabilities assumed exceeds the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the any equity interest previously held by the acquirer in the acquiree, the excess is recognised in profit or loss as a gain from the transaction.

Non-controlling interests can be measured at fair value or as a proportionate share in the recognised amounts of the acquiree's identifiable net assets at the acquisition date. The choice of which measurement method to use is decided on a case-by-case basis.

Any contingent consideration provided for in the business combination agreement is measured at its acquisition-date fair value and included in the consideration transferred for the acquiree for the purposes of determining goodwill. Any subsequent changes in that fair value that can be considered as adjustments occurring during the measurement period shall be reflected retrospectively in goodwill. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed as of the acquisition date that has been obtained during the measurement period (which may not exceed one year from the acquisition date).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value as of the date of acquisition of control and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity interest that had been recognised in other comprehensive income are reclassified to the income statement as if the equity interest had been sold.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provision amounts for the item for which the accounting is incomplete. During the measurement period, the provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the assets and liabilities recognised as of that date.

Disposals of non-controlling interests in a subsidiary by way of a sale or dilution that do not result in the loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In these circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount of the adjustment of non-controlling interests and the fair value of the consideration received shall be recognised directly in equity.

## 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)

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	3,041,719	720,213	894,197		579,738	1,343
2. Financial assets at fair value						
3. Financial assets available for sale	4,965,439	11,736	310,664	2,524,232	5,971	184,841
4. Hedging derivatives		1,188,301	2,683		928,976	2,337
<b>Total</b>	<b>8,007,158</b>	<b>1,920,250</b>	<b>1,207,544</b>	<b>2,524,232</b>	<b>1,514,685</b>	<b>188,521</b>
1. Financial liabilities held for trading		106,090	416,506		64,046	434,309
2. Financial liabilities at fair value						
3. Hedging derivatives		2,686,869	13,052		2,704,082	8,539
<b>Total</b>	<b>-</b>	<b>2,792,959</b>	<b>429,558</b>	<b>-</b>	<b>2,768,128</b>	<b>442,848</b>

### 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
<b>1. Opening balance</b>	<b>1,343</b>	-	<b>184,841</b>	<b>2,337</b>
<b>2. Increases</b>	<b>892,854</b>	-	<b>167,378</b>	<b>346</b>
2.1 Purchases	892,854		167,072	
- of which business combinations	890,469		7,986	
2.2 Profits taken to:			306	346
2.2.1 Income statement				346
- of which: capital gains				
2.2.2 Equity	x	x	306	
2.3 Transfers from other levels				
2.4 Other increases				
<b>3. Decreases</b>	-	-	<b>41,555</b>	-
3.1 Sales		1,050		
3.2 Repayments				
3.3 Losses taken to:			40,505	
3.3.1 Income statement				
- of which: capital losses				
3.3.2 Equity	x	x	40,505	
3.4 Transfers to other levels				
3.5 Other decreases				
<b>4. Closing balance</b>	<b>894,197</b>	-	<b>310,664</b>	<b>2,683</b>

### 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
<b>1.</b>	<b>Opening balance</b>	<b>434,309</b>	<b>-</b>	<b>8,539</b>
<b>2.</b>	<b>Increases</b>	<b>31,861</b>		<b>7,681</b>
2.1	Issues	6,101		
2.2	Losses taken to:	25,760		7,681
	2.2.1 Income statement - of which: capital losses	25,760		
	2.2.2 Equity	x	x	7,681
2.3	Transfers from other levels			
2.4	Other increases			
<b>3.</b>	<b>Decreases</b>	<b>49,664</b>	<b>-</b>	<b>3,168</b>
3.1	Sales			
3.2	Repayments	27,456		
3.3	Profits taken to:	22,208		3,168
	3.3.1 Income statement - of which: capital gains	22,208		3,168
	3.3.2 Equity	x	x	
3.4	Transfers to other levels			
3.5	Other decreases			
<b>4.</b>	<b>Closing balance</b>	<b>416,506</b>	<b>-</b>	<b>13,052</b>

### 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 can be recognised through profit or loss over the life of the financial instrument.

The CDP Group 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 IAS/IFRS.



## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### Assets

#### SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

##### 1.1 Cash and cash equivalents: composition

*(thousands of euros)*

	31/12/2012	31/12/2011
a) Cash	350	701
b) Free deposits with central banks		
<b>Total</b>	<b>350</b>	<b>701</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. On-balance-sheet assets</b>						
1. Debt securities	2,433,262		890,469			
1.1 Structured securities						
1.2 Other debt securities	2,433,262		890,469			
2. Equity securities	40,347	197				
3. Units in collective investment undertakings	568,110	53,837				
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
<b>Total A</b>	<b>3,041,719</b>	<b>54,034</b>	<b>890,469</b>			
<b>B. Derivatives</b>						
1. Financial derivatives		666,179	3,728		579,738	1,343
1.1 trading		29,426				
1.2 associated with fair value option						
1.3 other		636,753	3,728		579,738	1,343
2. Credit derivatives						
2.1 trading						
2.2 associated with fair value option						
2.3 other						
<b>Total B</b>		<b>666,179</b>	<b>3,728</b>		<b>579,738</b>	<b>1,343</b>
<b>Total (A+B)</b>	<b>3,041,719</b>	<b>720,213</b>	<b>894,197</b>		<b>579,738</b>	<b>1,343</b>

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

## 2.1 of which: pertaining to the Banking Group

(thousands of euros)

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. On-balance-sheet assets</b>						
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						
<b>Total A</b>						
<b>B. Derivatives</b>						
1. Financial derivatives		647,496	3,728	579,738	1,343	
1.1 trading		10,743				
1.2 associated with fair value option						
1.3 other		636,753	3,728	579,738	1,343	
2. Credit derivatives						
2.1 trading						
2.2 associated with fair value option						
2.3 other						
<b>Total B</b>		<b>647,496</b>	<b>3,728</b>	<b>579,738</b>	<b>1,343</b>	
<b>Total (A+B)</b>		<b>647,496</b>	<b>3,728</b>	<b>579,738</b>	<b>1,343</b>	

## 2.1 of which: pertaining to the Insurance Group

(thousands of euros)

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. On-balance-sheet assets</b>						
1. Debt securities	2,433,262		890,469			
1.1 Structured securities						
1.2 Other debt securities	2,433,262		890,469			
2. Equity securities	40,347	197				
3. Units in collective investment undertakings	568,110	53,837				
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
<b>Total A</b>	<b>3,041,719</b>	<b>54,034</b>	<b>890,469</b>			
<b>B. Derivatives</b>						
1. Financial derivatives		18,624				
1.1 trading		18,624				
1.2 associated with fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 associated with fair value option						
2.3 other						
<b>Total B</b>		<b>18,624</b>				
<b>Total (A+B)</b>	<b>3,041,719</b>	<b>72,658</b>	<b>890,469</b>			

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

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>A. ON-BALANCE-SHEET ASSETS</b>					
<b>1. Debt securities</b>		<b>3,323,731</b>		<b>3,323,731</b>	
a) Governments and central banks		2,076,484		2,076,484	
b) Other government agencies		2,375		2,375	
c) Banks		280,143		280,143	
d) Other		964,729		964,729	
<b>2. Equity securities</b>		<b>40,544</b>		<b>40,544</b>	
a) Banks					
b) Other issuers:		40,544		40,544	
- insurance undertakings					
- financial companies		197		197	
- non-financial companies		40,347		40,347	
- other					
<b>3. Units in collective investment undertakings</b>		<b>621,947</b>		<b>621,947</b>	
<b>4. Loans</b>					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
<b>Total A</b>		<b>3,986,222</b>		<b>3,986,222</b>	
<b>B. DERIVATIVES</b>					
a) Banks	651,224	18,624	59	669,907	581,081
- fair value	651,224	18,624	59	669,907	581,081
b) Customers					
- fair value					
<b>Total B</b>	<b>651,224</b>	<b>18,624</b>	<b>59</b>	<b>669,907</b>	<b>581,081</b>
<b>Total (A+B)</b>	<b>651,224</b>	<b>4,004,846</b>	<b>59</b>	<b>4,656,129</b>	<b>581,081</b>

## 2.3 On-balance-sheet financial assets held for trading: change for the year

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	-	-	-	-	-
<b>B. Increases</b>	<b>3,323,731</b>	<b>40,544</b>	<b>621,947</b>		<b>3,986,222</b>
B1. Purchases	3,323,731	40,544	621,947		3,986,222
- of which business operations	3,323,731	40,544	621,947		3,986,222
B2. Fair value gains					
B3. Other increases					
<b>C. Decreases</b>					
C1. Sales					
- of which business combinations					
C2. Repayments					
C3. Fair value losses					
C4. Transfer to other portfolios					
C5. Other decreases					
<b>D. Closing balance</b>	<b>3,323,731</b>	<b>40,544</b>	<b>621,947</b>	-	<b>3,986,222</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	4,917,891	4,601		2,524,232	5,971	
1.1 Structured securities						
1.2 Other debt securities	4,917,891	4,601		2,524,232	5,971	
2. Equity securities	47,548		18,731			11,233
2.1 At fair value	47,548		8,894			8,506
2.2 At cost			9,837			2,727
3. Units in collective investment undertakings		7,135	290,857			173,608
4. Loans			1,076			
<b>Total</b>	<b>4,965,439</b>	<b>11,736</b>	<b>310,664</b>	<b>2,524,232</b>	<b>5,971</b>	<b>184,841</b>

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

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Debt securities</b>	<b>4,922,492</b>	<b>2,530,203</b>
a) Governments and central banks	4,917,892	2,524,232
b) Other government agencies	4,600	5,971
c) Banks		
d) Other		
<b>2. Equity securities</b>	<b>66,279</b>	<b>11,233</b>
a) Banks	2,066	2,066
b) Other issuers	64,213	9,167
- insurance undertakings		
- financial companies	8,940	8,552
- non-financial companies	54,458	615
- other	815	
<b>3. Units in collective investment undertakings</b>	<b>297,992</b>	<b>173,608</b>
<b>4. Loans</b>	<b>1,076</b>	
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other	1,076	
<b>Total</b>	<b>5,287,839</b>	<b>2,715,044</b>

#### 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
<b>A. Opening balance</b>	<b>2,530,203</b>	<b>11,233</b>	<b>173,608</b>		<b>2,715,044</b>
<b>B. Increases</b>	<b>16,583,802</b>	<b>55,046</b>	<b>165,940</b>	<b>1,076</b>	<b>16,805,864</b>
B1. Purchases	16,223,350	54,739	165,940	1,076	16,445,105
- of which business combinations	249,118	54,458	7,135	1,076	311,787
B2. Fair value gains	345,222	307			345,529
B3. Writebacks					
- recognised through income statement		X			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes	15,230				15,230
<b>C. Decreases</b>	<b>14,191,513</b>		<b>41,556</b>		<b>14,233,069</b>
C1. Sales	1,160,080		1,050		1,161,130
C2. Repayments	12,956,899				12,956,899
C3. Fair value losses	6,418		40,506		46,924
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios					
C6. Other changes	68,116				68,116
<b>D. Closing balance</b>	<b>4,922,492</b>	<b>66,279</b>	<b>297,992</b>	<b>1,076</b>	<b>5,287,839</b>



## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2012				31/12/2011			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	19,215,105	20,428,451			9,289,691	8,720,642		
- structured								
- other	19,215,105	20,428,451			9,289,691	8,720,642		
2. Loans								
<b>Total</b>	<b>19,215,105</b>	<b>20,428,451</b>			<b>9,289,691</b>	<b>8,720,642</b>		

**Key**

FV = fair value

CA = carrying amount

### 5.1 of which: pertaining to the Banking Group

(thousands of euros)

	31/12/2012				31/12/2011			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	16,736,842	17,952,825			9,289,691	8,720,642		
- structured								
- other	16,736,842	17,952,825			9,289,691	8,720,642		
2. Loans								
<b>Total</b>	<b>16,736,842</b>	<b>17,952,825</b>			<b>9,289,691</b>	<b>8,720,642</b>		

**Key**

FV = fair value

CA = carrying amount

A regards the banking group, the item includes fixed-rate government securities with a nominal value of €13,328.5 million and inflation-linked government securities with a nominal value of €3,600 million. The latter are held to naturally hedge the exposure to Italian inflation of the inflation-linked postal savings bonds.

## 5.1 of which: pertaining to the Insurance Group

(thousands of euros)

	31/12/2012				31/12/2011			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,542,789	1,517,076						
- structured								
- other	1,542,789	1,517,076						
2. Loans								
<b>Total</b>	<b>1,542,789</b>	<b>1,517,076</b>						

**Key**  
 FV = fair value  
 CA = carrying amount

## 5.1 of which: pertaining to Other Entities

(thousands of euros)

	31/12/2012				31/12/2011			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	935,474	958,550						
- structured								
- other	935,474	958,550						
2. Loans								
<b>Total</b>	<b>935,474</b>	<b>958,550</b>						

**Key**  
 FV = fair value  
 CA = carrying amount

## 5.2 Financial assets held to maturity: debtor/issuer

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>1. Debt securities</b>	<b>16,736,842</b>	<b>1,542,789</b>	<b>935,474</b>	<b>19,215,105</b>	<b>9,289,691</b>
a) Governments and central banks	16,736,842	1,498,445	935,474	19,170,761	9,289,691
b) Other government agencies		53		53	
c) Banks	44,291		44,291		
d) Other					
<b>2. Loans</b>					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
<b>Total</b>	<b>16,736,842</b>	<b>1,542,789</b>	<b>935,474</b>	<b>19,215,105</b>	<b>9,289,691</b>
<b>Total (fair value)</b>	<b>17,952,825</b>	<b>1,517,076</b>	<b>958,550</b>	<b>20,428,451</b>	<b>8,720,642</b>

## 5.4 Financial assets held to maturity: change for the year

(thousands of euros)

	Debt securities	Loans	Total
<b>A. Opening balance</b>	<b>9,289,691</b>		<b>9,289,691</b>
<b>B. Increases</b>	<b>32,606,244</b>		<b>32,606,244</b>
B1. Purchases	32,386,816		32,386,816
- of which business combinations	2,478,263		2,478,263
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes	219,428		219,428
<b>C. Decreases</b>	<b>22,680,830</b>		<b>22,680,830</b>
C1. Sales	1,100,000		1,100,000
C2. Repayments	21,580,756		21,580,756
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other changes	74		74
<b>D. Closing balance</b>	<b>19,215,105</b>		<b>19,215,105</b>

## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>A. Claims on central banks</b>	<b>447,906</b>			<b>447,906</b>	<b>4,437,508</b>
1. Fixed-term deposits					
2. Reserve requirement	447,906			447,906	4,437,508
3. Repurchase agreements					
4. Other					
<b>B. Loans to banks</b>	<b>12,729,518</b>	<b>1,138,983</b>	<b>4,186,382</b>	<b>18,054,883</b>	<b>16,244,425</b>
1. Current accounts and free deposits	1,059,238	497,843	3,822,434	5,379,515	1,562,894
2. Fixed-term deposits	2,354,373	638,634	100	2,993,107	1,865,942
3. Other financing	8,815,901	2,506	1,194	8,819,601	7,678,213
3.1 Repurchase agreements					
3.2 Finance leasing					
3.3 Other	8,815,901	2,506	1,194	8,819,601	7,678,213
4. Debt securities	500,006		362,654	862,660	5,137,376
4.1 Structured					
4.2 Other debt securities	500,006		362,654	862,660	5,137,376
<b>Total (carrying amount)</b>	<b>13,177,424</b>	<b>1,138,983</b>	<b>4,186,382</b>	<b>18,502,789</b>	<b>20,681,933</b>
<b>Total (fair value)</b>	<b>13,295,279</b>	<b>1,138,983</b>	<b>4,182,963</b>	<b>18,617,225</b>	<b>20,088,487</b>

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement of about €448 million;
- loans amounting to about €8,820 million, mainly attributable to loans by the parent company to banks as part of SME support initiatives;
- debt securities amounting to about €863 million, of which €500 million held as eligible (AAA rating) collateral for the outstanding covered bond issues;
- restricted deposits, mainly in respect of Credit Support Annexes (cash collateral) entered into by the parent company to hedge the counterparty credit risk on derivatives;
- current account balances totalling about €5,380 million.

## 6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Loans with specific fair value hedges:</b>	<b>131,429</b>	<b>141,932</b>
a) interest rate risk	131,429	141,932
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>131,429</b>	<b>141,932</b>

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP and also include bonds subscribed as part of financing transactions with customers and eligible (AAA rating) securities held as collateral for outstanding covered bond issues. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

### 7.1 Loans to customers: composition by type

*(thousands of euros)*

	31/12/2012		31/12/2011	
	Performing	Impaired Acquired Other	Performing	Impaired Acquired Other
1. Current accounts	267,655		95	
1.1 Liquidity held with Central State Treasury	136,718,703		123,817,580	
2. Repurchase agreements				
3. Loans	93,327,848	76,006	93,981,362	46,253
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	495			
5. Finance leasing				
6. Factoring	975,527	141,491		
7. Other	5,094,018	14,217	634,274	179
8. Debt securities	4,136,189		1,555,789	
8.1 Structured				
8.2 Other debt securities	4,136,189		1,555,789	
<b>Total (carrying amount)</b>	<b>240,520,435</b>	<b>231,714</b>	<b>219,989,100</b>	<b>46,432</b>
<b>Total (fair value)</b>	<b>237,217,660</b>	<b>231,714</b>	<b>205,506,147</b>	<b>46,432</b>

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 the parent company. 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 which will be credited after the reporting date amounted to about €4,015 million.

Current accounts mainly regard the positive balance on correspondent accounts held by Fintecna with associates.

Factoring receivables, which total €1,117 million, regard loans granted by the subsidiary SACE Fct.

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 2012.

Differences of the opposite sign between fair values and carrying amounts could hypothetically be calculated for postal savings bonds issued by the parent company, with an offsetting impact.

However, as discussed in Section 2 – Due to customers – Item 20 of liabilities, 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 2012, 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)

	31/12/2012		31/12/2011	
	Performing	Impaired Acquired Other	Performing	Impaired Acquired Other
<b>1. Debt securities:</b>	<b>4,136,189</b>		<b>1,555,789</b>	
a) Governments	899,767		407,397	
b) Other government agencies	551,988		632,503	
c) Other issuers	2,684,434		515,889	
- non-financial companies	210,798		87,019	
- financial companies	2,473,636		428,870	
- insurance undertakings				
- other				
<b>2. Loans to:</b>	<b>236,384,246</b>	<b>231,714</b>	<b>218,433,311</b>	<b>46,432</b>
a) Governments	175,119,657	21,805	159,974,487	
b) Other government agencies	50,209,732	24,334	50,550,743	3,168
c) Other	11,054,857	185,575	7,908,081	43,264
- non-financial companies	10,121,352	173,737	7,841,397	43,264
- financial companies	869,478	8,784	33,308	
- insurance undertakings	536			
- other	63,491	3,054	33,376	
<b>Total</b>	<b>240,520,435</b>	<b>231,714</b>	<b>219,989,100</b>	<b>46,432</b>

### 7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Loans with specific fair value hedges:</b>	<b>11,890,085</b>	<b>13,816,827</b>
a) interest rate risk	11,890,085	13,816,827
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>11,890,085</b>	<b>13,816,827</b>



## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

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

(thousands of euros)

	Fair value 31/12/2012			NV 31/12/2012	Fair value 31/12/2011			NV 31/12/2011
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives:</b>		<b>1,188,301</b>	<b>2,683</b>	<b>10,878,158</b>		<b>928,976</b>	<b>2,337</b>	<b>11,492,022</b>
1) Fair value		1,123,768	2,683	9,793,730		893,166	2,337	11,392,221
2) Cash flow		64,533		1,084,428		35,810		99,801
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>1,188,301</b>	<b>2,683</b>	<b>10,878,158</b>		<b>928,976</b>	<b>2,337</b>	<b>11,492,022</b>

#### 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 (carrying amount)

(thousands of euros)

	Fair value					Generic	Cash flow		Investment in foreign operation
	Specific						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	51,073	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	103	X	
<b>Total assets</b>							<b>51,176</b>		
1. Financial liabilities	1,079,143			X	47,308	X		X	X
2. Portfolio	X	X	X	X	X		X		X
<b>Total liabilities</b>	<b>1,079,143</b>				<b>47,308</b>				
1. Forecast transactions	X	X	X	X	X	X	13,357	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 joint ventures (accounted for with equity method) and in companies subject to significant influence: information on investments

	Registered office	Type of relationship (1)	Equity investment		
			Investor	% holding	% of votes (2)
<b>A.1 Companies under joint control</b>					
1. ELIMED ETUDES S.à.r.l.	Tunis (TN)	7	Terna S.p.A.	50.00%	50.00%
2. Etihad Ship Building LLC	Abu Dhabi (UAE)	7	Fincantieri S.p.A.	35.00%	35.00%
3. Orizzonte Sistemi Navali S.p.A.	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
4. Alfieri S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
5. Bonafous S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
6. Cinque Cerchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
7. Italia Turismo S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	42.00%	42.00%
8. Manifatture Milano S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
9. MT - Manifattura Tabacchi S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
10. Pentagramma Perugia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
11. Pentagramma Piemonte S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
12. Pentagramma Romagna S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
13. Quadrifoglio Brescia S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
14. Quadrifoglio Genova S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
15. Quadrifoglio Modena S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
16. Quadrifoglio Piacenza S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
17. Quadrifoglio Verona S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
18. Residenziale Immobiliare 2004 S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
19. Valcomp Tre S.p.A.	Rome	7	Fintecna Immobiliare S.r.l.	50.00%	50.00%
20. Kedrion Group SpA	Castelvecchio Pascoli (LU)	7	FSI S.p.A.	18.63%	18.63%
21. Metroweb Italia SpA	Milan	7	FSI S.p.A.	46.17%	46.17%
22. Trans Austria Gasleitung GmbH (4)	Vienna (A)	7	CDP GAS S.r.l.	89.00%	50.00%
<b>A.2 Companies under significant influence</b>					
1. Eni S.p.A.	Rome	4	CDP S.p.A.	25.76%	25.76%
2. Galaxy S.à.r.l. SICAR	Luxembourg	4	CDP S.p.A.	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	4	CDP S.p.A.	31.80%	31.80%
4. CESI S.p.A.	Milan	4	Terna S.p.A.	42.70%	42.70%
5. CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MNE)	4	Terna S.p.A.	22.09%	22.09%
6. CORESO S.A.	Brussels	4	Terna S.p.A.	22.49%	22.49%
7. ATI (African Trade Insurance Agency)	Nairobi	4	SACE S.p.A.	6.41%	6.41%
8. Consorzio CONDIF in liquidazione	Rome	4	Fintecna Immobiliare S.r.l.	33.33%	33.33%
9. Soc. Svil.Tur. Cult. Golfo di Napoli S.c.a r.l.	Naples	4	Fintecna Immobiliare S.r.l.	25.00%	25.00%

	Registered office	Type of relationship (1)	Equity investment		
			Investor	% holding	% of votes (2)
10. Aliforni e Ferriere di Servola S.p.A. in A.C.	Udine	4	Fintecna S.p.A.	47.62%	47.62%
11. Consorzio Edinca in liquidazione	Naples	4	Fintecna S.p.A.	38.80%	38.80%
12. Consorzio Edinsud in liquidazione	Naples	4	Fintecna S.p.A.	50.00%	50.00%
13. Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI)	4	Fintecna S.p.A.	36.25%	36.25%
14. OMSAV S.p.A. in fallimento	Savona	4	Fintecna S.p.A.	30.00%	30.00%
15. Consorzio Incomir	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
16. Edilmagliana 89 S.c.a r.l. in liquidazione	Rome	4	Fintecna S.p.A.	50.00%	50.00%
17. S.P.S. S.c.p.a. in fallimento	Rome	4	Fintecna S.p.A.	20.40%	20.40%
18. Ligestra Due S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
19. Ligestra S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
20. Ligestra Tre S.r.l. (5)	Rome	1	Fintecna S.p.A.	100.00%	100.00%
21. Snam S.p.A.	San Donato Milanese (MI)	4	CDP RETI S.r.l.	30.00%	30.00%
<b>A.3 Unconsolidated subsidiaries (3)</b>					
1. Consorzio G1 Aste individuali	Rome	1	Fintecna Immobiliare S.r.l.	99.99%	99.99%
2. Consorzio Codelsa in liquidazione	Rome	1	Fintecna S.p.A.	100.00%	100.00%
3. Consorzio I.MA.FI.D. in liquidazione	Naples	1	Fintecna S.p.A.	56.85%	56.85%
4. Consorzio MED.IN. in liquidazione	Rome	1	Fintecna S.p.A.	85.00%	85.00%
5. Ligestra Quattro S.r.l.	Rome	1	Fintecna S.p.A.	100.00%	100.00%
6. WPG Ltd in liquidazione	Bangkok (T)	1	Fintecna S.p.A.	99.45%	99.45%
7. Consorzio Aerest in liquidazione	Rome	1	Fintecna S.p.A.	97.38%	97.38%
8. Consorzio Italtecnasud in liquidazione	Rome	1	Fintecna S.p.A.	60.00%	60.00%
9. Alitalia Servizi S.p.A. in A.S.	Fiumicino (RM)	1	Fintecna S.p.A.	49.36%	49.36%
10. Cagliari 89 S.c.a r.l. in liquidazione	Cagliari	1	Fintecna S.p.A.	51.00%	51.00%
11. Coedam S.c.a r.l. in liquidazione	Rome	1	Fintecna S.p.A.	60.00%	60.00%
12. Tirrenia di Navigazione S.p.A. in A.S.	Naples	1	Fintecna S.p.A.	100.00%	100.00%
13. SACE Do Brasil	São Paulo (BR)	1	SACE S.p.A.	90.00%	90.00%
SACE Do Brasil	São Paulo (BR)	1	SACE Servizi	10.00%	10.00%

## Key

### (1) Type of relationship

- 1 = Majority of voting rights in ordinary shareholders' meeting
- 2 = Dominant influence in ordinary shareholders' meeting
- 3 = Agreements with other shareholders
- 4 = Other form of control
- 5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
- 6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92
- 7 = Joint control

### (2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

### (3) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities.

### (4) Participation in financial rights is equal to 94%

### (5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method

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

(thousands of euros)

	Total assets	Total revenues	Net income (loss)	Equity	Carrying amount	Fair value
<b>A. Companies accounted for with equity method</b>						
<b>A.1 under joint control</b>						
1. ELMED ETUDES S.à.r.l. (1)	2,621		(119)	2,501		
2. Etihad Ship Building LLC	272	1,042	(10)	171	178	
3. Orizzonte Sistemi Navali S.p.A.	2,048,807	531,484	1,858	29,053	14,798	
4. Alfieri S.p.A.	183,461	1	(27,463)	5,523		
5. Bonafous S.p.A.	20,782	282	(509)	3,683		
6. Cinque Cerchi S.p.A.	125,666	12,032	(4,890)	15,980		
7. Italia Turismo S.p.A.	293,735	8,910	(5,826)	134,415	52,575	
8. Manifatture Milano S.p.A.	101,060	4,907	(8,716)	2,394		
9. MT - Manifattura Tabacchi S.p.A.	91,674	9	(4,954)	15,088		
10. Pentagramma Perugia S.p.A.	10,447	205	(345)	2,098	333	
11. Pentagramma Piemonte S.p.A.	55,316	1,381	(2,171)	4,997		
12. Pentagramma Romagna S.p.A.	50,263	1,508	(993)	7,225		
13. Quadrifoglio Brescia S.p.A.	26,331	81	(3,662)	2,536		
14. Quadrifoglio Genova S.p.A.	17,404	663	(558)	1,062	65	
15. Quadrifoglio Modena S.p.A.	55,666	13,450	(938)	3,984		
16. Quadrifoglio Piacenza S.p.A.	19,118	782	(430)	2,996		
17. Quadrifoglio Verona S.p.A.	21,134	32	(2,486)	938		
18. Residenziale Immobiliare 2004 S.p.A.	466,400	37,082	(12,713)	29,111		
19. Valcomp Tre S.p.A.	110,208	10,340	(2,288)	5,682		
20. Kedrion Group SpA (4)	752,778	112,391	4,628	404,626	77,969	
21. Metroweb Italia SpA (5)	519,528	29,080	1,565	168,024	200,000	
22. Trans Austria Gasleitung GmbH	688,858	286,091	77,163	203,353	495,067	
<b>A.2 under significant influence</b>						
1. Eni S.p.A. (1)	82,021,346	49,876,149	4,212,687	35,254,999	16,332,779	17,169,532
2. Galaxy S.à.r.l. SICAR (2)	151,741	25,608	22,176	146,507	2,348	
3. Europrogetti & Finanza S.p.A. in liquidazione (3)	6,863	783	(462)	(5,637)		
4. CESI S.p.A. (1)	138,338	91,452	14,384	73,392	36,802	
5. CGES A.D.	197,879	28,687	6,026	164,456	36,327	
6. CORESO S.A.	2,527	5,327	171	1,408	317	
7. Ligestra Due S.r.l.	186,828	8,030	45	127	172	
8. Ligestra S.r.l.	471,845	32,582	781	6,212	555	
9. Ligestra Tre S.r.l.	99,569	38,371	3,331	10,027	13,358	
10. ATI (African Trade Insurance Agency)	136,699	3,380	(4,797)	116,814	7,488	
11. Snam S.p.A.	22,584,000	4,008,000	779,000	5,930,000	3,498,736	3,564,923
12. Consorzio CONDIF in liquidazione	-	-	-	-	-	-
13. Soc. Svil. Tur. Cult. Golfo di Napoli S.c.a.r.l.	-	-	-	-	-	-
14. Aliforni e Ferriere di Servola S.p.A. in A.C.	-	-	-	-	-	-
15. Consorzio Edinca in liquidazione	-	-	-	-	-	-
16. Consorzio Edinsud in liquidazione	-	-	-	-	-	-
17. Fondent Etruria S.r.l. in fallimento	-	-	-	-	-	-
18. OMSAV S.p.A. in fallimento	-	-	-	-	-	-
19. Consorzio Incomir	-	-	-	-	-	-
20. Edilmagliana 89 S.c.a.r.l. in liquidazione	-	-	-	-	-	-
21. S.P.S. S.c.p.a. in fallimento	-	-	-	-	-	-
<b>Total</b>					<b>20,769,867</b>	
<b>Other minor equity investments</b>					<b>375</b>	
<b>Total</b>					<b>20,770,242</b>	

(1) As at 31 December 2011

(2) As at 30 June 2011

(3) As at 31 December 2009

(4) Consolidated data as at 30 September 2012 of Kedrion Group S.p.A.

(5) Consolidated data (IT GAAP) as at 31 December 2011 of F2i Reti TLC SpA renamed Metroweb Italia S.p.A. on 24 December 2012

### 10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Opening balance</b>	<b>18,774,671</b>	<b>17,273,669</b>
<b>B. Increases</b>	<b>5,453,141</b>	<b>2,601,274</b>
B.1 Purchases	3,884,059	570,344
- of which: business combinations	89,897	
B.2 Writebacks		15,912
B.3 Revaluations	1,564,813	1,695,090
B.4 Other increases	4,269	319,928
<b>C. Decreases</b>	<b>3,457,570</b>	<b>1,100,272</b>
C.1 Sales	1,968,105	
of which: business combinations		
C.2 Writedowns		
C.3 Other decreases	1,489,465	1,100,272
<b>D. Closing balance</b>	<b>20,770,242</b>	<b>18,774,671</b>
<b>E. Total revaluations</b>	<b>3,259,903</b>	<b>1,695,090</b>
<b>F. Total writedowns</b>	<b>3,107</b>	<b>3,107</b>

The sub-item B.1 "Purchases" reports the acquisitions of interests:

- in Snam S.p.A., for a stake of 30.00000002%, in the amount of €3,520 million. That percentage holding, in the absence of facts that demonstrate the existence of power to determine the financial and operational policies of the investee, gives rise to a presumption of the exercise of a significant influence, making the company an associate;
- in Kedrion Group S.p.A. and Metroweb Italia S.p.A. for €274 million, by the subsidiary FSI;
- in associates (subject to significant influence) or joint ventures by SACE and Fintecna, which were acquired in turn in 2012, totalling about €90 million;
- in Terna Storage, established in 2012, and an increase in the holding in CESI, totalling €0.3 million.

The sub-item B.3 "Revaluations" reports the share of net income pertaining to the Group of companies measured using the equity method.

Item C.1 "Sales" mainly regards the sale of Eni S.p.A. shares.

The sub-item C.3 "Other decreases" mainly reports dividends received from associated companies and deducted from the value of those companies.

## **10.4 Obligations relating to joint ventures**

The most significant commitments in respect of joint ventures comprise:

- the acquisition of Edicima S.p.A. for €10.2 million;
- the commitment to grant Kedrion Group S.p.A. a loan of €75 million, on market terms and conditions, repayable or, in the case of non-repayment, convertible into shares;
- the option to sell to the partner F2i (at the initiative of either of the parties) the entire interest held in Metroweb Italia S.p.A. on the terms and conditions set out in the related agreements.

## **10.5 Obligations relating to companies subject to significant influence**

CDP is a shareholder of Galaxy S.à.r.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 improved.

## SECTION 11 - REINSURERS' SHARE OF TECHNICAL PROVISIONS - ITEM 110

## 11.1 Reinsurers' share of technical provisions: composition

*(thousands of euros)*

	31/12/2012	31/12/2011
<b>A. Non-life insurance</b>	<b>106,305</b>	
A1. Provision for unearned premiums	41,247	
A2. Provision for claims outstanding	64,751	
A3. Other	307	
<b>B. Life insurance</b>		
B1. Mathematical reserves		
B2. Provision for claims outstanding		
B3. Other		
<b>C. Technical provisions where the investment risk is borne by the insured</b>		
C1. Reserves for contracts whose benefits are linked to investment funds and market indices		
C2. Reserves from the operation of pension funds		
<b>D. Total reinsurers' share of technical provisions</b>	<b>106,305</b>	

## SECTION 12 - PROPERTY, PLANT AND EQUIPMENT - ITEM 120

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

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>A. Operating assets</b>					
<b>1.1 owned</b>	<b>206,929</b>	<b>69,744</b>	<b>11,804,504</b>	<b>12,081,177</b>	<b>10,771,247</b>
a) land	117,406	58,584	97,122	273,112	211,158
b) buildings	63,079	8,005	1,096,727	1,167,811	871,265
c) movables	2,045	2,811	7,103	11,959	9,219
d) electrical plant	1,288	295	169,923	171,506	16,277
e) other	23,111	49	10,433,629	10,456,789	9,663,328
<b>1.2 acquired under finance leases</b>			<b>14,916</b>	<b>14,916</b>	
a) land					
b) buildings			14,916	14,916	
c) movables					
d) electrical plant					
e) other					
<b>Total A</b>	<b>206,929</b>	<b>69,744</b>	<b>11,819,420</b>	<b>12,096,093</b>	<b>10,771,247</b>
<b>B. Investment property</b>					
<b>2.1 owned</b>		<b>20,949</b>	<b>40,371</b>	<b>61,320</b>	
a) land		10,267	1,093	11,360	
b) buildings		10,682	39,278	49,960	
<b>2.2 acquired under finance leases</b>					
a) land					
b) buildings					
<b>Total B</b>	<b>-</b>	<b>20,949</b>	<b>40,371</b>	<b>61,320</b>	<b>-</b>
<b>Total (A+B)</b>	<b>206,929</b>	<b>90,693</b>	<b>11,859,791</b>	<b>12,157,413</b>	<b>10,771,247</b>



## 12.3 Operating property, plant and equipment: change for the year

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>211,158</b>	<b>1,200,420</b>	<b>20,787</b>	<b>57,625</b>	<b>15,385,686</b>	<b>16,875,676</b>
A.1 Total net writedowns		(329,155)	(11,568)	(41,348)	(5,722,358)	(6,104,429)
<b>A.2 Opening net balance</b>	<b>211,158</b>	<b>871,265</b>	<b>9,219</b>	<b>16,277</b>	<b>9,663,328</b>	<b>10,771,247</b>
<b>B. Increases</b>	<b>61,965</b>	<b>342,178</b>	<b>3,948</b>	<b>161,757</b>	<b>1,369,960</b>	<b>1,939,808</b>
B.1 Purchases	58,600	243,498	3,948	156,597	1,369,960	1,832,603
- of which: business combinations	58,584	225,250	3,274	155,767	196,060	638,935
B.2 Capitalized 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	3,365	98,680		5,160		107,205
<b>C. Decreases</b>	<b>11</b>	<b>30,716</b>	<b>1,208</b>	<b>6,528</b>	<b>576,499</b>	<b>614,962</b>
C.1 Sales	11	41		86	50,335	50,473
C.2 Depreciation		30,646	1,207	6,442	378,228	416,523
C.3 Writedowns for impairment recognised in					103	103
a) equity					-	-
b) income statement					103	103
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		29	1		147,833	147,863
<b>D. Closing net balance</b>	<b>273,112</b>	<b>1,182,727</b>	<b>11,959</b>	<b>171,506</b>	<b>10,456,789</b>	<b>12,096,093</b>
D.1 Total net writedowns		(359,801)	(12,775)	(47,790)	(6,100,689)	(6,521,055)
<b>D.2 Closing gross balance</b>	<b>273,112</b>	<b>1,542,528</b>	<b>24,734</b>	<b>219,296</b>	<b>16,557,478</b>	<b>18,617,148</b>
E. Measurement at cost						

## 12.3 of which: pertaining to the Banking Group

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>117,406</b>	<b>83,126</b>	<b>12,390</b>	<b>17,739</b>	<b>32,602</b>	<b>263,263</b>
A.1 Total net writedowns		(17,991)	(9,839)	(16,500)	(19,200)	(63,530)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>65,135</b>	<b>2,551</b>	<b>1,239</b>	<b>13,402</b>	<b>199,733</b>
<b>B. Increases</b>		<b>448</b>	<b>194</b>	<b>828</b>	<b>11,341</b>	<b>12,811</b>
B.1 Purchases		168	194	828	11,341	12,531
B.2 Capitalized 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		280				280
<b>C. Decreases</b>		<b>2,504</b>	<b>700</b>	<b>779</b>	<b>1,632</b>	<b>5,615</b>
C.1 Sales				86	24	110
C.2 Depreciation		2,504	700	693	1,331	5,228
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					277	277
<b>D. Closing net balance</b>	<b>117,406</b>	<b>63,079</b>	<b>2,045</b>	<b>1,288</b>	<b>23,111</b>	<b>206,929</b>
D.1 Total net writedowns		(20,495)	(10,539)	(17,193)	(20,531)	(68,758)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>83,574</b>	<b>12,584</b>	<b>18,481</b>	<b>43,642</b>	<b>275,687</b>
E. Measurement at cost						

**12.3 of which: pertaining to Other Entities**

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>93,752</b>	<b>1,117,294</b>	<b>8,397</b>	<b>39,886</b>	<b>15,353,084</b>	<b>16,612,413</b>
A.1 Total net writedowns		(311,164)	(1,729)	(24,848)	(5,703,158)	(6,040,899)
<b>A.2 Opening net balance</b>	<b>93,752</b>	<b>806,130</b>	<b>6,668</b>	<b>15,038</b>	<b>9,649,926</b>	<b>10,571,514</b>
<b>B. Increases</b>	<b>3,381</b>	<b>333,725</b>	<b>943</b>	<b>160,634</b>	<b>1,358,569</b>	<b>1,857,252</b>
B.1 Purchases	16	235,325	943	155,474	1,358,569	1,750,327
- of which: business combinations		217,245	463	155,472	196,010	569,190
B.2 Capitalized 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	3,365	98,400		5,160		106,925
<b>C. Decreases</b>	<b>11</b>	<b>28,212</b>	<b>508</b>	<b>5,749</b>	<b>574,866</b>	<b>609,346</b>
C.1 Sales	11	41			50,311	50,363
C.2 Depreciation		28,142	507	5,749	376,897	411,295
C.3 Writedowns for impairment recognised in					103	103
a) equity						
b) income statement					103	103
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		29	1		147,555	147,585
<b>D. Closing net balance</b>	<b>97,122</b>	<b>1,111,643</b>	<b>7,103</b>	<b>169,923</b>	<b>10,433,629</b>	<b>11,819,420</b>
D.1 Total net writedowns		(339,306)	(2,236)	(30,597)	(6,080,158)	(6,452,297)
<b>D.2 Closing gross balance</b>	<b>97,122</b>	<b>1,450,949</b>	<b>9,339</b>	<b>200,520</b>	<b>16,513,787</b>	<b>18,271,717</b>
E. Measurement at cost						

## 12.4 Investment property: change for the year

(thousands of euros)

	Land	Total	Buildings
<b>A. Opening balance</b>	-		-
<b>B. Increases</b>	<b>11,360</b>		<b>49,960</b>
B.1 Purchases	11,360		49,960
- of which: business combinations	11,360		49,960
B.2 Increases in internally-generated intangible assets			
B.3 Fair value gains			
B.4 Writebacks			
B.5 Positive exchange rate differences			
B.6 Transfers from operating property			
B.7 Other changes			
<b>C. Decreases</b>			
C.1 Sales			
- of which: business combinations			
C.2 Depreciation			
C.3 Fair value losses			
C.4 Writedowns for impairment			
C.5 Negative exchange rate differences			
C.6 Transfers to			
a) operating property			
b) assets held for sale			
C.7 Other changes			
<b>D. Closing balance</b>	<b>11,360</b>		<b>49,960</b>
E. Measurement at cost	11,360		49,960

## 12.5 Commitments to purchase property, plant and equipment

The Group's commitments to suppliers amount to about €2,464.6 million and regard purchase commitments connected with the normal operating cycle for the period 2013-2018 of the companies reported under "Other entities".

## SECTION 13 - INTANGIBLE ASSETS - ITEM 130

### 13.1 Intangible assets: composition by category

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2012		31/12/2011	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
<b>A.1 Goodwill</b>	<b>x</b>		<b>x</b>		<b>x</b>	<b>485,897</b>	<b>x</b>	<b>485,897</b>	<b>x</b>	<b>485,897</b>
A.1.1 pertaining to Group	x		x		x	352,454	x	352,454	x	352,454
A.1.2 non-controlling interests	x		x		x	133,443	x	133,443	x	133,443
<b>A.2 Other intangible assets</b>	<b>7,177</b>		<b>6,945</b>		<b>323,814</b>		<b>337,936</b>		<b>285,299</b>	
A.2.1 Assets carried at cost	7,177		6,945		323,814		337,936		285,299	
a) internally-generated intangible assets			6,037		27,990		34,027		30,621	
b) other assets	7,177		908		295,824		303,909		254,678	
A.2.2 Assets carried at fair value										
a) internally-generated intangible assets										
b) other assets										
<b>Total</b>	<b>7,177</b>		<b>6,945</b>		<b>323,814</b>	<b>485,897</b>	<b>337,936</b>	<b>485,897</b>	<b>285,299</b>	<b>485,897</b>

## 13.2 Intangible assets: change for the year

(thousands of euros)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>	<b>485,897</b>	<b>121,681</b>		<b>463,195</b>		<b>1,070,773</b>
A.1 Total net writedowns		(91,060)		(208,517)		(299,577)
<b>A.2 Opening net balance</b>	<b>485,897</b>	<b>30,621</b>		<b>254,678</b>		<b>771,196</b>
<b>B. Increases</b>		<b>22,011</b>		<b>87,658</b>		<b>109,669</b>
B.1 Purchases		22,011		87,658		109,669
- of which: business combinations		6,037		44,485		50,522
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						
<b>C. Decreases</b>		<b>18,605</b>		<b>38,427</b>		<b>57,032</b>
C.1 Sales		10		143		153
C.2 Writedowns		18,595		38,284		56,879
- Amortisation	x	18,595		38,284		56,879
- Impairment						
+ equity	x					
+ income statement						
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
<b>D. Closing net balance</b>	<b>485,897</b>	<b>34,027</b>		<b>303,909</b>		<b>823,833</b>
D.1 Total net writedowns		(109,655)		(246,801)		(356,456)
<b>E. Closing gross balance</b>	<b>485,897</b>	<b>143,682</b>		<b>550,710</b>		<b>1,180,289</b>

F. Measurement at cost

### Key

DEF: definite life

INDEF: indefinite life

### 13.2 of which: pertaining to the Banking Group

(thousands of euros)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>				<b>17,213</b>		<b>17,213</b>
A.1 Total net writedowns				(12,592)		(12,592)
<b>A.2 Opening net balance</b>				<b>4,621</b>		<b>4,621</b>
<b>B. Increases</b>				<b>5,038</b>		<b>5,038</b>
B.1 Purchases				5,038		5,038
- of which: business combinations						
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						
<b>C. Decreases</b>				<b>2,482</b>		<b>2,482</b>
C.1 Sales						
C.2 Writedowns				2,482		2,482
- Amortisation	x			2,482		2,482
- Impairment						
+ equity	x					
+ income statement						
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
<b>D. Closing net balance</b>				<b>7,177</b>		<b>7,177</b>
D.1 Total net writedowns				(15,074)		(15,074)
<b>E. Closing gross balance</b>				<b>22,251</b>		<b>22,251</b>
F. Measurement at cost						

**Key**

DEF: definite life

INDEF: indefinite life

## 13.2 of which: pertaining to Other Entities

(thousands of euros)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
<b>A. Opening gross balance</b>	<b>485,897</b>	<b>121,681</b>		<b>445,982</b>		<b>1,053,560</b>
A.1 Total net writedowns		(91,060)		(195,925)		(286,985)
<b>A.2 Opening net balance</b>	<b>485,897</b>	<b>30,621</b>		<b>250,057</b>		<b>766,575</b>
<b>B. Increases</b>		<b>15,974</b>		<b>81,712</b>		<b>97,686</b>
B.1 Purchases		15,974		81,712		97,686
- of which: business combinations				43,577		43,577
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						
<b>C. Decreases</b>		<b>18,605</b>		<b>35,945</b>		<b>54,550</b>
C.1 Sales		10		143		153
C.2 Writedowns		18,595		35,802		54,397
- Amortisation	x	18,595		35,802		54,397
- Impairment						
+ equity	x					
+ income statement						
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
<b>D. Closing net balance</b>	<b>485,897</b>	<b>27,990</b>		<b>295,824</b>		<b>809,711</b>
D.1 Total net writedowns		(109,655)		(231,727)		(341,382)
<b>E. Closing gross balance</b>	<b>485,897</b>	<b>137,645</b>		<b>527,551</b>		<b>1,151,093</b>
F. Measurement at cost						

### Key

DEF: definite life

INDEF: indefinite life



### **Impairment testing of goodwill**

The goodwill recognised in the balance sheet, totalling €486 million, of which €352 million pertaining to the Group, regards the subsidiary Terna.

Pursuant to the provision of IAS 36, goodwill is tested annually for impairment.

To that end, it is necessary to identify the cash generating unit to which the goodwill is to be allocated. Within the CDP Group, the cash generating units correspond to the assets and liabilities of the subsidiary itself.

The impairment testing of goodwill is based on recoverable value, which in this case is equal to fair value. The latter is defined as Terna's average stock market price in the previous 24 months.

Despite the adverse economic conditions associated with the on-going crisis, no evidence of impairment was found. In fact, fair value in the reference period was well above the subsidiary's carrying amount in the consolidated accounts.

## SECTION 14 - TAX ASSETS AND LIABILITIES - ITEM 140 OF ASSETS AND ITEM 80 OF LIABILITIES

### 14.1 Deferred tax assets: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>Deferred tax assets recognised in income statement</b>	<b>112,636</b>	<b>164,330</b>	<b>114,006</b>	<b>390,972</b>	<b>106,537</b>
- losses carried forward			33,135	33,135	
- grants					
- sundry writedowns		45,330	57,751	103,081	
- depreciation and amortisation	3,714	712		4,426	3,708
- financial instruments					
- debts	1,148	192		1,340	2,044
- dismantling and site restoration					
- provisions for risks and charges	3,406	6,451	5,806	15,663	2,735
- other temporary differences	104,368	111,645	17,314	233,327	98,050
<b>Deferred tax assets recognised in equity</b>	<b>36,727</b>		<b>1,137</b>	<b>37,864</b>	<b>111,494</b>
- assets available for sale	36,727		660	37,387	109,638
- exchange rate differences					
- cash flow hedges			477	477	
- other assets					1,856
<b>Total</b>	<b>149,363</b>	<b>164,330</b>	<b>115,143</b>	<b>428,836</b>	<b>218,031</b>

## 14.2 Deferred tax liabilities: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>Deferred tax liabilities recognised in income statement</b>		<b>89,852</b>	<b>1,079,904</b>	<b>1,169,756</b>	<b>1,091,583</b>
- capital gains taxed in instalments		188		188	
- severance pay		10	4,281	4,291	
- leasing					
- property, plant and equipment		2,451	1,114,122	1,116,573	1,153,871
- own securities portfolio		14,777		14,777	2,194
- equity investments			59,503	59,503	97,346
- other financial instruments		40		40	176
- other		72,386	32,642	105,028	17,471
- offsetting against deferred tax assets			(130,644)	(130,644)	(179,475)
<b>Deferred tax liabilities recognised in equity</b>	<b>72,171</b>		<b>(48,673)</b>	<b>23,498</b>	<b>38,748</b>
- assets available for sale	26		1,080	1,106	
- reserve L. 169/83					
- reserve L. 213/98					
- other reserves	12,823		1,044	13,867	
- other liabilities	59,322		(50,797)	8,525	38,748
<b>Total</b>	<b>72,171</b>	<b>89,852</b>	<b>1,031,231</b>	<b>1,193,254</b>	<b>1,130,331</b>

### 14.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>106,537</b>	<b>9,306</b>
<b>2. Increases</b>	<b>287,214</b>	<b>100,209</b>
2.1 Deferred tax assets recognised during the year	9,387	100,105
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	9,387	100,105
2.2 New taxes or increases in tax rates		104
2.3 Other increases		
2.4 Business combinations	277,827	
<b>3. Decreases</b>	<b>2,779</b>	<b>2,978</b>
3.1 Deferred tax assets derecognised during the year	2,779	2,978
a) reversals	2,779	2,978
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation in tax credits under Law 214/2011		
b) other		
3.4 Business combinations		
<b>4. Closing balance</b>	<b>390,972</b>	<b>106,537</b>

#### 14.4 Changes in deferred tax liabilities (recognised in income statement)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>1,091,583</b>	<b>965,083</b>
<b>2. Increases</b>	<b>200,112</b>	<b>179,691</b>
2.1 Deferred tax liabilities recognised during the year	25,300	316
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	25,300	316
2.2 New taxes or increases in tax rates		93,278
2.3 Other increases	52,209	86,097
2.4 Business combinations	122,603	
<b>3. Decreases</b>	<b>121,939</b>	<b>53,191</b>
3.1 Deferred tax liabilities derecognised during the year	121,939	53,191
a) reversals	121,939	53,191
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
3.4 Business combinations		
<b>4. Closing balance</b>	<b>1,169,756</b>	<b>1,091,583</b>

## 14.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>111,494</b>	<b>28,996</b>
<b>2. Increases</b>	<b>30,043</b>	<b>85,389</b>
2.1 Deferred tax assets recognised during the year	28,906	84,907
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	28,906	84,907
2.2 New taxes or increases in tax rates		482
2.3 Other increases		
2.4 Business combinations	1,137	
<b>3. Decreases</b>	<b>103,673</b>	<b>2,891</b>
3.1 Deferred tax assets derecognised during the year	103,673	2,891
a) reversals	103,673	2,891
b) writedowns for supervening non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
3.4 Business combinations		
<b>4. Closing balance</b>	<b>37,864</b>	<b>111,494</b>

## 14.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Opening balance</b>	<b>38,748</b>	<b>69,403</b>
<b>2. Increases</b>	<b>49,132</b>	<b>9,432</b>
2.1 Deferred tax liabilities recognised during the year	38,280	2,117
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	38,280	2,117
2.2 New taxes or increases in tax rates		7,315
2.3 Other increases		
2.4 Business combinations	10,852	
<b>3. Decreases</b>	<b>64,382</b>	<b>40,087</b>
3.1 Deferred tax liabilities derecognised during the year	39,018	40,087
a) reversals	39,018	623
b) due to change in accounting policies		
c) other		39,464
3.2 Reduction in tax rates		
3.3 Other decreases	25,364	
3.4 Business combinations		
<b>4. Closing balance</b>	<b>23,498</b>	<b>38,748</b>

## SECTION 16 - OTHER ASSETS - ITEM 160

### 16.1 Other assets: composition

*(thousands of euros)*

	<b>Banking Group</b>	<b>Insurance Group</b>	<b>Other entities</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
Payments on account for withholding tax on postal passbooks	217,100			217,100	188,558
Other tax receivables		6,769	40,052	46,821	
Receivables due from investees	522		53,426	53,948	22,969
Trade receivables and advances to public entities	13,718	77,085	2,303,017	2,393,820	1,711,123
Construction contracts			521,583	521,583	
Advances to suppliers	12	440	116,156	116,608	
Inventories		15	525,420	525,435	
Advances to personnel	3	414	6,722	7,139	6,282
Other items	6,936	11,134	131,383	149,453	28,204
Accrued income and prepaid expenses	8	931	35,631	36,570	
<b>Total</b>	<b>238,299</b>	<b>96,788</b>	<b>3,733,390</b>	<b>4,068,477</b>	<b>1,957,136</b>

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

The main items under this heading are:

- advance payments in respect of withholding tax on interest earned on postal passbook savings accounts in the amount of €217 million: the balance at the end of December 2012 represents the excess of payments on account to tax authorities over withholding tax levied in 2012 on interest accrued on postal passbook savings accounts;
- the trade receivables of the Terna Group (€1,882 million);
- construction contracts (€522 million), mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semifinished goods and products being manufactured in the amount of €525 million. The item also includes assets (IAS 2) represented by land and buildings in the amount of about €360 million held by the Group companies that operate in the real estate sector.



# Liabilities

## SECTION 1 - DUE TO BANKS - ITEM 10

### 1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Due to central banks</b>	<b>27,518,037</b>	<b>7,836,132</b>
<b>2. Due to banks</b>	<b>8,931,976</b>	<b>13,584,688</b>
2.1 Current accounts and demand deposits	140,351	
2.2 Fixed-term deposits	2,134,256	1,007,869
2.3 Loans	6,652,072	12,576,819
2.3.1 Repurchase agreements	1,268,069	8,183,254
2.3.2 Other	5,384,003	4,393,565
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.6 Other payables	5,297	
<b>Total</b>	<b>36,450,013</b>	<b>21,420,820</b>
<b>Fair value</b>	<b>36,461,226</b>	<b>21,420,820</b>

The item "Due to central banks" essentially regards refinancing from the ECB.

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.

For the parent company, loans comprise repurchase agreements (about €1.3 billion) and loans from the EIB (about €3 billion). The remainder is composed of bank loans to the other Group companies.

### 1.4 Due to banks: liabilities hedged specifically

Amounts due to banks hedged specifically amounted to €1,938,449 thousand.

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

*(thousands of euros)*

	31/12/2012	31/12/2011
1. Current accounts and demand deposits	127,261	458,553
2. Fixed-term deposits	232,063,269	217,782,623
3. Loans	51,868	
3.1 Repurchase agreements		
3.2 Other	51,868	
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	9,430,376	8,198,945
<b>Total</b>	<b>241,672,774</b>	<b>226,440,121</b>
<b>Fair value</b>	<b>241,673,269</b>	<b>226,440,121</b>

“Fixed-term deposits” mainly regard the balance at the end of 2012 of postal passbook accounts and postal bonds issued by the parent company.

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 essentially equal to the carrying amount. In theory, for postal savings bonds issued by CDP 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 2012 of the fair value of those liabilities that would be less than the carrying amount. However, taking account of the option for bondholders to redeem postal bonds on demand and the considerable uncertainty about redemptions in view of the persistence of large and volatile spreads at the end of 2012, 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 2012 amounted to €9,117 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)

	31/12/2012	31/12/2011
<b>1. Liabilities covered by specific fair value hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) multiple risks		
<b>2. Liabilities covered by specific cash flow hedges:</b>	<b>424,248</b>	<b>413,299</b>
a) interest rate risk	424,248	413,299
b) exchange rate risk		
c) other		
<b>Total</b>	<b>424,248</b>	<b>413,299</b>

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

## 2.5 Liabilities in respect of finance leases

(thousands of euros)

	Minimum payments	Present value of minimum payments
Up to 3 months		
From 3 months to 1 year	1,173	1,086
From 1 year to 5 years	875	782
More than 5 years		
Present value of gross/net minimum payments	2,048	1,868
Time factor	(180)	X
Present value of liabilities for minimum lease payments	1,868	1,868

## SECTION 3 - SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: composition by type

(thousands of euros)

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	13,218,183		12,561,646	409,904	12,886,745		11,879,998	491,303
1.1 structured	48,306		42,482					
1.2 other	13,169,877		12,519,164	409,904	12,886,745		11,879,998	491,303
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>13,218,183</b>		<b>12,561,646</b>	<b>409,904</b>	<b>12,886,745</b>		<b>11,879,998</b>	<b>491,303</b>

### 3.1 of which: pertaining to the Banking Group

(thousands of euros)

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,554,136		5,897,599	409,904	8,512,365		7,505,619	491,303
1.1 structured	48,306		42,482					
1.2 other	6,505,830		5,855,117	409,904	8,512,365		7,505,619	491,303
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>6,554,136</b>		<b>5,897,599</b>	<b>409,904</b>	<b>8,512,365</b>		<b>7,505,619</b>	<b>491,303</b>

For the banking group, the item includes covered bonds in the amount of €2,636 million and bonds issued under the Euro Medium Term Notes programme totalling €3,978 million.

### 3.1 of which: pertaining to Other Entities

(thousands of euros)

	31/12/2012				31/12/2011			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	6,664,047		6,664,047		4,374,380		4,374,379	
1.1 structured								
1.2 other	6,664,047		6,664,047		4,374,380		4,374,379	
2. Other securities-								
2.1 structured-								
2.2 other								
<b>Total</b>	<b>6,664,047</b>		<b>6,664,047</b>		<b>4,374,380</b>		<b>4,374,379</b>	

Securities issued by other entities are entirely accounted for by bonds issued by Terna.

### 3.3 Breakdown of item 30 "Securities issued": securities hedged specifically

(thousands of euros)

	31/12/2012	31/12/2011
<b>1. Securities covered by specific fair value hedges:</b>	<b>10,982,734</b>	<b>12,491,720</b>
a) interest rate risk	10,582,082	11,968,851
b) exchange rate risk		
c) multiple risks	400,652	522,869
<b>2. Securities covered by specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>10,982,734</b>	<b>12,491,720</b>

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

### 4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2012					31/12/2011				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance-sheet liabilities</b>										
1. Due to banks										
2. Due to customers										
3. Debt securities					X					X
3.1 Bonds					X					X
3.1.1 Structured					X					X
3.1.2 Other					X					X
3.2 Other securities					X					X
3.2.1 Structured					X					X
3.2.2 Other					X					X
<b>Total A</b>										
<b>B. Derivatives</b>										
1. Financial derivatives			106,090	416,506	X			64,046	434,309	X
1.1 Trading	X		9,734	2,977	X	X				X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		96,356	413,529	X	X		64,046	434,309	X
2. Credit derivatives					X					X
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
<b>Total B</b>	<b>X</b>		<b>106,090</b>	<b>416,506</b>	<b>X</b>	<b>X</b>		<b>64,046</b>	<b>434,309</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>		<b>106,090</b>	<b>416,506</b>	<b>X</b>	<b>X</b>		<b>64,046</b>	<b>434,309</b>	<b>X</b>

#### 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 is mainly composed of 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)

	Fair value 31/12/2012			NV 31/12/2012	Fair value 31/12/2011			NV 31/12/2011
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>		<b>2,686,869</b>	<b>13,052</b>	<b>12,849,174</b>		<b>2,704,082</b>	<b>8,539</b>	<b>14,817,149</b>
1) Fair value		2,562,811		9,516,944		2,612,712		11,712,781
2) Cash flow		124,058	13,052	3,332,230		91,370	8,539	3,104,368
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>2,686,869</b>	<b>13,052</b>	<b>12,849,174</b>		<b>2,704,082</b>	<b>8,539</b>	<b>14,817,149</b>

#### 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					Generic	Cash flow		Investment in foreign operation
	Specific						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	2,562,811			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	
<b>Total assets</b>	<b>2,562,811</b>								
1. Financial liabilities				x		x	135,912	x	x
2. Portfolio	x	x	x	x	x		x		x
<b>Total liabilities</b>							<b>135,912</b>		
1. Forecast transactions	x	x	x	x	x	x	1,198	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)

	31/12/2012	31/12/2011
1. Positive adjustments of financial liabilities	56,413	60,440
2. Negative adjustments of financial liabilities		
<b>Total</b>	<b>56,413</b>	<b>60,440</b>

### 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 concerning this item, please see Section 14 of "Assets".



## SECTION 10 - OTHER LIABILITIES - ITEM 100

## 10.1 Other liabilities: composition

*(thousands of euros)*

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
Items being processed	10,681	20,136		30,817	4,445
Amounts due to employees	2,053	2,105	33,052	37,210	33,372
Charges for postal funding service	939,615			939,615	129,050
Tax payables	517,749	1,700	27,002	546,451	385,052
Construction contracts			580,919	580,919	
Trade payables	20,336	17,491	2,934,219	2,972,046	2,039,415
Due to social security institutions	2,638	280	56,731	59,649	24,522
Accrued expenses and deferred income		1,879	144,863	146,742	
Other items of insurance companies		42,135		42,135	
- due to insured for recovered amounts		41,767		41,767	
- liabilities for premiums to be reimbursed		329		329	
- premium deposits		39		39	
Other	59,272	185,371	510,992	755,635	209,528
<b>Total</b>	<b>1,552,344</b>	<b>271,097</b>	<b>4,287,778</b>	<b>6,111,219</b>	<b>2,825,384</b>

For the banking group, the main items under this heading are:

- the payable to Poste Italiane S.p.A. of about €940 million, in respect of the unpaid portion at the balance-sheet date of commissions for funding with postal savings products;
- tax payables totalling about €518 million, mainly regarding the tax on interest paid on postal savings products.

With regard to other Group companies, the item mainly regards trade payables. Liabilities in respect of construction contracts, equal to €581 million, report the excess of advances received over the value of the contracts completed.

“Other” items include €382 million in respect of the provisional allocation of the difference between the purchase price of equity investments and the equity of the companies that were added to the scope of consolidation on a line-by-line basis during 2012. In compliance with IFRS 3, the purchase price allocation process will be completed within twelve months of the acquisition date.

## SECTION 11 - STAFF SEVERANCE PAY - ITEM 110

### 11.1 Staff severance pay: change for the year

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>A. Opening balance</b>	<b>776</b>	<b>-</b>	<b>64,455</b>	<b>65,231</b>	<b>68,605</b>
<b>B. Increases</b>	<b>1,190</b>	<b>7,145</b>	<b>84,969</b>	<b>93,304</b>	<b>14,982</b>
B.1 Provision for the year	1,190		2,730	3,920	12,599
B.2 Other increases		7,145	82,239	89,384	2,383
<i>- of which business combinations</i>		7,145	82,239	89,384	
<b>C. Decreases</b>	<b>1,121</b>	<b>-</b>	<b>4,125</b>	<b>5,246</b>	<b>18,356</b>
C.1 Severance payments			4,102	4,102	17,158
C.2 Other decreases	1,121		23	1,144	1,198
<b>D. Closing balance</b>	<b>845</b>	<b>7,145</b>	<b>145,299</b>	<b>153,289</b>	<b>65,231</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
<b>1. Company pension plans</b>	<b>-</b>	<b>1,992</b>	<b>-</b>	<b>1,992</b>	<b>-</b>
<b>2. Other provisions</b>	<b>12,451</b>	<b>41,764</b>	<b>1,660,605</b>	<b>1,714,820</b>	<b>259,030</b>
2.1 legal disputes	3,957	2,606	20,219	26,782	18,797
2.2 staff costs	7,099	10,372	78,508	95,979	81,768
2.3 other	1,395	28,786	1,561,878	1,592,059	158,465
<b>Total</b>	<b>12,451</b>	<b>43,756</b>	<b>1,660,605</b>	<b>1,716,812</b>	<b>259,030</b>

## 12.2 Provisions: change for the year

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2012	
	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions
<b>A. Opening balance</b>	-	10,233	-	-	-	248,797	-	259,030
<b>B. Increases</b>	-	9,051	1,992	41,764	-	1,504,632	1,992	1,555,447
B.1 Provision for the year		2,719				66,964		69,683
B.2 Changes due to passage of time						2,176		2,176
B.3 Changes due to changes in discount rate								
B.4 Other increases		6,332	1,992	41,764		1,435,492	1,992	1,483,588
<b>C. Decreases</b>	-	6,833	-	-	-	92,824	-	99,657
C.1 Use during the year		6,730				92,824		99,554
C.2 Changes due to changes in discount rate								
C.3 Other decreases		103						103
<b>D. Closing balance</b>	-	12,451	1,992	41,764	-	1,660,605	1,992	1,714,820

## 12.4 Provisions – Other provisions

(thousands of euros)

	31/12/2012	31/12/2011
<b>2. Other provisions</b>	<b>1,714,820</b>	<b>259,030</b>
2.1 legal disputes	26,782	18,797
2.2 staff costs	95,979	81,768
- early retirement	18,604	20,141
- loyalty bonus	4,546	3,771
- electricity discount	32,424	30,910
- other	40,405	26,946
2.3 other	1,592,059	158,465

“Other” provisions, totalling €1,592 million at 31 December 2012, include €1,251 million in provisions of the subsidiary Fintecna, whose activities include the management of complex liquidation proceedings and the complex and flexible management of the associated litigation. The provisions mainly regard risks associated with litigation, reclamation and conservation of property sites and other real estate risks as well as provisions for commitments in respect of contracts.

## SECTION 13 - TECHNICAL PROVISIONS - ITEM 130

### 13.1 Technical provisions: composition

(thousands of euros)

	Direct business	Indirect business	Total 31/12/2012	Total 31/12/2011
<b>A. Non-life insurance</b>	<b>2,529,865</b>	<b>39,792</b>	<b>2,569,657</b>	
A1. Provision for unearned premiums	1,773,255	37,483	1,810,738	
A2. Provision for outstanding claims	755,092	2,262	757,354	
A3. Other	1,518	47	1,565	
<b>B. Life insurance</b>				
B1. Mathematical reserves				
B2. Provision for claims outstanding				
B3. Other				
<b>C. Technical provisions where the investment risk is borne by the insured</b>				
C1. Reserves for contracts whose benefits are linked to investment funds and market indices				
C2. Reserves from the operation of pension funds				
<b>D. Total technical provisions</b>	<b>2,529,865</b>	<b>39,792</b>	<b>2,569,657</b>	

## SECTION 15 - GROUP EQUITY - ITEMS 140, 170, 180, 190, 210 AND 220

### 15.1 "Share capital" and "Treasury shares": composition

The parent company's 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 April 2013, without prejudice to the right of preference shareholders to withdraw. The right of withdrawal connected with the conversion of the preference shares was exercised by two shareholders owning a total of 9,084,000 preference shares, representing about 2.60% of share capital. No preference share holder opted for conversion at part through payment of an adjustment, as provided for in the articles of association.

The 105,000,000 preference shares will therefore be automatically converted into 51,450,000 ordinary shares, on the basis of the conversion ratio determined by the Board of Directors at its meeting of 29 January 2013 (49 ordinary shares for every 100 preference shares).

The shares of the withdrawing foundations, pursuant to Article 2437-quater of the Italian Civil Code, were offered in pre-emption to the other shareholders and, after the offer period expired with no shareholder exercising the option to buy, the Board of Directors decided to not place those shares with third parties, requesting, in the agenda for the Ordinary Shareholders' Meeting of 20 March 2013, authorisation to purchase own shares as part of the liquidation procedure referred to Article 2437-quater of the Italian Civil Code.

The shares of the withdrawing foundations will be purchased with the use of available reserves at a price of €6.299 per share, corresponding to the liquidation value determined by the Board of Directors at its meeting of 29 January 2013, for a total of €57,220,116.00.

The parent company does not hold treasury shares.

## 15.2 Share capital - Number of shares of the parent company: change for the year

	Ordinary	Other
<b>A. Shares at start of the year</b>	<b>245,000,000</b>	<b>105,000,000</b>
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
<b>A.2 Shares in circulation: opening balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
<b>B. Increases</b>		
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		
<b>C. Decreases</b>		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
<b>D. Shares in circulation: closing balance</b>	<b>245,000,000</b>	<b>105,000,000</b>
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		

## 15.4 Income reserves: additional information

(thousands of euros)

	31/12/2012	31/12/2011
<b>Income reserves</b>	<b>11,440,319</b>	<b>9,559,258</b>
Legal reserve	605,567	524,972
Other	10,834,752	9,034,286

## SECTION 16 - NON-CONTROLLING INTERESTS - ITEM 210

### 16.1 Equity instruments: composition and change for the year

(thousands of euros)

	31/12/2012	31/12/2011
Share capital:		
a) ordinary shares	373,350	370,798
b) preference shares		
Share premium reserve	14,489	14,073
Reserves:		
a) income	1,653,505	1,976,704
b) other	573,205	322,849
Valuation reserves	(48,479)	(37,628)
Equity instruments		
Treasury shares		
Net income (loss) for the year	307,892	177,367
<b>Total non-controlling interests</b>	<b>2,873,962</b>	<b>2,824,163</b>

## OTHER INFORMATION

### 1. Guarantees issued and commitments

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2012	31/12/2011
1. Financial guarantees issued	504,828		64,805	569,633	224,275
a) Banks					
b) Customers	504,828		64,805	569,633	224,275
2. Commercial guarantees issued					
a) Banks					
b) Customers					
3. Irrevocable commitments to disburse funds	15,195,820	7,651	316,788	15,520,259	13,630,974
a) Banks	1,967,874			1,967,874	124,171
i) certain use	1,967,874			1,967,874	124,171
ii) uncertain use					
b) Customers	13,227,946	7,651	316,788	13,552,385	13,506,803
i) certain use	13,195,428			13,195,428	13,506,803
ii) uncertain use	32,518	7,651	316,788	356,957	
4. Commitments underlying credit derivatives: sales of protection					
5. Assets pledged as collateral for third-party debts			90,000	90,000	
6. Other commitments	1,817,628		3,386,007	5,203,635	1,986,433
<b>Total</b>	<b>17,518,276</b>	<b>7,651</b>	<b>3,857,600</b>	<b>21,383,527</b>	<b>15,841,682</b>



## 2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	Banking group	Other entities	31/12/2012	31/12/2011
1. Financial assets held for trading				
2. Financial assets at fair value				
3. Financial assets available for sale	3,747,330		3,747,330	2,391,219
4. Financial assets held to maturity	11,253,303		11,253,303	6,386,351
5. Loans to banks	575,162		575,162	5,138,958
6. Loans to customers	39,601,223		39,601,223	
7. Property, plant and equipment		99,807	99,807	
8. Other assets		244,000	244,000	

The assets pledged as collateral for own debts are mainly represented by receivables pledged as collateral in refinancing operations with the ECB. The remainder are assets securing bond issues (covered bonds), securities in repurchase agreements used for funding, and receivables pledged as security for loans from the EIB.

“Other assets” pledged as collateral include assets (land and buildings recognised under item 160 of assets in the balance sheet) bearing first mortgages securing bank loans obtained to purchase them.

## 3. Information on operating leases

(thousands of euros)

	31/12/2012
<b>Information from lessee perspective</b>	
<b>Future non-cancellable operating lease payments</b>	<b>64,226</b>
- up to 3 months	397
- from 3 months to 1 year	9,887
- from 1 year to 5 years	34,324
- more than 5 years	19,618
<b>Information from lessor perspective</b>	
<b>Future non-cancellable operating lease payments</b>	
- up to 3 months	
- from 3 months to 1 year	
- from 1 year to 5 years	
- more than 5 years	

## 5. Management and intermediation services

(thousands of euros)

31/12/2012

### 1. Order execution on behalf of customers

- a) purchases
  - 1. settled
  - 2. not yet settled
- b) sales
  - 1. settled
  - 2. not yet settled

### 2. Asset management

- a) individual
- b) collective 83,487

### 3. Securities custody and administration

- a) third-party securities held as part of depository bank services (excluding asset management)
  - 1. securities issued by consolidated companies
  - 2. other securities
- b) other third-party securities on deposit (excluding asset management): other 2,952,032
  - 1. securities issued by consolidated companies
  - 2. other securities 2,952,032
- c) third-party securities deposited with third parties 2,952,032
- d) own securities portfolio deposited with third parties 5,975,438

### 4. Other transactions

## PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### SECTION 1 - INTEREST - ITEMS 10 AND 20

#### 1.1 Interest income and similar revenues: composition

(thousands of euros)

	Debt securities	Loans	Other	31/12/2012	31/12/2011
1. Financial assets held for trading					
2. Financial assets at fair value					
3. Financial assets available for sale	169,733			<b>169,733</b>	<b>69,819</b>
4. Financial assets held to maturity	804,198			<b>804,198</b>	<b>201,832</b>
5. Loans to banks	3,913	374,314		<b>378,227</b>	<b>268,379</b>
6. Loans to customers	83,411	9,220,233		<b>9,303,644</b>	<b>7,215,486</b>
7. Hedging derivatives	x	x			
8. Other assets	x	x	5,332	<b>5,332</b>	<b>8,806</b>
<b>Total</b>	<b>1,061,255</b>	<b>9,594,547</b>	<b>5,332</b>	<b>10,661,134</b>	<b>7,764,322</b>

Interest income for the period was generated primarily by:

- loans to customers and current accounts in the amount of about €4,411 million;
- liquidity held by the parent company on treasury account no. 29814 in the amount of about €5,184 million;
- debt securities in the amount of about €1,061 million.

The item includes interest income accrued on impaired assets of about €2 million.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payables	Securities	Other	31/12/2012	31/12/2011
1. Due to central banks	209,417	x		<b>209,417</b>	<b>22,834</b>
2. Due to banks	122,411	x		<b>122,411</b>	<b>137,247</b>
3. Due to customers	6,262,567	x	5,642	<b>6,268,209</b>	<b>4,695,756</b>
4. Securities issued	x	433,924		<b>433,924</b>	<b>409,806</b>
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	555	<b>555</b>	<b>2,220</b>
8. Hedging derivatives	x	x	178,094	<b>178,094</b>	<b>282,879</b>
<b>Total</b>	<b>6,594,395</b>	<b>433,924</b>	<b>184,291</b>	<b>7,212,610</b>	<b>5,550,742</b>

Interest expense on amounts due to customers mainly regards interest on postal savings products, totalling about €6,126 million.

Interest on securities issued regarded interest on bonds and amounted to about €434 million. The negative differences on hedges amounted to about €178 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2012	31/12/2011
A. Positive differences on hedging transactions	213,395	204,849
B. Negatives differences on hedging transactions	391,489	487,728
<b>C. Balance (A-B)</b>	<b>(178,094)</b>	<b>(282,879)</b>

## SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission income: composition

*(thousands of euros)*

	31/12/2012	31/12/2011
a) guarantees issued	3,343	357
b) credit derivatives		
c) management, intermediation and advisory services:	10,067	8,085
1. trading in financial instruments		
2. foreign exchange		
3. asset management	10,067	8,085
3.1. individual		
3.2. collective	10,067	8,085
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	35,001	15,006
<b>Total</b>	<b>48,411</b>	<b>23,448</b>

During the year, the parent company accrued commission income in respect of:

- lending activities in the amount of about €28 million;
- the agreement with the MEF for the assets and liabilities transferred to the MEF pursuant to Article 3 of the Ministerial Decree of 5 December 2003 in the amount of €3 million;
- management of the Kyoto Fund in the amount of about €4 million.

Commission income in respect of guarantees issued totalled about €3 million.

Commissions for asset management services came to €10 million and regard fee income of the subsidiary CDP Investimenti SGR S.p.A.

## 2.2 Commission expense: composition

*(thousands of euros)*

	<b>31/12/2012</b>	<b>31/12/2011</b>
a) guarantees received	27	37
b) credit derivatives		
c) management and intermediation services:	1,649,115	1,504,050
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	1,649,115	1,504,050
6. off-premises distribution of securities, products and services		
d) collection and payment services	2,077	1,973
e) other services	102	101
<b>Total</b>	<b>1,651,321</b>	<b>1,506,161</b>

Commission expense mainly regards the charge for the period, equal to about €1,649 million, of the remuneration paid by the parent company to Poste Italiane S.p.A. for managing postal funding.

The new agreement between CDP and Poste Italiane S.p.A. for the period 2011-2013 modifies the fee structure no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which as from the financial statements at 31 December 2011 is 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 S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services.

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

### 3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2012		31/12/2011	
	dividends	income from units in collective investments undertakings	dividends	income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		401	2,641	221
C. Financial assets at fair value				
D. Equity investments		x		x
<b>Total</b>		<b>401</b>	<b>2,641</b>	<b>221</b>

## 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)]
<b>1. Financial assets held for trading</b>					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
<b>3. Other financial assets and liabilities:</b>					
exchange rate differences	x	x	x	x	1,371
<b>4. Derivatives</b>	<b>231,724</b>	<b>25,238</b>	<b>68,784</b>	<b>45,598</b>	<b>142,580</b>
4.1 Financial derivatives	231,724	25,238	68,784	45,598	142,580
- on debt securities and interest rates	25,682	12,229	4,299	45,598	(11,986)
- on equity securities and equity indices	206,042	13,009	64,485		154,566
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
<b>Total</b>	<b>231,724</b>	<b>25,238</b>	<b>68,784</b>	<b>45,598</b>	<b>143,951</b>

The result of trading activities, equal to €144 million, reflects €154.5 million in respect of the operational hedges of the option component embedded in the *Premia* and indexed savings bonds established with the purchase of options mirroring the exposure.

The result in 2012 is the consequence of overhedging, already seen in 2011 but which was amplified during the year by developments in early redemptions of equity linked bonds, combined with an increase in stock indices at 31 December 2012 compared with a year earlier.

In any event, to limit the risk of volatility in profit or loss, in 2012 we continued to unwind explicit option positions used for operational hedging whose notional exceeded that of the hedged embedded options.



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

### 5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2012	31/12/2011
<b>A. Income on:</b>		
A.1 Fair value hedges	331,397	393,707
A.2 Hedged financial assets (fair value)	811,344	1,483,219
A.3 Hedged financial liabilities (fair value)	47,387	95,512
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	20,736	19,287
<b>Total income on hedging activities (A)</b>	<b>1,210,864</b>	<b>1,991,725</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	873,205	1,604,766
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)	324,892	395,141
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	20,736	19,287
<b>Total expense on hedging activities (B)</b>	<b>1,218,833</b>	<b>2,019,194</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(7,969)</b>	<b>(27,469)</b>

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

### 6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2012			31/12/2011		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks						
2. Loans to customers	23,727	(4,258)	19,469	8,907	(2,833)	6,074
3. Financial assets available for sale	6,125		6,125	346		346
3.1 Debt securities	6,125		6,125	346		346
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	145		145	6		6
<b>Total assets</b>	<b>29,997</b>	<b>(4,258)</b>	<b>25,739</b>	<b>9,259</b>	<b>(2,833)</b>	<b>6,426</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued	3,760		3,760			
<b>Total liabilities</b>	<b>3,760</b>		<b>3,760</b>			

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

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €22.9 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				31/12/2012	31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks			(16,013)					(16,013)	
- Loans			(16,013)					(16,013)	
- Debt securities									
B. Loans to customers	(7)	(5,213)	(1,328)	323	141			(6,084)	(7,566)
Purchased impaired receivables									
- Loans			X				X		
- Debt securities			X				X		
Other receivables									
- Loans	(7)	(5,213)	(1,322)	323	141			(6,078)	(7,550)
- Debt securities			(6)					(6)	(16)
<b>C. Total</b>	<b>(7)</b>	<b>(5,213)</b>	<b>(17,341)</b>	<b>323</b>	<b>141</b>			<b>(22,097)</b>	<b>(7,566)</b>

**Key**

A = Interest

B = Other writebacks

## 8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2012	31/12/2011
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued		(162)					(162)	(123)	
B. Credit derivatives									
C. Commitments to disburse funds	(487)	(145)				6	(626)	(2,500)	
D. Other transactions									
<b>E. Total</b>	<b>(487)</b>	<b>(307)</b>				<b>6</b>	<b>(788)</b>	<b>(2,623)</b>	

**Key**

A = Interest

B = Other writebacks

## SECTION 11 - GENERAL AND ADMINISTRATIVE EXPENSES - ITEM 180

## 11.1 Staff costs: composition

(thousands of euros)

	Banking group	Other entities	31/12/2012	31/12/2011
<b>1. Employees</b>	<b>55,619</b>	<b>201,716</b>	<b>257,335</b>	<b>262,712</b>
a) wages and salaries	40,729	119,664	160,393	168,041
b) social security contributions	165	6,935	7,100	7,127
c) severance pay				1
d) pensions	10,218	48,696	58,914	59,057
e) allocation to staff severance pay provision	1,191	2,729	3,920	3,699
f) allocation to provision for pensions and similar liabilities				
- defined contribution				
- defined benefit				
g) payments to external pension funds	1,159	11,872	13,031	13,276
- defined contribution	1,159	11,872	13,031	13,276
- defined benefit				
h) costs in respect of agreements to make payments in own equity instruments				
i) other employee benefits	2,157	11,820	13,977	11,511
<b>2. Other personnel in service</b>	<b>16</b>	<b>2</b>	<b>18</b>	<b>325</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>2,003</b>	<b>3,306</b>	<b>5,309</b>	<b>4,726</b>
<b>4. Retired personnel</b>				
<b>Total</b>	<b>57,638</b>	<b>205,024</b>	<b>262,662</b>	<b>267,763</b>

## 11.2 Average number of employees by category

	Banking group	Other entities	31/12/2012	31/12/2011
<b>Employees</b>	<b>524</b>	<b>3,507</b>	<b>4,031</b>	<b>4,017</b>
a) Senior management	51	66	117	110
b) Middle management	207	511	718	689
- of which: grade 3 and 4	136	503	639	630
c) Other employees	266	2,930	3,196	3,218
- of which office staff	266	1,956	2,222	3,218
- of which workers		974	974	1,005
<b>Other personnel</b>	<b>11</b>		<b>11</b>	<b>11</b>

### 11.3 Defined-benefit company pension plans: total costs

(thousands of euros)

	31/12/2012			31/12/2011		
	Severance pay	Internal plans	External plans	Severance pay	Internal plans	External plans
Service cost	1,241			1,316		
Interest cost	2,679			2,383		
<b>Total costs</b>	<b>3,920</b>			<b>3,699</b>		

### 11.4 Other employee benefits

(thousands of euros)

	31/12/2012	31/12/2011
Lunch vouchers	843	755
Staff insurance	3,472	3,224
Interest subsidies on loans	53	319
Other benefits	9,609	7,213
<b>Total</b>	<b>13,977</b>	<b>11,511</b>

“Other benefits” mainly regards the benefits associated with the “electricity discount” of the Terna Group.

## 11.5 Other administrative expenses: composition

(thousands of euros)

	Banking group	Other entities	31/12/2012	31/12/2011
IT costs	20,536	24,849	45,385	35,101
General services	8,853	125,631	134,484	110,931
Professional and financial services	9,413	21,223	30,636	14,785
Advertising and marketing	2,984	5,321	8,305	9,120
Other personnel costs	1,140	143	1,283	1,212
Utilities, duties and other expenses	6,940	33,288	40,228	47,388
Information resources and databases	23	89	112	1,420
Corporate bodies	464	114	578	447
<b>Total</b>	<b>50,353</b>	<b>210,658</b>	<b>261,011</b>	<b>220,404</b>

The following table reports the fees paid for statutory auditing and non-audit services.

### Fees of audit firm

(thousands of euros)

	Parent company	Other Group entities
Auditing	402	1,534
Certification	36	91
Other services		49
<b>Total</b>	<b>438</b>	<b>1,674</b>

## SECTION 12 - NET PROVISIONS - ITEM 190

### 12.1 Net provisions: composition

*(thousands of euros)*

	<b>Provisions</b>	<b>Uses</b>	<b>31/12/2012</b>
Litigation	(5,858)		(5,858)
Sundry personnel costs	(2,175)		(2,175)
Tax disputes	(58)		(58)
Other risks and charges	(4,439)		(4,439)
<b>Total</b>	<b>(12,530)</b>		<b>(12,530)</b>



## SECTION 13 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 200

### 13.1. Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(416,523)	(103)		(416,626)
- Operating assets	(416,523)	(103)		(416,626)
- Investment property				
A.2 Acquired under finance leases				
- Operating assets				
- Investment property				
<b>Total</b>	<b>(416,523)</b>	<b>(103)</b>		<b>(416,626)</b>

### 13.1 of which: pertaining to the Banking Group

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(5,228)			(5,228)
- Operating assets	(5,228)			(5,228)
- Investment property				
A.2 Acquired under finance leases				
- Operating assets				
- Investment property				
<b>Total</b>	<b>(5,228)</b>			<b>(5,228)</b>

### 13.1 of which: pertaining to Other Entities

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(411,295)	(103)		(411,398)
- Operating assets	(411,295)	(103)		(411,398)
- Investment property				
A.2 Acquired under finance leases				
- Operating assets				
- Investment property				
<b>Total</b>	<b>(411,295)</b>	<b>(103)</b>		<b>(411,398)</b>

## SECTION 14 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 210

### 14.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(56,879)			(56,879)
- Internally generated	(18,601)			(18,601)
- Other	(38,278)			(38,278)
A.2 Acquired under finance leases				
<b>Totale</b>	<b>(56,879)</b>			<b>(56,879)</b>

### 14.1 of which: pertaining to the Banking Group

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(2,482)			(2,482)
- Internally generated				
- Other	(2,482)			(2,482)
A.2 Acquired under finance leases				
<b>Totale</b>	<b>(2,482)</b>			<b>(2,482)</b>

### 14.1 of which: pertaining to Other Entities

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(54,397)			(54,397)
- Internally generated	(18,601)			(18,601)
- Other	(35,796)			(35,796)
A.2 Acquired under finance leases				
<b>Totale</b>	<b>(54,397)</b>			<b>(54,397)</b>

## SECTION 15 - OTHER OPERATING COSTS AND INCOME - ITEM 220

### 15.1 Other operating costs: composition

(thousands of euros)

	Banking group	Other entities	31/12/2012	31/12/2011
Operating costs in respect of supply chain				1
Other	15	3,847	3,862	1,651
<b>Total</b>	<b>15</b>	<b>3,847</b>	<b>3,862</b>	<b>1,652</b>

### 15.2 Other operating income: composition

(thousands of euros)

	Banking group	Other entities	31/12/2012	31/12/2011
Income from adjustment of liability items				55
Income for corporate offices paid to employees	282		282	248
Sundry reimbursements	1,504		1,504	2,147
Revenues from industrial operations		1,799,766	1,799,766	1,631,183
Reimbursement of expenses incurred for Min. Univ. and Research agreement				316
Other	437	5	442	512
<b>Total</b>	<b>2,223</b>	<b>1,799,771</b>	<b>1,801,994</b>	<b>1,634,461</b>

Other income mainly comprises National Transmission Grid usage fees accruing to Terna.

## SECTION 16 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 240

### 16.1 Gains (losses) on equity investments: composition

(thousands of euros)

	31/12/2012	31/12/2011
<b>I. Joint ventures</b>		
<b>A. Gains</b>	<b>64,454</b>	
1. Revaluations	64,454	
2. Gains on disposals		
3. Writebacks		
4. Other		
<b>B. Losses</b>		
1. Writedowns		
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>64,454</b>	
<b>2. Companies under significant influence</b>		
<b>A. Gains</b>	<b>1,563,505</b>	<b>1,711,002</b>
1. Revaluations	1,500,359	1,695,090
2. Gains on disposals	63,146	
3. Writebacks		15,912
4. Other		
<b>B. Losses</b>		
1. Writedowns		
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>1,563,505</b>	<b>1,711,002</b>
<b>Total</b>	<b>1,627,959</b>	<b>1,711,002</b>

The main components from measurement using the equity method of companies subject to significant influence or joint ventures regard the investments in:

- ENI in the amount of €1,413 million;
- SNAM, in the amount of €80 million;
- TAG in the amount of €64 million.

Gains on disposals regard the sale of part of the ENI shares.

## SECTION 19 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 270

### 19.1 Gains (losses) on disposal of investments: composition

(thousands of euros)

	31/12/2012	31/12/2011
A. Land and buildings	623	239
- Gains on disposal	623	239
- Losses on disposal		
B. Other assets	5,122	3,365
- Gains on disposal	5,553	4,180
- Losses on disposal	(431)	(815)
<b>Net gain (loss)</b>	<b>5,745</b>	<b>3,604</b>

## SECTION 20 - INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS - ITEM 290

### 20.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2012	31/12/2011
1. Current taxes (-)	(1,283,388)	(804,658)
2. Change in current taxes from previous years (+/-)	1,238	1,774
3. Reduction of current taxes for the year (+)		
3.bis Reduction of current income taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	6,608	97,231
5. Change in deferred tax liabilities (+/-)	96,639	(118,033)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(1,178,903)	(823,686)

## 20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

		<b>Tax rate</b>
<b>Income (loss) before taxes</b>	<b>4,410,741</b>	
<b>IRES - theoretical tax liability (rate 27.5%)</b>	<b>(1,212,954)</b>	<b>-27.5%</b>
<b>Increases in taxes</b>		
- non-deductible interest 4%	(77,758)	-1.8%
- non-deductible costs	(34,751)	-0.8%
- provisions	(478)	n.s.
- other increases	(8,849)	-0.2%
- non-deductible temporary differences	(103,739)	-2.4%
<b>Decreases in taxes</b>		
- dividends 95% exempt	368,599	8.4%
- exempt income	6,100	0.1%
- other changes	5,508	0.1%
- ACE benefit	12,421	0.3%
- participation exemption	133,902	3.0%
IRES surtax (Robin Hood Tax)	(114,100)	-2.6%
<b>IRES Actual tax liability</b>	<b>(1,026,099)</b>	<b>-23.3%</b>
<b>Taxable income for IRAP purposes</b>	<b>3,619,773</b>	
<b>IRAP Theoretical tax liability (5.57% rate)</b>	<b>(201,621)</b>	<b>-5.6%</b>
<b>Increases in taxes</b>		
- non-deductible interest 4%	(15,749)	-0.4%
- other non-deductible costs	(42,111)	-1.2%
<b>Decreases in taxes</b>	<b>2,192</b>	<b>0.1%</b>
<b>IRAP Actual tax liability</b>	<b>(257,289)</b>	<b>-7.1%</b>

## SECTION 21 - INCOME (LOSS) AFTER TAX OF DISPOSAL GROUPS HELD FOR SALE - ITEM 310

### 21.1 Income (loss) after tax on disposal groups held for sale: composition

(thousands of euros)

	31/12/2012	31/12/2011
1. Gains	500	33,819
2. Losses		
3. Result of valuation of disposal group (assets and associated liabilities)		
4. Gain (loss) on realisation		86,947
5. Tax and duties	(523)	(8,062)
<b>Net income (loss)</b>	<b>(23)</b>	<b>112,704</b>

### 21.2 Breakdown of income taxes on disposal groups held for sale

(thousands of euros)

	31/12/2012	31/12/2011
1. Current taxes (-)		
2. Change in deferred tax assets (+/-)	(523)	136
3. Change in deferred tax liabilities (-/+)		(8,198)
<b>4. Income tax for the year (-1 +/- 2 +/- 3)</b>	<b>(523)</b>	<b>(8,062)</b>

## SECTION 22 - NET INCOME (LOSS) PERTAINING TO NON-CONTROLLING INTERESTS - ITEM 330

### 22.1 Breakdown of item 330 "Net income (loss) pertaining to non-controlling interests"

Net income pertaining to non-controlling interests amounts to €307,896 thousand.

# PART D - CONSOLIDATED COMPREHENSIVE INCOME

## Detailed breakdown of consolidated comprehensive income

(thousands of euros)

	Gross amount	Income taxes	Net amount
<b>10. Net income (loss) for the year</b>	<b>x</b>	<b>x</b>	<b>3,231,813</b>
<b>Other comprehensive income</b>			
20. Financial assets available for sale	298,605	(98,668)	199,937
a) fair value changes	298,605	(98,668)	199,937
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 foreign investments			
a) fair value changes			
b) reversal to income statement			
c) other changes			
60. Cash flow hedges	10,531	(2,130)	8,401
a) fair value changes	10,531	(2,130)	8,401
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)	(198,730)	-	(198,730)
a) fair value changes	(198,730)	-	(198,730)
b) reversal to income statement			
- impairment adjustments			
- gain/loss on realisation			
c) other changes			
<b>110. Total other comprehensive income</b>	<b>110,406</b>	<b>(100,798)</b>	<b>9,608</b>
<b>120. Comprehensive income (items 10+110)</b>	<b>x</b>	<b>x</b>	<b>3,241,421</b>
130. Consolidated comprehensive income pertaining to non-controlling interests	x	x	296,805
<b>140. Consolidated comprehensive income pertaining to shareholders of the parent company</b>	<b>x</b>	<b>x</b>	<b>2,944,616</b>



## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

The CDP Group attributes great importance to risk management and control as conditions for pursuing its work in support of the country, in a context in which capital adequacy, stable and sustainable profits, liquidity and a strong reputation are the foundation of preserving financial balance over time.

The risk management strategy seeks to achieve a complete and consistent visions of the Group's risk profile.

In line with the Risk Management Rules of the parent company, the underlying principles of the risk management and control system provide for:

- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- methodological rigour and adoption of international best practices in measurement and control systems.

For companies subject to management and coordination, the parent company is also responsible for setting policy, managing and controlling risk.

For a description of the risks to which the Group companies are exposed, please see Sections 1, 2 and 3 below.

# Section 1 - The risks of the banking group

## 1.1 Credit risk

### QUALITATIVE DISCLOSURES

#### Introduction

Within the CDP organisational structure, the head of Risk Management and Anti-Money Laundering (RMA) and the units that report directly to that officer are 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 associated with each category of risk.

These risk categories are defined in the 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), operational risks and reputational risk.

The Risk Management and Anti-Money Laundering area is structured into four units:

1. Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement;
2. Market and Liquidity Risks (ALM);
3. Operational Risks;
4. Anti-Money Laundering.

Staff qualified in managing in real estate risk, risk pertaining to equity investments and relationships with rating agencies also report to the head of the RMA.

The Risk Committee, established in 2010, is a collegial body with responsibility for guidance and control in risk management.

The RMA 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 Credit and Counterparty Risk, Financial Engineering and Fair Value Measurement 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.

## 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 hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to central government and regional and local authorities.

In the last three years, an increasingly important 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 areas hit by earthquakes.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially immunised for credit risk, and those assumed under "Export Bank" operations.

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

## 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 Lending department is responsible for reviewing loans and, among other things, for the assignment of internal ratings and estimating loss given default, parameters that are used for management

purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy, a document approved by the CEO that sets out the methodologies used by CDP in assigning internal ratings to counterparties and in generating internal estimates of recovery rates for individual lending transactions.

As part of pre-lending assessments, the RMA focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. The RMA also monitors overall developments in the risk level of the loan portfolio, partly with a view to identifying any necessary corrective actions to optimise the risk/return profile.

The RMA'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 and updating of the Rating and Recovery Rate Policy in accordance with the requirements set out 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 pursuant to Decree Law 185 of 29 November 2008, 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 associated with country risk.

The RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The RMA 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. Similarly, the RMA provides for the monitoring of exposures to counterparties in treasury activities, verifying compliance with the limits and criteria set out in the Risk Policy.

## 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 and that involving non-public entities under the Separate Account can 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. In addition, CDP recently joined the Cassa di Compensazione e Garanzia (central counterparty guarantee system), with a view to carrying out repurchase transactions backed by sound counterparty risk protection mechanisms.

## 2.4 Impaired financial assets

Impaired financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit 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 of the credit exposure. In order to ensure that such events are reflected promptly, the information on the financial and economic situation of borrowers is monitored periodically and developments in any out-of-court arrangements being negotiated and the various stages of court proceedings involving customers 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 past-due/overlimit positions.

In the pre-litigation stage, impaired positions are monitored and managed by the Lending department 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.

## 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 financial assets by portfolio and credit quality (carrying amount)

(thousands of euros)

	Banking group				Other entities		Total	
	Bad debts	Substandard loans	Restructured position	Past due positions	Other assets	Impaired		Other
1. Financial assets held for trading					651,224		3,342,414	3,993,638
2. Financial assets available for sale					4,673,374		250,194	4,923,568
3. Financial assets held to maturity					16,736,842		2,478,263	19,215,105
4. Loans to banks					13,177,424		5,325,365	18,502,789
5. Loans to customers	7,955	42,715		25,471	237,501,761	155,573	3,018,674	240,752,149
6. Financial assets at fair value								
7. Financial assets being divested								
8. Hedging derivatives					360,850		830,134	1,190,984
<b>Total at 31.12.2012</b>	<b>7,955</b>	<b>42,715</b>		<b>25,471</b>	<b>273,101,475</b>	<b>155,573</b>	<b>15,245,044</b>	<b>288,578,233</b>
<b>Total at 31.12.2011</b>	<b>6,070</b>	<b>26,736</b>		<b>13,626</b>	<b>251,983,851</b>		<b>2,019,470</b>	<b>254,049,753</b>

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

(thousands of euros)

	Gross exposure	Impaired assets Specific adjustment	Net exposure	Gross exposure	Performing Portfolio adjustment	Net exposure	Total (Net exposure)
<b>A. Banking group</b>							
1. Financial assets held for trading				x	x	651,224	651,224
2. Financial assets available for sale				4,673,374		4,673,374	4,673,374
3. Financial assets held to maturity				16,736,842		16,736,842	16,736,842
4. Loans to banks				13,194,530	(17,106)	13,177,424	13,177,424
5. Loans to customers	154,503	(78,362)	76,141	237,505,470	(3,709)	237,501,761	237,577,902
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	360,850	360,850
<b>Total A</b>	<b>154,503</b>	<b>(78,362)</b>	<b>76,141</b>	<b>272,110,216</b>	<b>(20,815)</b>	<b>273,101,475</b>	<b>273,177,616</b>
<b>B. Other consolidated entities</b>							
1. Financial assets held for trading				x	x	3,342,414	3,342,414
2. Financial assets available for sale				250,194		250,194	250,194
3. Financial assets held to maturity				2,485,722	(7,459)	2,478,263	2,478,263
4. Loans to banks				5,325,408	(43)	5,325,365	5,325,365
5. Loans to customers	176,859	(21,286)	155,573	3,135,839	(117,165)	3,018,674	3,174,247
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	830,134	830,134
<b>Total B</b>	<b>176,859</b>	<b>(21,286)</b>	<b>155,573</b>	<b>11,197,163</b>	<b>(124,667)</b>	<b>15,245,044</b>	<b>15,400,617</b>
<b>Total at 31.12.2012</b>	<b>331,362</b>	<b>(99,648)</b>	<b>231,714</b>	<b>283,307,379</b>	<b>(145,482)</b>	<b>288,346,519</b>	<b>288,578,233</b>
<b>Total at 31.12.2011</b>	<b>117,611</b>	<b>(71,179)</b>	<b>46,432</b>	<b>252,493,308</b>	<b>(2,381)</b>	<b>254,003,321</b>	<b>254,049,753</b>



A.1.3 Banking group - 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
<b>A. On-balance-sheet exposures</b>				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Past due positions			x	
e) Other assets	13,194,530	x	(16,013)	13,178,517
<b>TOTAL A</b>	<b>13,194,530</b>		<b>(16,013)</b>	<b>13,178,517</b>
<b>B. Off-balance sheet exposures</b>				
a) Impaired			x	
b) Other	1,968,018	x	(145)	1,967,873
<b>TOTAL B</b>	<b>1,968,018</b>		<b>(145)</b>	<b>1,967,873</b>
<b>TOTAL (A+B)</b>	<b>15,162,548</b>		<b>(16,158)</b>	<b>15,146,390</b>

A.1.6 Banking group - 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
<b>A. On-balance-sheet exposures</b>				
a) Bad debts	47,264	(39,309)	x	7,955
b) Substandard loans	81,768	(39,053)	x	42,715
c) Restructured positions			x	
d) Past due positions	25,471		x	25,471
e) Other assets	259,644,181	x	(3,709)	259,640,472
<b>TOTAL A</b>	<b>259,798,684</b>	<b>(78,362)</b>	<b>(3,709)</b>	<b>259,716,613</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired	15,068	(1,455)	x	13,613
b) Other	13,818,251	x	(1,811)	13,816,440
<b>TOTAL B</b>	<b>13,833,319</b>	<b>(1,455)</b>	<b>(1,811)</b>	<b>13,830,053</b>
<b>TOTAL (A+B)</b>	<b>273,632,003</b>	<b>(79,817)</b>	<b>(5,520)</b>	<b>273,546,666</b>

A.1.7 Banking group - on-balance-sheet credit exposures to customers:  
changes in gross impaired positions

(thousands of euros)

	Bad debts	Substandard loans	Restructured position	Past due position
<b>A. Opening gross exposure</b>	<b>44,490</b>	<b>59,495</b>	-	<b>13,626</b>
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>3,344</b>	<b>28,281</b>		<b>36,789</b>
B.1 transfers from performing positions		505		36,569
B.2 transfers from other categories of impaired positions	1,917	24,192		
B.3 other increases	1,427	3,584		220
<b>C. Decreases</b>	<b>570</b>	<b>6,008</b>		<b>24,944</b>
C.1. to performing loans		1,870		50
C.2. writeoffs	367			
C.3. collections	169	2,083		702
C.4. assignments				
C.5. transfers to other categories of impaired positions		1,917		24,192
C.6. other decreases	34	138		
<b>D. Closing gross exposure</b>	<b>47,264</b>	<b>81,768</b>	-	<b>25,471</b>
- of which: exposures assigned but not derecognised				

A.1.8 Banking group - on-balance-sheet credit exposures to customers:  
changes in total adjustments

(thousands of euros)

	Bad debts	Substandard loans	Restructured position	Past due position
<b>A. Total opening adjustments</b>	<b>38,420</b>	<b>32,759</b>	-	-
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>1,581</b>	<b>6,440</b>		
B.1 writedowns	878	4,335		
B.1 bis losses on disposals				
B.2 transfers from other categories of impaired positions				
B.3 other increases	703	2,105		
<b>C. Decreases</b>	<b>692</b>	<b>146</b>		
C.1 writebacks from valuations	318	146		
C.2 writebacks from collection				
C.2 bis gains on disposals				
C.3 writeoffs	367			
C.4 transfers to other categories of impaired positions				
C.5 other decreases	7			
<b>D. Total closing adjustments</b>	<b>39,309</b>	<b>39,053</b>	-	-
- of which: exposures assigned but not derecognised				

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

### A.2.1 Banking group - distribution of on-balance-sheet and off-balance-sheet credit 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		
<b>A. On-balance-sheet exposures</b>	2,616,175	3,899,448	226,281,167	1,292,394	26,141	32,138	39,038,524	273,185,987
<b>B. Derivatives</b>								
B.1 Financial derivatives								
B.2 Credit derivatives								
<b>C. Guarantees issued</b>			119,957				386,794	506,751
<b>D. Commitments to disburse funds</b>		19,694	10,617,803	566,166	101,836		3,985,676	15,291,175
<b>E. Other</b>								
<b>Total</b>	2,616,175	3,919,142	237,018,927	1,858,560	127,977	32,138	43,410,994	288,983,913

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 Banking group - secured credit exposures to banks

(thousands of euros)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)	
		Land and buildings		Securities	Other assets	Credit derivatives				Guarantees					
		Mortgages	Finance leasing			CLN	Other derivatives			Governments and central banks	Other government agencies	Banks	Other		
				Government and central banks	Other government banks		Banks	Other							
<b>1. Secured on-balance-sheet credit exposures:</b>															
1.1 fully secured	1,522,331			951,129						551,740				19,779	1,522,648
- of which: impaired															
1.2 partially secured															
- of which: impaired															
<b>2. Secured off-balance-sheet credit exposures:</b>															
2.1 fully secured	2,965,200			2,488,762						220,107				256,476	2,965,345
- of which: impaired															
2.2 partially secured															
- of which: impaired															

## A.3.2 Banking group - secured credit exposures to customers

(thousands of euros)

	Net exposure	Collateral (1)				Unsecured guarantees (2)								Total (1)+(2)	
		Land and buildings		Securities	Other assets	Credit derivatives				Guarantees					
		Mortgages	Finance leasing			CLN	Other derivatives			Governments and central banks	Other government agencies	Banks	Other		
				Governments and central banks	Other government banks		Banks	Other							
<b>1. Secured on-balance-sheet credit exposures:</b>															
1.1 fully secured	6,439,382	192,374		212,048	414,237						3,061,234	346,552	31,247	2,151,118	6,408,810
- of which: impaired	62,593										62,609				62,609
1.2 partially secured	84,284,572	5,410		8,728	7,388,177								7,334		7,409,649
- of which: impaired	6,645				491										491
<b>2. Secured off-balance-sheet credit exposures:</b>															
2.1 fully secured	2,657,737	7,904		73,764	250,837						691,186	105,526		1,528,520	2,657,737
- of which: impaired	13,614										13,614				13,614
2.2 partially secured	427,804			351	350,000										350,351
- of which: impaired															

## B. Distribution and concentration of credit exposures

### B.1 Banking group - 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
<b>A. On-balance-sheet exposures</b>																	
A.1 Bad debts		X	2,767	(3,474)	X		(2,456)	X		X	5,188	(33,379)	X				X
A.2 Substandard loans		X		(31,843)	X			X		X	42,615	(7,210)	X	100			X
A.3 Restructured positions		X			X			X		X			X				X
A.4 Past due positions		X	2,613		X			X		X	22,858		X				X
A.5 Other	196,364,691	X	50,353,400	X		2,525,236	X	(6)	X		10,365,068	X	(3,703)	32,077	X		
<b>Total A</b>	<b>196,364,691</b>		<b>50,358,780</b>	<b>(35,317)</b>		<b>2,525,236</b>	<b>(2,456)</b>	<b>(6)</b>			<b>10,435,729</b>	<b>(40,589)</b>	<b>(3,703)</b>	<b>32,177</b>			
<b>B. Off-balance-sheet exposures</b>																	
B.1 Bad debts		X			X		(1,455)	X		X			X				X
B.2 Substandard loans		X			X			X		X	5,848		X				X
B.3 Other impaired assets		X			X			X		X	7,765		X				X
B.4 Other	4,970,845	X	3,353,482	X		89,058	X		X		5,400,911	X	(1,811)	2,144	X		
<b>Total B</b>	<b>4,970,845</b>		<b>3,353,482</b>			<b>89,058</b>	<b>(1,455)</b>				<b>5,414,524</b>	<b>(1,811)</b>	<b>2,144</b>				
<b>Total at 31.12.2012</b>	<b>201,335,536</b>		<b>53,712,262</b>	<b>(35,317)</b>		<b>2,614,294</b>	<b>(3,911)</b>	<b>(6)</b>			<b>15,850,253</b>	<b>(40,589)</b>	<b>(5,514)</b>	<b>34,321</b>			
<b>Total at 31.12.2011</b>	<b>178,059,780</b>		<b>55,237,927</b>	<b>(34,630)</b>		<b>526,137</b>	<b>(2,837)</b>				<b>12,278,928</b>	<b>(34,679)</b>	<b>(4,036)</b>	<b>35,281</b>			

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

(thousands of euros)

	Italy		Other europeans countries		Americas		Asia		Rest of the world	
	Net Exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts	7,955	(39,309)								
A.2 Substandard loans	42,715	(39,053)								
A.3 Restructured positions										
A.4 Past due positions	25,471									
A.5 Other	257,530,408	(3,709)	2,110,064							
<b>Total A</b>	<b>257,606,549</b>	<b>(82,071)</b>	<b>2,110,064</b>							
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts		(1,455)								
B.2 Substandard loans	5,849									
B.3 Other impaired assets	7,764									
B.4 Other	13,008,440	(1,811)			808,000					
<b>Total B</b>	<b>13,022,053</b>	<b>(3,266)</b>			<b>808,000</b>					
<b>Total (A+B) at 31.12.2012</b>	<b>270,628,602</b>	<b>(85,337)</b>	<b>2,110,064</b>		<b>808,000</b>					
<b>Total (A+B) at 31.12.2011</b>	<b>245,880,348</b>	<b>(76,182)</b>	<b>208,527</b>		<b>49,178</b>					

### B.3 Banking group - 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 the world	
	Net Exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
<b>A. On-balance-sheet exposures</b>										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	10,304,359	(16,013)	2,854,379				19,779			
<b>Total</b>	<b>10,304,359</b>	<b>(16,013)</b>	<b>2,854,379</b>				<b>19,779</b>			
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	1,708,326	(145)	3,071				256,476			
<b>Total</b>	<b>1,708,326</b>	<b>(145)</b>	<b>3,071</b>				<b>256,476</b>			
<b>Total (A+B) at 31.12.2012</b>	<b>12,012,685</b>	<b>(16,158)</b>	<b>2,857,450</b>				<b>276,255</b>			
<b>Total (A+B) at 31.12.2011</b>	<b>12,591,070</b>		<b>7,836,360</b>							



## 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);
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);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

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

The loans underlying the transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

## QUANTITATIVE DISCLOSURES

### C.1.1 Banking group - 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
<b>A. With own underlying assets:</b>	<b>7,083</b>	<b>7,083</b>										
a) Impaired												
b) Other	7,083	7,083										
<b>B. With third-party underlying assets:</b>												
a) Impaired												
b) Other												

### C.1.2 Banking group - 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	Write-downs/Writebacks	Carrying amount	Write-downs/Writebacks	Carrying amount	Write-downs/Writebacks	Carrying amount	Write-downs/Writebacks	Carrying amount	Write-downs/Writebacks	Carrying amount	Write-downs/Writebacks
<b>A. Fully derecognised</b>	<b>7,083</b>											
A.1 CPG - Società di cartolarizzazione a r.l.												
- Long-term loans	7,083											
<b>B. Partially derecognised</b>												
<b>C. Not derecognised</b>												

C.1.4 Banking group - 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	31/12/2012	31/12/2011
<b>1. On-balance-sheet exposures</b>					<b>7,083</b>	<b>7,083</b>	<b>14,726</b>
- senior					7,083	7,083	14,726
- mezzanine							
- junior							
<b>2. Off-balance-sheet exposures</b>							
- senior							
- mezzanine							
- junior							

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

(thousands of euros)

Servicer	Vehicle	Securitized assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
CDP S.p.A.	CPG - Società di cartolarizzazione a r.l.		130,950		72,153						

## C.2 Asset disposals

### A. Financial assets assigned but not derecognised

#### QUALITATIVE DISCLOSURES

Financial assets assigned but not derecognised regard government securities classified as “Financial assets available for sale” and “Financial assets held to maturity” involved in repurchase agreements used for funding with banks.

#### QUANTITATIVE DISCLOSURES

##### C.2.1 Banking group - financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)

	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2012	31/12/2011
<b>A. On-balance-sheet assets</b>							303,445			964,382									1,267,827	8,577,091
1. Debt securities							303,445			964,382									1,267,827	8,577,091
2. Equity securities										x	x	x	x	x	x	x	x	x		
3. Units in collective investment undertakings										x	x	x	x	x	x	x	x	x		
4. Loans																				
<b>B. Derivatives</b>				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
<b>Total 31/12/2012</b>							303,445			964,382									1,267,827	x
- of which impaired																				x
<b>Total 31/12/2011</b>							2,190,740			6,386,351									x	8,577,091
- of which impaired																			x	

**Key:**

A = Assigned financial assets fully recognised (carrying amount)  
 B = Assigned financial assets partially recognised (carrying amount)  
 C = Assigned financial assets partially recognised (total value)

C.2.2 Banking group - financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
<b>2. Due to banks</b>							
			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>
a) In respect of assets fully recognised			295,849	972,220			1,268,069
b) In respect of assets partially recognised							
<b>3. Securities issued</b>							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
<b>Total 31/12/2012</b>			<b>295,849</b>	<b>972,220</b>			<b>1,268,069</b>
<b>Total 31/12/2011</b>			<b>2,142,539</b>	<b>6,040,715</b>			<b>8,183,254</b>

### C.2.3 Banking group - disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros)

	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2012	31/12/2011
<b>A. On-balance-sheet assets</b>					<b>303,445</b>		<b>986,679</b>						<b>1,290,124</b>	<b>8,311,466</b>
1. Debt securities					303,445		986,679						1,290,124	8,311,466
2. Equity securities							x	x	x	x	x	x		
3. Units in collective investment undertakings							x	x	x	x	x	x		
4. Loans														
<b>B. Derivatives</b>			x	x	x	x	x	x	x	x	x	x		
<b>Total assets</b>					<b>303,445</b>		<b>986,679</b>						<b>1,290,124</b>	<b>8,311,466</b>
<b>C. Associated liabilities</b>													<b>x</b>	<b>x</b>
1. Due to customers													x	x
2. Due to banks					295,849		972,220						x	x
3. Securities issued														
<b>Total liabilities</b>					<b>295,849</b>		<b>972,220</b>						<b>1,268,069</b>	<b>8,183,254</b>
<b>Net value 31/12/2012</b>					<b>7,596</b>		<b>14,459</b>						<b>22,055</b>	<b>x</b>
<b>Net value 31/12/2011</b>					<b>41,183</b>		<b>87,029</b>						<b>x</b>	<b>128,212</b>

#### Key

A = Assigned financial assets fully recognised  
B = Assigned financial assets partially recognised

## B. Financial assets assigned and derecognised with recognition of continuing involvement

### QUALITATIVE DISCLOSURES

CDP does not have any transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

### C.3 Banking group - 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 (following redemptions the nominal amount of securities in circulation at 31 December 2012 was about €2.6 billion) as well as a privately-placed yen-denominated issue equal to about €64 million (redeemed in full in 2012).

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).

In the same month, the Board of Directors approved the termination of the covered bond programme and in November 2011 the desegregation of the portfolio of loans in the segregated pool designated to secure the covered bond programme was completed.

During 2012, the following issues were partially repurchased and fully redeemed at maturity:

- Issue (Series no. 4) of 8 September 2006, nominal amount of €2 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.

With the redemption at maturity on 31 January 2013 of Issue (Series no. 2) of 20 October 2005, nominal amount of €3 billion, whose residual balance following acceptances of the repurchase offer was equal to €2.6 billion, all covered bond issues were fully extinguished.

## 1.2 Banking group - Market risks

### 1.2.1 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.

### 1.2.2 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 the stock of loans 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 net income.

From this perspective, CDP analyses its exposure and risk profile by assessing 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 mar-



ket 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 managed 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 "operational 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 RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received 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. For these purposes, investments in units of investment funds, including real estate funds, are treated like shares by CDP.

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 RMA monitors the net exposure to such risk.

## **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 immunization involves specific hedges of fixed-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.

As regards financial liabilities, in 2005, with a negative exposure to a reduction in interest rates, CDP hedged (classified as macro fair value hedge) the interest rate risk on a portfolio of ordinary postal savings bonds, using roller-coaster IRSs in which CDP received fixed and paid 12-month Euribor plus a spread. CDP terminated the hedge positions early at the end of 2009 as part of its strategy for managing the overall exposure.

The issues of fixed-rate covered bonds in euros that were systematically transformed into floating rates using IRSs at the origination stage matured on 31 January 2013.

As regard financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features.

The programme was implemented using plain vanilla 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 other hedges on fixed-rate assets were terminated early in 2011 and in 2012 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 operational 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. In most of the transactions in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships:

- until March 2012, the fixed-rate covered bond in yen was hedged with a cross currency swap to counter the uncertainty concerning cash flows due to possible exchange rate variations. The hedge converted the original exposure into a fixed rate in euros; the hedge was terminated early as a result of the repurchase of the security by CDP;
- since March 2012, two hedges were established with cross currency swaps with which CDP transforms the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed-rate securities in euros.

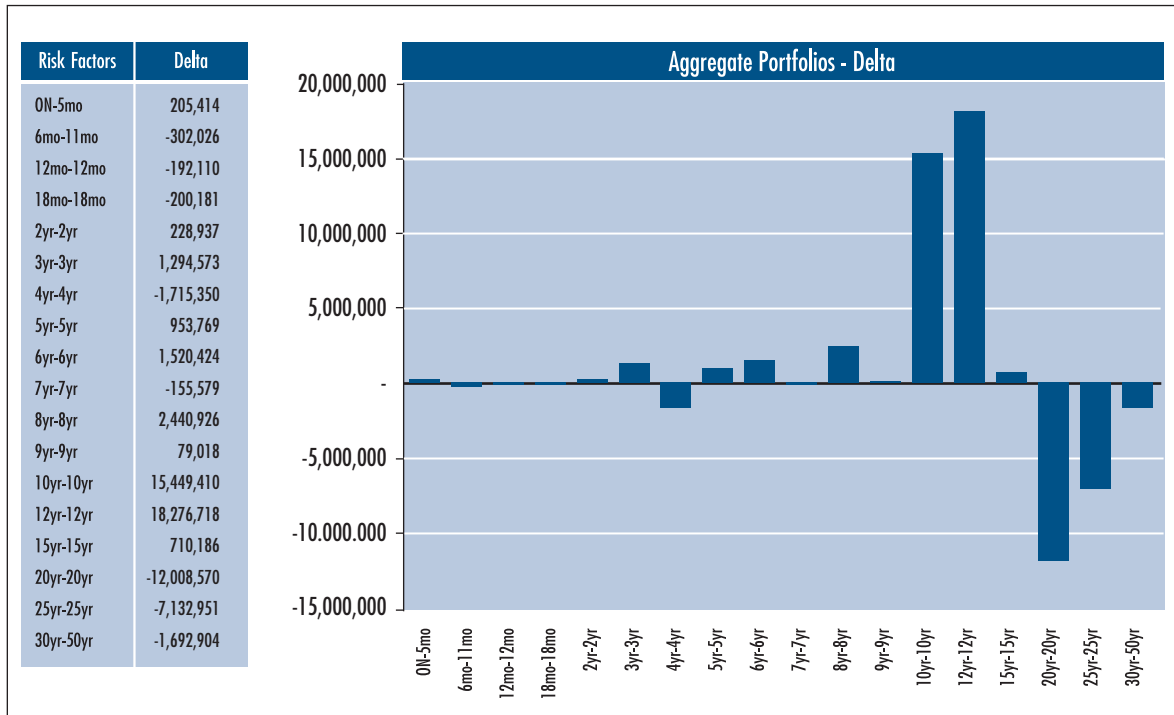
## QUANTITATIVE DISCLOSURES

### 1. Banking book: distribution of financial assets and liabilities by residual maturity (re-pricing date)

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

## Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2012



### 1.2.3 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, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies and possibly the granting of loans denominated in currencies other than the euro under the "Export Bank" system.

##### B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (currently 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. The exchange rate risk associated with the purchase of bonds denominated in foreign currencies (currently two securities in yen issued by the Republic of Italy) is hedged with cross currency swaps that transform CDP's cash flows into the equivalent of fixed-rate securities in euros.

## QUANTITATIVE DISCLOSURES

### 1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
<b>A. Financial assets</b>			<b>455,183</b>			
A.1 Debt securities			455,183			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
<b>B. Other assets</b>						
<b>C. Financial liabilities</b>	<b>284,760</b>		<b>115,892</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	284,760		115,892			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives:</b>						
- Options						
+ long positions	284,760		115,892			
+ short positions			455,183			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>	<b>284,760</b>		<b>571,075</b>			
<b>Total liabilities</b>	<b>284,760</b>		<b>571,075</b>			
<b>Difference (+/-)</b>	-		-			

## 1.2.4 Derivatives

### A. Financial derivatives

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

##### A.2.1 Hedging

(thousands of euros)

	31/12/2012		31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	15,653,890		19,320,282	
a) Options				
b) Swaps	15,653,890		19,320,282	
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	927,906		520,522	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	927,906		520,522	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>16,581,796</b>		<b>19,840,804</b>	
<b>Average values</b>	<b>18,211,300</b>		<b>20,564,195</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2012		31/12/2011	
	Over the counter	Other	Over the counter	Other
1. Debt securities and interest rates	1,785,727		899,080	
a) Options				
b) Swaps	1,705,727		899,080	
c) Forwards				
d) Futures				
e) Other	80,000			
2. Equity securities and equity indices	69,203,695		91,997,294	
a) Options	69,203,695		91,997,294	
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				
<b>Total</b>	<b>70,989,422</b>		<b>92,896,374</b>	
<b>Average values</b>	<b>81,942,898</b>		<b>93,042,190</b>	



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

(thousands of euros)

	Positive fair value			
	31/12/2012		31/12/2011	
	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	371,593		359,794	
a) Options				
b) Interest rate swaps	273,212		261,159	
c) Cross currency swaps	98,381		98,635	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	640,481		581,081	
a) Options	575,767		543,806	
b) Interest rate swaps	60,320		37,275	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	4,394			
<b>Total</b>	<b>1,012,074</b>		<b>940,875</b>	

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

(thousands of euros)

	Negative fair value			
	31/12/2012		31/12/2011	
	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	2,575,863		2,621,251	
a) Options				
b) Interest rate swaps	2,575,863		2,621,251	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	477,088		471,815	
a) Options	417,451		434,311	
b) Interest rate swaps	55,243		37,504	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other	4,394			
<b>Total</b>	<b>3,052,951</b>		<b>3,093,066</b>	

**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 governments agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Debt securities and interest rates</b>							
- notional value							40,000
- positive fair value							4,394
- negative fair value							
- future exposure							
<b>2. Equity securities and equity indices</b>							
- notional value							29,746,095
- positive fair value							
- negative fair value							413,529
- future exposure							
<b>3. Foreign currencies and gold</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
<b>4. Other</b>							
- 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 governments agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Debt securities and interest rates</b>							
- notional value			16,803,253	596,364			
- positive fair value			318,787	14,746			
- negative fair value			2,630,481	5,020			
<b>2. Equity securities and equity indices</b>							
- notional value			39,457,600				
- positive fair value			575,767				
- negative fair value			3,921				
<b>3. Foreign currencies and gold</b>							
- notional value			927,906				
- positive fair value			98,380				
- negative fair value							
<b>4. Other</b>							
- 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
<b>A. Supervisory trading book</b>				
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>B. Banking book</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	<b>87,571,218</b>
B.1 Financial derivatives on debt securities and interest rates	2,562,800	3,571,252	11,305,565	17,439,617
B.2 Financial derivatives on equity securities and equity indices	18,384,506	49,170,931	1,648,258	69,203,695
B.3 Financial derivatives on exchange rates and gold		399,784	528,122	927,906
B.4 Financial derivatives on other assets				
<b>Total at 31/12/2012</b>	<b>20,947,306</b>	<b>53,141,967</b>	<b>13,481,945</b>	<b>87,571,218</b>
<b>Total at 31/12/2011</b>	<b>18,198,494</b>	<b>72,961,083</b>	<b>21,577,601</b>	<b>112,737,178</b>

## 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 governments agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
<b>1. Bilateral financial derivatives agreements</b>							
- positive fair value			992,933			14,746	
- negative fair value			2,634,401			5,020	
- future exposure			430,837			316	
- net counterparty risk			405,884			251	
<b>2. Bilateral credit derivatives agreements</b>							
- positive fair value			-				
- negative fair value			-				
- future exposure							
- net counterparty risk							
<b>3. Cross product agreements</b>							
- positive fair value	-						
- negative fair value		-					
- future exposure							
- net counterparty risk							

## 1.3 Banking group - Liquidity risk

### QUALITATIVE DISCLOSURES

#### **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 RMA, together with a number of aggregates that represent CDP's capacity to cope with potential crisis situations.

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 the RMA.

Management of treasury activities by Finance enables CDP to raise funds 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: eur

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>1,916,916</b>	<b>504,250</b>	<b>236,038</b>	<b>2,482,516</b>	<b>521,331</b>	<b>5,721,018</b>	<b>7,492,153</b>	<b>33,759,463</b>	<b>80,811,454</b>	<b>447,906</b>
A.1 Government securities		4,250	232,250	350,000	268,718	881,607	885,593	9,001,915	11,529,712	
A.2 Other debt securities		500,000	3,788	2,102,400		5,131	90,299	365,561	595,969	
A.3 Units in collective investment undertakings	290,857									
A.4 Loans	1,626,059			30,116	252,613	4,834,280	6,516,261	24,391,987	68,685,773	447,906
- banks	1,087,629					783,888	1,320,082	4,563,966	2,375,959	447,906
- customers	538,430			30,116	252,613	4,050,392	5,196,179	19,828,021	66,309,814	
<b>On-balance-sheet liabilities</b>	<b>215,894,830</b>	<b>187,462</b>	<b>146,668</b>	<b>3,021,734</b>	<b>71,679</b>	<b>576,540</b>	<b>305,957</b>	<b>31,293,917</b>	<b>5,914,198</b>	<b>7,413,510</b>
B.1 Deposits and current accounts	215,813,142		10,018	23,010	34,677	61,926	132,929	1,117,137	2,286,237	
- banks	1,492,894		10,018	15,014						
- customers	214,320,248			7,996	34,677	61,926	132,929	1,117,137	2,286,237	
B.2 Debt securities				2,639,713	25,371	14,920	52,468	2,300,500	1,193,000	
B.3 Other liabilities	81,688	187,462	136,650	359,011	11,631	499,694	120,560	27,876,280	2,434,961	7,413,510
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			3,573	20,821	18,865	25,996	7,222	560,451	578,565	
- short positions			643	15,459	17,312	16,357	1,025	710,945	12,345	
C.2 Financial derivatives without exchange of principal										
- long positions					10,857					
- short positions				397		179,375	201,587	1,171,946	2,861,040	
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										15,261,783
- short positions	15,261,783									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

## 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
<b>On-balance-sheet assets</b>									<b>528,123</b>	
A.1 Government securities									528,123	
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			<b>532</b>		<b>633</b>	<b>659</b>	<b>1,808</b>	<b>399,784</b>		
B.1 Deposits and current accounts										
- banks										
- customers										
B.2 Debt securities			532		633	659	1,808	399,784		
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			532		633	659	1,808	399,784		
- short positions			394		364	629	1,034	8,258	531,723	
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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										



## 1.4 Banking group - Operational risks

### QUALITATIVE DISCLOSURES

#### General aspects, management and measurement of operational risks

##### *System for managing 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 no. 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.

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).

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).

### ***Loss data collection***

CDP has adopted a framework for loss data collection on operational losses incurred by the company and recognised through the income statement. The framework uses the “event guide” approach suggested by the Basel II Committee and adopted by the Italian Banking Association (ABI) in designing the Italian Operational Loss Database (DIPO).

The primary loss data collection actions performed by CDP 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.

Specific criteria were established for date of occurrence and amount thresholds for inclusion of loss events.

### ***Assessment of level of exposure to operational risks***

CDP has also developed a qualitative methodology for assessing the company’s exposure to operational risks. The objective is to use subjective assessments provided by internal resources (process owners and experts) to create a set of information that can be used to identify and assess those risks and obtain operational guidance for any appropriate mitigation actions.

The aim is to build a qualitative model to assess operational risks, based on past loss experience and prospective analysis.

The methodology adopted by CDP makes it possible to estimate:

- the absolute exposure to each risk identified in processes (inherent risk), i.e. the risk that would exist if the company had no internal controls;
- the residual exposure to each risk identified in processes (residual risk), i.e. the risk remaining following the implementation of controls;
- the effectiveness of controls in place.

The preparatory work for the assessment of the level of exposure to operational risks consists in mapping adverse events (risk mapping) that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The risk mapping of processes, which involves obtaining subjective estimates from process owners (self-assessment), is consequence of the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and assessing the advisability of taking targeted monitoring, control, prevention and mitigation actions.

The risk mapping process is structured into the following three sub-processes:

- identification of the potential types of operational risk events on the basis of the event types proposed by the Basel Committee;

- classification of the risk factors and loss event types in accordance with the models in the methodological framework;
- maintenance of the risk maps, with continuous updating in order to capture any changes in the company's operational context.

As regards the adverse events to be mapped, the risk map focuses special attention on compliance risk, on the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to Article 11 of Law 300 of 29 September 2000, published in *Gazzetta Ufficiale* no. 140 of 19 June 2001, arising in respect of criminal offenses committed by natural persons connected with the legal person in an employment relationships and who act in its interest), on the risk governed by Legislative Decree 231 of 21 November 2007 (Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as well as Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC) and on outsourcing risk.

For the self-assessment phase, connected with the identification of operational risks that could potentially produce unexpected losses for the company, interviews were conducted with CDP personnel in order to gain an understanding of their activities and the configuration of the internal environment.

The risk mapping process is based on two dimensions:

- corporate processes (broken down into sub-processes, phases and activities), that serve as guides in identifying adverse events that could generate material financial losses;
- the loss event types proposed by the Basel Committee.

The intersection of the two dimensions forms the basis for constructing, in collaboration with the units involved, a "risk-process" matrix, in which each cell specifies the potential risks to be assessed.

At CDP, the main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk unit:
  - recommends the methodologies and procedures for identifying risks;
  - controls and ensures correct application of the methodologies and procedures;
  - provides methodological and technical support for identifying risks;
  - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2. the process owners and experts:
  - identify and assess the main risks in the processes for which they are responsible;
  - regulatory monitor the evolution of those risks and the emergence of new risks;
3. the Compliance unit:
  - identifies compliance risk for internal and external regulations, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);

4. the Internal Auditing area:

- as part of its third-level controls, assesses the methodological framework of the risk mapping process, carrying out controls of the correct application of that framework;
- recommends the mapping of all risks that – while not identified by owners and experts – have been identified in corporate processes during audit activities;
- assesses the risk of commission of the criminal offenses referred to in Legislative Decree 231 of 8 June 2001.

The assessment of the exposure to operational risks enables the supplementation of historical loss data collection with subjective estimates whenever loss data – for specific processes – are not reliable and/or sufficiently abundant to be able to support the decision-making of top management concerning specific activities within the company's core business.

At the end of the assessment process, interventions are prioritised on the basis of the problem areas that have emerged and the "qualitative" rating assigned to each risk identified:

- "low" residual risk: optimal situation, low risk of operational losses;
- "medium" residual risk: signs of a potential adverse events with non-negligible operational losses;
- "high" residual risk: problem situation. More extensive investigation is necessary – including through additional risk mapping – in order to assess potential mitigation actions and the possibility of implementing new controls;
- "very high" residual risk: very high risk situation calling for prompt mitigation action.

Once estimated, the residual risk for each activity is monitored by the Operational Risk unit with the cooperation of the organisational units involved. More specifically, in order to monitor the exposure to the most significant operational risks, the Operational Risk unit only considers activities for which residual risk has been rated "very high", "high" or "medium" and, if necessary and in cooperation with the organizational units involved, develops mitigation recommendations to restructure or supplement existing procedures and controls.

A report is prepared for each procedure, consisting of three documents:

- a summary document presenting selected summary data;
- a detailed document, which reports all of the results of the analysis (the risks identified and the associated assessment of inherent risk, controls and residual risk) for each phase/activity in the process;
- a controls chart, which summarises all controls, both those incorporated in procedures and those that form part of operational practices.

## Section 2 - The risks of insurance undertakings

### 2.1 Insurance risks

The total exposure of SACE S.p.A., calculated as the sum of credit and guarantees issued (principal and interest) amounted to €32.9 billion, down 4.9% compared with the end of 2011, running counter to the trend at the end of previous years. This development is a direct consequence of a contraction in the guarantee portfolio (which accounts for 97.7% of the overall exposure), which decreased by 5.1% on the end of 2011. The total exposure in portfolio of SACE BT decreased by 0.9% to €38.5 billion.

(millions of euros)

Portafolio	2012	2011	Change
<b>SACE</b>	<b>32,937.28</b>	<b>34,645.85</b>	<b>-4.9%</b>
Outstanding guarantees	32,193.16	33,928.10	-5.1%
- principal	27,531.72	28,884.91	-4.7%
- interest	4,661.44	5,043.19	-7.6%
Performing credits	744.12	717.75	3.7%
<b>SACE BT</b>	<b>38,454.60</b>	<b>38,796.10</b>	<b>-0.9%</b>
Short-term credit	13,207.80	15,579.30	-3.0%
Surety Italy	7,255.60	7,478.90	-0.6%
Other property damage	17,991.10	15,737.90	14.3%

### SACE

The breakdown by geo-economic area shows an increase in the exposure to EU countries (37.2%, compared with 34.5% in 2011), especially Italy, which remained in first place in terms of concentration, with its share virtually unchanged. The exposure to "Other European countries and the CIS" rose (from 24.2% to 25.2%), as did that to "East Asia and Oceania" (from 9.7% to 10.3%). The share of the exposure to Sub-Saharan countries declined (from 1.8% to 1.3%) as did that to the Middle East and North Africa (from 17.7% to 14.1%). Exposures to the Americas were essentially unchanged (11.9%).

The proportion of credit in US dollars diminished compared with 2011, falling from 62% to 55%, while 45% of the SACE S.p.A.'s guarantee portfolio is denominated in that currency. The remainder of the exposure is in euros (44.5%), with a very small share (0.5%) in Swiss francs. The exchange rate risk in respect of the receivables portfolio and the guarantee portfolio is mitigated in part by the operational hedge

provided by the provision for unearned premiums and in part through asset-liability management techniques implemented by the company.

The breakdown by sector continues to present a high level of concentration, with the leading five sectors representing 67.8% of the overall private-sector portfolio. More specifically:

- oil & gas 26.0%;
- infrastructure and construction 16.0%;
- metal working 9.1%;
- cruise industry 8.4%;
- banks 8.3%.

The primary segment remains oil & gas, with an increase of 2.9% on 2011.

## **SACE BT**

### ***Credit insurance business***

The exposure of the Credit insurance business line – which is calculated as the amount insured less percentage deductibles – was equal to €13.2 billion, down 15.2%. The number of policies also diminished (-21.9%), as did the number of debtors (-18.2%). The average amount insured per debtor came to €75 thousand. The portfolio is primarily concentrated in EU countries (89.8%), with Italy accounting for 74.0%. The remaining exposure includes the Americas (3.2%), East Asia and Oceania (2.8%), other European countries and the CIS (2.4%), and Middle East and Africa (1.8%).

The leading sectors in this business are retail trade (10.0%), wholesale trade in consumer goods (7.9%), Agriculture (9.9%), specialised wholesale trade (9.8%) and construction and construction materials (8.9%).

### ***Surety business***

The exposure of the surety business, namely the amount insured, amounted to €7.3 billion, slightly down (-3.0%) on 2011. Guarantees in tenders represent 66.0% of the exposure, followed by guarantees for tax payments and reimbursements (30.4%).

The portfolio, represented by more than 37 thousand contracts, is concentrated in the north of Italy (66.1%) and the centre (23.9%).

### ***Other property damage business***

The nominal exposure of the other property damage business is equal to €18.0 billion. The effective exposure – calculated net of deductibles, percentage deductibles and indemnity limits – was €13.7 billion, essentially unchanged on the previous year (-0.6%). The number of policies outstanding came to 5,738, in line with 2011. Contracts for Construction All Risk and Erection All Risk coverage accounted for 58.8% of the portfolio, while Decennial Liability policies represent the remaining 41.2%.

## 2.2 Financial risks

Financial management consists of implementing an asset-liability management (ALM) strategy to ensure effective overall risk management. This activity confirmed that values were in line with the limits defined for each Group company and each type of investment.

These limits are fixed to ensure prudent and effective asset management, aimed at controlling portfolio risks and maintaining these within previously defined limits. Value-at-Risk models are used to quantify capital requirements.

*(millions of euros)*

Asset class	HTM	HFT	Total	%
Bonds	1,646.7	3,326.8	4,973.6	63.9
Units in collective investment undertakings	-	621.9	621.9	8.0
Shares	-	40.5	40.5	0.5
Money market	-	2,147.0	2,147.0	27.6
<b>Total</b>	<b>1,646.7</b>	<b>6,136.3</b>	<b>7,783.1</b>	<b>100</b>

Of the total portfolio, 63.9% is accounted for by bonds and notes, 8% by units in collective investment undertakings mainly invested in bonds or shares, 0.5% by shares and the remaining 27.6% by money market instruments.

With regard to the credit risk of its securities portfolio, the SACE Group pursues a prudent investment policy, setting limits on the types of financial instruments that can be used, on concentration by class and on the creditworthiness of the issuer.

SACE breakdown of securities portfolio by rating grade	%
AAA	1.2
AA+	0.9
AA	0.4
AA-	0.3
A+	0.2
A	0.9
A-	12
BBB+	18.2
BBB	60.4
Other	5.5

## Sensitivity analysis

During the year, sensitivity analysis is conducted for the Group's investment portfolio, specifically for bonds, shares and units in collective investment undertakings.

The sensitivity analysis of the securities portfolio was enhanced with new stress tests and new analysis scenarios calibrated on the basis of the most recent economic and financial developments. Stress tests were performed for simulated scenarios of rising and falling yield curves and equity prices. In addition, tests were also performed for scenarios with rising oil prices and an appreciation of the euro against the US dollar, with propagation and correlation effects. The results confirmed the strength of the portfolio even in situations of considerable strain in financial markets and on the main commodities.

Stress test	Impact o trading portfolio (milions of euros)	description of stress test
All Rates +100bp	-22	Explicit Factor Shocks
All Rates -100bp	23.3	Explicit Factor Shocks
Equities up 10%	15.8	Global/US/Europe/Asia & Japan market factors up 10%
Equities down 10%	-15.8	Global/US/Europe/Asia & Japan market factors down 10%
Oil Up 20%	5.7	Explicit Factor Shocks
EUR up 10% vs. USD (with propagation)	24.6	Euro up 10% against USD, with propagation to other currencies and correlation effect on equity factors

Scenario analyses also produced excellent results, confirming the soundness of adopting a highly prudent investment policy in an environment of dramatic shocks for financial markets.



Scenario analysis	Impact on trading portfolio (millions of euros)	Scenario description
Lehman Default - 2008	-55.4	Historical yields immediately following failure of Lehman Brothers in 2008.
Greece Financial Crisis - 2010	1.3	Greece was one of the fastest growth euro-area economies between 2000 and 2007. The cost of financing that growth, however, generated alarming budget deficits, which were especially high in relation to GDP. On 27 April 2010 the rating on Greek debt was lowered from BBB+ to BB+.
Oil Prices Drop - May 2010	0	Oil prices fall 20% on concerns over cuts in government budgets as a result of the economic crisis in Europe.
Russian Financial Crisis - 2008	-61.1	The war with Georgia and the rapid decline in oil prices raise fears of a recession.
Debt Ceiling Crisis & Downgrade 2011	7.5	The debt ceiling crisis in the United States and the consequent downgrade by S&P. The scenario reflects market variable for 17 days: from 22 July 2011 to 8 August 2011, the day the market began to react to the debt ceiling standoff.
VIX up scenario	-37.4	Historical scenario of the VIX between 5 July and 30 September 2011: from the minimum of 16.06 (5 July) to the peak of 42.96 (30 September).

As regards the non-current portfolio, the sensitivity analysis performed with the calculation of the basis point value generated a very low value (€0.60 million), down on that posted in 2011 (€0.65 million), confirming the wisdom of the prudent approach adopted for this portfolio as well.

## Section 3 - The risks of other entities

### *Terna Group*

As a normal part of operations, the Terna Group is exposed to a variety of financial risks: market risk (exchange rate risk, interest rate risk and inflation risk), liquidity risk, and credit risk.

Below, we provide information regarding the Terna Group's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to measure them.

Terna's risk management policies seek to identify and analyse the risks the Group is exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of the group companies.

The exposure of the Terna Group to the aforementioned risks is substantially represented by the exposure of the parent. As a part of the financial risk management policies approved by the board of directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits in managing them.

*(millions of euros)*

	2012			2011		
	Receivables	Hedging derivatives	Total	Receivables	Hedging derivatives	Total
<b>Assets</b>						
Financial derivatives	-	754.9	754.9	-	521.8	521.8
Cash, short-term deposits and intercompany loans	2,510.1	-	2,510.1	1,264.9	-	1,264.9
<b>Total</b>	<b>2,510.1</b>	<b>754.9</b>	<b>2,510.1</b>	<b>1,264.9</b>	<b>521.8</b>	<b>1,786.7</b>

(millions of euros)

	2012				2011			
	Debt	Loans	Hedging derivatives	Total	Debt	Loans	Hedging derivatives	Total
Liabilities								
Long-term debt	2,435.1	6,543.7	-	8,978.8	2,494.5	4,303.9	-	6,798.4
Financial derivatives	-	-	141.2	141.2	-	-	111.4	111.4
<b>Total</b>	<b>2,435.1</b>	<b>6,543.7</b>	<b>141.2</b>	<b>9,120.0</b>	<b>2,494.5</b>	<b>4,303.9</b>	<b>111.4</b>	<b>6,909.8</b>

## Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risks comprise three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must be performed with the objective of maximising financial income and minimising the related risks by selecting counterparties and instruments compatible with the corporate risk management policy. Speculative activity is not envisaged in the corporate mission.

Terna Group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to plan hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changes in market conditions or in the hedged item make the latter unsuitable or unduly expensive.

The concept of hedging transaction is not restricted to those hedges that qualify for hedge accounting, but rather encompasses the objective of total or partial hedging of the income statement or balance sheet item from interest rate risk.

All derivative contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, so that any change in the fair value and/or estimated cash flows of the contracts is offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position. The fair value of financial derivatives reflects the estimated amount that Terna S.p.A. would pay or receive in order to extinguish contracts at the closing date.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2) by means of appropriate valuation techniques for each category of financial instrument, using market data as at the closing date (such as interest rates, exchange rates, volatility) and discounting projected cash flows on the basis of the market yield curve and inflation at the reporting date.

The financial assets and liabilities in respect of derivative instruments in place during the year can be classified as:

- cash flow hedge derivatives, essentially related to hedging the risk of changes in the cash flows associated with long-term floating-rate loans;
- fair value hedge derivatives, essentially related to hedging the exposure to changes in the fair value of a financial asset or liability associated with fluctuations in interest rates (fixed-rate bonds).

### *Interest rate risk*

Interest rate risk is represented by the uncertainty associated with movements in interest rates that could have an impact on the fair value or future cash flows of financial instruments.

In conducting its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk is associated with items of net financial debt and the related hedging positions in derivative instruments that generate financial expense. Terna's borrowing strategy focuses on long-term loans whose term reflects the useful life of company assets. It also pursued an interest rate risk hedging policy that aims to reconcile this approach with the regulatory framework, which every four years establishes the cost of debt as part of the formula to set the return on the regulatory asset base (RAB).

Accordingly, the hedging instruments used, at various maturity dates, include both derivatives that transform fixed rates into floating rates and derivatives that transform floating rates into fixed rates.

In order to reduce the amount of financial debt exposed to the risk of fluctuations in interest rates and to optimise the temporal correlation between average cost of debt and regulatory rate used in the WACC formula, various types of plain vanilla derivatives are used, such as interest rate swaps.

Interest rate swaps are used both to reduce the volume of debt exposed to fluctuations in interest rates and to reduce the volatility of borrowing costs.

The following table reports the financial instruments subscribed by Terna, classified by type of interest rate (fixed or floating):

*(millions of euros)*

	Carrying amount 31/12/2012	Carrying amount 31/12/2011	Change
Fixed-rate financial instruments			
- assets	-	-	-
- liabilities	6,684.9	4,415.3	2,269.6
Floating-rate financial instruments			
- assets	3,265.0	1,786.7	1,478.3
- liabilities	2,435.1	2,494.5	-59.4
<b>Total</b>	<b>5,855.0</b>	<b>5,123.1</b>	<b>731.9</b>

### Sensitivity to interest rate risk

As regards the management of interest rate risk, Terna has, on the one hand, entered into fixed-to-floating interest rate swaps (FVH) to hedge the fair value of the fixed-rate bonds and, on the other, floating-to-fixed interest rate swaps (CFH) to hedge the expected cash flows in respect of all other floating-rate debt.

The following table reports the amounts recognised in profit or loss and in "other comprehensive income" in respect of positions sensitive to changes in interest rates, the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact of those changes recognisable in profit or loss and in "other comprehensive income". A hypothetical 10% variation in interest rates with respect to market interest rates at the reporting date has been assumed.

(millions of euros)

	Gain or loss			Equity		
	Current rates +10%	rates at 31/12/2012	Current rates -10%	Current rates +10%	rates at 31/12/2012	Current rates -10%
<b>31-dec-12</b>						
Positions sensitive to interest rates (FVH, bonds, CFH)	2.5	2.4	2.3	-138.7	-141.2	-143.7
Hypothetical change	0.1	-	-0.1	2.5	-	-2.5
<b>31-dec-11</b>						
Positions sensitive to interest rates (FVH, bonds, CFH)	2.9	2.2	1.7	-44.5	-47.1	-49.9
Hypothetical change	0.7	-	-0.5	2.6	-	-2.8

### Inflation risk

As regards inflation rate risk, the rates established by the regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. Such cost components are updated on an annual basis to take account of the impact of inflation. In 2007, the company used an inflation-linked bond issue to obtain an effective hedge of profit for the year: any decrease in expected revenues due to a decrease in the inflation rate would be offset by lower financial expense.

### Exchange rate risk

Generally Terna hedges exchange rate risk through the forward sale or purchase of currencies (forward contracts) or the use of options. Currency options give Terna the right or the obligation to buy or sell predetermined amounts of a currency at a specific exchange rate at the end of a specific period of time. Normally, both forward contracts and options have maturities of no more than 12 months.

Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

At 31 December 2012 (as at 31 December 2011), the Terna Group had no financial instruments exposed to exchange rate risk.

## Liquidity risk

The liquidity risk is the risk Terna might encounter difficulty in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of financial needs by obtaining adequate lines of credit and appropriate management of any surplus liquidity. At 31 December 2012 Terna had €500 million in medium-term credit lines and €664.7 million in short-term credit lines. The following table reports the repayment schedule for nominal long-term debt at 31 December 2012:

(millions of euros)

	Maturity	31/12/2012	Amount maturing within 12	Amount maturing after 12	2014	2015	2016	2017	Beyond
Bonds	2014-2024	1,600.0	-	1,600.0	600.0	-	-	-	1,000.0
Bonds IL	2023	561.7	-	561.7	-	-	-	-	561.7
Bonds PP	2019	600.0	-	600.0	-	-	-	-	600.0
Bonds 1250	2021	1,250.0	-	1,250.0	-	-	-	-	1,250.0
Bonds 1250	2017	1,250.0	-	1,250.0	-	-	-	1,250.0	-
Bonds 750	2018	750.0	-	750.0	-	-	-	-	750.0
<b>Total fixed rate</b>		<b>6,011.7</b>	<b>-</b>	<b>6,011.7</b>	<b>600.0</b>	<b>-</b>	<b>-</b>	<b>1,250.0</b>	<b>4,161.7</b>
EIB	2014-2030	1,285.7	69.4	1,216.3	79.1	77.0	85.1	96.9	878.2
Club Deal	2015	650.0	-	650.0	-	650.0	-	-	-
CDP	2019	500.0	-	500.0	-	-	-	-	500.0
<b>Total floating rate</b>		<b>2,435.7</b>	<b>69.4</b>	<b>2,366.3</b>	<b>79.1</b>	<b>727.0</b>	<b>85.1</b>	<b>96.9</b>	<b>1,378.2</b>
<b>Total</b>		<b>8,447.4</b>	<b>69.4</b>	<b>8,378.0</b>	<b>679.1</b>	<b>727.0</b>	<b>85.1</b>	<b>1,346.9</b>	<b>5,539.9</b>

## Credit risk

Credit risk is the risk a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by trade receivables and the financial investments of the company.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since the counterparties, in compliance with financial risk management policies, are leading international credit institutions with high ratings and such transactions are diversified in compliance with specific concentration limits.

Terna provides its services to counterparties considered solvent by the market, who therefore have a high credit standing, and does not have highly concentrated credit risk.

Credit risk management is guided by the provisions of Resolution no. 111/06 of the Authority for Electricity and Gas (the Authority), which, at Article 49, introduced instruments for the limitation of risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their revenues), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee defined by the Authority.

At the close of the year, the exposure was as follows:

*(millions of euros)*

	Carrying amount 31/12/2012	Carrying amount 31/12/2011	Change
FVH derivatives	754.9	521.8	233.1
Certificates of deposit	-	150.0	-150.0
Cash and cash equivalents	2,510.1	1,114.9	1,395.2
Trade receivables	1,884.1	1,684.0*	200.1
<b>Total</b>	<b>5,149.1</b>	<b>3,470.7</b>	<b>1,678.4</b>

\* 2011 reports the balance for the trade payables of the parent company Terna S.p.A., as it is more representative of the exposure to credit risk

The overall credit risk exposure at 31 December 2012 is represented by the carrying amount of financial assets (current and non-current), trade receivables and cash and cash equivalents.

The following tables provide quantitative information on receivables from customers that have not fallen due and have not suffered an impairment loss.

## Geographical distribution

(millions of euros)

	Carrying amount	
	2012	2011
Italy	1,854.6	1,654.2
Euro-area countries	4.5	27.2
Other countries	25.0	2.6
<b>Total</b>	<b>1,884.1</b>	<b>1,684.0</b>

## Customer type

(millions of euros)

	Carrying amount	
	2012	2011
Distributors (*)	380.9	243.4
Electricity Equalisation Fund (**)	216	131.3
Input dispatching contractors	227.9	229.4
Withdrawal dispatching contractors (non distributors)	917.1	1,000.20
Virtual import contractors and virtual import service (interconnectors and shippers)	18.9	12.5
Receivables from unregulated activities	123.3	67.2
<b>Total</b>	<b>1,884.1</b>	<b>1,684.0</b>

(\*) Includes receivable accrued in respect of Terna Rete Italian grid transmission fees

(\*\*) Of which € 212.9 million from volume effect on grid transmission fees

The following table breaks down customer receivables by expiry class, reporting any potential impairment:

(millions of euros)

	31/12/2012		31/12/2011	
	Impairment	Gross	Impairment	Gross
Not yet past due	0.0	1,491.5	0.0	1,560.0
0-30 days past due	0.0	321.0	0.0	50.0
31-120 days past due	-3.7	36.2	0.0	37.9
More than 120 days past due	-22.8	61.9	-23.6	59.7
<b>Total</b>	<b>26.5</b>	<b>1,910.6</b>	<b>-23.6</b>	<b>1,707.6</b>



Changes in the provision for doubtful trade accounts in the course of the year were as follows:

*(millions of euros)*

	<b>2012</b>	<b>2011</b>
Balance at 1 January	-23.6	-23.5
Reversal of provision	0.8	-
Impairment for the year	-3.7	-0.1
<b>Balance at 31 December</b>	<b>-26.5</b>	<b>-23.6</b>

The value of guarantees received from eligible electricity market customers is illustrated below:

*(millions of euros)*

	<b>2012</b>	<b>2011</b>
Input dispatching activity	240.9	254.6
Withdrawal dispatching activity	897.0	763.0
Grid transmission fees - distributors	169.7	174.8
Virtual imports	99.5	280.2
<b>Balance at 31 December</b>	<b>1407.1</b>	<b>1472.6</b>

## **Fintecna Group**

The following discusses the main risks to which the group is exposed, as well as the policies for their management. They are broken down into risks relating to the markets in which the subsidiaries and associated companies operate and financial risks.

### **Market risk**

A key element of achieving the group's objectives is effective management of risks and internal and external opportunities. The identification, analysis and measurement of the main risks is accompanied by actions to mitigate the impact or prevent the emergence of risk.

## **Risks associated with general economic conditions**

The performance and financial position of the group are influenced by macroeconomic conditions in Europe and North America (the main markets of the group and its main customers), such as GDP growth rates, consumer and business confidence, the credit system and the cost of raw materials. The group has continued to cut internal costs and enhance efficiency, while at the same time making use of the operational flexibility mechanisms envisaged in contracts and Italian law. In the shipbuilding sector in particular, it has launched a reorganisation plan that seeks to adjust the group's production capacity to changing conditions in the market and evolving demand forecasts.

## **Risks specific to the group's markets**

The group has operated for many years both in shipbuilding and in real estate, and has focused on providing products that make the most of its experience and know-how.

To defend its competitive position in the shipbuilding sector in particular, where it is most exposed to competitive pressures, the group has sought to maintain high manufacturing standards, which has entailed investment in the continuous training of technical staff, with a view to retaining key management personnel. In addition, it selects its strategic suppliers with care, while seeking new ways to optimise costs and achieve the technical and financial flexibility it needs to remain commercially competitive and broaden its customer base.

The performance of the Fincantieri group is also strongly influenced by the financial circumstances of its principal customers, good relations with which constitute one of the group's strengths.

## **Risks relating to property values**

Risks relating to property values are generated by fluctuations in the market value of certain properties, which are impacted by some of the difficulties of the sector. Recent external developments, which have been sharply impacted by the crisis of the real estate sector in recent years, have affected projects in the course of implementation, most notably partnerships with private-sector operators to leverage real estate holdings. The Fintecna Immobiliare Group finds itself dealing with a portfolio of property development projects during a lasting downturn in the market, which has deteriorated even further in recent months and shows no signs of recovery in the near future. In this environment, the main causes for concern regard the outcome of renegotiations of partnership debts falling due and the associated risk of private-sector partners withdrawing from the initiatives.

The group's policy seeks to minimise the impact of this risk by adapting its operational policies to leverage the real estate portfolio in the current more challenging market environment. Its options could even include the adoption of solutions other than those originally envisaged and precautionary budget measures.

## Compliance risk

The group is subject to the laws of the countries in which it operates. Any violation of these laws may result in civil, administrative and criminal penalties and the obligation to implement reorganisation measures. The associated costs and liabilities could have a negative impact on the group's operations and its performance. The group's activities are subject to, among other things, laws on environmental protection and workplace health and safety.

The group actively encourages compliance with all the laws to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. In particular, the measures contained in Legislative Decree 81/2008 (the Consolidated Workplace Health and Safety Act) as amended have been implemented in full.

## Exchange rate risk

Exposure to exchange rate risk is mostly associated with the Fincantieri Group's shipbuilding contracts denominated in foreign currencies and, to a small extent, the result of the sourcing of supplies priced in currencies other than the euro.

The group policy is designed to minimise the impact of exchange rate fluctuations on performance. The management of exchange rate risk, for which the group makes use of forward foreign currency purchase and/or sale contracts or option structures, is conducted consistently with developments in foreign exchange markets and with regard to the expected time horizon for foreign currency flows. Whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but focuses on larger amounts only in payments. Fincantieri has also carried out forward foreign currency purchases to hedge its exposure to the exchange-rate risk arising from a payment in Singapore dollars for the acquisition of a majority stake in STX OSV Holdings Ltd.

## Interest rate risk

Interest rate risk arises essentially from:

- the medium- and long-term financial liabilities of a number of joint ventures in the real estate sector in respect of floating-rate mortgages and loans obtained for the purchase of properties or for their development;
- a number of long-term loans taken out by the Fincantieri Group, on which interest rates are affected by developments in the money market.

The policy of these companies is to mitigate the possible impact of changes in key interest rates on performance. To this end, the group has entered into a number of derivative contracts (in some cases in compliance with the terms of the loan agreements with the lenders), whose notional amounts and maturities correspond to those of the hedged financial liabilities. These transactions are undertaken depending on developments in the financial markets and, therefore, with due regard to their cost-effectiveness.

## **Liquidity risk**

Liquidity risk refers to the group's ability to discharge its obligations in respect of financial liabilities. The financial resources of the group produce sufficient liquidity to manage these risks.

The treasury policy for the year was oriented mainly towards consolidating the improved return on liquidity, which was essentially achieved by generating gains on a disinvestment/reinvestment in government securities.

The group also channelled part of its liquidity into short-term instruments with leading financial institutions at the best money market rates. To ensure flexibility in treasury operations, the group also has a number of credit lines that, at the balance-sheet date, were only minimally drawn, given the group's current capacity for self-financing.

## **Other risks**

The group (i.e. mainly the parent company, and other group subsidiaries that carry out liquidation activities through special purpose entities that are accounted for in the consolidated financial statements using the equity method) is also exposed to the risks arising from on-going litigation, which is mostly related to the many companies already in liquidation that have come under its control over the years. Taking into consideration the complexity and considerable uncertainty of these situations, the directors, acting to the best available information and a prudent assessment of the circumstances, periodically update the evaluations of the adequacy of the provisions recognised in the financial statements. The liquid assets of the group are considered adequate to meet prospective cash requirements arising from legal disputes, while the group's medium-term investments are considered the ideal support for provisions.

## ***SIMEST***

SIMEST's financial risk management policy is primarily focused on its equity investment activity. In order to manage the associated risks, before investment proposals are brought to the attention of the SIMEST board for final approval, the Risk Management department of SIMEST conducts a thorough as-

assessment of the proposals, both with regard to the company proposing the investment and the investment itself, in order to reduce the financial/credit risk exposure involved.

Following the risk assessment and approval of the proposal by the SIMEST board, the specification and completion of the agreement with the partner may proceed, in accordance with the guidelines and instructions set out by the board. At the acquisition stage, all related information, board instructions and guarantees are verified.

As regards the direct commitments of the Italian partners to repurchase SIMEST's stake in the equity investments and of third-party guarantors, at 31 December 2012 direct commitments of Italian partners not secured by bank or insurance guarantees totalled €248.8 million. Of the total, €155.0 million regarded commitments not secured by third-party guarantees (of which €1.2 million regarding equity investments involving the participation of leading Italian banks) and €93.8 million regarded commitments secured by corporate sureties.

Repurchase commitments secured by bank or insurance guarantees amounted to €118.0 million.

The partners repurchase commitments break down as follows:

	<i>(millions of euros; %)</i>	
	<b>31/12/2012</b>	
Unsecured commitments	41.8%	155
Commitments secured by corporate sureties	25.3%	93.8
Commitments secured by:		
- bank sureties	31.6%	116.6
- insurance guarantees	0.0%	0.2
- guarantee consortiums	0.3%	1.2
Commitments secured by rights in real property	1.0%	3.7
<b>Total</b>	<b>100.0%</b>	<b>370.5</b>

Financial/credit risk is mitigated through monitoring of the Italian partners and the investee company, using periodic financial reporting and management information.

Price risk and foreign exchange risk in respect of equity investments are eliminated using contractual language guaranteeing that SIMEST will recoup its investment at the price paid in euros for the acquisition.

Liquidity risk and interest rate risk are monitored constantly using a cash flow analysis approach, especially for equity investments, taking due account of the possibility of regulating inward flows from equity investments with options and outward flows by regulating payments to the individual investees. This monitoring activity has enabled SIMEST to obtain on good terms and conditions (taking account of the

rating assigned by financial institutions to SIMEST) credit lines totalling €140 million, considerably more than the amount needed to manage company cash flows. Drawings on the credit lines at 31 December 2012 amounted to about €89.7 million.

In order to balance sources and uses of funds, taking account of the need for financial balance associated with the cycle of acquisitions and disposals of equity investments, two derivatives contracts were obtained to hedge the medium/long-term (5 years) interest rate risk on two short-term credit lines in the total amount of €40.0 million. From an operational point of view, the operation will stabilise the cost of funding (at about 2.3%) at a lower level than otherwise obtainable: market terms at the time the transaction was executed on a financing agreement of the same maturity (5 years) would have been about 250/300 basis points higher. The transaction, which was carried out with a very reliable bank (also a SIMEST shareholder and SIMEST's treasury services bank), thereby ensures a significant spread between the cost of funds and the return on the equity investment for the medium/long-term, all on better terms than an equivalent 5-year loan or similar transaction in this market environment.

In other matters concerning interest rate risk, the quantification of the gain on equity investments is managed flexibly over time, taking account of market developments. This flexible approach seeks to achieve an appropriate average return on investments that is sufficient to absorb the impact of changes in borrowing rates over the short, medium and long term.

## PART F - CONSOLIDATED CAPITAL

### SECTION 1 – CONSOLIDATED CAPITAL

#### QUALITATIVE DISCLOSURES

Pending the issuance of specific measures in this area by the Bank of Italy, the parent company is subject to “informational” supervision only.

Accordingly, in 2012, in agreement with the Bank of Italy, the CDP Group did not calculate supervisory capital or the related supervisory capital requirements.

# PART G - BUSINESS COMBINATIONS

## SECTION 1 - BUSINESS COMBINATIONS CARRIED OUT DURING THE YEAR

### 1.1 Business combinations

(millions of euros)

Company names	Date of transaction	(1)	(2)
SACE S.p.A.	09/11/2012	2,500	100%
Fintecna S.p.A.	09/11/2012	6,050	100%
Simest S.p.A.	09/11/2012	233	76%

**Key**

(1) = Cost

(2) = Percentage of voting rights in ordinary shareholders' meeting

The scope of consolidation of CDP expanded considerably in 2012 with the acquisition from the MEF of 100% of SACE and Fintecna and 76% of SIMEST from the Ministry for Economic Development.

The transactions were carried out as follows:

- on 9 November 2012, a total of €5.4 billion were paid as the provisional price, of which €3,721 million for SACE, €109.3 million for SIMEST and €1,592 million for Fintecna. At the same time, the shares and title were transferred;
- for SACE and SIMEST, on 28 December 2012 an additional payment was made paid pursuant to the Decree of the Minister for the Economy and Finance of 28 December 2012, which set the final price at €6,050 million for SACE and €232.5 million for SIMEST;
- the payment of the balance for the Fintecna acquisition will take place in 2013. Pending the decree of the Minister for the Economy and Finance that will set the final price, the equity investment has been recognised in the amount of €2.5 billion on the basis of the best available estimate of the final price.

In view of the fact that the transaction was completed close to the end of the year and given the structure of the operation, which involved the transfer of share prior to the determination of the price, at 31 December 2012 only the balance sheets of the acquirees have been consolidated.

It is felt that the final prices of SACE and SIMEST were calculated, or will be calculated in the case of Fintecna, using an approach that reflects the results of the companies in the period between the transfer of control and the date of the MEF decrees that set, or will set, the final prices.



Accordingly, in the 2012 financial statements the new companies make no contribution to the overall performance of the CDP Group.

In compliance with IFRS 3, paragraph 45, the purchase price allocation process for the acquirees referred to above will be completed within twelve months of the acquisition date. On a provisional basis, the negative difference between the purchase price and the equity of the acquirees, net of any goodwill recognised in their financial statements, has been recognised under liabilities, at item 100 "Other liabilities".

## SECTION 2 - BUSINESS COMBINATIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

### 2.1 Business combinations completed after december 31, 2012

*(millions of euros)*

Company names	Date of transaction	(1)	(2)	(3)	(4)
STX OSV	23/01/2013	455	51%	11,258	889

**Key**

- (1) = Cost
- (2) = Percentage of voting rights in ordinary shareholders' meeting
- (3) = Total group revenues
- (4) = Net group profit (loss)

In January 2013, Fincantieri completed the acquisition of a majority interest in STX OSV, which is listed on the Singapore Stock Exchange. STX OSV (Offshore Support Vessel) is a major company specialising in the construction of support vessels for oil extraction and distribution. STX OSV has about 9,200 employees and 10 shipyards around the world (5 in Norway, 2 in Romania, 1 in Vietnam and 1 in Brazil, as well as another yard under construction). On 13 February 2013 the offer document was filed for the tender for the remaining shares, launched in compliance with the rules of the Singapore Stock Exchange, with per-share price of 1.22 Singapore dollars. At the close of the tender, 13 March 2013, acceptances amounted to 4.88%, bringing the overall stake to 55.63%.

# PART H - TRANSACTIONS WITH RELATED PARTIES

## 1. Information on the compensation of key management personnel

The following table reports the compensation paid in 2012 to member of the Board of Directors, Board of Auditors and key management personnel of the parent company and the wholly-owned subsidiaries.

### Remuneration of group Board of Directors and Board of Auditors

*(thousands of euros)*

	Board of Directors	Board of Auditors	Key management personnel
a) short-term benefits	9,077	1,040	17,526
b) post-employment benefits			418
c) other long-term benefits			1,953
d) severance benefits	280		8
e) share-based payments			
<b>Total</b>	<b>9,357</b>	<b>1,040</b>	<b>19,905</b>

## 2. Information on transactions with related parties

Certain transactions between the CDP Group 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, the CDP Group 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 the CDP Group's ordinary operations.

The following table reports assets, liabilities, revenues and costs in respect of transaction in 2012 with the Ministry for the Economy and Finance, Poste Italiane S.p.A. and companies subject to significant influence and joint ventures.

## Transactions with related parties

(thousands of euros)

Name	Assets	Liabilities	Off balance Sheet	Costs / revenues
Bonafous S.p.A.	2,699			
Cinque Cerchi S.p.A.	10,788			
Consorzio Edinca in liquidazione	165	7		
Consorzio Edinsud in liquidazione	327	51		
Consorzio INCOMIR		1		
Eni S.p.A.	702	883,076	479	(5,638)
Etihad Ship Building LLC	462			
Italia Turismo S.p.A.	28,774	10		
Ligestra DUE S.r.l.	156,377			
Ligestra S.r.l.	99,738			
Ligestra TRE S.r.l.	35			
Ministero dell'Economia e delle Finanze	196,482,124	2,696,529		7,711,708
OMSAV S.p.A. in fallimento		80		
Orizzonte Sistemi Navali S.p.A.	10,444	129,303	64,289	
Pentagramma Romagna S.p.A.	2,569			
Poste Italiane S.p.A.	3,071,578	939,647		(1,611,360)
Quadrifoglio Brescia S.p.A.	4,763			
Quadrifoglio Genova S.p.A.	2,799			
Quadrifoglio Piacenza S.p.A.	1,932			
Quadrifoglio Verona S.p.A.	3,575			
TAG	225,912		75,733	6,427
Valcomp Tre S.p.A.	17,075	8		
Cagliari 89 Scarl in liquidazione	1,165	1,040		
COEDAM Scarl in liquidazione	3,423			
Consorzio Aerest in liquidazione	6,794	4,498		
Consorzio Codelsa in liquidazione	133	153		
Consorzio G1	69	262		
Consorzio IMAFID in liquidazione		51		
Consorzio Italtecnasud in liquidazione	3,957	60		
Consorzio MED.IN. in liquidazione	526	268		
Ligestra QUATTRO S.r.l.	1			
Tirrenia di Navigazione S.p.A. in amm.ne straord.	10,751		516	
Alfiere S.p.A.	24,810			
M.T. Manifattura Tabacchi S.p.A.	3,805			
Manifatture Milano S.p.A.	11,252			
Pentagramma Perugia S.p.A.	870			
Pentagramma Piemonte S.p.A.	9,656			
Quadrifoglio Modena S.p.A.	4,742			
Residenziale Immobiliare 2004 S.p.A.	48,382	1		
Consorzio Condif in liquidazione		11		
Edilmagliana Scarl in liquidazione	936	39		
CESI S.p.A.	14,384	771		(1,205)
Europrogetti & Finanza S.p.A. in liquidazione	2,456		1,455	
Snam SpA	402,634			2,734

In addition, during the year, the subsidiary CDP RETI acquired an interest of 30% less one share in the voting capital of SNAM from ENI for about €3,517 million.

## PART I - SHARE-BASED PAYMENTS

No share-based payment agreements were entered into in 2012 and plans from previous years expired.

## PART L - OPERATING SEGMENTS

This section of the notes to the consolidated 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.

Operating segment disclosures are presented by separating the contribution of financial operations (CDP, CDPI SGR, SACE Group, SIMEST and FSI) from that of non-financial operations (Terna Group, Fintecna Group, CDP RETI and CDP GAS).

As regards the organisational structure of CDP, the contribution of the main areas to the formation of the income statement and the balance sheet of the parent company is specified below.

### **Finance area of the parent company**

Treasury operations and funding activities are managed by the Finance area, which is responsible for meeting the CDP's funding needs. It is also responsible for sourcing, investing and monitoring liquidity. The area also structures products and funding and lending operations, setting the financial terms and conditions and ensuring the balance of the cost of funding and yields on lending. It also contributes to strategic Asset Liability Management and manages financial risk at the operational level, including through access to the market and use of hedging instruments.

### **Public Entities area of the parent company**

Lending to public entities and public-law bodies is mainly conducted by the Public Entities area 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.

### **Other areas of the parent company**

This aggregate comprises:

- the Public Interest Lending area of the parent company, which intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified;

- the Financing area, which is involved in lending (using funding not guaranteed by the state or with EIB funds), on a project or corporate finance basis, for investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (energy, multi-utilities, local public transport, health care);
- the Facilitated Credit and Economic Support area, which is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP;
- equity investments (partially eliminated at the consolidated level), as well as the costs of other functions and costs and revenues not otherwise attributable.

Under the provision of IFRS 8, the parent company has not given a separate breakdown of the results of its other areas as they do not meet the materiality thresholds provided for such reporting.

### **Construction of the balance sheet by area**

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual 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 other treasury investments” represent the stock of assets related to the specific operating activities of each area. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Finance area.

Notional funding between parent company areas is not reported separately in the detailed schedules as it is eliminated between areas.

### **Construction of the income statement by business area**

The operating result of the areas of the parent company was constructed on the basis of the following criteria.

As regards net interest income, the contribution of each area of the parent company 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 and funding.

For the other aggregates of the income statement, each area is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs is allocated to each business unit on the basis of their actual use of resources or services.

### **Financial operations (excluding the parent company) and non-financial operations of the Group**

In view of the different nature of the business of CDPI SGR, SACE Group, SIMEST and FSI on the one hand and that of Terna Group, Fintecna Group, CDP RETI and CDP GAS on the other, those companies have been grouped respectively into the aggregates "financial operations" and "non-financial operations".

Accordingly, the reclassified balance sheet and income statement at 31 December 2012 have been constructed on the basis of the respective separate financial statements (for CDP, CDPI SGR, SIMEST, FSI, CDP RETI and CDP GAS) or consolidated financial statements (Terna Group, SACE Group, Fintecna Group), aggregating their accounts as indicated above and reporting the effects of consolidation for CDP in the column "Eliminations/adjustments".

## Reclassified balance sheet

(thousands of euros)

	Parent company			Financial operation (excl. parent company)	Non-financial operation	Elimination/ adjustment	Total CDP Group
	Finance	Public entities	Other Areas				
Cash and cash equivalents and other treasury investments	139,029,087	-	32,525	2,536,189	4,788,226	(1,726,956)	144,659,071
Loans to customers and banks	1,500,520	83,953,251	15,054,167	2,423,209	605,387	(753,593)	102,782,942
Debt securities	24,346,908	-	-	4,955,606	1,534,500	(107,046)	30,729,967
Equity investments and shares	-	-	30,569,623	290,634	4,522,445	(14,092,386)	21,290,316
Funding	252,877,592	-	29,457,638	215,900	9,776,012	(2,589,123)	289,738,020
- of which: postal funding	205,917,207	-	27,713,576	-	-	-	233,630,783
- of which: funding from banks	32,242,210	-	-	140,322	2,250,799	-	34,633,331
- of which: funding from customers	9,147,245	-	908,019	75,578	1,735,714	(2,470,848)	9,395,708
- of which: funding from bonds	5,570,930	-	836,044	-	5,789,499	(118,275)	12,078,198

## Reclassified income statement

(thousands of euros)

	Parent company			Financial operation (excl. parent company)	Non-financial operation	Total CDP Group
	Finance	Public entities	Other Areas			
<b>Net interest income</b>	<b>3,612,246</b>	<b>354,528</b>	<b>(436,131)</b>	<b>235</b>	<b>(82,354)</b>	<b>3,448,524</b>
Dividends	-	-	401	-	-	401
Net commission income	(1,526,365)	3,133	(88,546)	10,038	(1,169)	(1,602,910)
Other net revenues	170,479	-	163	(9)	(5,152)	165,481
<b>Gross income</b>	<b>2,256,360</b>	<b>357,661</b>	<b>(524,113)</b>	<b>10,264</b>	<b>(88,676)</b>	<b>2,011,496</b>
Net writedowns	-	(192)	(22,693)	-	-	(22,885)
Overheads	(7,571)	(5,900)	(97,352)	(12,637)	(873,419)	(996,879)
- of which: administrative expenses	(7,571)	(5,900)	(89,662)	(12,618)	(407,624)	(523,375)
<b>Operating income</b>	<b>2,248,789</b>	<b>351,900</b>	<b>(634,900)</b>	<b>(2,336)</b>	<b>1,299,620</b>	<b>3,263,073</b>
Profit on equity investments	-	-	1,476,457	-	151,501	1,627,958
<b>Net income (loss)</b>						<b>3,231,815</b>
Net income (loss) for the year pertaining to non-controlling interests						307,897
<b>Net income (loss) for the year pertaining to shareholders of the parent company</b>						<b>2,923,918</b>



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## **Annexes**

Annex 1

Scope of consolidation

# Annex 1

## PARENT COMPANY

Registered office	
Cassa depositi e prestiti S.p.A.	Rome

## CONSOLIDATED COMPANIES

	Registered office	Investor	% holding	Method of consolidation
Ace Marine LLC	Wisconsin - WI - USA	Fincantieri Marine Group LLC	100.00%	line-by-line
Alfiere S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Alforni e Ferriere di Servola S.p.A. in A.C.	Udine	Fintecna S.p.A.	47.62%	equity
ATI (African Trade Insurance Agency)	Nairobi (K)	SACE S.p.A.	6.41%	equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	line-by-line
Bonafous S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	line-by-line
CDP RETI S.r.l.	Rome	CDP S.p.A.	100.00%	line-by-line
Centro per gli Studi di Tecnica Navale CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	line-by-line
		Seaf S.p.A.	15.00%	line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	equity
Cinque Cerchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Consorzio CONDIF in liquidazione	Rome	Fintecna Immobiliare S.r.l.	33.33%	equity
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	38.80%	equity
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	50.00%	equity
Consorzio Incomir	Mercogliano (AV)	Fintecna S.p.A.	45.46%	equity
CORESO S.A.	Brussels (B)	Terna S.p.A.	22.49%	equity
CrnoGorski Elektroprenosni AD ("CGES")	Podgorica (MME)	Terna S.p.A.	22.09%	equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	51.00%	line-by-line
Edilmagliana 89 S.c.a r.l. in liquidazione	Rome	Fintecna S.p.A.	50.00%	equity
ELMED ETUDES S.à.r.l.	Tunis (TN)	Terna S.p.A.	50.00%	equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	equity
Ethad Ship Building LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	equity
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	equity
Fincantieri do Brasil Participações S.A.	Brazil	Fincantieri S.p.A.	80.00%	line-by-line
		Fincantieri Holding B.V.	20.00%	line-by-line
Fincantieri Holding B.V.	Amsterdam - NL	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI - USA	Fincantieri USA Inc.	87.44%	line-by-line
Fincantieri Marine Group LLC	Marinette - WI - USA	Fincantieri Marine Group Holdings Inc.	100.00%	line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI - USA	Fincantieri Holding B.V.	100.00%	line-by-line
Fincantieri Oil & Gas S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
Fincantieri S.p.A.	Trieste	Fintecna S.p.A.	99.36%	line-by-line
Fincantieri USA Inc.	Wilmington - DE - USA	Fincantieri S.p.A.	86.02%	line-by-line
Fintecna Immobiliare S.r.l.	Rome	Fintecna S.p.A.	100.00%	line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
FMSNA YK	Sasebo - Nagasaki - Giappone	Fincantieri Marine Systems North America Inc.	100.00%	line-by-line
Fonderit Etruria S.r.l. in fallimento	Campiglia M. (LI)	Fintecna S.p.A.	36.25%	equity

**CONSOLIDATED COMPANIES**

	Registered office	Investor	% holding	Method of consolidation
Fondo Strategico Italiano S.p.A	Milan	CDP S.p.A.	90.00%	line-by-line
		Fintecna S.p.A.	10.00%	line-by-line
Galaxy S.à.r.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	equity
Gestione Bacini La Spezia S.p.A.	Muggiano (SP)	Fincantieri S.p.A.	99.89%	line-by-line
Giardino Tiburtino S.p.A.	Rome	Fintecna Immobiliare S.r.l.	100.00%	line-by-line
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	line-by-line
Italia Turismo S.p.A.	Rome	Fintecna Immobiliare S.r.l.	42.00%	equity
Kedrion Group S.p.A.	Castelvecchio Pascoli (LU)	FSI S.p.A.	18.63%	equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	equity
Manifatture Milano S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Marinette Marine Corporation LLC	Wisconsin - WI - USA	Fincantieri Marine Group LLC	100.00%	line-by-line
Metroweb Italia S.p.A.	Milan	FSI S.p.A.	46.17%	equity
MT - Manifattura Tabacchi S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.A.	30.00%	equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	equity
Pentagramma Perugia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Pentagramma Piemonte S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Pentagramma Romagna S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrante S.p.A.	Rome	Fintecna S.p.A.	100.00%	line-by-line
Quadrifoglio Brescia S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Genova S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Modena S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio Palermo S.r.l.	Rome	Fintecna Immobiliare S.r.l.	100.00%	line-by-line
Quadrifoglio Piacenza S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Quadrifoglio R.E. S.r.l.	Rome	Fintecna Immobiliare S.r.l.	100.00%	line-by-line
Quadrifoglio Verona S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Residenziale Immobiliare 2004 S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Rete Solare S.r.l.	Rome	SunTergrid S.p.A.	100.00%	line-by-line
S.P.S. S.c.p.a. in fallimento	Rome	Fintecna S.p.A.	20.40%	equity
SACE BT S.p.A.	Rome	SACE S.p.A.	100.00%	line-by-line
SACE Fct S.p.A.	Rome	SACE S.p.A.	100.00%	line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	line-by-line
SACE SRV S.r.l.	Rome	SACE BT S.p.A.	100.00%	line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	50.00%	line-by-line
Simest S.p.A.	Rome	CDP S.p.A.	76.01%	line-by-line
Snam S.p.A.	San Donato Milanese (MI)	CDP RETI S.r.l.	30.00%	equity
Soc. Sviluppo Turistico Culturale Golfo di Napoli S.c.a r.l.	Naples	Fintecna Immobiliare S.r.l.	25.00%	equity
Società per l'esercizio di attività finanziarie SEAF S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	line-by-line
SunTergrid S.p.A.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna Crna Gora	Podgorica (MME)	Terna S.p.A.	100.00%	line-by-line
Terna Plus S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna Rete Italia S.p.A.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna Rete Italia S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Terna S.p.A.	Rome	CDP S.p.A.	29.85%	line-by-line
Terna Storage S.r.l.	Rome	Terna S.p.A.	100.00%	line-by-line
Trans Austria Gasleitung GmbH	Vienna (A)	CDP GAS S.r.l.	89.00%	equity
Valcomp Tre S.p.A.	Rome	Fintecna Immobiliare S.r.l.	50.00%	equity
Valcomp Uno S.r.l.	Rome	Fintecna Immobiliare S.r.l.	100.00%	line-by-line
XXI Aprile S.r.l.	Rome	Fintecna S.p.A.	100.00%	line-by-line

CDP S.p.A.



**2012 Annual Report**

**Report of the independent auditors**



**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 consolidated financial statements of Cassa Depositi e Prestiti SpA and its subsidiaries ("Cassa Depositi e Prestiti Group") as of 31 December 2012 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 the 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 consolidated 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 consolidated 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.  
  
For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 24 April 2012.
- 3 In our opinion, the consolidated financial statements of the Cassa Depositi e Prestiti Group as of 31 December 2012 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 the Cassa Depositi e Prestiti Group 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

**PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro I.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 095753231 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001

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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 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 consolidated financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2012.

Rome, 27 March 2013

PricewaterhouseCoopers SpA

*Signed by*

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.



**2012 Annual Report**

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

## Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 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 consolidated financial statements in 2012.

**2.** In this regard:

**2.1** the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the consolidated financial statements at 31 December 2012 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 2012 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 of the parent company, which requires further activities for its completion.

**3.** In addition, we certify that:

**3.1** the consolidated 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 and the companies included in the scope of consolidation;

**3.2** the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 27 March 2013

Chief Executive Officer  
*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager  
*/signature/Andrea Novelli*



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