



Cassa  
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ANNUAL REPORT

2014





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## **ANNUAL REPORT 2014**

**Parent Company of the CDP Group**

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  
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(Translation from the Italian original)

## ANNUAL REPORT 2014

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## ANNUAL REPORT 2014



Introduction

# Role and mission of the CDP Group

## PRESENTATION OF THE CDP GROUP

The CDP Group (the “Group”) works to support growth in Italy. It employs its resources – mainly funded through its management of postal savings (postal savings bonds and postal passbook savings accounts) – in accordance with its institutional mission, in its capacity as a:

- leader financier of investments by the public administration;
- catalyst for infrastructure development;
- key player in supporting the Italian economy and business system.

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.

## COMPOSITION OF THE CDP GROUP

In addition to the Parent Company and its associates, the Group includes: CDP GAS S.r.l. (“CDP GAS”), CDP Immobiliare S.r.l. (“CDP Immobiliare”), CDP Reti S.p.A. (“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”), Quadrante S.p.A. (“Quadrante”), SACE S.p.A. (“SACE”), Simest S.p.A. (“SIMEST”), and their subsidiaries and associates, as well as the Plus and Extra segments of the real estate fund Fondo Investimenti per la Valorizzazione (“FIV”).

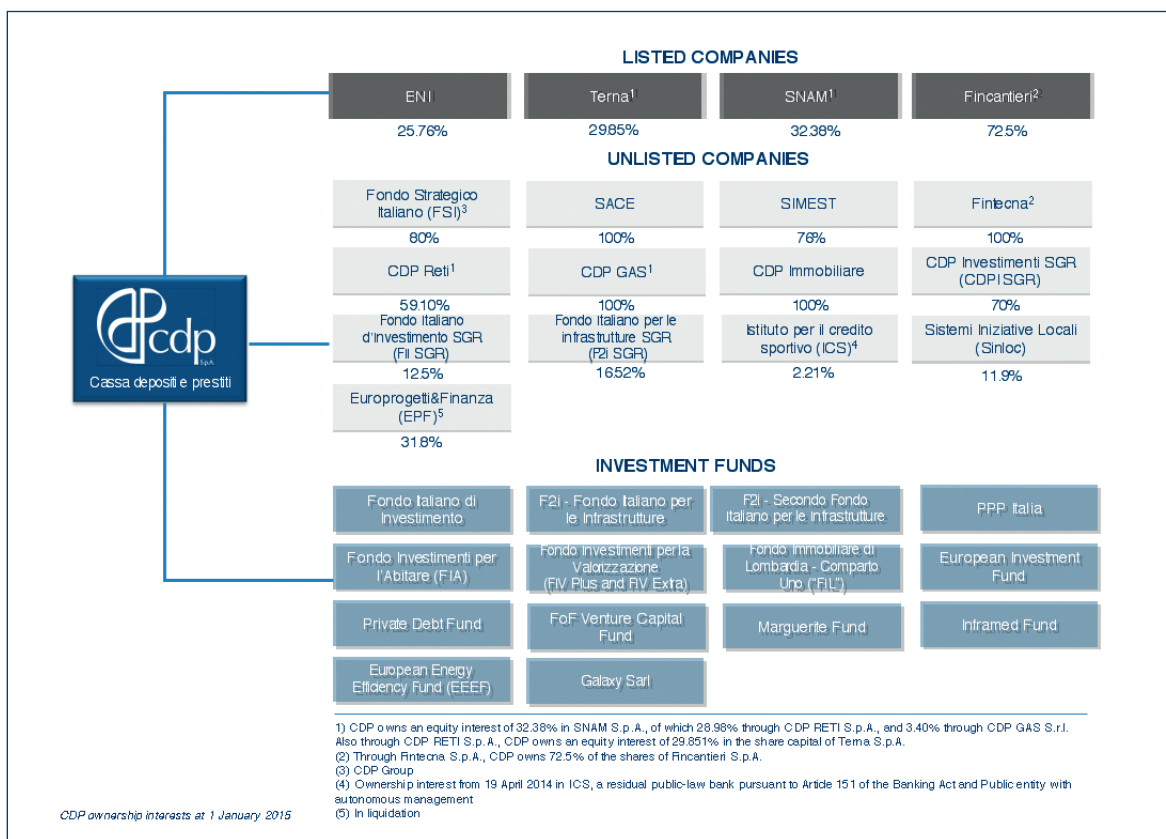
CDP performs management and coordination activities intended to coordinate the actions of the subsidiaries and CDP in the interest of the Group with regard to the following companies: CDP GAS, CDP



Immobiliare, CDP Reti, CDPI SGR, Fintecna, FSI, Quadrante, SACE and SIMEST. The companies subject to the management and coordination of the Parent Company are shown below.



CDP is also the main shareholder in listed and non-listed companies, and has significant stakes in private equity funds. A list of CDP's main equity investments are shown below.



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

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

The change in the scope of consolidation over the period refers mainly but not exclusively to the completion of transactions set out in the Group's 2013-2015 Business Plan. In particular:

- the transfer of CDP's entire equity investment in Terna S.p.A. ("Terna") to CDP Reti and the disposal to third parties of a 40.9% stake in the vehicle;
- the transfer of CDP GAS's entire equity investment in TAG GmbH ("TAG") to SNAM S.p.A. ("SNAM") via contribution in kind as part of a reserved share capital increase;
- the admission as of 3 July 2014 of the shares of Fincantieri S.p.A. ("Fincantieri") to the Mercato Telematico Azionario, an electronic stock market managed by Borsa Italiana, through a public sale and subscription offer (OPVS). Fintecna's stake in the share capital of Fincantieri therefore fell to 72.51% and may be further reduced in 2015 to 71.3% (in the event of full exercise of the share bonus);

- the full line-by-line consolidation of SNAM in accordance with the requirements of IFRS 10 - "Consolidated Financial Statements";
- the first time consolidation of the earnings of Ansaldo Energia S.p.A. ("Ansaldo Energia"), 40% of which was sold to Shanghai Electric Corporation ("SEC");
- the formation in the month of May of FSIA Investimenti S.r.l. ("FSIA"), an investment vehicle owned 100% by FSI, through which the 42.255% interest in SIA S.p.A. ("SIA") was acquired;
- the formation in the month of June of FSI Investimenti S.p.A. ("FSI Investimenti"), a co-investment joint-stock company, 77% of which is held by FSI and 23% of which is held by the Kuwait Investment Authority ("KIA");
- the conclusion on 20 May 2014 of the agreement for the acquisition by Terna Plus S.r.l. of the entire share capital of Tamini Trasformatori S.r.l. and the companies it controls;
- the formation on 23 July 2014 by Terna and the subsidiary Terna Rete Italia S.p.A. of the company Terna Interconnector S.r.l.

## HISTORY OF THE CDP GROUP

CDP was established in Turin in 1850 – more than 160 years ago – in the form of an Institution. Initially, its function was to receive deposits as a "place of public trust". From 1857, its activities were expanded by Royal Decree to include funding of public entities.

Postal savings passbooks were created in 1875, whose proceeds were used by CDP to finance investments in public works and pay down the existing debts of local authorities.

In 1898, Cassa depositi e prestiti was transformed into a Directorate General of the Italian Treasury. In 1923, postal savings bonds were introduced for the first time.

In 1983, in response to profound changes in the legal and institutional frameworks of the Company's reference markets, the process of separating CDP from the state began. This was concluded on 12 December 2003 with its transformation into a joint-stock company (CDP S.p.A.) and its exit from the realm of the public administration. CDP's new legal form strengthened its powers of initiative, made its management more flexible and efficient, and gave it greater administrative, organisational, ownership and accounting autonomy, but its public purpose and pursuit of the general interest were left unchanged.

With its transformation into a joint-stock company, the bank foundations became shareholders of CDP. Today, 64 foundations hold a total of 18.4% of its share capital. The Ministry for the Economy and Finance ("MEF") is CDP's main shareholder, with 80.1% of share capital<sup>1</sup>.

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<sup>1</sup> The remaining 1.501% was bought back by CDP after two banking foundations exercised their right of withdrawal arising from the conversion of preference shares.

CDP is subject to the Italian Banking Act (TUB) and, since 2006, to the reserve requirement regime established by the monetary authorities for the banking system.

Over the last decade, CDP has assumed a central role in supporting Italy's industrial policies. In fact, since 2009 CDP has been able to finance initiatives that are in the public interest, including alongside private entities, without having an effect on the public finances. Financing is directed towards operations that present adequate creditworthiness and economic and financial sustainability. CDP also supports the national economy by financing SMEs (which have a significant weighting in the national economy) via the banking channel and by covering the requirements of the market in relation to the availability of medium and long-term funding. Finally, 2012 saw the formation of the CDP Group, comprising Cassa di depositi e prestiti S.p.A. and the companies subject to management and coordination.

CDP's scope has therefore expanded in recent years and been matched by changes to how it operates, in order to ensure (i) the provision of credit for public investment, infrastructure and enterprises to reverse the economic cycle in the medium/long term, (ii) direct investment in risk capital, strategic networks and assets, and (iii) indirect investment (through FSI and FII - Fondo Italiano d'Investimento) aimed at supporting the growth and international expansion of SMEs and strategic enterprises.

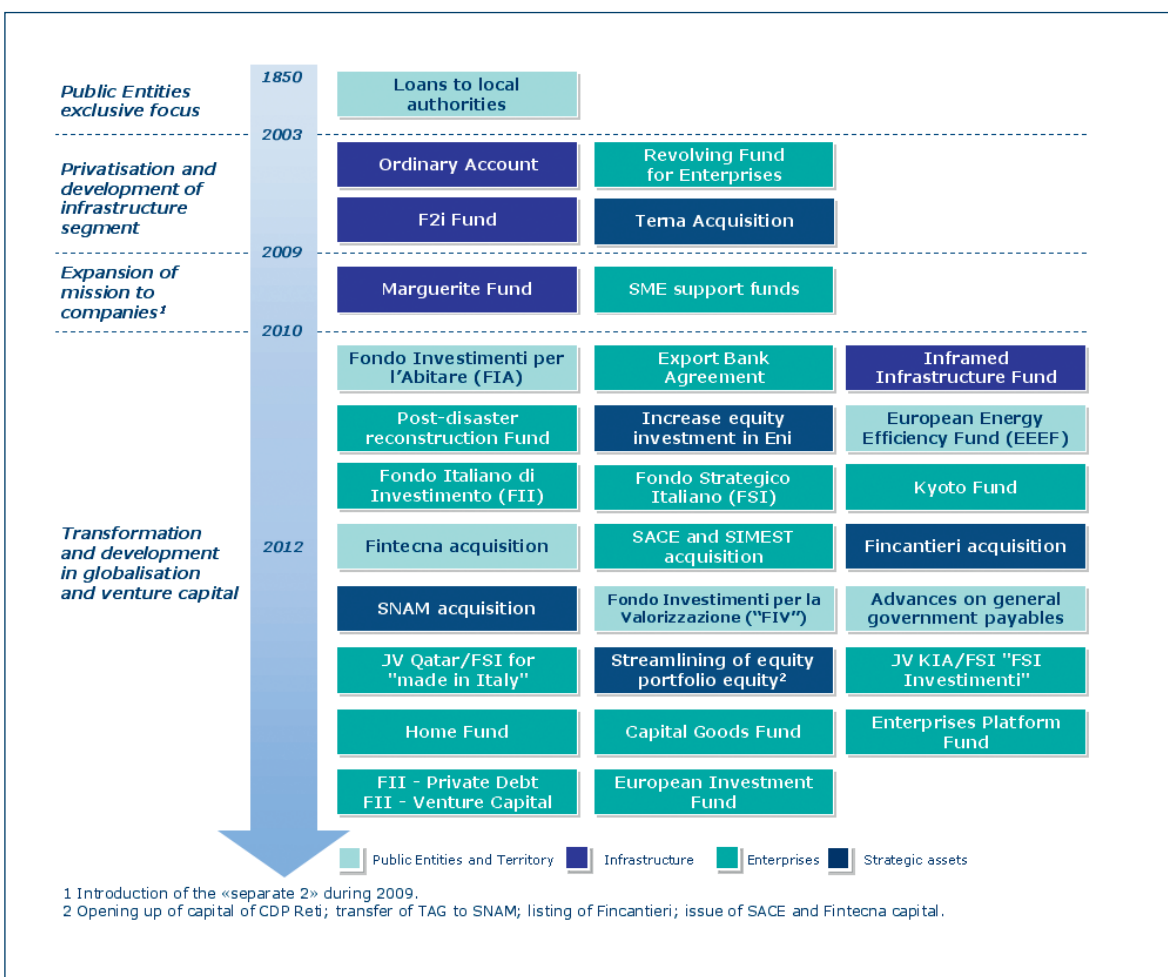
In the Public Entities and Territory segment, efforts to build the value of the Company's real estate holdings have been stepped up by integrating the resources and skills of CDP Immobiliare, making investments in social housing through the Fondo Investimenti per l'Abitare ("FIA") and adding value to the properties owned by entities through the FIV. In the residential real estate market, CDP is providing people with resources for the purchase of residential property and energy-efficient redevelopment work. At the same time, in order to optimise the financial operations of public entities while remaining within the limits allowed by budget constraints and the stability pact, CDP has also managed cash advances on general government trade payables.

In the Infrastructure segment, CDP has increased its role in assisting with the bancability of major works, including by operating as an anchor investor thanks to its equity investments in various funds such as F2i, Marguerite and Inframed.

In the Enterprises segment, which as noted is a significant area of concentration for CDP, the Company has developed synergies with SACE and SIMEST to boost support for exports and internationalisation projects and, working together with the banking system, on the direct and indirect financing of export credit transactions for Italian enterprises (Export Bank). The resources to finance these enterprises' capital expenditure and working capital requirements have been boosted through the Capital Goods Fund and the Enterprises Platform Fund. The role of FSI has been increased, also through fund-raising activities and the addition of new institutional investors (establishment of joint ventures with the sovereign funds Qatar Holding and Kuwait Investment Authority). Additional resources have been activated to support enterprises engaged in expansion projects through the various funds available, such as the European Investment Fund and the two new sections of the Fondo Italiano di Investimenti (private debt fund

for launching minibond funds and venture capital to contribute to the establishment and development of innovative Italian start-ups).

In 2014, CDP's operations were extended to international cooperation and its scope was expanded to financing infrastructural projects and investments in research, with both funding guaranteed by the state and with non-guaranteed funding (Decree Law 133/2014 – the “Unblock Italy” decree – and Law 125/2014).



# Company Officers

## Board of Directors

Franco Bassanini	<i>Chairman</i>
Giovanni Gorno Tempini	<i>Chief Executive Officer</i>
Maria Cannata	<i>Director</i>
Olga Cuccurullo	<i>Director</i>
Marco Giovannini	<i>Director</i>
Mario Nuzzo	<i>Director</i>
Francesco Parlato	<i>Director</i>
Antimo Prosperi	<i>Director</i>
Alessandro Rivera	<i>Director</i>

## Supplementary members for administration of Separate Account

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

Director General of the Treasury	<i>Director</i> <sup>(1)</sup>
State Accountant General	<i>Director</i> <sup>(2)</sup>
Piero Fassino	<i>Director</i>
Massimo Garavaglia	<i>Director</i>
(*)	

<sup>(1)</sup> Vincenzo La Via.

<sup>(2)</sup> Roberto Ferranti, delegate of the State Accountant General.

<sup>(3)</sup> Director Antonio Saitta, member designated by the Italian Provincial Union (UPI), resigned as of 16 June 2014.

## Board of Auditors

Angelo Provasoli	<i>Chairman</i>
Ines Russo	<i>Auditor</i>
Luciano Barsotti	<i>Auditor</i> <sup>(1)</sup>
Andrea Landi	<i>Auditor</i>
Giuseppe Vincenzo Suppa	<i>Auditor</i>
Giandomenico Genta	<i>Alternate Auditor</i> <sup>(2)</sup>
Angela Salvini	<i>Alternate Auditor</i>

## Non-Controlling Shareholders Support Committee

Matteo Melley	<i>Chairman</i>
Antonello Arru	<i>Member</i>
Marcello Bertocchini	<i>Member</i>
Piero Gastaldo	<i>Member</i>
Renato Gordini	<i>Member</i>
Ivano Paci	<i>Member</i>
Pierfranco Giovanni Risoli	<i>Member</i>
Roberto Saro	<i>Member</i>
Mariano Marroni	<i>Member</i>

<sup>(1)</sup> Luciano Barsotti, formerly Alternate Auditor, took over as Auditor as of 28 May 2014.

<sup>(2)</sup> Giandomenico Genta was appointed Alternate Auditor as of 28 May 2014.

## Parliamentary Supervisory Committee

Cinzia Bonfrisco ( <i>Senator</i> )	<i>Chairman</i>
Paolo Naccarato ( <i>Senator</i> )	<i>Vice Chairman</i>
Raffaella Mariani ( <i>Member of Parliament</i> )	<i>Vice Chairman</i> <sup>(1)</sup>
Ferdinando Aiello ( <i>Member of Parliament</i> )	<i>Member</i>
Dore Misuraca ( <i>Member of Parliament</i> )	<i>Member</i>
Davide Zoggia ( <i>Member of Parliament</i> )	<i>Member</i>
Bruno Astorre ( <i>Senator</i> )	<i>Member</i>
Luigi Marino ( <i>Senator</i> )	<i>Member</i>
Stefano Fantini ( <i>Council of State</i> )	<i>Member</i>
Pancrazio Savasta ( <i>Council of State</i> )	<i>Member</i>
Claudio Gorelli ( <i>State Audit Court</i> )	<i>Member</i>

<sup>(1)</sup> Raffaella Mariani replaced Angelo Rughetti (Member of Parliament) on 11 June 2014.



## **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)

Mauro Orefice

Marco Boncompagni

*(Alternate)*

## **General Manager**

Andrea Novelli

(as of 1 October 2014)

## **Independent auditors**

PricewaterhouseCoopers S.p.A.

## Letter from the Chairman

The CDP Group's operating environment continued to show signs of difficulties in 2014. The global economy failed to improve on the previous year because of the slowdown among emerging economies, even if this was offset to a degree by progress in some advanced nations and especially in the United States. Italy was unable to benefit from the recovery in the euro area – which was still weak – and posted its third consecutive year of negative growth, despite an improvement on the previous two years. The Italian economy was weighed down by internal demand that remains significantly depressed, due to the downturn in gross fixed capital formation and the freeze on public contracts and expenditure, despite a slight recovery in household consumer spending. The only positive sign came from exports, which in line with tradition remained the main driving force behind the Italian economy.

As the year came to an end, the drop in oil prices and the depreciation of the euro appeared to turn around the expectations of households and businesses, providing some signs of a recovery. These factors – combined with low long-term interest rates caused by the expansive monetary policies enacted by the European Central Bank – now offer a set of external conditions that is particularly favourable for the Italian economy, which should finally start on the road to recovery in 2015. Yet this recovery remains uncertain, given the risks deriving from deflationary pressures and renewed geopolitical tensions, especially at the fringes of the euro area. To avoid wasting this extraordinary opportunity, both Italy and Europe must make further progress with growth-oriented structural reforms, which will improve business confidence and help to drive investment and exports. The Juncker Plan could play a significant role in this, but its success hinges on how it is implemented, how long it takes to do so, and its capacity to generate additional investments on top of those that could be financed by the market.

Faced with this tough economic climate, CDP and the Group as a whole have provided strategic counter-cyclical support for the national economy, in line with its mandate and in the same vein as Europe's other major state development banks, such as France's Caisse des Dépôts et Consignations (CDC), Germany's Kreditanstalt für Wiederaufbau (KfW) and Spain's Instituto de Crédito Oficial (ICO). CDP further expanded its range of activity in 2014, cementing its primary role in industrial policies to support Italian economic growth. The increasingly significant challenges posed by global competition have made clear that the countries that emerged best from the crisis are those that brought in decisive policies to drive public and private investment, provide a strong boost to the economy, and recapitalise troubled banks and businesses.

In Europe, restrictions imposed by the need for fiscal consolidation in excessively indebted nations – and in any case by the Stability Pact and European competition rules – have prevented countries from taking direct action to revive their economies to the extent previously possible. In Italy and elsewhere, it has therefore been necessary to find new ways to fund public entities, infrastructure and businesses, without weighing on public resources yet stimulating growth, supporting manufacturing and mitigating the competitive disadvantages caused by pro-supply policies in competing countries – all in a “competition friendly” way and within the bounds of a “level playing field”. CDP has adapted quickly and effectively to this context, to satisfy the changing needs of the national economy and promptly meet the requests

of its shareholders. As a long-term investor with a public mandate, which nevertheless operates under market conditions, the CDP Group has been a catalyst and driver for private investments and a magnet for foreign venture capital, working consistently alongside the banking system to avoid distorting the market.

CDP was particularly busy in 2014, launching various new initiatives to encourage growth in Italy. We introduced important and innovative new instruments to support local authorities, infrastructure and enterprises. The sharp decline in interest rates, including those applying to the Treasury account that CDP uses to finance public debt, has in turn resulted in a drop in income from lending – a trend that will have even more marked effects in 2015.

On the international front, CDP has strengthened its partnership with multilateral development banks and the main promotional financial institutions. I have been elected Chairman of the Long-Term Investors Club (LTIC) and Vice-President of the European Long-Term Investors Association (ELTI) – proof of CDP's growing role and reputation in Europe and internationally. In 2014, our institution was the main conduit for foreign organisations wishing to invest in Italy. Partly through the Fondo Strategico italiano, we signed cooperation and co-investment agreements with a range of foreign partners including the Kuwait Investment Authority (KIA), the China Development Bank (CDB), the China Investment Corporation (CIC), the Brazilian Banco Nacional de Desenvolvimento Econômico e Social (BNDES), and Greece's Consignment Deposits and Loans Fund (CDLF). Italy's Prime Minister attended the signing of many of these agreements and was also present for the sales of some of our holdings in Ansaldo Energia to Shanghai Electric Corporation and in CDP Reti to State Grid Corporation of China, both of which were finalised during the year.

Finally, it is worth remembering that CDP invests private resources received from citizens and businesses through postal savings, institutional funding and, from this year, also through "retail" bonds. These resources must be carefully looked after and adequately remunerated, which is why our criteria for investing in companies are oriented towards non-negotiable requirements, such as having stable finances, capital and cash flows, and adequate prospects of future profitability. Working in this way, CDP and the Group as a whole will remain a fundamental pillar of support for the Italian economy in the years to come.

Franco Bassanini

## Letter from the CEO

The year 2014 was one of fundamental importance for the CDP Group. Two years on from the approval of the 2013-2015 Business Plan, the Group is now two-thirds of the way down this path – in line with progress targets – and is on course to achieve the expected results by 2015. During the year, the Group's new lending and managed resources amounted to €29 billion of resources, of which more than 50% was used to fund enterprises, nearly 40% for public entities, and a little under 10% directed towards infrastructure building.

To respond faster, more effectively and with greater versatility than ever before to the Italian economy's changing financing requirements, during 2014 CDP significantly expanded its range of both debt and equity instruments and gradually extended the perimeter of the sectors in which it operates, promptly responding to the requirements of its shareholders. In the public entities sphere, the 2014 loan renegotiation programme provided the foundations for proactive debt management, allowing longer repayment times, at a time when public entities are still subject to particularly stringent public finance restrictions. The creation of the platform for paying general government debts enabled public entities to use cash advances from CDP to settle debts with suppliers and inject additional liquidity into the economy, benefiting enterprises. Support for initiatives in the public interest was extended to include financing for projects, plant, networks and infrastructure directed towards investments in research, development, innovation, and the protection and enhancement of cultural heritage.

There was a particular focus on boosting business growth, internationalisation and support for Italian exports, favouring competition in the Italian economy and incentivising value creation along the production chain. Against a background still characterised by heavy restrictions on credit, almost all the resources made available by the SME fund were disbursed, providing funding for small and medium-sized business through the banking system. The business financing programme was also strengthened by the creation of the "Enterprises Platform", which resulted in the streamlining of services and their extension also to enterprise networks, mid-cap businesses and export finance. The Capital Goods Fund granted access to the possibilities under the Sabatini Law to provide liquidity for micro-businesses and SMEs, for investment in machinery, plant, equipment and capital goods. At the same time, guarantees from a wider range of export credit agencies were permitted for use in the "Export Bank" system and direct assistance for enterprises also became available.

CDP also made significant interventions in other sectors with high potential to drive growth in the national economy. To revitalise non-bank lending channels, we signed an investment commitment in two funds of funds dedicated to "minibonds" issued by Italian SMEs and to venture capital. This investment sends out an important message, which we hope will encourage the market to commit further resources. Earlier than the European Central Bank, we launched a programme to buy asset-backed securities and covered bank bonds to stimulate the residential real estate sector. Finally, we continued to leverage our property assets through significant investments by FIV (Fondo Investimenti per la Valorizzazione).

As regards equities and investment funds, CDP continued to play an increasingly influential role in the privatisation and extraction of value from industrial assets, transforming the proceeds into capital for de-

velopment. In line with CDP's mission and the strategic guidelines as set out by our shareholders, a number of important transactions contained in the Business Plan were completed. In particular, we note the listing of Fincantieri on the Italian Stock Exchange, through an increase in capital to generate new resources to strengthen the company's core finances. In addition, we concluded the sale of a non-controlling stake in CDP Reti to State Grid Corporation of China – as well as to a group of Italian institutional investors – which is one of the ten biggest investments ever made by a Chinese investor in an industrial company, anywhere in the world. Finally, we completed the transfer to SNAM of CDP GAS's equity investment in Trans Austria Gasleitung GmbH (TAG), aimed at the development of a European gas network in which SNAM can play a leading role.

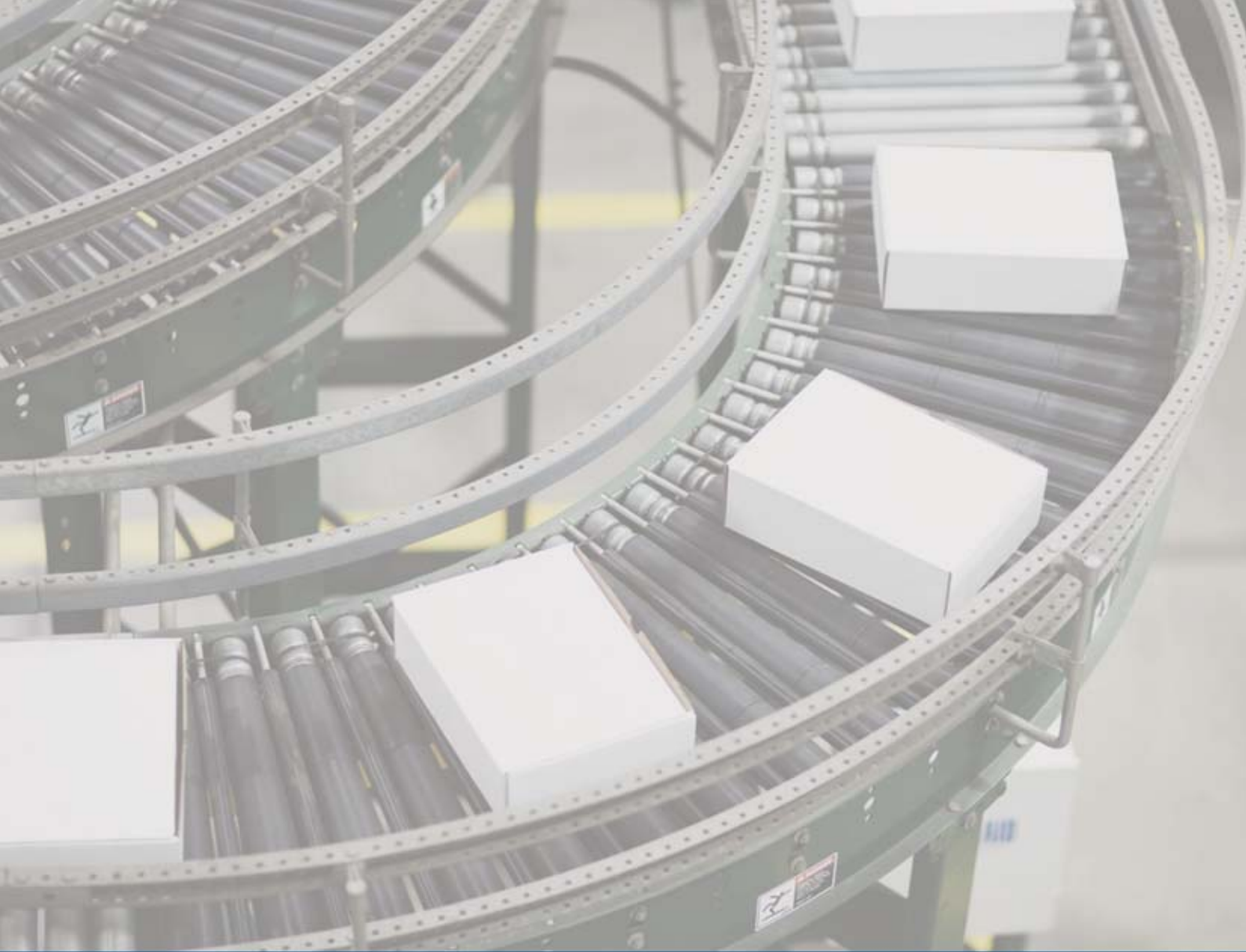
As regards equity investments, FSI continued to consolidate its position in the Italian market and to establish itself as one of the major players in terms of capital, pipeline and execution capacity. Significant deals included the sale of 40% of Ansaldo Energia, as part of a long-term strategic agreement with the Shanghai Electric Corporation, as well as investments in major leading Italian companies such as Valvitalia, the Trevi Group and Inalca. FSI also continued to attract foreign capital, including through the signing of a cooperation agreement with the China Investment Corporation (CIC), for joint investments geared towards promoting economic cooperation between Italy and China.

New events on the funding front were no less significant. Indeed, CDP has diversified its sources of funding in order to ensure stable volumes at competitive costs, in line with the requirements of investors and savers. We launched a programme to generate short-term funding by issuing commercial paper and also prepared the issue and placement of our first bond for retail customers resident in Italy. To support this diversification strategy, a major advertising campaign was launched to spread awareness among the market and among savers of CDP's role and mission in the Italian economy. The extraordinary success of the bond issue in the early months of 2015 can also be ascribed to this campaign.

In conclusion, I would like to underline that all of this was also made possible by the commitment and dedication of the men and women who work at CDP, to whom I am very grateful. If, in the coming years, CDP is to succeed in fully supporting the growth of Italy's economy, despite the daunting challenges posed by an increasingly competitive global scenario, then it will all be down to them.

Giovanni Gorno Tempini





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## ANNUAL REPORT 2014



Report on operations  
of the Group

# 1. Overview of 2014

■ 31/12/2014

■ 31/12/2013

## CDP S.p.A. - Financial aggregates and performance indicators

Reclassified income statement (millions of euros)		Changes	
		Overall	%
Net interest income	1,161	-1,378	-54.3%
Gross income	2,664	-450	-14.4%
Operating income	2,409	-544	-18.4%
Net income	2,170	-179	-7.6%

Reclassified balance sheet (millions of euros)		Changes	
		Overall	%
Total assets	350,205	35,520	11.3%
Cash and cash equivalents and other treasury investments	180,890	33,383	22.6%
Loans to customers and banks	103,115	-96	-0.1%
Equity investments and shares	30,346	-2,347	-7.2%
Funding	325,286	33,347	11.4%
Equity	19,553	1,415	7.8%

Main performance indicators (%)	
Net interest income spread	0.5%
Gross income spread	0.6%
Cost/income ratio	5.3%
ROE	12.0%



■ 31/12/2014  
■ 31/12/2013

## CDP Group - Financial aggregates and performance indicators

Reclassified income statement (millions of euros)		Changes	
		Overall	%
Net interest income	925	(1,499)	-61.8%
Gross income	481	(1,933)	-80.1%
Profit (loss) on banking and insurance operations	984	(1,679)	-63.1%
Operating income	5,005	(1,809)	-26.5%
Net income	2,659	(766)	-22.4%
<i>of which pertaining to shareholders of the Parent Company</i>	1,158	(1,343)	-53.7%

Reclassified balance sheet (millions of euros)		Changes	
		Overall	%
Total assets	401,680	34,373	9.4%
Cash and cash equivalents and other treasury investments	183,749	32,226	21.3%
Loans to customers and banks	105,828	-137	-0.1%
Equity investments and shares	20,821	760	3.8%
Funding	344,046	31,535	10.1%
Equity	35,157	4,914	16.2%
<i>of which pertaining to shareholders of the Parent Company</i>	21,371	2,076	10.8%

## THE ECONOMY IN 2014

Global GDP increased 3.3% in 2014, in line with 2013. Among the advanced economies, the Eurozone recorded a growth rate of +0.8%, with Italy still in recession (-0.4%), even though the contraction was less marked than in 2013. The Italian economy continues to suffer from high unemployment and businesses face ongoing difficulties in accessing finance, although net exports were in positive territory. Italy's public finances worsened slightly compared to 2013, as general government in the country posted net borrowing equal to 3% of GDP, compared to 2.9% in the previous year.

## CDP S.P.A. 2014 RESULTS

In terms of earnings, the results achieved in 2014 showed a decrease in net income due mainly to the drop in net interest income, as forecast. Indeed, net interest income was €1,161 million, down by about 54% compared with 2013. Against a market background generally characterised by a significant drop in interest rates, this trend is mainly the result of decreases in the Treasury current account interest rate, which has fallen to record lows also because of the changes brought about by the Ministerial Decree of 28 May 2014<sup>2</sup> concerning the methods for calculating the yield of funds.

This trend has been partially offset by gross income, which stood at €2,664 million, down 14% compared to €3,114 million in 2013. The positive contribution to the year-end result derives from the gain realised on the disposal of a minority holding in CDP Reti, increased dividends from investee companies and capital gains on the sale of a portion of the securities portfolio.

Regarding capital, the stock of cash and cash equivalents (with the available balance on the Treasury account equal to approximately €147 billion) amounted to €181 billion, an increase of 23% over the end of 2013. Net of operations on behalf of the Treasury (OPTES), the stock of cash and cash equivalents increased 9%, thanks also to the positive contribution of net CDP postal funding.

The stock of loans to customers and banks, equivalent to about €103 billion, was stable compared with year-end 2013 (-0.1%, but nonetheless in line with the trend in bank lending to general government and firms).

The carrying amount of equity investments and shares was equal to about €30 billion, down approximately 7% from the €32.7 billion reported at the end of 2013. This decrease is mainly attributable to the contribution of Terna to CDP Reti and the subsequent disposal of a minority stake in the vehicle to non-controlling investors.

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<sup>2</sup> The Ministerial Decree enacted the changes introduced by Decree Law 66 of 24 April 2014 ("Spending review"), which under Article 12.1 modified the yield of the current account with the Central State Treasury of the separate account. Specifically, while the parameters for the benchmark parameters of the yield (mean interest rate of Italian treasury bills - BOT and that of the Rendistato index) remain unchanged, the period for their measurement has changed from the previous six-month period to the "six-month period of validity of the yield".

Total funding at 31 December 2014 came to €325 billion (+11% from the end of 2013). Within this aggregate, postal funding was up (+4% from the end of 2013), due to positive net funding of approximately €4.6 billion and interest accrued; the associated stock, which comprises passbook savings accounts and postal savings bonds, amounted to about €252 billion.

Equity at 31 December 2014 stood at approx. €20 billion, an increase over the end of 2013 (+8%) caused by the combined impact of net income for the period (€2,170 million), only partially offset by dividends paid to shareholders in the period in respect of 2013 net income.

## CDP GROUP 2014 RESULTS

Group net income for 2014 amounted to €2,659 million (€1,158 million of which pertaining to the shareholders of the Parent Company), a decrease of about 20% compared to 2013.

Net interest income of €925 million was down by €1.5 billion compared to 2013, due to the aforementioned decline in the margin between the Parent Company's lending and funding, despite the positive effects deriving from the reduction of the average cost of SNAM's debt, achieved through optimisation of the company's financial structure.

The contribution from management of the equity investment portfolio was also down, but remained substantial. This downward trend can largely be explained by the decline in ENI's profitability, connected to changes in oil prices, partially offset by the gains made by FSI on Generali, Ansaldo and Hera. The Group's gross income stood at €481 million, down €1.9 billion despite the gains realised through active management of the securities portfolio. It is also worth noting the contribution from insurance operations, equal to approx. €500 million and significantly up compared to 2013. Finally, the positive results of the Group's non-financial operations, up on the previous year, also contributed to net income for the year. The increase in profits from non-financial operations was caused mainly by the reduction in income taxes paid by SNAM and Terna<sup>3</sup>.

With regard to balance sheet aggregates, cash and cash equivalents of €184 billion were up 20% compared to 2013. Leaving aside the performance of the Parent Company, this figure benefited from the effects of trading in Generali shares, the attraction of capital by FSI (the Kuwait sovereign fund's investment in the share capital of FSI Investimenti), the completion of the process of Fincantieri's market listing, net of investments in fixed assets as part of the Group's non-financial operations.

With regard to the portfolio of debt securities, it is worth noting the effects of the progressive centralisation of treasury with the Parent Company, which has resulted in the disposal of shares worth €2.1 billion by other Group companies.

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3 The fall in taxes is mainly attributable to the effects of the abolition of the IRES surtax known as the "Robin Hood Tax".

Equity investments and shares reached €21 billion in 2014, up 4% on last year. The change is attributable to the measurement at equity of ENI, the changes to the scope of consolidation and Group-level acquisitions and disposals of equity investments, mainly pertaining to FSI.

Total funding came to €344 billion, up 10% from 31 December 2013. Aside from postal funding, the increase was also driven by funding from customers and banks, up nearly €18 billion. In addition to that which has already been discussed in relation to the Parent Company, the change also takes account of the liquidity generated by FSI through trading in Generali shares, the resources to support the development of SACE Fct and Group non-financial operations, and the financing to support the opening of CDP Reti to outside investors. Bond funding of €26 billion incorporates new issues by SNAM during the period (€1.7 billion) as part of the process to optimise its financial structure.

Group equity amounted to approximately €35 billion, an increase of 16% on 2013. This growth is attributable to the net income generated by the various Group companies, offset by dividends paid to third-party shareholders. Around €21 billion of total equity pertains to the shareholders of the Parent Company (an increase of +11% on 2013) and about €14 billion to non-controlling interests.

## 2. Macroeconomic scenario and the market

### 2.1. MACROECONOMIC SCENARIO

The growth of real-terms global GDP in 2014 was positive and in line with 2013 (+3.3%). The trend was driven by the emerging markets (+4.4%), despite the slowdown compared to the previous year (+4.7%), and to a lesser extent by the advanced economies (+1.8%), which have recovered since 2013 (+1.3%), albeit with significant differences between them<sup>4</sup>.

The Eurozone's recovery has been weak, with growth equal to +0.8% compared to -0.5% in 2013. There have been some positive signs, caused by the depreciation of the euro (the real exchange-rate value of which fell by about 2% in the final quarter of the year), the drop in oil prices, less restrictive budget policies and accommodative monetary policies<sup>5</sup>. However, the recovery has been hindered by persistent uncertainties caused by weak investments and excessively low inflation, leading to expectations of continuing low interest rates, even over the long term.

The Italian economy remained in recession in 2014 with a -0.4% contraction in GDP in real terms, although the decline was less marked than in 2013 (-1.9%). The negative trend was driven by the performance of some components of internal demand, notably gross fixed capital formation (-3.3%) and public expenditure (-0.9%). In contrast, household expenditure increased +0.3%, which is attributable to the rise in disposable income supported by measures adopted by the government during the year, even though the propensity for saving also increased. Foreign demand increased +0.9%, confirming its role as one of the drivers of the national economy.

During 2014, average industrial output fell even further (-0.8%), but the contraction was smaller than in 2013 (-3.2%). In December, the only segment to show a positive year-on-year change was capital goods, while the energy, intermediate goods and consumer goods sectors all contracted (-6.0%, -2.4% and -0.2%, respectively)<sup>6</sup>.

Regarding the labour market, at the end of the year the unemployment rate was 12.9%, slightly up (+0.3%) year-on-year, while the rate of youth unemployment remained particularly high at 42%, also increasing slightly compared to the previous year (+0.1%)<sup>7</sup>.

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<sup>4</sup> International Monetary Fund, *World Economic Outlook Update*, January 2015.

<sup>5</sup> As is well known, on 22 January 2015, the European Central Bank announced an expanded public bond buying programme worth €60 billion per month, which is intended to last at least until September 2016, with the aim of returning inflation rates to levels that are still low but closer to 2% in the medium term.

<sup>6</sup> Istat, *Produzione industriale*, 10 February 2015.

<sup>7</sup> Istat, *Occupati e disoccupati*, 30 January 2015.

Inflation remained almost negligible on average in 2014, recording only a slight increase of 0.2% compared to the more robust increase in 2013 of 1.2%. In particular, inflation was held down by a zero year-on-year change in the housing, water, electricity and fuel sectors, and a fall in prices in the telecoms sector (-7.3% on average over the year)<sup>8</sup>. In the third quarter of the year, household incomes at current prices were up by 1.4% on the year, while household spending power increased by 1.5% when factoring in price movements. In the same period, final household consumer spending increased slightly on the year, rising +0.4% at current prices. At the same time, household propensity to save was 10.8%, up 0.9% compared to the previous year<sup>9</sup>.

## 2.2. PUBLIC FINANCES

Budget policies remained oriented towards consolidating the public finances, even though the Italian government eased off on the pace of consolidation because of the worsening of the economic scenario, in an effort to avoid any further recessionary repercussions on the economy and any unfavourable consequences on the ratio between public debt and GDP. This can also be seen as the reason behind the slackening of the Internal Stability Pact for local authorities, resulting in increased financial room for manoeuvre in terms of investment and paying down capital expenditure arrears. At the same time, local authorities' debt limits were reduced slightly in order to stimulate investment.

The public finances worsened slightly in 2014 compared with 2013. General government net borrowing was equal to 3% of GDP, compared to 2.9% in the previous year, while the primary balance fell 0.3% but remained in positive territory, falling from 1.9% of GDP in 2013 to 1.6% in 2014<sup>10</sup>.

The increase in net borrowing is due to a more than proportional increase of total general government outgoings compared to total revenues. Total general government outgoings in 2014 increased 0.8% compared to the previous year, amounting to 51.1% of GDP. However, total revenues increased 0.6% compared with 2013, amounting to 48.1% of GDP<sup>11</sup>. Lastly, public sector debt increased in 2014 by 3.6% of GDP compared with 2013, up from 128.5% to 132.1% of GDP<sup>12</sup>.

Analysing the reference market of CDP, comprising the debt of territorial entities (municipalities, provinces, regions and other territorial entities) and loans to central government, it is notable that in December 2014 the amount of outstanding loans to territorial entities stood at €71 billion, down about €6 billion

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8 Istat, *Prezzi al consumo*, 14 January 2015.

9 Istat, *Reddito e risparmio delle famiglie e profitti delle società*, 9 January 2015.

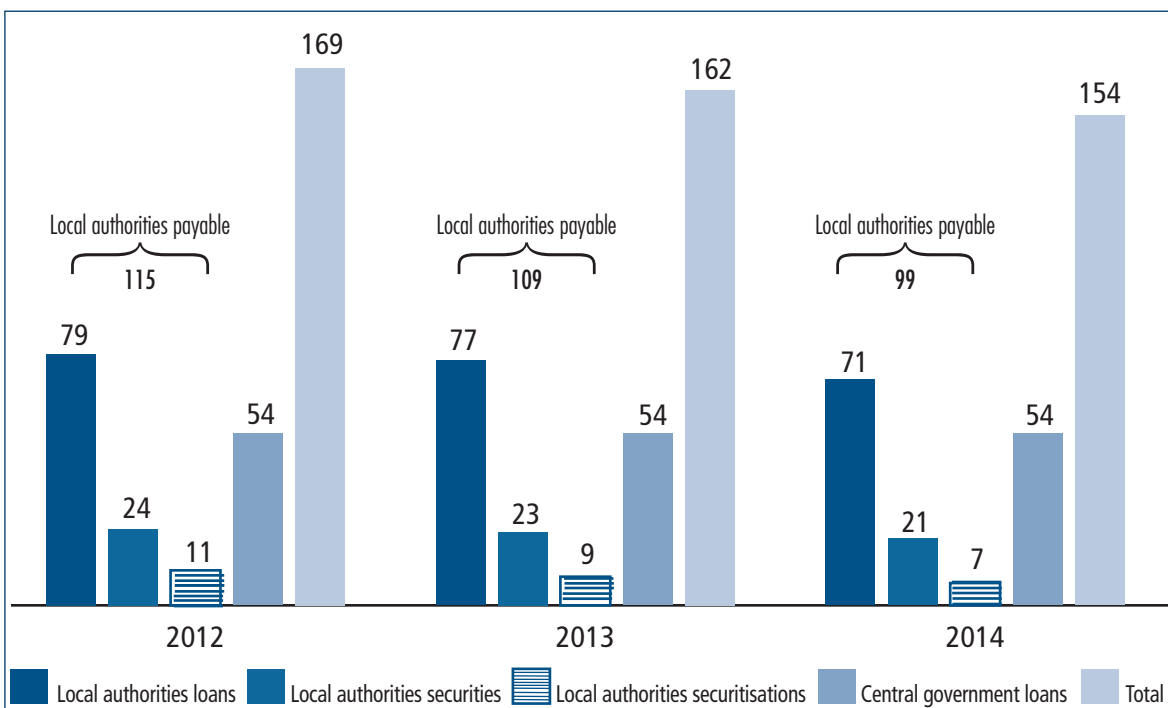
10 Istat, *PII e indebitamento AP (anni 2012-2014)*, 2 March 2015.

11 Ibid.

12 Ibid. The public debt/GDP ratio was influenced by the switch in September 2014 to new national accounting principles based on the SEC2010 system.

compared with the same period of the previous year. On the same date, the volume of bonds issued by territorial entities was €21 billion, down about €2 billion compared with the end of 2013. Securitisations and other forms of borrowing stood at €7 billion, showing a contraction of about €2 billion over the period in question.

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



Overall, by December 2014, the debt of territorial entities had fallen to €99 billion, down more than €9 billion compared with the same month of 2013. At the reporting date, the greatest contributor was local authorities (municipalities and provinces), which had debts of approximately €53 billion (54% of the total), while the amount of debt attributable to the regions was around €34 billion (34% of the total) and other territorial entities accounted for around €12 billion (12% of the total).

Interest-bearing loans owed by central government had increased by about €1 billion by the end of 2014, rising from €53.5 billion to €54.5 billion, in the opposite direction to loans owed by the territorial entities. Overall, CDP's market contracted over the period by approximately €8 billion, falling from €162 billion to €154 billion, confirming the marked downward trend also seen in prior years.

## 2.3. THE CREDIT SECTOR

### 2.3.1. Interest rates

During 2014 the ECB continued to adopt accommodative monetary policies with the objective of ensuring price stability and returning inflation to a low rate, but close to 2%, in line with its mandate, and to restore the functioning of the monetary policy transmission mechanism. In June, the main refinancing rate was reduced by 10 basis points to 0.15%, while in September it was cut by another 10 basis points to 0.05%, thereby reaching a new historic low. At the same time, the deposit rate was moved into negative territory.

In addition to its interest rate measures, in June the ECB introduced new monetary policy instruments including Targeted Longer-Term Refinancing Operations (TLTRO) and started buying asset backed securities (ABS) directly in an effort to improve the monetary policy transmission mechanism and stimulate lending to the real economy. These decisions were essentially motivated by the persistent differences between the monetary policy cycles of the various EU member states, deflationary pressures, weak growth in the Eurozone and the lack of lending activity<sup>13</sup>. The markets responded to the ECB's decisions with a significant reduction in rates. The 3-month Euribor fell from 0.29% at the start of the year to 0.08% at the end of the year (-73%) while the Eonia rate fell from 0.22% to -0.01% over the same period<sup>14</sup>.

Tensions in the sovereign debt market continued to abate during the year, both because of the effects of accommodative monetary policies and the process of adjustment of the public finances. The spread on 10-year Italian government bonds compared to their German equivalent fell from 215 to 129 basis points over the course of the year<sup>15</sup>. At the same time, the general Rendistato index fell between January and December from 2.8% to 1.6%, driven lower by the gradual reduction in yields on Italian government debt.

Despite the expansive monetary policies and the further reduction in pressures on sovereign debt, the supply of credit to the private sector has continued to diminish, albeit at a slower rate than last year. In November 2014, bank lending to enterprises was down -2.4% year-on-year, while loans to households were down to a lesser extent, at -0.2%.

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<sup>13</sup> ECB Press release, *Monetary policy decisions*, 5 June and 4 September 2014; ECB Press release, *ECB announces monetary policy measures to enhance the functioning of the monetary policy transmission mechanism*, 5 June 2014; M. Draghi, *Introductory statement to the press conference*, 4 September 2014.

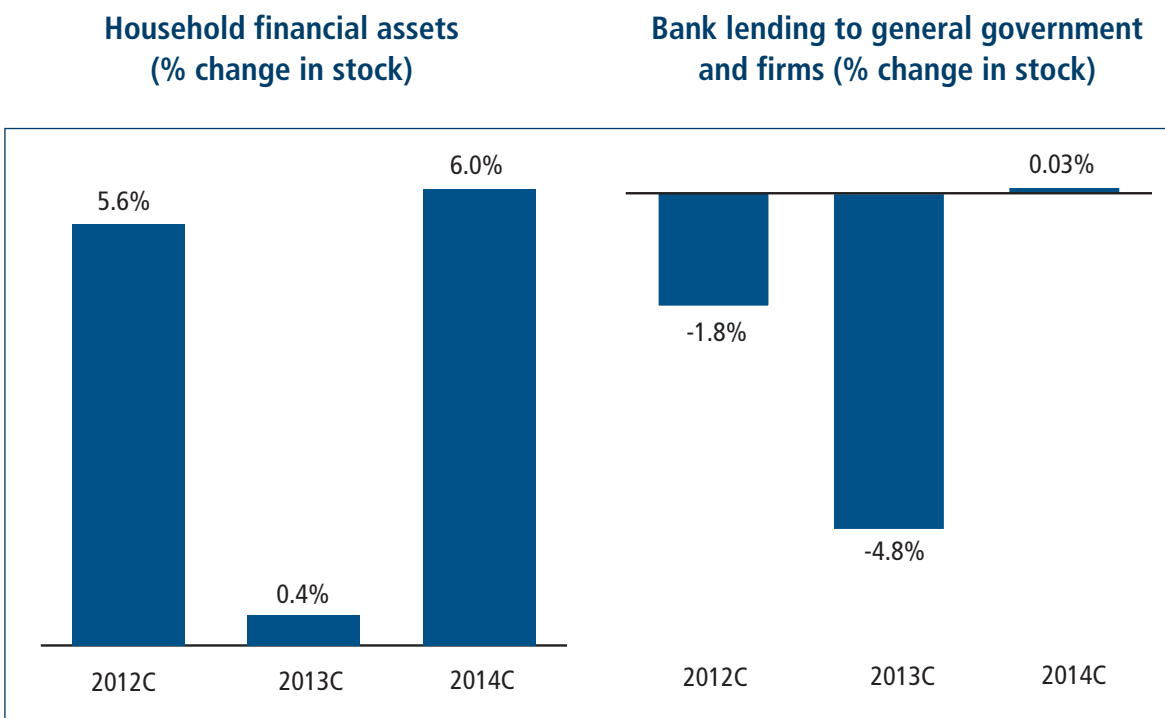
<sup>14</sup> Source: based on Datastream figures.

<sup>15</sup> Ibid.



### 2.3.2. Lending and funding

In 2014, the main market in which CDP operates benefited from the gradual improvement in lending conditions that has affected the banking sector. The volume of loans disbursed to the public administration, non-financial companies and producer households was stagnant (0.0%) on the year, in contrast to the significant fall in 2013 (-4.8%). The stagnation of the market was caused by contrasting dynamics of the enterprise segment (non-financial companies and producer households), which saw a decline of -0.8%, and the general government segment, where lending increased +3.1%, albeit failing to offset the reduction in lending to enterprises. Even though lending conditions improved over the course of the year, the contraction in loans was driven by the continued high risk of borrowers and the scarcity of demand, due to weak investments<sup>16</sup>.



According to initial estimates, in 2014 the stock of household financial assets increased +6.0% on the year<sup>17</sup>. This increase is mainly due to the value of government debt instruments in household portfolios and the performance of asset management and life insurance products, which improved

<sup>16</sup> Bank of Italy, *Economic Bulletin*, no. 1, January 2015.

<sup>17</sup> Household financial assets comprise bank income (current accounts, deposits and bonds), investments in mutual funds (asset management), government securities and life insurance.

significantly during the year, helped by low interest rates and, above all in the first half of the year, the favourable conditions on stock markets. Regarding the collection of household financial assets by banks, the year saw the continuation of the positive trend in deposits, with a preference for more liquid instruments over those with longer maturities. At the same time, bank bonds continued to decline, partly as a result of households' current preference for more liquid financial instruments but also because of banks' lesser need to find new sources of funding on the retail market, given the greater availability of financial resources through the system.

## 2.4. THE REAL ESTATE SECTOR

The recovery in the real estate sector is turning out to be much slower and more problematic than expected<sup>18</sup>. Levels of activity have, inevitably, been dragged down by the deterioration in the macro-economic scenario and, in turn, the earning prospects and confidence of households and businesses.

The number of home sales increased in the third quarter of the year, albeit still only slightly above the lows reached in 2013 (approximately +4%). The fall in home prices now ongoing since 2011 continued in the period, but at a slower rate. The decline in home values does not offer much hope for the prospects of a recovery. The continuing downward trend, which is not expected to improve in the short term, not only reflects the weakness of demand and the excess of supply, but also inevitably results in the postponement of investment decisions until conditions improve.

Another factor contributing to the trend in home purchases is the modest supply of mortgages to households over the year. In the third quarter of 2014, the proportion of purchases financed with a mortgage fell to 59.9% (from 62.9% in the preceding quarter), marking a reversal of the gradual increase over the last year or so<sup>19</sup>. There are various reasons for the greater selectivity in the lending system, which can be broken down as follows: (i) the gradual deterioration in creditworthiness resulting from the crisis, which has led to a need to make significant adjustments that have hindered a return to normal lending conditions; and (ii) the introduction of a unified European system of supervision, which has resulted in an acceleration in the process of verifying the value of loans with real-estate collateral.

Starting from the second half of 2014, the Italian banking system's lending capacity has been progressively increasing, supported by the European Central Bank's package of measures on refinancing conditions and guarantees of securities and mortgages.

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<sup>18</sup> Nomisma, *Report on the Property Market 2014*, published in November.

<sup>19</sup> Bank of Italy, *Italian Housing Market Survey*, October 2014.

## 2.5. THE PRIVATE EQUITY SECTOR

In terms of FSI's European operations, there were 204 transactions in 2014, worth USD 188 billion. This is higher than 2013's figure of USD 124 billion yet still below the peaks seen in 2006 and 2007 (nearly USD 300 billion in each year). Its investments in 2014 were mainly in the telecommunications (24%), leisure (18%), industrial (14%) and real estate sectors (13%). Geographically speaking, its investments were concentrated mostly in the United Kingdom (33%) and France (27%). Transactions completed in Italy accounted for only 2% of the grand total, a clear reduction compared to the 5% recorded in 2013.

These limited volumes in Italy are not in line with the country's economy, which as Europe's second-biggest manufacturer offers, by contrast, established companies operating in premium niche areas, and a high percentage of family businesses.

In terms of FSI's market segment in Italy, there were nine deals involving funds in 2014, compared with seven in 2013. In each of the two years, FSI was responsible for three of the deals.

### Equity capital investments completed in 2014 in Italy in FSI's "fund buyer" segment

(millions of euros)

Target	Buyer	Revenues 2013	Equity (1)	Stake acquired	FSI scope of investment Min. Dec. 2/7/2014
Versace	Blackstone	479	<b>210</b>	20.0%	Size
Eataly	Tamburi IP	285	<b>120</b>	20.0%	Size with exemption
Rina	VEI Capital & Intesa SP	294	<b>25</b>	20.0%	Size with exemption
Nuova Castelli	Charterhouse	350	<b>300</b>	80.0%	Size and industry
Inalca	FSI/Qatar Holding (3)	1,559	<b>165</b>	28.4%	Size and industry
Trevi	FSI (4)	1,276	<b>101</b>	16.9%	Size
Rocco Forte Hotels (2)	FSI (4)	291	<b>76</b>	23.0%	Sector
Intercos	Catterton Partners	330	<b>n/a</b>	43.0% (5)	Size
Carige Vita Nuova + Carige Ass.	Apollo GM	1,061	<b>310</b>	100.0%	Size and industry

(1) Equity investment made.

(2) Binding investment agreement, signed in March 2015.

(3) Through IQ MIIC, Joint Venture between FSI Investimenti and Qatar Holding.

(4) Means FSI and FSI Investimenti.

(5) Source Mergermarket, official data not available.

Source: Factset, Private Equity Monitor, Mergermarket, press reports.

Twelve deals among industrial firms were concluded in 2014, compared with 6 in 2013.

## Equity investments completed in 2014 in Italy in FSI's "industrial buyer" segment

(millions of euros)

Target	Buyer	Revenues 2013	Equity (1)	Stake acquired	FSI scope of investment Min. Dec. 2/7/2014
Ansaldo Energia	Shanghai Electric	1,219	400	40.0%	Size
Indesit	Whirlpool	2,671	758	66.8%	Size
Poltrona Frau	Hayworth	273	415	100.0%	Size with exemption
Shell Italia (2)	Q8	n/a	300	100.0%	Size
Pirelli - Steelcord	Bekaert	300	255	100.0%	Size
Acciai Speciali Terni	ThyssenKrupp AG	1,820	1,269 (3)	100.0%	Size
Direct Line	Mapfre	714 (4)	550 (4)	100.0%	Size and industry
Rottapharm	Meda	536	1,918	100.0%	Size and industry
Camfin/Pirelli	Rosneft	6,146	553	50.0%	Size
Alitalia	Etihad Airways	3,406	388	49.0%	Size and industry
Alitalia Loyalty	Etihad Airways	n/a	113	26.0%	Sector
Credito Bergamasco	Banco Popolare	521	301	22.2%	Size and industry
<b>Total invested by industrial buyers</b>			<b>7,218</b>		

(1) Equity investment made.

(2) Includes the Italian operations of the Shell Group, i.e. the companies engaged in the businesses of the Shell network (around 800 distributors), aviation, supply and distribution.

(3) Investment for the acquisition of VDM GmbH and Acciai Speciali Terni from Outokumpu.

(4) Joint revenues Direct Line Italy and Direct Line Germany; investment for 100% of Direct Line Italy and Direct Line Germany.

Source: Factset, Private Equity Monitor, Mergermarket, press reports.

## 2.6. THE EXPORT SUPPORT AND CREDIT INSURANCE SECTORS

The international goods trade is slowly recovering (+3.3% in 2014). Italy's trade balance reached €42.9 billion, an improvement on the previous year. The increase is the result of increased exports (+2%) and falling imports (-1.6%). Exports saw growth in the EU (+3.7%) against a contraction in non-EU demand (-0.1%). The most dynamic export markets included Belgium, the United States, Poland, China and the ASEAN<sup>20</sup> area; however sales to Russia, North Africa and Mercosur<sup>21</sup> declined. The increase in Italian exports is mainly attributable to sales of consumer goods and capital goods.

20 The ASEAN countries are: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, and Cambodia. In terms of exports, the most important countries are: Singapore, Indonesia, Malaysia, Vietnam, Philippines and Thailand.

21 The Mercosur countries are: Argentina, Brazil, Uruguay, Venezuela (members). The following countries are associates: Bolivia, Chile, Colombia, Ecuador and Peru.

Bank loans to non-financial companies continued to fall, reflecting the low demand for investments and the high credit risk of borrowers. The prolonged recession has also resulted in an increase in impaired bank loans to enterprises, which reached €131 billion (€108 billion in 2013). Bankruptcies also increased, exceeding 15,000 (nearly 12,000 in 2013). Insolvencies became increasingly common mainly in the trading and building sectors. In industry, however, the sectors with the greatest impairments were metal products, industrial machinery, textiles, clothing and woodwork-furniture.

Insolvencies increased markedly in almost all Italian regions. Lombardy was the worst-affected area, with 3,379 cases (22.1% of the total), followed by Lazio and Campania. Cerved figures relating to the third quarter of 2014 show that payments between enterprises were settled on average at around 77.5 days, corresponding to 17.5 days late on average (17.7 days in the same period of 2013).

## 3. Composition of the CDP Group

### 3.1. PARENT COMPANY

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 MEF (Ministry for the Economy and Finance) implemented the transformation 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 savings 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. These 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 be conducted: (i) through the banking system, (ii) for the purposes of Article 2 of Decree Law 69 of 21 June 2013 ratified with amendments by Law 98 of 9 August 2013, also through financial brokers authorised to conduct financial leasing transactions secured by the banking system, (iii) or through the subscription of investment funds managed by an asset management company, whose corporate purpose achieves one 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 securities, the taking on of loans and other financial transactions, without state guarantee, without raising demand funds.
- 5) Allocation of funds made available under point 1 to Italian banks and branches of EU and non-EU banks operating in Italy and duly authorised to conduct banking transactions for the disbursement of mortgages mainly for the purchase of principal dwellings and for renovation and energy efficiency works in compliance with the parameters and priorities as may be set out by applicable legislation.
- 6) Purchase of covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate.
- 7) Purchase of securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs for the purpose of increasing lending to SMEs.

Following regulatory provisions and statutory changes in keeping with the strategic guidelines set out in the Business Plan, the year 2014 witnessed a further expansion of the scope of CDP, whose corporate purpose has been broadened to include the following activities:

- financing of international development cooperation initiatives, directed to public and private organisations;
- use of state-guaranteed funding to finance transactions for private entities in “general interest” sectors identified by decree of the MEF;
- use of non-state-guaranteed funding to finance works, plant, infrastructure, networks and other facilities intended no longer solely for the provision of public services and for the reclaiming of land, but in a broader manner for initiatives of public interest;
- use of non state-guaranteed funding to finance investments in research, development, innovation, the protection and enhancement of cultural heritage, the promotion of tourism, the environment, energy efficiency and the green economy.

All of these activities must be conducted by CDP in a manner that, within the context of the separate accounting and organisational system, preserves 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 Italian 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 a 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 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 savings 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 local authorities, 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 MEF with CDP's transformation into a joint-stock company, and the provision of advisory services to government bodies. The Separate Account can also be used for initiatives to increase energy efficiency and to provide financing for international development cooperation.



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 2014, the Separate Account encompasses the following areas: Public Entities, Real Estate, Economic Support, and Public Interest Lending, while the Financing business area falls under the Ordinary Account.

Joint Services include the Corporate Centre areas and the governance and control bodies.

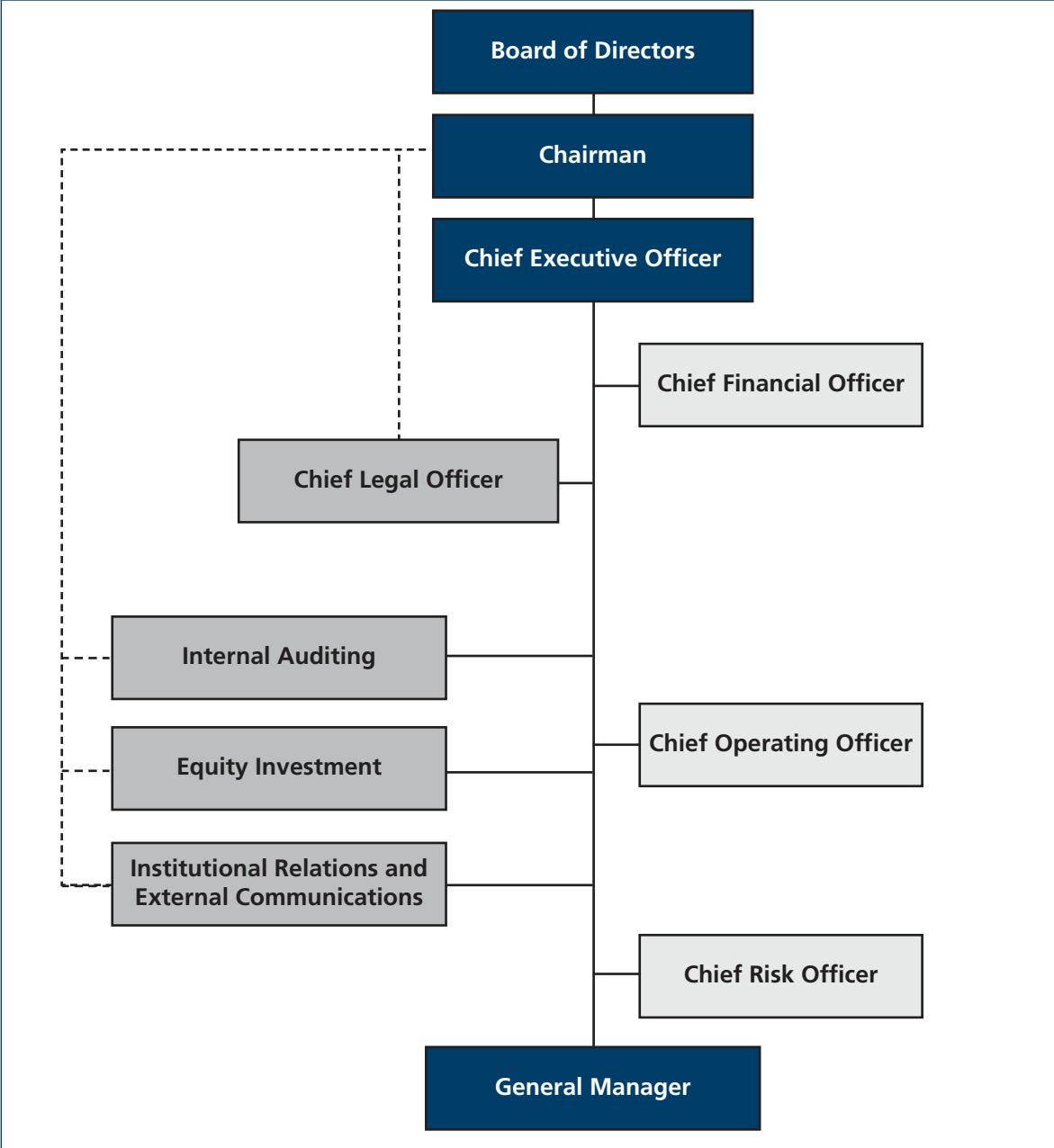
From the very start of operations for the Ordinary Account, CDP chose to keep cash flows separated for the two Accounts, although such a strict division is not required by the system of accounting separation. In other words, the forms of funding, lending and liquidity management (deposits and current 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.

## STRUCTURE

The Board of Directors approved the following amendments to CDP's organisational structure at its meeting on 16 September 2014:

- creation of the position of Chief Legal Officer, with the task of supervising legal assistance and advice, undertaking litigation, recovering receivables and managing company affairs;
- creation of the position of Chief Risk Officer, with the task of coordinating the risk management, anti-money laundering, compliance and loans functions;
- creation of the position of Chief Financial Officer, with the task of supervising lending and funding activities, planning and control, and administrative, accounting, reporting and tax obligations;
- creation of the position of Chief Operating Officer, with the task of supervising IT management, logistical and document support, developing the organisational structure, processes and resources, managing relations with trade unions and overseeing purchasing and back-office processes.

Taking these changes into account, CDP's organisational structure is shown below.



At 31 December 2014, CDP had 597 employees, of whom: 47 executives, 244 middle managers, 293 office staff, 10 persons in other types of contractual relationship (ongoing collaboration arrangements and interns) and 3 employees seconded from other organisations.

During 2014 the workforce continued to grow both quantitatively and qualitatively: 62 resources joined the Company and 28 left (primarily due to retirement or resignation).

Recruitment and selection activities benefited from the continued increase in applications and also from the now well-established partnership with a number of leading Italian universities, post-graduate schools and master's programmes.

Compared to last year, the average age of employees remains unchanged at 45 years, as does the percentage of employees with higher education qualifications (bachelor's or master's degrees, PhDs, post-graduate specialisation courses), exceeding 60%.

## 3.2. COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

### CDP Investimenti SGR

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 a share capital of €2 million, of which CDP holds 70%.

#### MISSION

CDPI SGR is a CDP Group's company active in the real estate sector and in particular in promoting, establishing and managing closed funds reserved to qualified investors in specific real estate market segments: private social housing (PSH) and developing the property assets of central government and public entities.

CDPI manages two real estate funds: the FIA and the FIV. The latter comprises two specific segments, Plus and Extra.

FIA's operations were started by the company on 16 July 2010 and its institutional purpose is to expand the availability of social housing throughout the country. The FIA primarily invests in real estate investment funds and local PSH initiatives, acquiring equity interests (including majority stakes) of up to a maximum of 80% of the capital/equity of the vehicle.

FIV is an umbrella real estate investment fund whose main objective is to promote and favour the privatisation of real estate owned by the state and public entities, by purchasing, including through auctions or other competitive procedures, real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental.

Unlike FIA, which is a fund of funds, FIV invests directly in real estate and its asset management operations are aimed at increasing the value of the purchased real estate through their active management and disposal also in the light of market trends.

During the second half of the year, the Board of Directors approved the formation of a new real estate investment fund named “Fondo Investimenti per il Turismo” (“FIT”). In particular, the fund’s purpose is to acquire real estate for use as hotels, accommodation, tourism and recreation, trade or services, or to be converted to these uses, mainly income generating or to be upgraded to income-generating status, to be held over the long term.

## **STRUCTURE**

At 31 December 2014, CDPI SGR had 38 employees, of whom 6 executives, 18 middle managers, and 14 office staff. During the year, CDPI SGR’s workforce increased by 6 units.

## **CDP Immobiliare**

CDP Immobiliare (former Fintecna Immobiliare) is a company incorporated in 2007 within the Fintecna Group to support the reorganisation of the construction, civil and systems engineering sectors belonging to the former IRI Group. In this context, it has dealt with the real estate operations by taking over its portfolio and managing the related leveraging and sales operations.

On 1 November 2013, following the demerger of the real estate operations of Fintecna Group, CDP took over the entire equity investment of Fintecna in CDP Immobiliare and in Quadrante.

## **MISSION**

CDP Immobiliare has developed competences, skills and an organisational model that enable it to comprehensively manage all phases of real estate activities, either directly or in partnership. This mission has been expanded, through integration into a broader range of services geared toward leveraging public-owned real estate holdings, through the creation of synergies with other Group entities operating in the same area. As part of this process, the company has been allocated the technical and administrative management and maintenance of a portfolio of properties in the FIV that are managed by CDPI SGR.

In particular, the company is active in three fundamental business areas:

- the acquisition, management and marketing of real estate portfolios;
- the execution of major redevelopment projects, also in partnership via the formation of investee companies;
- the performance of technical and management services in the real estate sector, both to support its own activities and as a supplier to other operators in the sector.

## **STRUCTURE**

At 31 December 2014, the employees of CDP Immobiliare numbered 132, of whom 20 were executives, 45 middle managers and 67 office staff. The number of employees compared to 31 December 2013 increased by 3, the combined result of the conversion of 5 internships into fixed-term contracts and of the resignation of 2 employees.

## FSI

FSI is an equity holding company formed by Ministerial Decree on 3 May 2011. To date, CDP holds 77.702%, Fintecna 2.298% and Bank of Italy 20% of the share capital, which totals about €4.4 billion.

## MISSION

FSI acquires equity holdings – usually non-controlling interests – in companies of “major national interest” that have a stable financial position and performance, and are capable of generating value for investors.

On 2 July 2014, the MEF broadened the investment scope of FSI via Ministerial Decree: (i) including the tourism, hotel, agrifood, distribution, cultural and artistic heritage management segments among the “strategic segments” and (ii) including companies which – though not formed in Italy – operate in some of the aforementioned segments and have subsidiaries (or permanent establishments) in Italy with total net revenues of less than €50 million and an average number of employees of no less than 250 in the last fiscal year among the companies of “major national interest”.

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

FSI has recently entered into co-investment agreements with sovereign funds that have expressed an interest in investing in Italy and in cooperating with institutions. This had the following outcomes:

- in 2013 (i) the joint venture IQ Made in Italy Investment Company S.p.A. (“IQ”) was formed with Qatar Holding LLC for investments in the “Made in Italy” sector and (ii) a cooperation agreement was signed with the Russian Direct Investment Fund (“RDIF”) for investments of up to €500 million per transaction, in enterprises and projects that promote economic cooperation between Italy and Russia and the growth of their respective economies;
- in 2014 (i) a new investment company called FSI Investimenti was formed in which FSI will hold approximately 77% and KIA approximately 23%; (ii) a cooperation agreement was signed with China Investment Corporation (“CIC International”) for joint investments of up to a maximum value of €500 million for each of the two institutions, in order to promote economic cooperation between Italy and China;
- in 2015, a cooperation agreement was signed with Korea Investment Corporation (KIC) for joint investments of up to a maximum value of €500 million each.

## STRUCTURE

At 31 December 2014, the company had 33 members of staff (plus the CEO), comprising 7 executives, 17 middle managers and 9 employees. Compared with 31 December 2013, the workforce grew by 11 employees.

## 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, preparing the way for its privatisation. At the end of this task, which entailed the privatisation of more than 200 companies over five years, the then shareholder, IRI, entrusted 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.

On 9 November 2012, CDP acquired the entire share capital of Fintecna from MEF.

Currently, Fintecna's main equity investment is the controlling stake (72.51%) in Fincantieri.

### MISSION

The main activities of the Fintecna Group are currently:

- management of Fintecna S.p.A.'s equity investments in companies through policy-setting, coordination and control activities;
- management of liquidation processes;
- management of litigation mainly arising from acquired companies;
- 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.

### STRUCTURE

The employees of the Fintecna Group number 21,844, of whom 359 executives, 7,241 middle managers and office staff, and 14,244 workers.

At the parent company Fintecna S.p.A., the workforce numbered 155 employees at 31 December 2014, including 19 executives, compared to 170 employees at 31 December 2013.

At the reporting date, the employees of the Fincantieri Group numbered 21,689 compared with 20,389 at the end of 2013.

## 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 MEF.

## 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 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 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 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.

## STRUCTURE

At 31 December 2014 the employees of the SACE Group numbered 715, comprising 44 executives, 275 management-level staff and 396 office staff. The workforce decreased by 2 compared with 31 December 2013.

## SIMEST

SIMEST is a joint-stock company 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 Economic Development ("MiSE"); 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

Its main activities are:

- investment in the equity of companies outside the EU by: (i) directly acquiring up to 49% of the share capital of foreign firms; (ii) managing the venture capital fund established by the MiSE;
- by investing in the capital of companies in Italy and within the EU by directly acquiring stakes, under arm's length conditions and without any advantages, of up to 49% of the share capital of Italian companies or their EU subsidiaries that develop investments in production and in innovation and research (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.

## **STRUCTURE**

At the end of the year, the company had 155 employees, of which 11 executives, 76 middle managers and 68 office employees. The decrease of 2 employees compared with 31 December 2013 is the net balance of 3 exits and the hiring of 1 employee.

## **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 TAG, the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy, was acquired from Eni International B.V.

During the year, CDP GAS also reached an agreement with SNAM for the transfer of the investment held in TAG via a reserved capital increase. As a result of this transaction, at 31 December 2014 CDP GAS holds an approximately 3.4% equity investment in SNAM.

At 31 December 2014, the company has 2 employees. The employee previously seconded to TAG as Managing Director has now been fully transferred to TAG.

### **CDP RETI S.P.A.**

CDP Reti is an investment vehicle, formed in October 2012, through which CDP purchased a stake in SNAM from ENI on 15 October 2012. At 31 December 2014, CDP Reti held 29.0% of the share capital issued by SNAM.

On 27 October 2014, CDP transferred its entire stake in Terna, equal to 29.851% of the share capital, to CDP Reti. The holding in Terna did not change in the remainder of the year.

Following the completion during the year of the process to open CDP Reti's share capital to outside investors, its share capital of €161,514 is now owned 59.1% by CDP, 35.0% by State Grid Europe Limited ("SGEL"), a company of the State Grid Corporation of China Group, and the remainder (5.9%) by Italian institutional investors.

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



### **QUADRANTE S.p.A.**

Quadrante S.p.A. is a special-purpose real estate company whose mission is to exploit its property portfolio, which consists of two adjacent areas totalling 67 hectares, located in the Centocelle district of Rome:

- one of these is a 52 hectare plot of buildable land called Centralità di Torrespaccata;
- the other covers 15 hectares and is located in the Centocelle Park.

The company was merged into CDP Immobiliare effective 1 January 2015.

Since the company does not have its own organisational structure or employees, it has entered into an agreement with CDP Immobiliare for the performance of activities relating to the management and exploitation of its property portfolio, as well as the management of current corporate and administrative activities.

## 4. Financial position and performance

### 4.1. PARENT COMPANY

The financial position and performance of the Parent Company at 31 December 2014 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.

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

#### 4.1.1. Reclassified income statement

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

#### Reclassified income statement

*(millions of euros)*

	31/12/2014	31/12/2013	Change (+/-)	% change
Net interest income	1,161	2,539	(1,378)	-54.3%
Dividends and gains (losses) on equity investments	2,785	2,080	705	33.9%
Net commission income	(1,591)	(1,583)	(8)	0.5%
Other net revenues	309	77	232	300.9%
<b>Gross income</b>	<b>2,664</b>	<b>3,114</b>	<b>(450)</b>	<b>-14.4%</b>
Net writedowns	(131)	(45)	(85)	188.7%
Overheads	(134)	(127)	(8)	5.9%
- of which: administrative expenses	(127)	(119)	(8)	6.7%
<b>Operating income</b>	<b>2,409</b>	<b>2,953</b>	<b>(544)</b>	<b>-18.4%</b>
<b>Net income (loss)</b>	<b>2,170</b>	<b>2,349</b>	<b>(179)</b>	<b>-7.6%</b>

The results achieved in 2014 showed a decrease in net income due mainly to the expected drop in net interest income. Indeed, net interest income was €1,161 million, down by about 54% compared with 2013. Against a market background generally characterised by a significant drop in interest rates, this trend is mainly the result of decreases in the Treasury current account interest rate, which has fallen to record lows also because of the changes brought about by the Ministerial Decree of 28 May 2014<sup>22</sup> concerning the methods for calculating the yield of funds.

<sup>22</sup> The Ministerial Decree enacted the changes introduced by Decree Law 66 of 24 April 2014 ("Spending review"), which under Article 12.1 modified the yield of the current account with the Central State Treasury of the separate account. Specific-

The net interest income trend was partially offset at gross income level thanks to the gain realised on the disposal of a minority holding in CDP Reti, increased dividends from investee companies and capital gains on the sale of a portion of the securities portfolio.

Overheads mainly comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets, as shown in the table below.

## Breakdown of overheads

(thousands of euros)

	31/12/2014	31/12/2013	Change (+/-)	% change
<b>Staff costs</b>	<b>65,653</b>	<b>62,979</b>	<b>2,674</b>	<b>4.2%</b>
<b>Other administrative expenses</b>	<b>60,242</b>	<b>53,670</b>	<b>6,572</b>	<b>12.2%</b>
Professional and financial services	8,235	8,324	(89)	-1.1%
IT costs	25,887	23,937	1,950	8.1%
General services	8,270	8,326	(56)	-0.7%
Publicity and marketing expenses	7,773	3,035	4,738	156.1%
- of which for mandatory publicity	1,090	1,219	(128)	-10.5%
Information resources and databases	1,434	1,421	13	0.9%
Utilities, duties and other expenses	8,300	8,346	(46)	-0.5%
Corporate bodies	342	281	61	21.8%
<b>Total net administrative expenses</b>	<b>125,894</b>	<b>116,649</b>	<b>9,246</b>	<b>7.9%</b>
Expenses rebilled to third parties	1,373	2,660	(1,287)	-48.4%
<b>Total administrative expenses</b>	<b>127,268</b>	<b>119,309</b>	<b>7,959</b>	<b>6.7%</b>
Net adjustments of property, plant and equipment and intangible assets	7,065	7,494	(429)	-5.7%
<b>Grand total</b>	<b>134,332</b>	<b>126,802</b>	<b>7,530</b>	<b>5.9%</b>

Staff costs in 2014 came to approximately €66 million, an increase of 4% compared with the same period of 2013. The increase mainly reflects the expansion in the workforce as envisaged in the 2013-2015 Business Plan, ordinary wage developments and higher expenses for employee services.

Other administrative expenses also increased, reflecting the continuing initiatives contained in the Business Plan. The change was the primarily the result of: (i) expenses connected to the launch of the institution's campaign to promote CDP's image as an issuer of retail products, as part of the process to di-

ly, while the parameters for the benchmark parameters of the yield (mean interest rate of Italian treasury bills - BOT and that of the Rendistato index) remain unchanged, the period for their measurement has changed from the previous six-month period to the "six-month period of validity of the yield".

verify funding streams; (i) higher IT expenses due to the acceleration in the technological innovation projects envisaged in the 2013-2015 Business Plan.

Finally, net income accrued was equivalent to €2,170 million, down compared with €2,349 million in 2013.

Net of non-recurring factors relating (i) to the change in the method for calculating the yield of the current account with the Central State Treasury<sup>23</sup> for fiscal year 2014, the gain on the disposal of a non-controlling interest in CDP Reti and the impairment of the investment in CDP Immobiliare, as well as (ii) to extraordinary dividends for the financial year 2013 received by Fintecna from SACE and the related impairments on equity investments, there was a net income for 2014 of €1,682 million, down compared with net income in 2013 of €2,019 million.

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

(millions of euros)

	31/12/2014	31/12/2013	Change (+/-)	% change
Net interest income	1,534	2,539	(1,005)	-39.6%
Dividends and gains (losses) on equity investments	1,847	1,688	159	9.4%
Net commission income	(1,591)	(1,583)	(8)	0.5%
Other net revenues	309	77	232	300.9%
<b>Gross income</b>	<b>2,099</b>	<b>2,721</b>	<b>(623)</b>	<b>-22.9%</b>
Net writedowns	(131)	(45)	(85)	188.7%
Overheads	(134)	(127)	(8)	5.9%
<b>Operating income</b>	<b>1,844</b>	<b>2,561</b>	<b>(717)</b>	<b>-28.0%</b>
<b>Net income (loss)</b>	<b>1,682</b>	<b>2,019</b>	<b>(337)</b>	<b>-16.7%</b>

### 4.1.2. Reclassified balance sheet

#### 4.1.2.1. Assets

The assets of the Parent Company from the reclassified balance sheet at 31 December 2014 can be grouped into the following aggregates:

<sup>23</sup> During the first half of 2014, when the Ministerial Decree of 28 May 2014 came into force.

## Reclassified balance sheet

(millions of euros)

	31/12/2014	31/12/2013	% change
<b>ASSETS</b>			
Cash and cash equivalents and other treasury investments	180,890	147,507	22.6%
Loans to customers and banks	103,115	103,211	-0.1%
Debt securities	27,764	23,054	20.4%
Equity investments and shares	30,346	32,693	-7.2%
Assets held for trading and hedging derivatives	982	798	23.2%
Property, plant and equipment and intangible assets	237	224	5.9%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,564	5,558	0.1%
Other assets	1,306	1,640	-20.4%
<b>Total assets</b>	<b>350,205</b>	<b>314,685</b>	<b>11.3%</b>

At the end of the period, total assets came to about €350 billion, an 11% increase from the end of the previous year, when the total was about €315 billion. This trend is mainly the result of increased OPTES operations, of which the balance at 31 December 2014 was particularly high, totalling €38 billion (versus €10 billion in 2013; for details refer to the dedicated section 5.1.1.4. "Funding of the Parent Company").

The stock of cash and cash equivalents (with the available balance on the Treasury current account equal to approximately €147 billion) amounted to €181 billion, an increase of 23% over the end of 2013. Net of OPTES operations invested in cash and equivalents (the value of which grew almost three-fold compared with 2013, totalling €31 billion), the balance is equivalent to €150 billion, up by over 9% compared to 2013 despite the conclusion of the repayment plan of the LTRO programme. This increase is due mainly to (i) the positive contribution of CDP's net postal funding, (ii) the progressive concentration of the treasury of the subsidiaries, (iii) the EMTN issues, (iv) the rationalisation of the equity investment portfolio, and (v) the sale of a number of government securities previously purchased.

The stock of loans to customers and banks, equivalent to about €103 billion, was stable compared with year-end 2013 (-0.1%, in line with the trend in bank lending to general government and firms).

Debt securities totalled about €28 billion, a substantial increase compared with the end of 2013 (+20%; €23 billion). Net of OPTES operations (about €7 billion), the balance amounts to €21 billion, down by 11% mainly as a result of the sale of part of the government securities during the year.

At 31 December 2014, the carrying amount of equity investments and shares was equal to about €30 billion, down around 7% compared with year-end 2013. This decrease is mainly attributable to the contribution of Terna to CDP Reti and the subsequent disposal of a minority stake in the vehicle to non-controlling investors, and to the impairment of the equity investment in CDP Immobiliare (refer for details to the dedicated section 5.1.1.2. "Equity investment portfolio management").

Assets held for trading and hedging derivatives increased by 23% compared with the end of 2013. 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 2014, the change is mainly due to the increase in the positive fair value of the hedged bond funding.

The total balance of property, plant and equipment and intangible assets came to €237 million, of which €232 million in property, plant and equipment and the remainder in intangible assets. The increase was attributable to a larger volume of investments made during in 2014 compared with the depreciation and amortisation charge recognised during the period on existing assets. In this regard, there was a sharp increase in capital expenditure during the year, mainly as a result of an increase in expenditure for renovations of owned buildings.

The aggregate "Accrued income, prepaid expenses and other non-interest-bearing assets" was basically stable compared with 2013, equivalent to €5.6 billion. This performance was mainly attributable to: (i) the decrease in loans falling due to be settled with interest accrued on cash and cash equivalents yet to be collected; (ii) an increase in the fair value of loans hedged for financial risks using derivative instruments, which, as discussed below, is matched by an increase in the negative fair value of the related hedging derivatives.

Finally, other assets, which include current and deferred tax assets, payments on account for withholding tax on interest on postal passbooks and other sundry assets, equivalent to €1,306 million, decreased compared with €1,640 million in 2013 due to increased advance payments for IRES tax and IRAP tax (in the amount of 130% calculated on the already high amount of tax for 2012) which characterised the previous year.

#### ***4.1.2.2. Liabilities and equity***

The reclassified liabilities and equity of CDP at 31 December 2014 can be grouped into the following aggregates:

## Reclassified balance sheet

(millions of euros)

	31/12/2014	31/12/2013	% change
<b>LIABILITIES AND EQUITY</b>			
Funding	325,286	291,939	11.4%
- of which: postal funding	252,038	242,417	4.0%
- of which: funding from banks	12,080	22,734	-46.9%
- of which: funding from customers	51,757	20,007	158.7%
- of which: funding from bonds	9,411	6,782	38.8%
Liabilities held for trading and hedging derivatives	2,644	1,946	35.8%
Accrued expenses, deferred income and other non-interest-bearing liabilities	760	497	52.9%
Other liabilities	1,548	1,480	4.6%
Provisions for contingencies, taxes and staff severance pay	413	685	-39.6%
Equity	19,553	18,138	7.8%
<b>Total liabilities and equity</b>	<b>350,205</b>	<b>314,685</b>	<b>11.3%</b>

Total funding at 31 December 2014 came to €325 billion (+11% from the end of 2013). Within this aggregate, postal funding was up (+4% from the end of 2013), due to positive net funding of approximately €4.6 billion and interest accrued; the associated stock, which comprises passbook savings accounts and postal savings bonds, amounted to about €252 billion.

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

- funding from banks, which fell from around €23 billion in 2013 to about €12 billion in December 2014, mainly due to the conclusion of the repayment plan for the ECB LTRO loan (the total repayment made during the year was around €14 billion), only partially offset by draws on EIB credit lines and repurchase agreements;
- funding from customers, which more than doubled compared with the end of 2013 to about €52 billion; this performance was mainly attributable to (i) stock generated by OPTES operations totalling €38 billion (the balance was equivalent to €10 billion at the end of 2013); (ii) increased funding resulting from the progressive concentration of the treasury of the subsidiaries;
- bond funding, which grew by 39% compared with year-end 2013, reaching over €9 billion, mainly due to EMTN issues equivalent to €3 billion.

Liabilities held for trading and hedging derivatives posted an increase compared with the end of 2013 (+36%) to stand at €2,644 million. The aggregate includes the fair value (if negative) of hedging derivatives, including operational hedges that are not recognised as hedge positions for accounting purposes. This trend was mainly the result of the increased negative fair value of the hedging derivatives.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to €760 million, decreased by 53% compared with the figure at the end of 2013 due to the change in fair value of the hedged bond funding, partially offset by lower accrued expenses.

Developments in the other aggregates can be summarised as follows: (i) the substantial stability of “Other liabilities”, amounting to €1,548 million; (ii) the decrease (-40%) in provisions for contingencies, taxes and staff severance pay due to decreased current tax liabilities.

Finally, equity at 31 December 2014 amounted to approximately €20 billion. The increase over the end of 2013 (+8%) was due to the combined impact of net income for the period (€2,170 million), only partially offset by dividends paid to shareholders in the period in respect of 2013 net income.

### 4.1.3. Indicators

#### 4.1.3.1. Balance sheet ratios

##### Main indicators (reclassified data)

	2014	2013
Loans to customers and banks/Total assets	29.4%	32.8%
Loans to customers and banks/Postal funding	40.9%	42.6%
Equity investments and shares/Equity	1.55x	1.80x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.305%	0.292%
Net bad debts and substandard loans/Net loans to customers and banks	0.163%	0.196%
Net writedowns/Net loans to customers and banks	0.110%	0.039%

There was a slight decrease in the proportion of loans out of total assets, mainly as a result of funding through the OPTES channel (€38 billion in 2014 compared to €10 billion in 2013).

Funding from postal savings grew in 2014, in contrast to the trend registered in the stock of loans to customers and banks, thereby leaving the ratio of the stock of postal savings funding to total loans to customers and banks essentially unchanged.

The ratio of equity investments and shares to the Company's total equity decreased as a result of the combined effect of an increase in the denominator due to net income (net of dividends paid to shareholders) and the decrease in the numerator in relation to the disposal of a non-controlling interest in CDP Reti and the impairment of the investment in CDP Immobiliare.



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. In particular, in 2014 the exposures classified as bad debts and substandard positions were slightly up in gross terms, mainly because of the recession in the domestic economic sectors (SMEs and producer households) in which the beneficiaries of loans from the Revolving Fund for Enterprises (FRI) operate. However the net value of the exposures classified as bad debts and substandard positions was down, mainly because of impairments on 3 substandard positions as a result of a worsening in expectations for their recovery. In overall terms, net impairment of loans mainly reflect: (i) the increase in value adjustments on the positions noted above, which were already classified as substandard at the end of last year, (ii) the increase in new positions classified as bad debts in relation to FRI financing, and (iii) the rise in provisions against performing loans as a result of the increase in the implicit risk attached to some sectors financed by CDP.

#### 4.1.3.2. Performance indicators

Analysing the indicators, there was a reduction in the spread between lending and funding rates, which went from about 110 basis points in 2013 to about 50 basis points in 2014.

Despite the decline in financial income and the increase in overheads due to the plan for the expansion of the workforce and the IT infrastructure as envisaged in the Business Plan, the cost/income ratio remained very low (5.3%) and well within the targets set.

Finally, even though return on equity (ROE) was slightly down on 2013, it was still high at 12%.

#### Main indicators (reclassified data)

	2014	2013
Net interest income/Gross income	43.6%	81.6%
Net commissions/Gross income	-59.7%	-50.8%
Other revenues/Gross income	116.1%	69.3%
Commission expense/Postal funding	0.7%	0.7%
Spread interest-bearing assets liabilities	0.5%	1.1%
Cost/income ratio	5.3%	4.1%
Cost/income ratio (including commission expense on postal funding)	42.5%	37.3%
Net income/Opening equity (ROE)	12.0%	14.0%
Net income/Average equity (ROAE)	11.5%	13.4%

## 4.2. CDP GROUP

The financial position and performance of the CDP Group at 31 December 2014, from an operational perspective, 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.

As regards the change in the consolidation that occurred during the period, please refer to the information contained in introductory section of the report on operations.

Starting from financial year 2014, with restatement of the comparative figures for 2013, the CDP Group consolidated SNAM on a line by line basis<sup>24</sup>; therefore, for the purposes of this report on operations, the comparative figures relating to 2013 were also restated.

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

### 4.2.1. Reclassified consolidated income statement

The following table represents the CDP Group, with specific reporting of the contributions from the spheres of operations “Business and Finance Areas of the Parent Company” and “Group companies, other equity investments and other”. The first sphere includes the following Areas: Public Entities, Finance, Loans, Public Interest Lending and Economic Support of the Parent Company; the second sphere includes, in addition to the Equity Investments area of the Parent Company, the remaining Areas of the Parent Company (which perform activities of governance, policy, control and support) and all the other Group companies. For greater clarity, consolidation eliminations and adjustments have been allocated to the respective spheres of reference.

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24 As detailed in section 5 “Other issues” of part A of the accounting policies.

## Reclassified income statement

(millions of euros)

	31/12/2014			31/12/2013	
	CDP Group	Business and Finance Areas of the Parent Company	Group companies, other equity investments and other	CDP Group	% change
<b>Net interest income</b>	<b>925</b>	<b>1,893</b>	<b>(968)</b>	<b>2,424</b>	<b>-61.8%</b>
Dividends and gains (losses) on equity investments	632	-	632	1,276	-50.4%
Net commission income	(1,633)	(1,395)	(238)	(1,603)	1.8%
Other net revenues	556	276	280	318	75.0%
<b>Gross income</b>	<b>481</b>	<b>774</b>	<b>(294)</b>	<b>2,414</b>	<b>-80.1%</b>
Profit (loss) on insurance operations	503	-	503	249	102.0%
<b>Profit (loss) on banking and insurance operations</b>	<b>984</b>	<b>774</b>	<b>209</b>	<b>2,663</b>	<b>-63.1%</b>
Net writedowns	(166)	(131)	(35)	(56)	193.4%
Overheads	(7,587)	(20)	(7,567)	(6,929)	9.5%
- of which: administrative expenses	(5,912)	(20)	(5,892)	(5,320)	11.1%
Other operating income (costs)	10,099	0.6	10,099	9,527	6.0%
<b>Operating income</b>	<b>5,005</b>	<b>624</b>	<b>4,381</b>	<b>6,815</b>	<b>-26.5%</b>
<b>Net income</b>	<b>2,659</b>			<b>3,425</b>	<b>-22.4%</b>
Net income (loss) for the year pertaining to non-controlling interests	1,501			923	62.5%
<b>Net income (loss) for the year pertaining to shareholders of the Parent Company</b>	<b>1,158</b>			<b>2,501</b>	<b>-53.7%</b>

Group net income for 2014 amounted to €2,659 million (€1,158 million of which pertaining to the shareholders of the Parent Company), a decrease of 22% over 2013. The change was mainly due to the net interest income of the Parent Company and the decrease in profitability of ENI, partially offset by insurance operations and other net revenues, as well as a reduction in tax expenses.

More specifically, net interest income came to €925 million, down 62% (-€1.5 billion) compared to 2013. This result is attributable to the decrease in margins between lending and funding of the Parent Company, to which reference is made for further details. The amount relating to the cost of the Parent Company's funding has been notionally allocated to the sphere of operations "Group companies, other equity investments and other", on the basis of the average stock of loans held during the financial year.

“Dividends and gains (losses) on equity investments” amounted to €632 million, a decrease of 50% compared to 2013. The figure mainly includes: (i) with regard to the Parent Company, the valuation of the equity of ENI (€383 million) and, to a lesser extent, the dividends received from investment funds and investment vehicles (€5 million); (ii) with regard to SNAM, profits from the valuation of the investment portfolio, net of the accounting effects deriving from the allocation of the purchase price of the company (€81 million); (iii) dividends and profits from the equity investments of FSI and FSI Investimenti (for a total of €58 million), which include dividends received from Generali, amounting to approx. €31 million, and valuations of the equity investments in Metroweb, Kedrion, IQ, Valvitalia and SIA (for a total of €27 million); (iv) valuation of the equity of TAG, amounting to €43 million; (v) for CDP Immobiliare, the accounting effects of the revaluation of the investment holding Residenziale Immobiliare 2004 following acquisition of control (€41 million).

Net commission income, amounting to -€1,633 million (+2% compared to 2013), is substantially related to the Business and Finance Areas of the Parent Company. As already reported above with regard to net interest income, the amount relating to commission income on the Parent Company's funding has been notionally allocated to the sphere “Group companies, other equity investments and other”, on the basis of the average stock of loans held during the financial year. Also contributing to the figure are: (i) SIMEST, for approx. €20 million, relating to the commission income received for managing the Venture Capital Fund, the 394/81 fund and the 295/73 fund; (ii) CDPI SGR, which received commission income during the period totalling €10 million in relation to its core business of managing the FIA; (iii) SACE Group, which posted net commission income of approx. €13 million; (iv) SNAM, which incurred up-front fees on revolving credit lines and commission for lack of use of -€49 million; (v) for a residual amount, Fintecna Group and CDP Reti for -€28 million.

Added to this is the contribution of other net revenues, amounting to €556 million, an increase of 75% compared to 2013. The balance includes, in addition to the contribution of the Business and Finance Areas of the Parent Company (amounting to €276 million): (i) for FSI, capital gains and valuations on derivatives, amounting to €132 million, mainly relating to the sale of 1.91% of Generali and 0.38% of Hera; (ii) for SACE, the result of trading and hedging activities, amounting to €109 million; (iii) for a residual amount of approx. €40 million, the results of Terna and FSI Investimenti.

The result of insurance operations, amounting to €503 million, includes net premiums and other income and charges from insurance operations, and is twice that in 2013, mainly due to the increase in technical provisions and recoveries from private and sovereign counterparties, partially offset by the dynamics of net premiums.

“Net writedowns”, amounting to -€166 million, are almost triple those of 2013. This item is mainly attributable to the Business and Finance Areas of the Parent Company to which reference is made.

Overheads comprise staff costs and other administrative expenses, as well as writedowns of property, plant and equipment and intangible assets. This aggregate is up 10% compared to 2013, reaching €7.6 billion and essentially concerns the Group companies, other equity investments and other sphere. The

change compared to 2013, amounting to approx. €660 million, is explained by the Fintecna Group, in relation to higher costs for the purchase of raw materials of the Fincantieri Group, and by Terna, following the merger of Tamini and higher depreciation.

Other operating income (costs) amounted to approx. €10 billion, an increase of 6% compared to 2013. This balance mainly includes revenues related to the core business of the SNAM, Terna and Fintecna Groups. The change in this item is attributable: (i) to the Fintecna Group, for €612 million, due to increased business volumes in the cruise ship and offshore segments, which more than offset the decrease in volumes in the military segment; (ii) to the Terna Group, for €95 million, mainly due to non-core business activities.

Taking into account the other residual items, mainly attributable to allocations to provisions for risks and charges, to disposals in progress and taxes, net income amounted to €2,659 million, down on the €3,425 million in 2013 (-22%).

#### 4.2.2. Reclassified consolidated balance sheet

The following table provides the situation of the CDP Group, with specific reporting of the contributions from the spheres of operations “Business and Finance Areas of the Parent Company” and “Group companies, other equity investments and other”. The difference between the consolidated balances and those relating to the two spheres of operations reflects intercompany eliminations and consolidation adjustments.

#### Reclassified consolidated balance sheet

(millions of euros)

Assets	31/12/2014				31/12/2013	% change
	CDP Group	Business and Finance Areas of the Parent Company	Group companies, other equity investments and other	Elimination/adjustment	CDP Group	
Cash and cash equivalents and other treasury investments	183,749	180,890	10,541	(7,682)	151,523	21.3%
Loans to customers and banks	105,828	102,440	4,736	(1,348)	105,965	-0.1%
Debt securities	30,374	27,764	2,744	(135)	27,742	9.5%
Equity investments and shares	20,821	-	40,704	(19,883)	20,061	3.8%
Reinsurers' share of technical provisions	85	-	85	-	82	3.0%
Assets held for trading and hedging derivatives	1,818	982	869	(33)	1,452	25.2%
Property, plant and equipment and intangible assets	41,330	-	33,523	7,808	41,669	-0.8%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,889	5,563	344	(17)	5,940	-0.9%
Other assets	11,786	-	11,792	(6)	12,873	-8.4%
<b>Total assets</b>	<b>401,680</b>	<b>317,639</b>	<b>105,337</b>	<b>(21,296)</b>	<b>367,307</b>	<b>9.4%</b>

At 31 December 2014, the total assets of the CDP Group came to about €402 billion, up 9% compared with 31 December 2013.

The stock of cash and cash equivalents reached €184 billion. These include about €181 billion relating to the Business and Finance Areas of the Parent Company, which have been analysed above. In addition, the balance of the Group includes deposits and other highly liquid investments related to FSI, FSI Investimenti and the Fintecna, SACE and Terna groups, amounting to approx. €11 billion (and subject to elimination of €7.7 billion). The change in the balance of the period, amounting to +€32 billion, is largely attributable to the Parent Company. In addition, highlighted are: (i) for SACE, an increase of €1.3 billion, generated from the disposal of the government and corporate bond portfolio; (ii) for FSI, an increase of €1.2 billion, resulting from the completion of operations on Generali shares and operations on the investment portfolio; (iii) for Fintecna, an increase resulting from clearing the debt securities portfolio (+€1.1 billion) and from the listing of Fincantieri (+€351 million), partially offset by the cash flow of the period; (iv) for FSI Investimenti, an increase of approx. €290 million, due to the contributions made by the shareholder KIA; (v) for Terna, a decrease of €400 million, due to the cash flow generated during the year. These changes were partially offset by the increase in intercompany eliminations due to centralisation of the treasury at the Parent Company.

The stock of loans to customers and banks is stable compared to 2013, amounting to €106 billion. The balance, largely attributable to the Business and Finance Areas of the Parent Company, for the remaining amount (€4.7 billion) includes the contribution of the SACE Group (€2.6 billion), the Fintecna Group (€690 million) and SIMEST (€470 million)<sup>25</sup>. Excluding the Business and Finance Areas of the Parent Company, to which reference is made, the change in the balance is mainly due to: (i) granting of a loan of €675 million by the Parent Company to CDP Reti as part of the opening of the share capital of the company; (ii) granting of a loan by Fintecna to Ligestra Tre (+€228 million); (iii) SACE, for alignment with the estimated realisable value of loans with political risk (+€419 million), net of loans collected for €152 million; (iv) the effects of transition to consolidation under the equity method of Ansaldo (-€421 million).

Debt securities amounted to about €30 billion, up 9% compared with the end of 2013. These include almost €28 billion relating to the Business and Finance Areas of the Parent Company (to which reference is made). The residual balance of €2.7 billion is attributable to the SACE Group (approx. €2.6 billion) and the remainder to FSI Investimenti. Excluding the Business and Finance Areas of the Parent Company, the aggregate decreased by €2.1 billion compared to 2013, due to: (i) disposal of the debt securities portfolio of the Fintecna Group and SACE Group, as a result of the aforementioned centralisation of cash at the Parent Company; (ii) subscription by FSI of a convertible bond of Valvitalia.

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<sup>25</sup> The allocation of these equity investments under loans to customers and banks takes account of the characteristics of the SIMEST transactions, which include the obligation of the partner to repurchase the stake upon expiration of the agreements.

Equity investments and shares increased by 4% compared with 2013, reaching €21 billion. The change in this aggregate, equivalent to +€760 million, is attributable to: (i) the Parent Company for -€2.3 billion, in relation to the above-mentioned operation on CDP Reti, and, to a lesser extent, the residual investment portfolio; (ii) FSI, for -€476 million, due to the disposals of Generali, Ansaldo Energia and Hera, net of the acquisitions of Trevi Finanziaria and Valvitalia; (iii) FSIA, for €313 million, in relation to the acquisition of SIA; (iv) the transfer of Terna to CDP Reti for €1.3 billion; (v) SNAM for €378 million, in relation to the transfer of the stake held by CDP GAS to TAG; (vi) the valuation of ENI according to the equity method (€544 million); (vii) the change of the scope of consolidation during the year.

Reinsurers' share of technical provisions, which include reinsurers' commitments under reinsurance agreements with the SACE Group, were up by 3% compared with 31 December 2013 at about €85 million.

Assets held for trading and hedging derivatives amounted to €1.8 billion, up 25% over the figure at the end of 2013. 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. The balance is essentially attributable to the Business and Finance Areas of the Parent Company, to which reference is made, amounting to approx. €1 billion. In addition, worthy of mention is the balance attributable to the Terna Group, amounting to €795 million, mainly concerning interest rate hedging of its fixed-rate bond issues. The change in the balance of the Group is attributable, in addition to that already discussed with reference to the Parent Company, to the Terna Group.

Property, plant and equipment and intangible assets, with a balance of approx. €41 billion, unchanged compared to the end of 2013, are attributable to the consolidation of the assets of SNAM, Terna and Fintecna. In particular: (i) net investments in fixed assets (€554 million) and intangible assets (€366 million) of SNAM; (ii) net investments in fixed assets (€650 million) and intangible assets (-€9 million) of the Terna Group; (iii) effects of the deconsolidation of the assets of Ansaldo (-€1.4 billion).

Accrued income, prepaid expenses and other non-interest-bearing assets was unchanged compared with year-end 2013, equivalent to about €5.9 billion. Readers are invited to consult the discussion of the Business and Finance Areas of the Parent Company for more information.

Finally, other assets amounted to about €12 billion, down 8% from the end of 2013. In addition to items already described for the Parent Company, the change in the balance includes: (i) effects of the deconsolidation of the assets of Ansaldo (-€909 million); (ii) reduction of the commercial receivables of SNAM (-€493 million), recognised net of the corresponding deferred income, posted in the accounts for strategic consumption of gas by a number of users in 2010 and 2011; (iii) for the Fintecna Group, the positive change of approx. €530 million, related to construction contracts and trade receivable of the Fincantieri Group; (iv) for CDP Immobiliare, mainly the change in the scope of consolidation, following acquisition of control of Residenziale Immobiliare 2004, equal to approx. €370 million.

## Reclassified consolidated balance sheet

(millions of euros)

Liabilities and equity	31/12/2014				31/12/2013	% change
	CDP Group	Business and Finance Areas of the Parent Company	Group companies, other equity investments and other	Elimination/adjustment	CDP Group	
Funding	344,046	295,536	57,642	(9,131)	312,511	10.1%
- of which: postal funding	252,036	222,946	29,091	(2)	242,417	4.0%
- of which: funding from banks	20,592	12,080	8,512	-	30,654	-32.8%
- of which: funding from customers	45,211	51,757	2,468	(9,014)	17,277	161.7%
- of which: funding from bonds	26,206	8,752	17,570	(116)	22,164	18.2%
Liabilities held for trading and hedging derivatives	3,094	2,644	484	(33)	2,172	42.5%
Accrued expenses, deferred income and other non-interest-bearing liabilities	1,283	760	526	(2)	1,486	-13.6%
Other liabilities	7,940	-	7,940	(1)	8,984	-11.6%
Insurance provisions	2,294	-	2,358	(64)	2,462	-6.8%
Provisions for contingencies, taxes and staff severance pay	7,865	-	4,879	2,986	9,450	-16.8%
Equity	35,157	-	50,208	(15,051)	30,243	16.2%
- of which pertaining to shareholders of the Parent Company	21,371	-	-	-	19,295	10.8%
<b>Total liabilities and equity</b>	<b>401,680</b>	<b>298,939</b>	<b>124,038</b>	<b>(21,296)</b>	<b>367,307</b>	<b>9.4%</b>

Total funding at 31 December 2014 came to €344 billion, up 10% over the end of 2013.

Within this aggregate, postal funding, attributable to the Parent Company, grew slightly. For a more complete analysis, please see the earlier discussion. The amount relating to this form of funding is notionally allocated to the sphere of operations of "Group companies, other equity investments and other", on the basis of the average stock of loans held during the financial year. The purpose of this is to properly show both the funding and lending relating to the equity investment portfolio.

The aggregate also includes funding from banks, which fell from €31 billion in 2013 to €21 billion in 2014. The decrease is mainly attributable to the Business and Finance Areas of the Parent Company, to which reference is made for more details. Also Group companies, other equity investments and other contributes to the change in the balance for +€593 million. In particular: (i) CDP Reti for €825 million, due to the loans taken out by the company as part of opening the share capital to third parties; (ii) Terna for €500 million, due to drawing on a new EIB loan; (iii) the Fintecna Group for €327 million, attributable to the increase in the construction loan of the VARD Group; (iv) CDP



Immobiliare for approx. €220 million, in relation to the consolidation of the debts of Residenziale Immobiliare 2004; (v) SNAM for -€760 million, related to the repayment of loans for €1.8 billion, net of new borrowings totalling €1 billion; (vi) the effects of deconsolidation of Ansaldo, for approx. -€650 million.

Funding from customers amounted to €45 billion, more than double the level at the end of 2013. This balance is attributable to the Parent Company for €52 billion, including the centralised deposits of FSI and FSI Investimenti, of the SACE Group, of the Fintecna Group and of CDP Reti (for a total of €7.7 billion) subject to elimination at the consolidated level. Net of the Parent Company, the change in the aggregate is mainly due to: (i) FSI for €680 million, in relation to the cash received as collateral for the hedging transaction on Generali; (ii) CDP Reti, for €675 million, relating to the portion of the Parent Company of the aforementioned loan taken out in 2014; (iii) to the SACE Group, for approx. €370 million, relating to increased borrowing by SACE Fct for the development operations; (iv) to SNAM for approx. -€400 million, in relation to the takeover by EIB of the loans previously brokered by the Parent Company.

Funding from bonds increased by about €4 billion (+18%) compared with the end of 2013 and was mainly attributable to the Business and Finance Areas of the Parent Company to which reference is made. With regard to the residual change, worthy of particular mention are the 4 new bond issues of SNAM (for €1.7 billion), partially offset by repayment of a bond issue of €600 million of the Terna Group.

Liabilities held for trading and hedging derivatives, amounting to €3.1 billion in December 2014, includes the fair value (if negative) of derivatives used for hedging, including operational hedges that are not recognised as such for accounting purposes. Compared to the end of 2013, the change in the stock at consolidated level is mainly attributable to the Business and Finance Areas of the Parent Company, to which reference is made, and to a lesser extent to the Fintecna Group.

Accrued expenses, deferred income and other non-interest-bearing liabilities, amounting to about €1.3 billion, were down 14% compared with the figure at the end of 2013 (-€202 million). The change is essentially attributable to the Business and Finance Areas of the Parent Company, to which reference is made, amounting to approx. +€260 million. The residual amount refers to SNAM (for approx. -€475 million) in relation to the dynamics already illustrated under "Other assets".

Other liabilities decreased by 12% compared with the end of 2013 to about €7.9 billion, mainly relating to Group companies, other equity investments and other. The change in the balance, approx. -€1 billion, is attributable to the effects of the deconsolidation of Ansaldo.

The balance of about €2.3 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 2014, the balance was entirely attributable to the SACE Group.

Provisions, taxes and staff severance pay amounted to €7.9 billion, decreasing by about 17% over 2013. With regard to this change, in particular the aforementioned effects of the change in the scope of consolidation during the period should be noted.

Equity at 31 December 2014 amounted to about €35.2 billion, up on the €30.2 billion posted at the end of 2013. This was attributable to the net income generated by the various Group companies, offset by dividends paid to third-party shareholders out of income for 2013. Of total equity, €21.4 billion is attributable to the Parent Company (+11% compared to 2013) and €13.8 billion to minority interests.

## Equity

*(millions of euros)*

	<b>31/12/2014</b>	<b>31/12/2013</b>
Equity attributable to the shareholders of the Parent Company	21,371	19,295
Non-controlling interests	13,786	10,948
<b>Total equity</b>	<b>35,157</b>	<b>30,243</b>

### 4.2.3. Reconciliations with consolidated equity and net income

Lastly, 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)

2014 financial year	Net income	Capital and reserves	Total
<b>PARENT COMPANY FINANCIAL STATEMENTS</b>	<b>2,170,111</b>	<b>17,383,310</b>	<b>19,553,421</b>
Balance from financial statements of fully consolidated companies	2,622,341	28,032,589	30,654,930
<i>Consolidation adjustments:</i>			
- carrying amount of fully consolidated equity investments		(21,233,528)	(21,233,528)
- goodwill		471,988	471,988
- reclassifications	6,285	(6,285)	-
- differences with purchase price allocation	(282,931)	6,477,490	6,194,559
- dividends from fully consolidated companies	(998,112)	998,112	-
- transfer adjustments of separate financial statements	208,544	1,024,513	1,233,057
- writedowns	(66,270)		(66,270)
- valuation of equity investments accounted for with equity method	(564,424)	1,710,991	1,146,567
- effects of transaction with non-controlling shareholders	(1,086,587)	2,414,500	1,327,913
- elimination of intercompany transactions	2,650	12,541	15,191
- deferred tax assets and liabilities	647,360	(4,621,749)	(3,974,389)
- other adjustments	-	(166,078)	(166,078)
- non-controlling interests	(1,500,660)	(12,285,405)	(13,786,065)
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>1,158,307</b>	<b>20,212,989</b>	<b>21,371,296</b>

(thousands of euros)

2014 financial year	Net income	Capital and reserves	Total
<b>PARENT COMPANY FINANCIAL STATEMENTS</b>	<b>2,170,111</b>	<b>17,383,310</b>	<b>19,553,421</b>
ENI consolidation	(656,469)	1,811,730	1,155,261
CDP RETI consolidation	(734,021)	947,735	213,714
FSI consolidation	173,999	184,759	358,758
SACE consolidation	218,220	7,946	226,166
Fintecna consolidation	47,004	(188,343)	(141,339)
Other	(60,537)	65,852	5,315
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>1,158,307</b>	<b>20,212,989</b>	<b>21,371,296</b>

The effects deriving from the disposal of the minority stake in CDP Reti are recorded differently in the separate and consolidated financial statements. In the separate financial statements, the transaction led to a gain of €1,086 million being recognised in the income statement. However in the consolidated financial statements, the result was €790 million, and as a transaction between shareholders was recognised directly in equity and attributed to the Parent Company, in accordance with IFRS 10 §23 and §B96.

## 5. Operating performance

### 5.1. SUMMARY OF THE CDP GROUP

The CDP Group works to support the country's growth and employs its resources, mainly funded through Postal Savings, for the development of the nation's territory, of strategic infrastructure for the country and to support domestic firms to foster their growth and international expansion.

Over the last decade, CDP has taken on a central role in supporting the country's industrial policies, also thanks to the adoption of new operating procedures; in particular, in addition to traditional debt instruments such as special-purpose loans, corporate finance, project finance and guarantees, CDP has also adopted equity instruments with which it has made both direct and indirect investments (through investment funds and investment vehicles) mainly in energy, transport networks and real estate, as well as to support the dimensional growth and international development of SMEs and of companies of strategic importance. These instruments are in addition to third-party fund management and subsidised instruments to promote the research and international expansion of companies.

The table below shows an overview of the main instruments per line of business:

	Loans/Guarantees	Equity	Other (third-party accounts, subsidies)
<b>Public Entities and Territory</b>	<ul style="list-style-type: none"> <li>▶ Special-purpose loans</li> <li>▶ SACE (factoring)</li> </ul>	<ul style="list-style-type: none"> <li>▶ CDP Immobiliare</li> <li>▶ FIA - Fondo Investimenti per l'Abitare</li> <li>▶ FIV - Fondo Investimenti per la Valorizzazione</li> <li>▶ Fondo Immobiliare di Lombardia</li> <li>▶ EEEF - European Energy Efficiency Fund</li> </ul>	<ul style="list-style-type: none"> <li>▶ Advances on general government payables</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>▶ Corporate and project finance</li> <li>▶ Guarantees</li> <li>▶ SACE (financial guarantees)</li> </ul>	<ul style="list-style-type: none"> <li>▶ F2i - Fondo Italiano per le Infrastrutture</li> <li>▶ Marguerite Fund</li> <li>▶ Inframed Fund</li> <li>▶ PPP Fund</li> </ul>	-
<b>Enterprises</b>	<ul style="list-style-type: none"> <li>▶ Enterprises Fund (SMEs, Capital Goods, MID)</li> <li>▶ Residential sector fund</li> <li>▶ Funds for areas affected by natural disasters</li> <li>▶ Export Bank Fund</li> <li>▶ SACE (export guarantees, investment policies, strategic transactions)</li> <li>▶ SACE (factoring)</li> </ul>	<ul style="list-style-type: none"> <li>▶ FSI - Fondo Strategico Italiano</li> <li>▶ FII - Fondo Italiano d'Investimento</li> <li>▶ EIF - European Investment Fund</li> <li>▶ SIMEST (direct equity investments and Venture Capital Fund)</li> </ul>	<ul style="list-style-type: none"> <li>▶ FRI - Revolving Fund for support to enterprises and investment in research</li> <li>▶ Kyoto Fund</li> <li>▶ Intermodal Systems Fund</li> <li>▶ Low environmental impact vehicles fund</li> <li>▶ Territorial Agreements and Area Contracts</li> <li>▶ SIMEST (295 and 394 funds)</li> </ul>

Note: if a specific CDP Group is not indicated the operations relate to the Parent Company.

During 2014, the Group mobilised and managed resources totalling approximately €29 billion, an increase of about +4% over 2013, due mainly to the contribution of the Parent Company. Excluding non-recurring transactions, which had a particularly significant impact, the volume of new lending, investment and managed resources was slightly down on last year. The 2014 results were mainly attributable to the “Enterprises” segment (54% of the total) and the “Public Entities and Territory” segment (40% of the total); the volumes of new lending in favour of infrastructure projects were equivalent to 8% of the total.

## New lending and managed resources - CDP Group

(millions of euros)

Business lines	Total 2014	Total 2013	% change
<b>Public Entities and Territory</b>	<b>11,163</b>	<b>7,651</b>	<b>46%</b>
- of which CDP S.p.A.	9,424	5,925	59%
- of which SACE Group	1,644	1,682	-2%
- of which CDPI SGR	446	619	-28%
- of which intercompany transactions	(351)	(575)	-39%
<b>Infrastructure</b>	<b>2,280</b>	<b>3,760</b>	<b>-39%</b>
- of which CDP S.p.A.	2,257	2,160	4%
- of which SACE Group	23	1,601	-99%
<b>Enterprises</b>	<b>15,104</b>	<b>16,140</b>	<b>-6%</b>
- of which CDP S.p.A.	7,610	8,210	-7%
- of which SACE Group	6,942	8,173	-15%
- of which SIMEST	2,620	5,170	-49%
- of which FSI	164	689	-76%
- of which intercompany transactions	(2,232)	(6,102)	-63%
<b>Total new lending and managed resources</b>	<b>28,546</b>	<b>27,551</b>	<b>4%</b>
<b>Non-recurring transactions</b>	<b>(377)</b>	<b>1,762</b>	<b>n/s</b>
- of which CDP S.p.A.	-	879	n/s
- of which FSI	(377)	884	n/s
<b>Grand total</b>	<b>28,169</b>	<b>29,314</b>	<b>-4%</b>

Note: does not include the resources mobilised by SACE BT, which uses short-term instruments that are not directly comparable to the rest of the Group.

### 5.1.1. Parent Company

#### 5.1.1.1. Lending

During 2014 CDP mobilised and managed resources totalling over €19 billion, an increase of 18% compared to 2013 if non-recurring transactions are excluded. This result is mainly linked to the full operation of new debt instruments (Capital Goods Fund and residential sector fund), the new programme re-

lating to the fund for advances for payment of general government trade payables (managed on behalf of the MEF) and loans borne by the central government for significant amounts.

The overall resources mobilised and managed by CDP in the 2013-2014 period amounted to €36 billion, equal to approx. 70% of the target set in the 2013-2015 Business Plan.

## New lending and managed resources - CDP

(millions of euros)

Business lines	Total 2014	Total 2013	% change
<b>Public Entities and Territory</b>	<b>9,424</b>	<b>5,925</b>	<b>59%</b>
- of which Public Entities	8,841	5,344	65%
- of which Equity Investments and Funds	583	581	0.4%
<b>Infrastructure</b>	<b>2,257</b>	<b>2,160</b>	<b>4%</b>
- of which Public Interest Lending	1,110	994	12%
- of which Loans	1,113	1,112	0.1%
- of which Equity Investments and Funds	33	54	-38%
<b>Enterprises</b>	<b>7,610</b>	<b>8,210</b>	<b>-7%</b>
- of which Economic Support	7,589	5,663	34%
- of which Equity Investments and Funds	20	2,546	n/s
<b>Total new lending and managed resources</b>	<b>19,290</b>	<b>16,294</b>	<b>18%</b>
<b>Non-recurring transactions</b>	<b>-</b>	<b>879</b>	<b>n/s</b>
- of which Equity Investments and Funds	-	879	n/s
<b>Grand total</b>	<b>19,290</b>	<b>17,173</b>	<b>12%</b>

More specifically, new lending, investment and managed resources in 2014 were mainly in the form of (i) direct lending to public entities and advances, managed on behalf of the MEF, on general government trade payables (totalling €8.8 billion, or 46% of the total), (ii) lending to enterprises through operations to support the economy (€7.6 billion, or 39% of the total and (iii) financing of infrastructure development (€2.2 billion, or 12% of the total); in addition to equity investments and funds totalling €0.6 billion (3% of the total).

## PUBLIC ENTITIES AND TERRITORY

The Parent Company's support for public entities and public-law bodies is primarily channelled through the Public Entities area, which is responsible for lending to such entities using products offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination.

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; %)

	2014	2013
<b>BALANCE SHEET</b>		
Loans to customers and banks	81,945	84,617
Amounts to disburse on loans in repayment	5,952	6,610
Commitments to disburse funds	9,123	5,664
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	319	337
Gross income	323	340
Operating income	316	335
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.1%	0.1%
Net writedowns/Net loans to customers and banks	0.001%	0.0004%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	0.4%	0.4%
Cost/income ratio	1.7%	1.7%
<b>MARKET SHARE</b>	<b>48.0%</b>	<b>46.6%</b>

Initiatives undertaken during the first half of 2014 included a transaction in the month of April involving residual loans of over six thousand local authorities, aimed at optimising available resources allowing those local authorities to request: (i) a different utilisation of available sums, or (ii) the reduction of the loan to the amount actually needed. This initiative potentially involved residual resources totalling up to €2 billion for loans granted up to 31 December 2012 for which CDP had not received requests for disbursement or different utilisation following 1 January 2013.

In 2014 CDP has continued its efforts in favour of the payment of general government trade payables. More specifically, in addition to cash advances to local government entities drawn on national funds amounting to €3.2 billion (of which €3 billion in 2013 and the remaining €0.2 billion in February 2014) in accordance with Decree Law 35 of 8 April 2013, CDP was granted further cash advances drawn on national funds totalling €2.8 billion (of which €1.3 billion in accordance with Decree Law 102 of 31 August 2013 and €1.5 billion in accordance with Decree Law 66 of 24 April 2014).

Among the initiatives put in place during 2014, CDP launched new programmes for renegotiation of loans in favour of the Regions in August and of local authorities in November, envisaging the possibility to modify the repayment period of the loans, generating resources for new investments or reduction of its debt. These operations fall within the scope of initiatives in support of local and regional authorities for pro-active management of debt that CDP has put in place over the years.

At 31 December 2014, the stock of loans to customers and banks totalled €81,945 million, including adjustments for IAS/IFRS purposes, down compared with the end of 2013 (€84,617 million). Over

the year, the amount of repayments and early terminations exceeded the amount of disbursements of loans granted without a pre-repayment grace period and of loans granted that began their repayment plans.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €89,745 million, a 1% increase from 2013 (€88,903 million). The change was attributable to higher volumes of new lending compared to the principal repayments due at 31 December 2014.

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

(millions of euros)

Entities	31/12/2014	31/12/2013	% change
Local authorities	41,646	43,452	-4.2%
Regions and autonomous provinces	26,587	26,712	-0.5%
Other public entities and public law bodies	12,390	13,075	-5.2%
<b>Total amounts disbursed or in repayment</b>	<b>80,623</b>	<b>83,239</b>	<b>-3.1%</b>
IAS/IFRS adjustments	1,322	1,378	-4.0%
<b>Total loans to customers and banks</b>	<b>81,945</b>	<b>84,617</b>	<b>-3.2%</b>
<b>Total amounts disbursed or in repayment</b>	<b>80,623</b>	<b>83,239</b>	<b>-3.1%</b>
Commitments to disburse funds	9,123	5,664	61.1%
<b>Total loans (including commitments)</b>	<b>89,745</b>	<b>88,903</b>	<b>0.9%</b>

CDP's market share came to 48.0% at 31 December 2014, compared with 46.6% at the end of 2013. The core segment remains the overall stock of debt of local and regional governments and loans with repayment charged to central government<sup>26</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 disburse on loans in repayment.

Loan amounts to be disbursed, including commitments, increased by 23% (from €12,274 million at 31 December 2013 to €15,074 million at 31 December 2014), mainly attributable to the new amounts granted which exceeded disbursements during the year (excluding advances, out of state funds, on central government trade payables).

<sup>26</sup> Bank of Italy, *Supplement to the Statistical Bulletin (Monetary and Financial Indicators): the public finances, borrowing requirement and debt*, Tables TCCE0225 and TCCE0250.



## Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2014	31/12/2013	% change
Amounts to disburse on loans in repayment	5,952	6,610	-10.0%
Commitments to disburse funds	9,123	5,664	61.1%
<b>Total amounts to disburse (including commitments)</b>	<b>15,074</b>	<b>12,274</b>	<b>22.8%</b>

New lending in 2014 included new loans granted for an amount of €6,043 million and cash advances on general government trade payables totalling €2,798 million, for a total amount of new lending of €8,841 million. The significant growth compared to 2013 is mainly attributable to the funding with costs borne by central government for the City of Rome Special Commissioner amounting to €4,813 million, made in the last month of the year.

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

(millions of euros)

Type of Entity	Total 2014	Total 2013	% change
Major local authorities	486	361	34.7%
Other territorial entities	285	244	16.8%
<b>Total local authorities</b>	<b>771</b>	<b>605</b>	<b>27.4%</b>
Regions	222	461	-51.8%
Non-territorial public entities	162	144	12.6%
<b>Total</b>	<b>1,155</b>	<b>1,210</b>	<b>-4.5%</b>
Loans with repayment charged to government	4,888	901	442.4%
Advances on general government payables	2,798	3,233	-13.5%
<b>Total Public Entities</b>	<b>8,841</b>	<b>5,344</b>	<b>65.4%</b>

A breakdown of financing by type of project, net of advances on government trade payables, shows that loans were mainly granted for miscellaneous purposes (87%), in particular for funding the City of Rome Special Commissioner and for road and transport projects (accounting for 5% of the total).

## Public Entities - Flow of new loans by purpose

(millions of euros)

Lending	Total 2014	Total 2013	% change
Public and social building	117	208	-44.0%
School and university building	181	78	132.5%
Sports, recreational and lodging facilities	25	24	4.5%
Healthcare building	1	1	-42.2%
Natural disaster restoration works	9	-	n/s
Road and transport	323	255	26.5%
Water projects	46	127	-63.8%
Sanitation projects	18	7	144.8%
Energy projects	22	22	2.7%
Loans for sundry projects *	5,279	1,372	284.9%
<b>Total investments</b>	<b>6,020</b>	<b>2,094</b>	<b>187.5%</b>
Recognised off-balance-sheet liabilities and other liabilities	23	17	32.6%
Advances on general government payables	2,798	3,233	-13.5%
<b>Total</b>	<b>8,841</b>	<b>5,344</b>	<b>65.4%</b>

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

With reference to the breakdown by product of new loans, not considering the operation with costs borne by central government for the City of Rome Special Commissioner, there is an increase compared to last year, albeit still far from the volumes recorded in previous years, in the use of ordinary special-purpose loans (fixed or variable) and flexible loans, which overall account for approx. 63% of the total, while the contribution arising from unsecured loans intended solely for non-territorial public entities was very limited.

## Public Entities - Flow of new loans by product

(millions of euros)

Product	Total 2014	Total 2013	% change
Ordinary loans	429	409	4.9%
Flexible loans	343	196	75.2%
Unsecured loans and real estate loans	121	44	176.6%
Loans without pre-repayment grace period	5,150	1,362	278.1%
Securities	-	100	n/s
<b>Total</b>	<b>6,043</b>	<b>2,111</b>	<b>186.2%</b>
Advances on general government payables	2,798	3,233	-13.5%
<b>Total Public Entities</b>	<b>8,841</b>	<b>5,344</b>	<b>65.4%</b>

Disbursements, including those relating to cash advances related to general government trade payables, drawn on national funds, totalled €6,083 million, down (-22%) compared to 2013 (€7,767 million); in particular, net of the decrease in resources provided in favour of the City of Rome Special Commissioner due to the depletion of resources available drawn on the loan taken out in 2011 (-€830 million), the decrease is in the area of public entities (-33%), as a result of the reduction of new agreements in recent years, and in the area of non-territorial authorities (-73%).

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

(millions of euros)

Type of entity	Total 2014	Total 2013	% change
Major local authorities	467	738	-36.7%
Other territorial entities	603	862	-30.1%
<b>Total local authorities</b>	<b>1,070</b>	<b>1,600</b>	<b>-33.1%</b>
Regions	380	92	312.9%
Non-territorial public entities	115	428	-73.2%
<b>Total</b>	<b>1,564</b>	<b>2,120</b>	<b>-26.2%</b>
Loans with repayment charged to state	1,020	1,323	-22.9%
Advances on general government payables	2,999	2,994	0.2%
<b>Grand total</b>	<b>5,583</b>	<b>6,437</b>	<b>-13.3%</b>
City of Rome Special Commissioner	500	1,330	-62.4%
<b>Total Public Entities</b>	<b>6,083</b>	<b>7,767</b>	<b>-21.7%</b>

Compared with last year, the contribution of the Public Entities area to CDP's performance in 2014 saw net interest income slightly down, going from €337 million in 2013 to €319 million in 2014, mainly due to the decline in the stock of loans. This performance is also seen in gross income (€323 million, down -5% from 2013) as commissions accrued in the two periods were comparable. Taking overheads into account, operating income for the area came to €316 million, contributing approx. 13% to CDP's overall operating income.

The spread between interest-bearing assets and liabilities in 2014 amounted to approx. 0.4%, basically in line with last year.

Finally, the cost-to-income ratio was about 1.7%, also consistent with 2013.

The credit quality of the Public Entities area's loan portfolio showed virtually no problem positions and was essentially unchanged compared with 2013.

During 2014, the Real Estate area, through its Real Estate Business Development Unit, completed the activities concerning the Memoranda of Understanding signed between January and February 2013 with the Province of Reggio Emilia and the Umbria Region.

During 2014, the Real Estate Business Development Unit continued its development activities geared toward disseminating the “*Valorizzazione online*” (VOL) platform launched in March 2013.

In addition to direct assistance to entities concerned in the VOL, two Road Shows were implemented – in synergy with the Public Entities Area – for promotion of the VOL nationwide. The tour of meetings included 7 stages during the period March-May and 8 stages from September-November.

There are currently 157 entities registered in VOL, including 2 Regions, 14 Provinces, 130 Municipalities, 9 other government agencies and two CDP Group companies (CDP Immobiliare and CDPI SGR).

The Real Estate Business Development Unit, in collaboration with Fondazione Patrimonio Comune/ANCI and Groma S.r.l. (wholly owned by the Surveyors Fund), completed implementation of the portal “Patrimonio Pubblico Italia” ([www.patrimoniopubblicoitalia.it](http://www.patrimoniopubblicoitalia.it)). The portal is a free tool dedicated to the public real estate holdings and aims to support public entities in the promotion and dissemination of their real estate holdings on the investor market.

The launch of the Portal took place on 2 February 2015. The portal currently hosts more than 45 properties in 11 Italian regions (of which 32 properties in the North, 10 in the Centre and 3 in the South).

During 2014, the Real Estate Business Development Unit, also as a result of the resolution of the Board of Directors of 16/09 last that decided a recapitalisation of the FIV Fund, continued to carry out, in collaboration with the Relationship Management Area, local development activities to identify investment opportunities compatible with the strategic guidelines of FIV, Plus segment, to be submitted to CDPI SGR. Finally, in the period from October to December 2014, the Unit participated, solely in support of CDPI SGR, in the acquisition on the part of the FIV Fund Extra segment of property owned by the state and certain local authorities in accordance with the procedure pursuant to Article 11-*quinquies* of Decree Law 203/2005.

## INFRASTRUCTURE

The Parent Company’s programmes to develop the country’s infrastructure are carried out mainly through the Public Interest Lending and Loans Areas.

The operations of the Public Interest Lending Area concern CDP’s direct involvement, alongside the banking system, in financing projects of general public interest 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; %)

	2014	2013
<b>BALANCE SHEET</b>		
Loans to customers and banks	1,858	1,023
Commitments to disburse funds and guarantees	3,453	3,540
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	24	8
Gross income	43	22
Operating income	(30)	14
<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	1.1%	0.1%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	1.7%	1.3%
Cost/income ratio	-4.5%	8.9%

The stock of loans at 31 December 2014, including IAS/IFRS adjustments, came to €1,858 million, up from the end of 2013 thanks to disbursements made during the year. As of the same date, loans, including disbursement commitments and guarantees, totalled €5,386 million, up approx. 18% from 2013.

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

(millions of euros)

Type of transactions	31/12/2014	31/12/2013	% change
Project finance	1,785	928	92.4%
Loans with repayment charged to state	148	101	46.3%
<b>Total amounts disbursed or in repayment</b>	<b>1,933</b>	<b>1,029</b>	<b>87.9%</b>
IAS/IFRS adjustments	(75)	(6)	n/s
<b>Total loans to customers and banks</b>	<b>1,858</b>	<b>1,023</b>	<b>81.7%</b>
<b>Total amounts disbursed or in repayment</b>	<b>1,933</b>	<b>1,029</b>	<b>87.9%</b>
Commitments to disburse funds and guarantees	3,453	3,540	-2.5%
<b>Total loans (including commitments)</b>	<b>5,386</b>	<b>4,569</b>	<b>17.9%</b>

During 2014, funding of projects of public interest was characterised by a series of new loan agreements and new loan commitments amounting to €1,110 million, an increase of 12% compared to the volume recorded in 2013; this increase is mainly attributable to the award of tenders on general government funding on projects of national interest, amounting to €282 million and absent in the previous year, while, in 2014, project finance loans of €828 million were slightly below the volume recorded in 2013. This type of lending included in particular the closing of loan and loan commitment transactions regarding strategic projects in the motorway and metropolitan roadworks sector. During the reporting period CDP continued to be actively engaged in feasibility assessments and structuring of financing of major strategic infrastructure projects in Italy, with a view to ensuring the start-up, or in some cases the continuation, of construction sites.

### Public Interest Lending - Flow of new loan agreements

(millions of euros)

Type of transactions	Total 2014	Total 2013	% change
Project finance	828	994	-16.7%
Loans with repayment charged to state	282	-	n/s
<b>Total</b>	<b>1,110</b>	<b>994</b>	<b>11.8%</b>

Disbursements in 2014 in respect of new loans and those from previous years totalled €917 million, a slight increase over 2013, attributable to two project financing projects for significant amounts in the motorway sector.

### Public Interest Lending - Flow of new disbursements

(millions of euros)

Type of transactions	Total 2014	Total 2013	% change
Project finance	861	828	4.1%
Loans with repayment charged to state	56	26	114.9%
<b>Total</b>	<b>917</b>	<b>854</b>	<b>7.5%</b>

The area's contribution to overall CDP performance came to over €24 million at the level of net interest income, an increase compared to 2013, as a result of the dual effect of increased stock of loans and of the improved spread between assets and liabilities of approx. 40 basis points. The impact of collective impairment adjustments nevertheless generates a reduction in operating surplus compared to last year at approx. -€30 million. In 2014, in fact, even though there are no items classified as non-performing or impaired, there is a significant increase in provisions for performing loans following the deterioration of the credit quality of specific industry sectors financed by CDP.

The operations of the Loans 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 Sblocca Italia (Unblock Italy) Decree Law (converted with Law 164 of 11 November 2014) extended the scope of the Ordinary Account, no longer limited only to the provision of public services and reclamations, but more broadly to initiatives of public utility and investments in research, development, innovation, protection and enhancement of the cultural heritage, promotion of tourism, the environment and energy efficiency and the green economy; the launch of these new operations is expected in the first half of 2015 following the necessary amendment of the articles of association of the CDP which took place in January.

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.

## Financing - Highlights

(millions of euros; %)

	2014	2013
<b>BALANCE SHEET</b>		
Loans to customers and banks	4,638	5,909
Commitments to disburse funds and guarantees	1,533	1,202
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	59	60
Gross income	72	68
Operating income	17	38
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	2.5%	2.1%
Net writedowns/Net loans to customers and banks	0.8%	0.4%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	1.1%	1.1%
Cost/income ratio	5.6%	6.0%

As at 31 December 2014, the stock of loans disbursed totalled €4,638 million, including IAS/IFRS adjustments, recording a decrease over the stock at the end of 2013 (€5,909 million). This change is mainly due to the loan repayments and principal repayments, only partially offset by new disbursements.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €6,242 million, an approx. 12% decrease compared to 2013 (€7,131 million). The change was attributable to lower volumes of new loan agreements compared to principal repayments due and loan repayments made in 2014.

## Financing - Stock of loans to customers and banks

(millions of euros)

Type of transactions	31/12/2014	31/12/2013	% change
Project finance	393	393	-0.1%
Corporate finance	4,136	5,106	-19.0%
Securities	180	430	-58.1%
<b>Total amounts disbursed or in repayment</b>	<b>4,709</b>	<b>5,929</b>	<b>-20.6%</b>
IAS/IFRS adjustments	(71)	(20)	245.0%
<b>Total loans to customers and banks</b>	<b>4,638</b>	<b>5,909</b>	<b>-21.5%</b>
<b>Total amounts disbursed or in repayment</b>	<b>4,709</b>	<b>5,929</b>	<b>-20.6%</b>
Commitments to disburse funds and guarantees	1,533	1,202	27.6%
<b>Total loans (including commitments)</b>	<b>6,242</b>	<b>7,131</b>	<b>-12.5%</b>

In 2014, new loans and guarantees for a total of €1,113 million were granted, in line with that recorded the previous year. In contrast, the number of loans concluded (equal to 10) decreased compared to 2013, due to an increase in the average loan size. New loans concluded in 2014 mainly concern financing in favour of entities operating in the energy, local multi-utility, telecommunications and local public transport sectors.

## Financing - Flow of new loan agreements

(millions of euros)

Type of transactions	Total 2014	Total 2013	% change
Project finance	-	47	n/s
Corporate finance	1,113	1,066	4.5%
<b>Total</b>	<b>1,113</b>	<b>1,112</b>	<b>0.1%</b>

Disbursements in 2014 in respect of new loans and those from previous years totalled €205 million, primarily in the form of corporate finance initiatives, recording a significant reduction compared to the previous year, also as a result of the increase in guarantees.

## Financing - Flow of new disbursements

(millions of euros)

Type of transactions	Total 2014	Total 2013	% change
Project finance	51	108	-53.3%
Corporate finance	154	895	-82.8%
<b>Total</b>	<b>205</b>	<b>1,004</b>	<b>-79.6%</b>

Note: figures net of repayments of revolving principal amount.



In terms of contribution to CDP's performance for 2014, net interest income decreased slightly to €59 million (€60 million in 2013). This is due to a reduction in volumes handled, almost completely offset by the slight improvement in margins between loans and funding. The effect of adjustments for impaired loans, only partially offset by the higher contribution from commission income, generated a decrease in operating income, which came to €17 million.

Finally, the cost/income ratio of the Area is equal to 5.6%, an improvement compared to 2013, due to a reduction in overheads.

The credit quality of the Financing Area's portfolio shows an almost stable amount of non-performing and impaired loans compared to 2013, while the amount of value adjustments records a significant increase, mainly due to a worsening of recovery estimates relating to three impaired positions, for which the definition of settlement agreements is in progress with the related counterparties.

At 31 December 2014, CDP's market share in the infrastructure investment area, which reflects CDP's relatively recent entry into this sector, came to 4.8%, in line with the end of 2013. The core segment remains the overall stock of debt relating to infrastructure in the following industries: motorways, ports and railway works; energy-related plant and networks; and infrastructure used in the operations of local public service organisations<sup>27</sup>.

## ENTERPRISES

CDP's programmes in support of the country's economy are carried out primarily through the Economic Support Area, which is responsible for managing facilitated credit instruments established by specific legislation and the economic and export 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 - FRI and Capital Goods Fund), while also taking advantage, to a residual extent, of central government funding in the form of capital grants and facilitated credit (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) or other subsidised financing (Kyoto Fund).

Economic support measures include the funds available to banks for: (i) loans to Enterprises (SME, MID, SME Networks and Export funds), (ii) to assist in the reconstruction and economic recovery of the regions hit by natural disasters (earthquakes in Abruzzo in 2009 and parts of Emilia-Romagna, Veneto and Lom-

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<sup>27</sup> Bank of Italy, *Money and Banking*, Table 2.5 (TSC20400) and Table 2.9 (TSC20810).

bardy in 2012, and flood in Sardinia in 2013) and, since the end of 2013, (iii) to support the residential real estate market.

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.

## Economic Support - Highlights

(millions of euros; %)

	2014	2013
<b>BALANCE SHEET</b>		
Loans to customers and banks	13,999	11,422
Amounts to disburse	31	32
Commitments to disburse funds	3,085	3,651
<b>RECLASSIFIED PERFORMANCE DATA</b>		
Net interest income	67	72
Gross income	76	87
Operating income	69	75
<b>INDICATORS</b>		
<b>Credit risk ratios</b>		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.7%	0.7%
Net writedowns/Net loans to customers and banks	0.03%	0.1%
<b>Performance ratios</b>		
Spread interest-bearing assets liabilities	0.5%	0.7%
Cost/income ratio	4.6%	3.9%

With regard to new initiatives in 2014, in January CDP provided special purpose funding to support the municipalities of the Sardinia region, affected by exceptional weather events of November 2013, in the amount of €90 million; the funds were provided to the banks for further disbursement of loans to be used for tax payments, falling due in the period between 18 November 2013 and 20 December 2013 (Sardinia Moratorium Fund). The provision of this funding is governed by a special agreement with ABI (Italian Banking Association) subscribed on 17 January 2014.

In addition, in January the Board of Directors of CDP approved a set of new measures geared toward facilitating access to credit by Italian enterprises. First of all, a new fund totalling €2.5 billion was set up

to finance the purchase of new machinery, systems and equipment by SMEs (Capital Goods Fund). These resources are made available to SMEs that apply for these through the banks that have joined the initiative set up with the agreement signed in February by CDP, ABI and MiSE. This initiative also includes a direct contribution to the SMEs by the Ministry to cover a part of the interest on the bank loans for capital expenditure made.

In addition, within the scope of the so-called. "Enterprise Platform", regulated by the CDP-ABI agreement of 5 August 2014, a further increase in initiatives in favour of enterprises was envisaged through: (i) establishment of the MID fund (enterprises with 250 to 2,999 employees), made up of €2 billion to finance capital expenditure and working capital needs of this category of enterprises; (ii) establishment of the SME Networks Fund made up of €500 million to support the growth of SMEs participating in a network agreement; (iii) establishment of the export fund, with a total of €500 million, to support Italian exporting enterprises (post-financing of letters of credit); (iv) transfer of resources originally allocated for the settlement of general government trade payables (amounting to €2 billion) to the funding of investments and working capital of SMEs. With regard to general government trade payables, the government adopted a set of new extraordinary measures also involving CDP that have enabled the allocation of those resources primarily to supporting investments by SMEs.

In addition to these measures, referring to the SME Networks Fund, on 10 December 2014 CDP and ABI signed an addendum to the Agreement envisaging that its purpose be extended to the financing of the investments/working capital of networked SMEs, regardless of whether they are connected with the implementation of the so-called "network programme"; also, with reference to the Capital Goods Fund, in compliance with the provisions of Law 190 of 23 December 2014 (2015 Stability Law), on 11 February 2015 CDP and ABI signed an addendum to the Agreement, doubling the ceiling to €5 billion.

Finally, with regard to the 2012 Earthquake Moratorium Fund, in accordance with the provisions of Decree Law 4 of 28 January 2014, as ratified with Law 50 of 28 March 2014, CDP and ABI signed an addendum to the original Agreement on 26 May 2014, extending the deadline for the repayment of the subsidised loans by two years. As a result of this measure, a substantial part of the principal of the loans due and not paid at 31 December 2013 was restructured through a change to the loan repayment plan. To this was added the legal suspension of a further 12 months of repayment of the instalments (June and December 2014) as established by Decree Law 74 of 12 May 2014, converted, with amendments, into Law 93 of 27 June 2014.

As regards the loan portfolio of the area, the stock of loans to customers and banks, including adjustments for IAS/IFRS purposes, at 31 December 2014 came to €13,999 million, up by about 23% from the end of 2013, mainly due to the first disbursements of the Capital Goods Fund, distributions made from the "2012 Earthquake Moratorium" Fund and the SME Fund, which, together, more than offset debt repayments and extinguishments made on the basis of the interim reports (which mainly regarded the SME Fund).

In particular, the stock of enterprise loans amounted to €9,037 million (an increase of 18% compared to 2013), while the balance of post-disaster reconstruction loans, at 31 December 2014, amounted to €2,846 million; as regards, on the other hand, other products in support of the economy, there is a stock of loans issued at the end of 2014 equal to €1,217 million (an increase compared to the end of the previous year), mainly thanks to FRI amounting to €1,043 million and new loans to SIMEST and SACE Fct investment holdings totalling €125 million. Finally, the Export Bank Fund became fully operational and its stock grew significantly to €780 million.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €17,123 million, more than 13% higher than in 2013, as the volume of new lending agreed more than offset principal repayments during the year.

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

(millions of euros)

Product	31/12/2014	31/12/2013	% change
Enterprise products	9,037	7,650	18.1%
- of which SME Fund	7,970	7,650	4.2%
- of which Capital Goods Fund	942		n/s
- of which MID enterprises Fund	125		n/s
Real estate sector	159		n/s
Export Bank	780	321	142.9%
Post-disaster reconstructions	2,846	2,529	12.5%
- of which post-earthquake reconstruction - Abruzzo	1,792	1,859	-3.6%
- of which post-earthquake reconstruction - Emilia	577	96	501.0%
- of which tax moratorium	478	575	-16.8%
Other products	1,217	948	28.3%
- of which FRI loans	1,043	893	16.8%
- of which loans for intermodal systems (Article 38.6, Law 166/2002)	49	56	-11.6%
- of which equity investments loans	125		n/s
<b>Total amounts disbursed or in repayment</b>	<b>14,038</b>	<b>11,449</b>	<b>22.6%</b>
IAS/IFRS adjustments	(39)	(27)	45.3%
<b>Total loans to customers and banks</b>	<b>13,999</b>	<b>11,422</b>	<b>22.6%</b>
<b>Total amounts disbursed or in repayment</b>	<b>14,038</b>	<b>11,449</b>	<b>22.6%</b>
Commitments to disburse funds	3,085	3,651	-15.5%
<b>Total loans (including commitments)</b>	<b>17,123</b>	<b>15,099</b>	<b>13.4%</b>

The amounts to be disbursed, including commitments, decreased compared with the end of 2013 as a result of new loans agreed during the period, which were more than offset by the amount of new disbursements and the reduction in undisbursed portions of existing loans. As a result, the aggregate

went from €3,683 million at the end of 2013 to €3,115 million at 31 December 2014. Within this aggregate, the incidence of amounts not disbursed relating to the Export Bank product amounted to 77% of the total.

## Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2014	31/12/2013	% change
Amounts to disburse *	31	32	-4.9%
Commitments to disburse funds	3,085	3,651	-15.5%
<b>Total amounts to disburse (including commitments)</b>	<b>3,115</b>	<b>3,683</b>	<b>-15.4%</b>

\* State funds managed by CDP.

The overall volume of new lending, investment and managed resources during 2014 drawn on instruments in support of the economy totalled €7,589 million, a significant growth compared to 2013 (+34%) mainly due to the start of operations of new products (Capital Goods Fund and products in support of the residential market). In detail, the main contribution to these volumes is provided by loans drawn from the SME Fund (€2,949 million), equal to approximately 39% of the total volume, a slight decrease compared to 2013. Loans related to the new Capital Goods Fund reached the significant amount of €1,056 million from the start of operations for this product in the month of March. Products relating to the residential real estate market and specifically the subscription of covered bank bonds and residential mortgage backed securities (RMBS) also made a substantial contribution to the total volume (about 17%).

With specific reference to Export Bank operations, in 2014 three new loan contracts were signed predominantly in the construction industry; CDP is also seeking to conclude no later than 2015 new contracts related to shipbuilding, construction of an underground system and the nuclear-electricity sector. The total amount is equal to €1,101 million.

The loans in favour of areas affected by natural disasters totalled €489 million, up from the same period of 2013 (€306 million), mainly due to the fund for the reconstruction of areas affected by the earthquake of May 2012. To these must be added €322 million of loans drawn from the FRI, €149 million relating to the financing of SIMEST and SACE Fct investment holdings, €53 million overall for managing funds on behalf of the state and €19 million related to the Kyoto Fund.

## Economic Support - Flow of new loans by product

(millions of euros)

Product	Total 2014	Total 2013	% change
Enterprise products	4,129	3,081	34.0%
- of which SME Fund	2,949	3,081	-4.3%
- of which Capital Goods Fund	1,056		n/s
- of which MID enterprises Fund	125		n/s
Real estate sector	1,328	200	563.8%
- of which Covered Bonds/RMBS	1,151	200	475.6%
- of which Home fund	177		n/s
Export Bank	1,101	1,807	-39.1%
Post-disaster reconstructions	489	306	59.7%
- of which post-earthquake reconstruction	488	97	405.5%
- of which tax moratorium	1	210	n/s
Other products	542	269	101.5%
- of which FRI loans	322	210	53.0%
- of which Kyoto Fund	19	5	315.6%
- of which equity investments loans	149		n/s
- of which disbursements third-party funds	53	54	-2.8%
<b>Total</b>	<b>7,589</b>	<b>5,663</b>	<b>34.0%</b>

In 2014, €6,915 million of these loans were disbursed, largely related to loans to enterprises (over 59% of the total considering both the SME support funds and the Capital Goods Fund), and to the real estate sector (about 19% of the total). The volume of disbursements in 2014 was up significantly from the previous year (+40%), mainly due to the new products whose operations started between the end of 2013 and the early months of 2014 (Capital Goods Fund and products for the residential real estate market).

## Economic Support - Flow of new loans by product

(millions of euros)

Product	Total 2014	Total 2013	% change
Enterprise products	4,090	3,773	8.4%
- of which SME Fund	3,023	3,773	-19.9%
- of which Capital Goods Fund	943		n/s
- of which MID enterprises Fund	125		n/s
Real estate sector	1,328	200	563.8%
- of which Covered Bonds/RMBS	1,151	200	475.6%
- of which Home fund	177		n/s
Export Bank	550	287	91.5%
Post-disaster reconstructions	489	507	-3.5%
- of which post-earthquake reconstruction	488	97	405.5%
- of which tax moratorium	1	410	n/s
Other products	458	185	146.9%
- of which FRI loans	276	131	110.5%
- of which Kyoto Fund	5	0.1	n/s
- of which equity investments loans	125		n/s
- of which disbursements third-party funds	53	54	-2.8%
<b>Total</b>	<b>6,915</b>	<b>4,952</b>	<b>39.6%</b>

With particular reference to loans in support of enterprises, the total amount granted amounted to €16,926 million, of which (i) €15,744 million within the scope of the SME Fund; (ii) €1,056 million related to the new Capital Goods Fund with the start of operations from March 2014 and (iii) €127 million related to loans aimed at facilitating access to credit for both SMEs and new business sectors (“mid cap”, enterprise networks and export-oriented enterprises).

## Economic Support - Enterprises products fund

(millions of euros)

Product	Total resources	Loans agreed *	Loans disbursed	% resources used
SME support funds	16,000	15,744	15,744 **	98%
Enterprises Platform Fund	5,000	127	127 **	3%
Capital Goods Fund	2,500	1,056	943 ***	38%
<b>Total enterprise products fund</b>	<b>23,500</b>	<b>16,926</b>	<b>16,813</b>	<b>72%</b>

\* Net of reduction at end of contracting period of “installment A” of the SME fund-Investments.

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

\*\*\* Figure net of principal repayments replenishing the fund, resulting from terminations for the failure by the Bank to grant the loan to the SMEs.

In terms of the contribution of the Economic Support Area to CDP's performance in 2014, net interest income decreased, from €72 million in 2013 to €67 million in 2014. The performance is due to the reduction of margins between assets and liabilities (from approx. 0.7% to 0.5%), partially offset by the increase in volumes handled. Operating income decreased from €75 million in 2013 to €69 million in 2014, also due to the reduction in commission income on "Export Bank" operations, largely due to postponement to 2015 of a number of loans.

Finally, the cost-to-income ratio was 4.6%, up compared to the 3.9% of 2013, primarily due to the above-mentioned reduction in the related revenues.

As regards the credit quality of the loan portfolio for the Economic Support area in 2013, 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.

#### 5.1.1.2. Equity investment portfolio management

At 31 December 2014, equity investments and investments in funds totalled €30,346 million, including the value of the portfolio of equity investments, equal to approx. €29,046 million, and of investment funds and other investment vehicles, which totalled approx. €1,300 million.

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

(thousands of euros)

	31/12/2013 Carrying amount	Changes from inv./disinv.	from measurement	31/12/2014 Carrying amount
Equity investments	31,778,451	(2,582,955)	(149,386)	29,046,111
Investment funds and investment vehicles	914,331	411,651	(26,318)	1,299,663
<b>Total</b>	<b>32,692,782</b>	<b>(2,171,304)</b>	<b>(175,704)</b>	<b>30,345,774</b>

#### SUBSIDIARIES AND OTHER SHAREHOLDINGS

At 31 December 2014, the carrying amount of the portfolio of equity investments was down by approx. €2,732 million (9%) over 31 December 2013.



## Equity investments

(thousands of euros)

	31/12/2013 % holding	31/12/2013 Carrying amount	Changes from inv./disinv. measurement		31/12/2014 % holding	31/12/2014 Carrying amount
<b>A. Listed companies</b>						
1. Eni S.p.A.	25.76%	15,281,632	-	-	25.76%	15,281,632
2. Terna S.p.A.	29.85%	1,315,200	(1,315,200)	-	-	-
<b>B. Unlisted companies</b>						
3. SACE S.p.A.	100.00%	5,150,500	-	-	100.00%	5,150,500
4. CDP Reti S.p.A.	100.00%	3,517,360	(1,500,021)	-	59.10%	2,017,339
5. Fondo Strategico Italiano S.p.A.	77.70%	3,419,512	-	-	77.70%	3,419,512
6. Fintecna S.p.A.	100.00%	2,009,436	-	-	100.00%	2,009,436
7. CDP GAS S.r.l.	100.00%	467,366	-	-	100.00%	467,366
8. CDP Immobiliare S.r.l.	100.00%	310,159	223,761	(148,520)	100.00%	385,400
9. Simest S.p.A.	76.00%	232,500	-	-	76.00%	232,500
10. Quadrante S.p.A.	100.00%	61,625	8,505	-	100.00%	70,130
11. Sinloc S.p.A.	11.29%	5,986	-	-	11.29%	5,986
12. F2i SGR S.p.A.	16.52%	2,844	-	(955)	16.52%	1,888
13. Istituto per il Credito Sportivo	21.62%	2,066	-	-	2.21%	2,066
14. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
15. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	866	-	90	12.50%	956
16. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
<b>Total</b>		<b>31,778,451</b>	<b>(2,582,955)</b>	<b>(149,386)</b>		<b>29,046,111</b>

During 2014, the portfolio changed mainly as a result of the operation which saw: the transfer of the equity investment in Terna from CDP to CDP Reti; the taking out of a loan by the latter with simultaneous distribution of reserves to CDP; the sale to third parties of an equity investment in CDP Reti altogether amounting to 40.9%. The operation, overall, entailed a reduction in the carrying amount of CDP's equity investment portfolio of €2,815 million. In detail:

- in October, CDP transferred its entire equity investment in Terna, equal to 599,999,999 shares accounting for 29.851% of share capital, to CDP Reti. Due to this transfer, CDP Reti, already with an equity investment in SNAM, became the owner of a stake in Terna. This operation led to the zeroing of the carrying amount of the equity investment in Terna for CDP and an increase for the same amount (€1,315 million) of the carrying amount of CDP Reti;
- in November, CDP Reti took out a loan amounting to €1,500 million (45% funded by CDP itself and the remaining 55% by a pool of banks), which allowed distribution of reserves amounting to €1,487 million in favour of CDP;

- in the same month, the sale to third party investors of an overall stake of 40.9% of the share capital of CDP Reti took place via: (i) transfer of a 35% stake of CDP Reti to SGEL, a State Grid Corporation of China Group company, at the price of €2,101 million; (ii) transfer of a further 5.9% stake of the company to a group of Italian institutional investors (2.6% to the Cassa Nazionale di Assistenza Forense and the remaining 3.3% to 33 Banking Foundations) at the price of €313.5 million. This operation resulted in a reduction in the carrying amount of CDP's equity investment in CDP Reti of €1,328 million and a capital gain in the income statement of €1,087 million.

During 2014, CDP made capital increases in CDP Immobiliare – formerly Fintecna Immobiliare – of €220.9 million, of which approximately €110 million to repay company borrowings and the remainder to support the development of real estate projects of the company and its investment holdings. In December 2014, CDP also transferred to CDP Immobiliare, as part of the process of reorganisation of the Group's real estate assets, the real estate transferred to CDP following the demerger from Fintecna (transfer value equal to €2.9 million). Finally, the fair value of CDP Immobiliare at 31 December 2014, also in view of the continuation of the crisis in the real estate sector, was lower than the accounting figure (expressed net of its adjustment fund, subject to demerger from Fintecna together with the stake in the company) of €148.5 million. Based on the above, an impairment of the equity investment was deemed appropriate, which resulted in an adjustment of the carrying amount of the investment to the value of €385.4 million.

As regards Quadrante, during the period, CDP made capital increases amounting to €1 million to support the continuation of its operations. In the first quarter of 2014, CDP also notified Quadrante of the waiver of the shareholders' loan of €7.5 million, with the establishment of a specific equity reserve for the same amount and a corresponding increase in the value of the CDP equity investment.

Further changes in the equity investment portfolio are attributable to valuation differences with regard to F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A.

Finally, it is pointed out that CDP GAS transferred the entire equity investment in TAG to SNAM, by contribution in kind of assets within the scope of a reserved capital increase, in exchange for (i) ordinary shares corresponding to 3.4% of the share capital of SNAM and (ii) a cash payment of €3.1 million. The operation had no impact on the carrying amount of CDP GAS for CDP.

It should be noted that equity investments in subsidiaries and associated companies are accounted for at purchase cost and subject to possible impairment, while interests included in the portfolio of assets available for sale are accounted for at fair value. The dividends received from investment holdings are recognised in the income statement revenues, regardless of the classification portfolio.

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 CDP GAS, CDP Immobiliare, CDP Reti, CDPI SGR, Fintecna, FSI, Quadrante, SACE and SIMEST are classified as investments in subsidiaries and carried at purchase cost, net of any write-downs;
- the investments in Eni S.p.A. and Europrogetti & Finanza S.p.A. in liquidazione are classified as investments in associates and are therefore carried at purchase cost, net of any write-downs;
- the investments in Fondo Italiano d'Investimento SGR S.p.A., F2i SGR S.p.A., Istituto per il Credito Sportivo and Sinloc 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, equity interests in the CDP portfolio as at 31 December 2014, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the stakes 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 was classified under Joint Services, with the subsequent contributions falling within the scope of the Separate Account.

Dividends accruing in 2014 came to approx. €1,842 million, mainly attributable to the equity investments in ENI (€1,039 million), CDP Reti (€284 million), SACE (€249 million), Fintecna (€100 million), Terna (€78 million) and CDP GAS (€60 million). This flow of dividends decreased by €1,243 million compared to the amount for the same period in 2013 (€3,085 million), a year characterised by extraordinary dividends paid by SACE and Fintecna amounting to €1,401 million. The amount of ordinary dividends received by CDP therefore increased by €158 million compared to 2013.

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 examine these entities individually.

### **Eni S.p.A.**

During the year, the Shareholders' Meeting of Eni S.p.A. ("ENI") appointed the new Board of Directors; the development of Exploration & Production activities and the process of finalisation of the restructuring of the activities of Gas & Power, Refining & Marketing and Chemicals also continued.

During 2014, the company faced a scenario characterised by a fall in oil prices of particular intensity, the negative effects of which were only offset to a minimal extent by the positive effects of the strengthening of the dollar against the euro. To deal with this situation, ENI adopted a series of new measures during the year aimed at strengthening its positioning, thanks to the optimisation of investments and reduction of operating and administrative costs. In 2014, revenues from core operations amounted to approx. €110 billion.

As regards the Exploration & Production activity, the year saw a substantially stable hydrocarbon production (+0.6%). Production started in the important West Hub (Angola) and Nenè (Congo) projects and the track record of new discoveries with exploration successes in high volume and profitability potential resources continued. The Gas & Power activity saw a continuation of the renegotiation of some of the main long-term gas supply contracts with the pursuit of further alignment of prices with market conditions (60% of the portfolio with price formulas indexed to hubs). In Refining & Marketing the reconversion to bio-refinery of the Gela and Porto Marghera sites was initiated. As for Chemicals, the reconversion of the petrochemical hub of Porto Torres was finalised and at the year-end the Sarroch plant was sold to the Saras Group, in addition to launching the Green Chemicals project in Porto Marghera.

With regard to extraordinary operations, worthy of mention is the sale to Gazprom of the equity investment in South Stream Transport BV, of the 8% financial stake in Galp and the 50% interest in the EEV joint venture operating in the sale and transportation of gas, as well as other non-strategic assets. Altogether, in 2014, disposals of assets pertaining to the year generated cash of approx. €1,500 million, in addition to the further €2,200 million from the proceeds of the sale of the interest in Artic Russia pertaining to 2013.

#### **Sistema Iniziative Locali S.p.A.**

In 2014 the company stabilised its total revenues at approx. €4 million and achieved a net profit of approx. €0.5 million. More than half of the company's revenue is derived from services generated by or related to investments in SPVs, implemented directly or indirectly through holdings (Ardea, Enrive, Smart City, etc.). The growth of consulting related to investing activities made it possible to limit the impact of fewer orders coming from Foundations and the lack of commission from management of the Jessica Funds in Sicily and Campania. Equity investment management activity, on the other hand, generated more than €0.7 million of income in 2014 from dividends and interest on shareholder loans and €0.5 million in capital gains from the sale of 2 equity investments in the companies Agricola Biometano and Gradiente SGR.

#### **Istituto per il Credito Sportivo**

At 31 December 2014, the Istituto per il Credito Sportivo ("ICS") was still subject to the extraordinary administration procedure, initiated in 2010, which was assigned to a special commissioner assisted by three members of the Supervisory Committee as provided for by the Minister for the Economy and Finance at the proposal of the Bank of Italy.

It should be noted that in 2013, the Presidency of the Council of Ministers, pursuant to the Directive concerning the ICS under the law of 24 December 2003 and considering the interministerial decree that repealed the bylaws of 2005, issued a directive that set out the principles and instructions to reformulate the bylaws of the ICS, including the criteria to redetermine the equity investments held in the "Endowment Capital" or "Share Capital".

During the first half of 2014, new bylaws were adopted, according to which, with the conversion of the "Endowment Capital", the "Share Capital" increased from approx. €9.6 million to €835 mil-

lion. The portion of share capital attributed to private investors in the Institute was diluted in favour of the public shareholder and, in particular, the portion attributed to CDP decreased by 21.62% to 2.214%.

At the operational level, the Institute confirms its focus on financing sports facilities and its central role in the development and modernisation of sports infrastructure assets, with particular reference to school facilities.

### **F2i - Fondi Italiani per le Infrastrutture SGR S.p.A.**

In 2014, the SGR (asset management company) continued managing the Fondo Italiano per le Infrastrutture ("First Fund") and the Secondo Fondo Italiano per le Infrastrutture ("Second Fund"), through active management of the investments in portfolio and pursuit of investment opportunities. The SGR also focused on completing the fund raising activities of the Second Fund.

On the internal front, it is pointed out that, during the year, the Board of Directors of the SGR accepted the resignation of Mr. Vito Gamberale and proceeded to appoint the new Chief Executive Officer of the company, Mr. Renato Ravanelli.

### **Fondo Italiano d'Investimento SGR S.p.A.**

In 2014, FII SGR continued managing the Fondo Italiano di Investimento aimed at creating value in investee companies and funds.

Also, the year marked the company's entry into the venture capital and private debt segments, with the mission of supporting the development in the Italian market, with the launch of 2 dedicated funds of funds ("FoF"). The Private Debt and Venture Capital FoF's currently have a size of €250 million (target amount €500 million) and €50 million (target amount €200 million). The SGR is continuing the fund raising phase of both funds, for which it will have the management responsibility, with the objective of attracting other investors and reaching the target size.

### **Europrogetti & Finanza S.p.A. in liquidazione**

In 2014, the liquidation process continued, with the goal of completing all the subsidised lending related activities still in place.

## **INVESTMENT FUNDS AND INVESTMENT VEHICLES**

The equity investment of CDP, as subscriber, in mutual funds and investment vehicles is mainly aimed at facilitating:

- investments in sustainable living and the development of public real estate;
- the development, internationalisation and concentration of Italian SMEs;
- investments in physical and social infrastructures:
  - at the local level, in collaboration with local authorities and with the shareholder foundations. In this context, CDP also promotes public-private partnership (PPP) projects;

- at the national level, focusing on works of significant dimensions in collaboration with Italian and foreign institutional investors;
- at the international level, in support of infrastructure and network projects involving several countries, not only within the European Union, in cooperation with European institutions and with similar foreign organisations (such as CDC - Caisse des Dépôts et Consignations, KfW - Kreditanstalt für Wiederaufbau and EIB).

During 2014, CDP continued subscribing to new funds, with additional commitments totalling €705 million. The main items under this heading are:

- in July, the commitment to support SMEs and innovative start-ups was strengthened through the subscription as sponsor of two new funds promoted and managed by Fondo Italiano di Investimenti SGR S.p.A., with an investment commitment of (i) €250 million in the Private Debt Fund of Funds, in order to facilitate, through a selective process, the launch of the so-called minibond funds and (ii) €50 million, increasable to €100 million, in the Venture Capital Fund of Funds, with the aim of facilitating the launch of innovative start-ups in Italy;
- in September, CDP entered the capital of the European Investment Fund with a share of 1.2%, with corresponding subscription of shares of €50 million;
- in December, CDP subscribed additional Class A Shares of the Fondo Investimenti per la Valorizzazione - Extra segment, amounting to €355 million, in order to purchase public heritage real estate.

At 31 December 2014, the portfolio of investment funds and investment vehicles totalled €1,300 million, up approx. €385 million (+42%) compared to 31 December 2013.

## Investment funds and investment vehicles

(thousands of euros)

	Investment sector	31/12/2013 % holding	31/12/2013 Carrying amount	Changes from inv./disinv. measurement		31/12/2014 % holding	31/12/2014 Carrying amount	Remaining commitment	
<b>A. Investment vehicles</b>									
1.	Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Infrastructure							
	- A units	38.93%	72,072	12,569	12,049	38.92%	96,690	62,428	
	- B units		-	16	0	0.007%	17	11	
2.	2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	Infrastructure	14.08%	27,899	3,500	5,517	14.08%	36,916	60,850
3.	European Energy Efficiency Fund SA, SICAV-SIF (EEEF Fund)	Energy							
	- A units	12.86%	5,664	6,622	-	12.64%	12,286	39,627	
	- B units	2.09%	919	1,019	-	1.99%	1,938	6,049	
4.	Galaxy S.à.r.l. SICAR	Infrastructure	40.00%	2,348	-	-	40.00%	2,348	-
<b>B. Investment funds</b>									
1.	FIV Extra	Public building	100.00%	476,600	233,400	(30,600)	100.00%	679,400	351,600
2.	F2i Fondi Italiani per le Infrastrutture	Infrastructure							
	- A units	8.10%	124,749	(2,592)	6,976	8.10%	129,132	15,923	
	- C units	0.04%	685	(14)	38	0.04%	709	89	
3.	Fondo Investimenti per l'Abitare	Social housing	49.31%	82,241	112,247	(20,145)	49.31%	174,343	776,759
4.	Fondo Italiano d'Investimento	SMEs and export finance	20.83%	67,747	(456)	69	20.83%	67,360	134,443
5.	F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure	13.51%	20,229	18,170	1,905	12.90%	40,304	58,637
6.	FIV Plus	Public building	100.00%	16,494	5,000	(1,343)	100.00%	20,151	74,600
7.	PPP Italia	Infrastructure and PPP projects	14.58%	8,628	1,612	(814)	14.58%	9,426	2,091
8.	Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social Housing	6.11%	8,056	-	54	5.42%	8,110	11,000
9.	FoF Private Debt	SMEs and export finance	-	-	1,119	(502)	100.00%	617	248,881
10.	FoF Venture Capital	Venture Capital	-	-	286	(204)	100.00%	82	49,714
11.	European Investment Fund		-	-	19,152	682	1.20%	19,834	40,000
<b>Total</b>			<b>914,331</b>	<b>411,651</b>	<b>(26,318)</b>		<b>1,299,663</b>	<b>1,932,702</b>	

In detail, the carrying amount value of the portfolio was amended in the light of:

- contributions for a total of €441 million, requested by the Fondo Italiano d'Investimento, Fondo Investimenti per l'Abitare, Fondo Investimenti per la Valorizzazione, Inframed, Marguerite, European

Energy Efficiency Fund, F2i, PPP Italia, Private Debt and Venture Capital Fund of Funds, in relation to their investment activities;

- distributions of a total of €30 million from Fondo Italiano di Investimento, F2i, Inframed, European Energy Efficiency Fund and PPP Italia;
- negative valuation differences of approx. €26 million.

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

- 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 distributions and write-downs;
- the investments in 2020 European Fund for Energy Climate Change and Infrastructure SICAV-FIS SA, in Inframed Infrastructure SAS à capital variable and in European Energy Efficiency Fund SA SICAV-SIF, on the other hand, do not constitute investments in subsidiaries or associates. These investments therefore continue to be classified as financial assets available for sale and are carried at fair value;
- the investments held in the investment funds: PPP Italia, Fondo Immobiliare di Lombardia - Comparto uno, F2i - Fondo Italiano per le Infrastrutture, F2i - Secondo Fondo Italiano per le Infrastrutture, Fondo Italiano di Investimento, Private Debt Fund of Funds, Venture Capital Fund of Funds, European Investment Fund, Fondo Investimenti per l’Abitare and Fondo Investimenti per la Valorizzazione have been classified as financial assets available for sale and are carried at fair value.

With reference to organisational and accounting separation, the shares in investment funds and investment vehicles in the CDP portfolio at 31 December 2014, regardless of their classification in the financial statements, fall within the scope of the Separate Account, except for the shares in Galaxy S.à.r.l., F2i - Fondo Italiano per le Infrastrutture, F2i - Secondo Fondo Italiano per le Infrastrutture, Fondo Immobiliare di Lombardia and Fondo PPP which fall within the scope of the Ordinary Account and are therefore entirely financed by funding raised under that account.

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

#### **Inframed Infrastructure SAS à capital variable**

The fund has a total size of €385 million and is in the fourth year of the investment period.

During the year the fund made 2 investments for a total of approx. €32 million. In particular, the fund acquired 50% of Lamsa Wind Farm, a company operating in the wind power sector in Jordan, and 25% of Hamitabat, a company operating in the production of electricity in Turkey. To date the fund has invested in 5 companies for an acquisition cost of approximately €196 million and a portfolio value of €270.5 million.

From the date of its start up it has called up approx. €225 million (equal to approx. 58% of subscriber commitments). At 31 December 2014, the NAV of the fund was approx. €302.8 million.

#### **2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA**

The fund (also known as “Marguerite Fund”) has a total size of €710 million and is in the fifth year of the investment period.



In the year, it made 1 investment of approx. €21 million, with a share of 50%, in the "TEN-T" project for the construction of approx. 57 km of roads in Ireland ("N17/N18 Motorway"). To date the fund has invested in 10 companies for an acquisition cost of €278.5 million and a portfolio value of €296 million.

From the date of its start up it has called up approx. €278 million (equal to approx. 39% of subscriber commitments). At 31 December 2014, the NAV of the fund was approx. €310 million.

### **European Energy Efficiency Fund SA, SICAV-SIF**

The overall size of the fund, which is still in the fund-raising stage, is approx. €265 million. In 2014, the European Energy Efficiency Fund SA ("EEEF Fund") completed its third year of investment activities which will end in the first half of 2016. Scouting of investment opportunities continued during the year. 2 investments were made, brought to financial closing during the year, with total commitments of €13.5 million, of which €4 million already paid.

As regards investments, at the end of the year, over €115 million was committed compared to actual portfolio uses of €90 million in 8 projects in European Union countries (France, Italy, Romania, the Netherlands and Germany), mainly in the area of energy efficiency and environmentally sustainable urban transport. 30% of the portfolio is committed in a major electric car-sharing project in Paris.

At the end of 2014 approx. €95 million was paid (36% of subscriptions). In 2014, the Shareholders' Meeting approved a dividend of €86,265 for class A shares and €27,771 for class B shares (both classes subscribed by CDP) with no dividend for class C shares.

### **F2i - Fondo Italiano per le Infrastrutture**

The overall size of the fund is €1,852 million. The fund's investment period ended in 2013 and therefore investments can only be made in the case of operations already approved at that date or as "add-ons" to investments already made.

In 2014, the fund made new investments amounting to €12 million, mainly related to the purchase of additional shares in the investment holdings SEA and Sagat and to providing additional financial resources to F2i Aeroporti, an investment holding of the fund in the airport sector. With reference to divestments of the year, it is pointed out that in December 2014, F2i's Board accepted the binding offer of Ardian and Crédit Agricole for the sale of 49% of F2i Aeroporti, for the price of €400 million. In the month of December, the corporate reorganisation of the shareholdings in the gas distribution sector was completed, with the merger of 2i Rete Gas and F2i Reti Italia and simultaneous change of name to 2i Rete Gas S.p.A. From the date of start up, the fund has called up a total of €1,655 million, equal to 89.4% of subscriber commitments, and distributed (income and capital repayments) €260 million. To date the fund has investments in 9 companies in its portfolio for a portfolio value of €1,595 million and a NAV at the end of the year of €1,603 million.

### **F2i - Secondo Fondo Italiano per le Infrastrutture**

At 31 December 2014, the overall size of the fund amounted to €775 million. The fund made a first closing in October 2012 amounting to €575 million. Thanks to seventh closing, it reached its current

size of €775 million, of which €35 million new subscriptions in 2014. The Subscription Deadline is 25 July 2015.

During 2014, the fund:

- made two new investments in SIA (payment services) and Edison Energie Speciali (wind and photovoltaic plants), for approx. €54 and €34 million, respectively;
- provided the investment holding F2i Ambiente (holding with a stake in TRM V., waste to energy sector) with new financial resources for a total of €71 million, in addition to other minor investments in companies already in the portfolio.

In May 2014, the sale of 24% of TRM V. to Iren by F2i Ambiente was completed for €36 million, after which the F2i Ambiente stake in TRM V. decreased from 75% to 51%.

From the date of its start up, the fund has called up approx. €321 million, equal to 41.4% of subscriber commitments and had not made any distributions. To date the fund has investments in 5 companies in its portfolio for a value of €316 million, with a NAV at the end of the year of €321 million.

#### **PPP Italia**

The overall size of the fund is €120 million. It closed the investment period in December 2013 and in 2014 made 3 follow-on investments for a total of approx. €10 million. The main operations concerned the area of public-private partnerships (PPP) in the health (New Sant'Anna Project - Sant'Anna hospital in Como) and infrastructure (Astaldi - parking areas in Turin, Verona and Bologna) fields.

From the date of its start up it has called up approx. €106 million, equal to approx. 88% of subscriber commitments and made gross distributions of approx. €18.9 million. To date the fund has invested a total of approx. €91 million in 18 companies. The NAV of the fund is approx. €76.45 million.

#### **Fondo Immobiliare di Lombardia - Comparto Uno**

The overall size of Comparto Uno of the fund is €368.7 million. The fund is currently in the investment phase.

In 2014 it made investments of approx. €36 million. At 31 December 2014, the fund had invested in 10 initiatives, of which one is still under construction, for a total of 1,075 apartments.

At 31 December 2014, €204.2 million (corresponding to 55% of subscribed commitments) had been called up. The value of the real estate portfolio currently amounts to approx. €145 million, compared with total investment commitments of over €200 million, with a NAV of approx. €207 million.

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

The overall size of the fund is €2,028 million. The fund is currently in the investment phase.

During 2014, subscriptions in funds of approx. €591 million were deliberated. During the year, contributions were also made, called up from the underlying funds, of approx. €220 million.

At the end of the year, there were final investment resolutions amounting to €1,515 million (approx. 75% of the subscribed amount of the fund) in 27 local funds managed by 8 asset management com-

panies, with over 220 projects for approx. 14,000 social housing units and 6,800 beds in temporary and student residences. At that date approx. €453 million (23% of commitments taken) had been called up.

### **Fondo Investimenti per la Valorizzazione**

#### **Extra Sub-fund**

In December 2014, the size of the Extra Sub-fund was increased by a total of €355 million as a result of subscription of further Class A Shares by CDP and consequently, at 31 December 2014, it increased from €725 to €1,080 million. The Sub-fund is currently in the investment phase.

During 2014, the Extra Sub-fund completed the acquisition of 25 public heritage buildings for a total value of approx. €221 million. At 31 December 2014, the Sub-fund's real estate portfolio had a total value of approx. €673 million, in addition to approx. €70 million of properties subject to a condition precedent pursuant to Legislative Decree 42/2004.

At 31 December 2014, approx. €728 million had been called up (equal to approx. 67% of commitments taken), with a NAV of the fund equal to €679.4 million.

#### **Plus Sub-fund**

The overall size of the Plus Sub-fund is €100 million. It is currently in the investment phase.

At 31 December 2014, the real estate portfolio of the Plus Sub-fund consisted of three properties, of which two in Milan, acquired in 2013, for which in the course of the year redevelopment activities were initiated, and one, in Padua, acquired in 2014. The total value of the portfolio is currently approx. € 23.5 million.

At 31 December 2014, CDP, which subscribed the entire Plus Sub-fund, had paid in €25.4 million (equal to approx. 25% of the commitments taken). At 31 December 2014, the NAV of the fund was €23.7 million.

### **Fondo Italiano d'Investimento**

The fund has a total size of €1,200 million and is in the fifth year of the investment period.

With reference to direct investment activities, during the year the fund completed 2 investments in the industrial components and Media & Entertainment sectors, totalling €25 million and made the first 4 divestments, realising a capital gain of €44.5 million. With reference to investment activities in funds, during the year the fund subscribed commitments in 3 new funds amounting to €64 million (Consilium, AXA Expansion and Siparex), while the funds in portfolio in turn made 41 new investments totalling €207 million (€33 million the share of the fund).

Overall to date, the fund has invested in 32 companies for the amount of €354 million and subscribed fund shares (16 private equity funds and 4 venture capital funds) for the amount of €408 million. At 31 December 2014, 127 enterprises were involved in the fund, 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, with total revenues exceeding €5 billion and approx. 26,000 employees.

From the date of its start up, the fund has called up approx. €555 million, equal to 46.2% of subscriber commitments and distributed €92 million. At 31 December, the NAV of the fund was €380 million.

#### **Private Debt Fund of Funds**

The fund has been operational since 1 September 2014 and has a size of €250 million, fully subscribed by CDP. It is still in the fund raising phase. At 31 December 2014, CDP had paid in approx. €1.1 million (equal to approx. 0.4% of commitments taken).

#### **Venture Capital Fund of Funds**

The fund has been operational since 1 September 2014 and has a size of €50 million, fully subscribed by CDP. It is still in the fund raising phase. At 31 December 2014, CDP had paid in approx. €286 thousand (equal to approx. 0.6% of commitments taken).

#### **European Investment Fund**

The EIF is a public private partnership under Luxembourg law held by the EIB (63.7%), the European Commission (24.3%) and 26 public and private financial institutions (12.0%).

On 3 September 2014, CDP acquired 50 shares of the European Investment Fund from the EIB for a total nominal value of €50 million, equal to a share of 1.2%. The fund has called up 20% of the commitments taken and at 31 December 2014 there was a residual commitment of €40 million.

#### **Galaxy S.à.r.l. SICAR**

The fund is currently in the divestment period. During the year, the activity was concentrated on investment management and certain litigation in progress, as well as the sale of assets still in portfolio. The original size of the fund was €250 million. From the start up date until the end of the investment period, in July 2009, the fund had called up a total of €64 million, equal to 26% of subscriber commitments, and invested in 5 companies, of which 2 still in portfolio, for a total of approx. €56 million. To date, the fund has distributed approx. €99 million.

#### ***5.1.1.3. Investment of the financial resources of the Parent Company***

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 in debt and securities.

## Stock of investments of financial resources

(millions of euros)

	31/12/2014	31/12/2013	% change
Cash and cash equivalents and other treasury investments	180,890	147,507	22.6%
- Treasury current account	146,811	132,919	10.5%
- Reserve requirement	1,891	1,213	55.9%
- Other treasury investments Separate Account	1,749	2,397	-27.0%
- Repurchase agreements	27,171	8,264	228.8%
- Deposits (assets) Ordinary Account	1,206	1,313	-8.1%
- Deposits (assets) on Credit Support Annex transactions	2,061	1,401	47.0%
Debt securities	27,764	23,054	20.4%
- Separate Account	26,602	22,083	20.5%
- Ordinary Account	1,163	971	19.8%
<b>Total</b>	<b>208,654</b>	<b>170,561</b>	<b>22.3%</b>

At 31 December 2014, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, stood at about €146.8 billion, up from year-end 2013 (€132.9 billion) despite the continuation of the early repayment of the LTRO programme. This growth is mainly due to the: (i) positive contribution of CDP net postal funding, (ii) progressive centralisation of the treasury of subsidiaries, (iii) new Euro Medium Term Notes (EMTN) issues, (iv) rationalisation of the investment portfolio, (v) sale of part of the government bonds previously purchased.

The liquidity deposited on the reserve requirement account amounted to €1,891 million at 31 December 2014, against a reserve requirement which had already been met and which stood at €2,879 million for the final maintenance period of 2014. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice 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 is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

Investment activity in repurchase agreements with Italian government bond collateral is entirely attributable to the investment of much of the liquidity funded via the OPTES funding channel. At 31 December 2014, the stock of this aggregate amounted to €27.2 billion, with significant growth compared to the end of 2013 (€8.3 billion), in line with the growth in OPTES funding.

As regards the securities portfolio, in December 2014 the balance amounted to €27.8 billion, up from year-end 2013 (+20%; €23 billion) due to new purchases mainly with a long-term maturity. Net of the securities invested for OPTES funding (about €7.5 billion), the balance amounts to €20.3 billion, down by 12% mainly as a result of the sale of part of the government securities previously purchased.

With regard to 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 2014 came to a negative -€318 million, compared with the net negative -€150 million at the end of 2013. This was attributable to repurchase agreements that partially finance the portfolio of Italian government securities assigned to the above-mentioned Account. Investments in Italian government bonds in the Ordinary Account amounted to €1,163 million.

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 2014 there was a net creditor balance of €1,531 million, an increase compared to the balance posted at the end of 2013 (€877 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.

### Net interbank position Ordinary Account and net deposits on CSA transactions

(millions of euros)

	31/12/2014	31/12/2013	% change
Net interbank position Ordinary Account	-318	-150	112.8%
Net deposits on Credit Support Annex transactions	1,531	877	74.5%
- of which deposits (assets) for CSA	2,061	1,401	47.0%
- of which deposits (liabilities) for CSA	530	524	1.0%

#### 5.1.1.4. Funding of the Parent Company

##### FUNDING FROM BANKS

The table below shows CDP's overall position in terms of funding from banks as at 31 December 2014, compared with 31 December 2013.

##### Stock of funding from banks

(millions of euros)

	31/12/2014	31/12/2013	% change
ECB refinancing	5,496	18,380	-70.1%
- of which Separate Account	4,144	17,380	-76.2%
- of which Ordinary Account	1,352	1,000	35.2%
Deposits and repurchase agreements	1,895	463	309.3%
- of which Separate Account	1,722	-	n/s
- of which Ordinary Account	173	463	-62.6%
Deposits (liabilities) for CSA and other	530	525	0.8%
EIB credit facility	4,159	3,366	23.6%
- of which Separate Account	1,660	350	374.2%
- of which Ordinary Account	2,499	3,016	-17.1%
<b>Total</b>	<b>12,080</b>	<b>22,734</b>	<b>-46.9%</b>

With reference to funding using the institutional channel of the European Central Bank (ECB), it should be noted that during 2014 early repayment of the ECB three-year loan (LTRO) continued. In particular, during the year, repayment in the Separate Account totalled approximately €13.6 billion, bringing the total stock to approximately €4.8 billion, of which €3.8 billion in the Separate Account and €1 billion in the Ordinary Account.

In addition, in the second half of 2014, CDP participated in the ECB Targeted Longer-Term Refinancing (TLTRO) operation for the total amount of approx. €676 million, of which €352 million for the Ordinary Account and €324 million for the Separate Account.

In relation to operations in reverse repurchase agreements, at 31 December 2014, there was a stock of approx. €1.9 billion, up compared to 31 December 2013, thanks to an increase in activities, mainly in the Separate Account, in the light of the favourable trend of market interest rates.

As regards funding from the European Investment Bank (EIB), it is pointed out that, during 2014, new loan agreements were signed for a total of €1,500 million and new disbursements were obtained for a total of €1,310 million.

## EIB credit facility

(millions of euros)

	Date of issue/funding	Nominal value
Draw (maturity date 31-Dec-2021)	18-Mar-2014	700
Draw (maturity date 30-Jun-2039)	10-Apr-2014	19
Draw (maturity date 30-Jun-2034)	10-Apr-2014	1
Draw (maturity date 31-Dec-2039)	25-Nov-2014	22
Draw (maturity date 31-Dec-2019)	10-Dec-2014	140
Draw (maturity date 31-Dec-2024)	10-Dec-2014	60
Draw (maturity date 31-Dec-2039)	10-Dec-2014	68
Draw (maturity date 29-Dec-2034)	30-Dec-2014	300
<b>Total</b>		<b>1,310</b>
- of which under the Separate Account		1,310
- of which under the Ordinary Account		-

In the first part of 2014, a new contract was signed for a project finance operation in the motorway sector for the overall amount of €700 million (Separate Account); the credit line was fully disbursed in the month of March. Also in the first half, CDP requested and obtained two new disbursements totalling €20 million in the Separate Account as provided for within the 2012 Earthquake Reconstruction fund.

In the second half of 2014, a new contract was signed for a project finance operation in the infrastructure sector for the overall amount of €300 million (Separate Account); this credit line was fully disbursed in the month of December. In the last months of the year, CDP also obtained further disbursements in the Separate Account, of which €200 million for loans to SMEs and €90 million within the 2012 Earthquake Reconstruction fund.

During the year, the early repayment of two EIB loans under the Ordinary Account for a total amount of approximately €400 million brought net funding from these operations to €910 million.

Within the scope of the fund sourcing diversification plan, it is also pointed out that, in the second half of 2014, CDP and KfW signed funding agreements totalling €500 million to support Italian SMEs and to implement infrastructural projects in the energy efficiency sector.



## FUNDING FROM CUSTOMERS

The table below shows CDP's overall position in terms of funding from customers as at 31 December 2014, compared with 31 December 2013.

### Stock of funding from customers

(millions of euros)

	31/12/2014	31/12/2013	% change
Deposit (liabilities) OPTES	38,000	10,000	280.0%
Deposits of investees	7,774	3,364	131.1%
Amounts to disburse	5,983	6,643	-9.9%
<b>Total</b>	<b>51,757</b>	<b>20,007</b>	<b>158.7%</b>

As regards OPTES operations, in 2014 CDP, as recognised counterparty in the liquidity management operations of the MEF, carried out funding transactions for a total daily average of approx. €28.3 billion compared to approx. €14.5 billion in 2013 (with a balance of €38 billion at 31 December 2014). While maintaining financial equilibrium, the liquidity was used as follows: (i) to meet reserve requirements; (ii) to carry out repurchase transactions with Italian government bonds as collateral and (iii) to invest in Italian government bonds. Following the monetary policy operations carried out by the European Central Bank in early June and the need of the MEF to invest its liquidity on the money market, the volume of OPTES operations rose significantly starting from the second half of 2014.

Within the context of management and coordination activities, following the issue by the Parent Company of guidelines which envisage, inter alia, the possible centralisation of treasury, irregular deposit contracts were signed between CDP and its subsidiaries. At 31 December 2014, the stock of subsidiary deposits amounted to €7,774 million and included amounts deposited by FSI and FSI Investimenti of €3,912 million, by SACE of €2,297 million, by Fintecna of €1,266 million and, to a lesser degree, by CDP Reti and IQ. The change compared with year-end 2013 is attributable to the payment made by Fintecna following the signing of a deposit agreement in June and to the increase recorded by SACE and FSI deposits.

The amounts to be disbursed constitute the part of the loans granted that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. The total amounts to disburse at 31 December 2014 stands at €5,983 million, down 10% on last year, as the amount not disbursed in relation to new loans was lower than the overall amount disbursed, also taking into account early repayments during the year.

## BOND FUNDING

The table below shows CDP's overall position in terms of funding from bonds as at 31 December 2014, compared with 31 December 2013.

### Stock of funding represented by securities

(millions of euros)

	31/12/2014	31/12/2013	% change
EMTN programme	8,900	6,782	31.2%
- Securities issued	8,922	6,801	31.2%
- of which Separate Account	5,305	2,355	125.3%
- of which Ordinary Account	3,617	4,446	-18.6%
- IAS/IFRS adjustment	(22)	(19)	16.8%
Commercial paper	511	-	n/s
<b>Total stock of funding represented by securities</b>	<b>9,411</b>	<b>6,782</b>	<b>38.8%</b>

As regards short-term funding, starting from April 2014 CDP launched a programme of Multi-Currency Commercial Papers to be issued up to a maximum of €3 billion for institutional investors. Starting in July 2014, CDP raised a total of approx. €727 million, with a balance at 31 December 2014 of approx. €511 million.

With reference to medium/long-term funding, after the extension of the CDP EMTN programme during 2013, also in the Separate Account, aimed at diversifying the funding sources, new issues were made in the first half of 2014 for a total nominal value of €2,950 million, entirely under the Separate Account. The characteristics of the issues carried out in 2014 are shown in the table below.

### Flow of medium/long-term funding

(millions of euros)

EMTN programme	Date of issue/funding	Nominal value	Financial characteristics
Issue (maturity date 12-Feb-2019)	12-Feb-2014	750	FR 2.375%
Issue (maturity date 25-Mar-2024)	25-Mar-2014	250	FR 3.96/CMS20Y
Issue (maturity date 31-May-2021)	29-May-2014	750	FR 2.75%
Issue (maturity date 25-Mar-2024)	25-Jun-2014	150	FR 3.96/CMS20Y
Issue (maturity date 30-Jun-2017)	30-Jun-2014	300	EUR3M + 0.80%
Issue (maturity date 26-Jan-2018)	26-Nov-2014	750	FR 1.00%
<b>Total</b>		<b>2,950</b>	
- of which under the Separate Account		2,950	
- of which under the Ordinary Account		-	

Within the scope of CDP's new institutional funding strategy, aimed at establishing the Company as a regular issuer on international markets and promoting a secondary and liquid market, during 2014 three benchmark issues were made and two road shows organised in major European and Asian financial centres, arousing significant interest from investors.

## POSTAL FUNDING

At 31 December 2014, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP, came to €252,038 million, compared with €242,417 million at the end of 2013, an increase of approx. 4%.

More specifically, the carrying amount of postal passbook savings accounts reached €114,359 million, while savings bonds, which are measured at amortised cost, came to €137,679 million.

### Stock of postal savings

(millions of euros)

	31/12/2014	31/12/2013	% change
Passbook savings accounts	114,359	106,920	7.0%
Postal savings bonds	137,679	135,497	1.6%
<b>Total</b>	<b>252,038</b>	<b>242,417</b>	<b>4.0%</b>

The increase in postal savings was mainly due to the increase in net funding that CDP posted in passbook accounts and, to a much lesser extent, to the increase in savings bonds.

Postal savings constitute a major component of household savings. In 2014, the weight of postal savings on total household financial assets in the form of bank deposits (current accounts, deposits and bonds), asset management, government securities and life insurances decreased slightly, and stood at 13.9% as at December 2014.

Net funding from passbooks was a positive €6,808 million, a slight decrease compared to 2013, when net funding came to a positive €7,332 million. This additional increase is due to the success achieved by the various editions of SMART, a new type of ordinary registered passbook, which was launched on 1 January 2013. In 2014, net funding through the SMART passbook came to €16,441 million, while migration from ordinary passbooks amounted to €8,152 million.

As a result, during 2014, the stock of ordinary registered passbook accounts, although continuing to be the main component of the entire stock of passbook accounts (65%), fell by 12%, while the SMART passbook account was highly successful, accounting for 31% of the total stock of passbook accounts at the end of 2014.

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

### Passbook savings accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2014	Net funding 2013
Registered passbook accounts	103,124	96,304	6,820	7,348
- Ordinary	74,271	84,311	-10,041	-12,020
- Ordinary SMART	27,599	11,157	16,441	18,910
- Time deposits	-	0.04	-0.04	-0.03
- Minors	753	455	298	222
- Judicial	284	380	-96	-4
- Judicial Restricted	218	1	217	240
Bearer passbook accounts	3	16	-12	-17
- Ordinary	3	16	-12	-17
- Time deposits	-	0.003	-0.003	-0.001
<b>Total</b>	<b>103,127</b>	<b>96,319</b>	<b>6,808</b>	<b>7,332</b>

### Passbook savings accounts

(millions of euros)

	31/12/2013	Net funding	Reclassification and adjustments	Interest 01/01/2014- 31/12/2014	Withholdings	31/12/2014
Registered passbook accounts	106,854	6,820	-	818	-187	114,305
- Ordinary	84,060	-10,041	-2	270	-60	74,228
- Ordinary SMART	19,170	16,441	2	468	-108	35,972
- Time deposits	4	-0.04	-	0.003	-0.001	4
- Minors	2,669	298	-0.2	68	-16	3,020
- Judicial	689	-96	-	9	-2	600
- Judicial Restricted	263	217	-	2	-1	482
Bearer passbook accounts	66	-12	-	0.03	-0.01	54
- Ordinary	66	-12	-	0.03	-0.01	53
- Time deposits	0.5	-0.003	-	-	-	0.5
<b>Total</b>	<b>106,920</b>	<b>6,808</b>	<b>-</b>	<b>818</b>	<b>-187</b>	<b>114,359</b>

The stock of postal savings bonds came to €137,679 million at the end of 2014, an overall increase of 1.6% from 2013 due to the negative net funding more than offset by interest accrued during the year.

The stock figures for bonds also include transaction costs resulting from the application of the IAS/IFRS, consisting of the distribution commissions for all types of bonds issued since 2007 until 31/12/2010. The item “premiums accrued on postal bonds” includes the stand alone value of the options embedded in bonds indexed to a basket of shares.

## Postal savings bonds CDP stock

(millions of euros)

	31/12/2013	Net funding	Accrual	Withholdings	Transaction costs	Premiums accrued	31/12/2014
Ordinary bonds	68,248	-3,106	2,359	-85	16	-	67,432
Fixed-term bonds	298	-48	0.1	-2	-	-	249
Indexed bonds	2,847	-1,971	51	-34	-	126	1,019
BFP Premia bonds	3,871	-593	97	-9	-	90	3,455
Italian inflation-indexed bonds	14,700	-51	285	-16	-	-	14,918
Bonds for minors	4,466	327	181	-4	-	-	4,970
18-month bonds	1,549	-267	8	-2	-	-	1,289
18-month Plus bonds	1,141	-1,058	8	-3	-	-	87
BFP 3x4 bonds	14,412	2,472	576	-0.3	-	-	17,460
7Insieme bonds	1,187	92	47	-	-	-	1,326
3-year Plus bonds	9,177	-244	322	-	-	-	9,255
2-year Plus bonds	3,225	-2,783	58	-21	-	-	478
BFP Fedeltà bonds	6,815	112	163	-0.1	-	-	7,090
BFP 3x4 Fedeltà bonds	1,809	2,033	79	-	-	-	3,920
Renditalia bonds	396	66	4	-0.1	-	-	466
BFP Europa bonds	208	1,050	7	-	-	16	1,281
BFP Impresa bonds	35	6	0.3	-	-	-	41
BFP RisparmiNuovi bonds	1,071	120	25	-	-	-	1,216
BFP Eredità Sicura bonds	43	18	0.7	-0.001	-	-	62
BFP 3X4RisparmiNuovi bonds	-	1,643	6	-	-	-	1,649
3-year bonds	-	16	-	-	-	-	16
<b>Total</b>	<b>135,497</b>	<b>-2,165</b>	<b>4,276</b>	<b>-177</b>	<b>16</b>	<b>232</b>	<b>137,679</b>

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

Gross subscriptions of savings bonds for 2014 came to €13,292 million, a decline of 46% from 2013, mainly due to lower repayments in 2014 (-46% compared to 2013). The types of savings bonds that posted increased subscription volumes were the following: 3x4 bond (24% of total subscriptions), 3x4 Fedeltà bond (16% of total subscriptions), Italian inflation-indexed bond (14% of total subscriptions) and the 3x4 RisparmiNuovi bond (13% of total subscriptions).

As regards the expansion of the range of postal savings products offered by CDP, there was a new edition of the 3x4 RisparmiNuovi bond, aimed at people who invest new liquidity.

For reasons related to the optimisation of the range of products offered, some of the bonds offered by CDP were no longer subscribable at the reporting date compared to 2013, specifically the 18-month Plus bond, the 7Insieme bond, the 2-year Plus bond, 3-year Plus bond, the Fedeltà bond and the Renditalia bond.

## Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Repayments	Net funding 2014	Net funding 2013	% change
Ordinary bonds	954	4,060	-3,106	-4,332	-28.3%
Fixed-term bonds	0.3	48	-48	-64	-24.6%
Indexed bonds	-	1,971	-1,971	-1,945	1.4%
BFP Premia bonds	0.003	593	-593	-945	-37.2%
Italian inflation-indexed bonds	1,795	1,846	-51	1,559	n/s
Bonds for minors	596	269	327	419	-22.1%
18-month bonds	778	1,045	-267	-5,143	-94.8%
18-month Plus bonds	-	1,058	-1,058	-9,538	-88.9%
BFP 3x4 bonds	3,240	769	2,472	6,592	-62.5%
7Insieme bonds	170	78	92	246	-62.5%
3-year Plus bonds	-	244	-244	-291	-16.0%
2-year Plus bonds	-	2,783	-2,783	284	n/s
BFP Fedeltà bonds	431	319	112	5,881	-98.1%
BFP 3x4 Fedeltà bonds	2,131	98	2,033	1,759	15.6%
Renditalia bonds	132	65	66	392	-83.0%
BFP Europa bonds	1,112	62	1,050	211	396.7%
BFP Impresa bonds	19	13	6	34	-83.1%
BFP RisparmiNuovi bonds	220	99	120	1,065	-88.7%
BFP Eredità Sicura bonds	26	8	18	43	-57.7%
BFP 3X4RisparmiNuovi bonds	1,671	28	1,643	-	n/s
3-year bonds	16	-	16	-	n/s
<b>Total</b>	<b>13,292</b>	<b>15,457</b>	<b>-2,165</b>	<b>-3,771</b>	<b>-42.6%</b>

Net CDP funding from savings bonds came to a negative €2,165 million, compared to net negative funding in 2013 of €3,771 million. This result is mainly due to the high volume of redemptions at the same time with the natural maturity of the 2 year bonds and indexed bonds, only partially offset by reinvestment in new bonds. For bonds pertaining to the MEF, on the other hand, redemptions came to €7,352

million, substantially in line with 2013. As a result, total net redemptions of savings bonds (both CDP and MEF) for 2014 came to €9,517 million, compared with net redemptions of €10,997 million in 2013.

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

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 2014	Net funding 2013	% change
Ordinary bonds	-3,106	5,745	-8,851	-11,064	-20.0%
Fixed-term bonds	-48	1,607	-1,654	-557	197.1%
Indexed bonds	-1,971	-	-1,971	-1,945	1.4%
BFP Premia bonds	-593	-	-593	-945	-37.2%
Italian inflation indexed bonds	-51	-	-51	1,559	n/s
Bonds for minors	327	-	327	419	-22.1%
18-month bonds	-267	-	-267	-5,143	-94.8%
18-month Plus bonds	-1,058	-	-1,058	-9,538	-88.9%
BFP 3x4 bonds	2,472	-	2,472	6,592	-62.5%
7Insieme bonds	92	-	92	246	-62.5%
3-year Plus bonds	-244	-	-244	-291	-16.0%
2-year Plus bonds	-2,783	-	-2,783	284	n/s
BFP bonds	112	-	112	5,881	-98.1%
BFP 3x4 bonds	2,033	-	2,033	1,759	15.6%
Renditalia bonds	66	-	66	392	-83.0%
BFP Europa bonds	1,050	-	1,050	211	396.7%
BFP Impresa bonds	6	-	6	34	-83.1%
BFP RisparmiNuovi bonds	120	-	120	1,065	-88.7%
BFP Eredità Sicura bonds	18	-	18	43	-57.7%
BFP 3X4RisparmiNuovi bonds	1,643	-	1,643	-	n/s
3-year bonds	16	-	16	-	n/s
<b>Total</b>	<b>-2,165</b>	<b>7,352</b>	<b>-9,517</b>	<b>-10,997</b>	<b>-13.5%</b>

If passbook accounts are also considered, total net redemptions (CDP+MEF) come to €2,709 million, compared to a negative net funding of €3,665 million posted in 2013. Of particular note is the fact that the overall net redemptions on savings bonds (CDP+MEF) were only partially offset by the positive net funding from passbooks.

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

(millions of euros)

	Net funding 2014	Net funding 2013	% change
Postal savings bonds	<b>-9,517</b>	<b>-10,997</b>	<b>-13.5%</b>
- of which: pertaining to CDP	-2,165	-3,771	-42.6%
- of which: pertaining to the MEF	-7,352	-7,226	1.7%
Passbook savings accounts	6,808	7,332	-7.1%
CDP net funding	4,643	3,561	30.4%
MEF net funding	-7,352	-7,226	1.7%
<b>Total</b>	<b>-2,709</b>	<b>-3,665</b>	<b>-26.1%</b>

With reference to the agreement governing the postal savings management service, in December, CDP and Poste Italiane entered into a new Agreement valid for the period 2014-2018. The new Agreement consolidates and strengthens the partnership between CDP and Poste Italiane for savers and defines a remuneration, for the postal savings service performed by Poste Italiane, proportionate to the average stock and related, inter alia, to net funding and service quality targets. New investments are envisaged in technology, communication, promotion and training, in order to improve the service and innovate and expand operations associated with bonds and savings passbooks, increasing attention to savers needs. Finally, the establishment of committees with joint participation has been envisaged, with the aim of identifying new business opportunities.

As a consequence of the above and the results achieved, the total commissions accrued in relation to postal savings services payable to Poste Italiane for 2014 came to €1,640 million.

## 5.2. COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION

### THE ACTIVITIES OF CDPI SGR

During 2014, CDPI SGR continued in managing the FIA and the FIV.

As regards FIA investment activities, during the year just ended, final resolutions were adopted by the Board of Directors of CDPI SGR for subscription of approx. €590 million, resulting in the allocation of approx. 75% of the available assets of FIA (€1.515 billion), drawn from 27 real estate funds.

On 23 April 2014 the Board of Directors of CDPI SGR approved the 2014 Fund Planning Document ("DPF"). The FIA management rules set out that investments in the target funds are to be achieved by 2017, namely the end of the period to call up the FIA subscription commitments. The strategic guidelines set out in the DPF require that the operations be focused on the completion of the ap-



proval activities and specifically on the support to local asset management companies, while ensuring respect for their independence in operations, to expedite and make their investments more effective.

As regards FIV management, during the year just ended, with specific reference to the Extra Sub-fund, a survey and regularisation of real estate assets acquired in December 2013 was initiated and a new investment operation implemented, following that at the end of 2013, concerning a real estate portfolio comprising 25 properties owned by the state, by a number of local and regional authorities and a number of public entities. With specific reference to the Plus Sub-fund, the process of development of real estate sites in Milan purchased in 2013 was started and a new investment concerning a property in Padua was finalised.

In the second half of the year, the Board of Directors of the SGR has also approved the establishment of a new closed real estate investment fund, reserved for qualified investors, the FIT, dedicated to investment in tourism, hotels, hospitality in general and recreation activities. Specifically, the purpose of the fund is to acquire, also through participation in auctions or other competitive procedures, real estate with hotel, hospitality, tourism-recreation, commercial or service use, or to be converted to such use, mainly generating income or to be put to such use, for subsequent long-term holding. This fund may promote the activation of specific leasing, company rental, management or franchising agreements, in any case delegating hotel management to one or more professional entities, in possession of the requisites and authorisations required for the pursuit of such business activities. At 31 December 2014, the operations of the latter had not yet started, not having reached the minimum amount of subscriptions to the fund, and marketing of the shares is currently in progress.

## CDP IMMOBILIARE ACTIVITIES

With a view to consolidation of real estate activity of CDP Immobiliare by rationalising its investment holdings, during the year the wholly-owned subsidiaries Valcomp Tre S.p.A. and Valcomp Uno S.r.l. and Quadrante (100% controlled by CDP) were merged into CDP Immobiliare, effective as of 1 January 2015, and minor properties owned by CDP were transferred through a transfer operation.

In 2014, CDP Immobiliare continued in its activities of bringing its real estate development initiatives to market, implemented both directly and via portfolio companies. During the year, real estate properties continues to be placed on the market and significant progress was made in a number of large property complexes, namely:

- former ICMI complex in Naples;
- former Tobacco Manufacturing complex in Naples;
- Ambito 1 property complex in Segrate.

The CDP Immobiliare activities are in addition to those of initiatives indirectly managed through partnerships, involving major urban redevelopment interventions.

In agreement with CDP, the strategy implemented by CDP Immobiliare envisages rationalisation of current partnership initiatives, with a focus on the most significant and definition of an operational strategy.

## FSI ACTIVITIES

In 2014, FSI continued its market analysis efforts and the monitoring of possible investment opportunities, strengthening its position in the Italian venture capital market and becoming one of the major players in terms of capital, pipeline and execution capacity.

Among the most significant activities completed during the year were:

- finalisation, on 15 January 2014, of the investment of FSI in Valvitalia Finanziaria ("Valvitalia"), with a use of FSI resources amounting to €151 million;
- finalisation, on 28 May 2014, of the investment of FSI in SIA, undertaken through the creation of FSIA, a company wholly owned by FSI and with a share capital of €204.9 million. In a first phase, FSIA acquired a holding of 42.255% in SIA for €281 million. Between December 2014 and January 2015, FSIA completed the purchase of an additional 7.64% of SIA from a number of minority shareholders. As a result of the investment, made in several tranches, FSIA's stake in SIA increased to 49.895% in January 2015 (of which 48.968% held at the end of 2014, without considering the purchase of the remaining 0.93% in January 2015);
- divestment of FSI in Hera. With the aid of a financial broker, FSI monetised its investment selling all of the shares held on the market in the months of April and May 2014, collecting approx. €11 million;
- purchase by FSI of shares representing 0.2875% of the share capital of Ansaldo Energia on 30 June 2014 (total interest of 0.45%) from some managers of the company, totalling about €2 million;
- on 20 June 2014, FSI Investimenti, a co-investment vehicle incorporated as a joint stock company open to other co-investors for the execution of joint investments, was created, while maintaining FSI's legal control over FSI Investimenti. As regards the latter company, worthy of mention are:
  - entry, on 30 June 2014, of KIA in FSI Investimenti with a share of approx. 23%;
  - transfer from FSI to FSI Investimenti of a number of equity investments held and simultaneous cash payment by KIA<sup>28</sup>;

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<sup>28</sup> FSI transferred to FSI Investimenti the equity investments and securities held in Kedrion Group S.p.A. ("Kedrion Group"), Metroweb Italia S.p.A. ("Metroweb Italia"), IQ, Valvitalia and FSIA, and part of the equity investment in Ansaldo Energia (corresponding to 44.55% of the same), for an overall valuation of €1,185 million (also taking into account liabilities related to optional components concerning the equity investments in Ansaldo Energia and in Kedrion Group, that were fully transferred to FSI Investimenti). FSI subscribed a commitment to a further payment of up to €500 million and KIA subscribed a commitment of up to €500 million, of which approx. €352 million already paid to FSI Investimenti.

- excluded from the perimeter are the transfer of the equity investment held by FSI in Assicurazioni Generali, for which the total transfer was announced by 31 December 2015 and the 40% stake in Ansaldo Energia, with regard to which at the balance sheet date a transfer agreement with Shanghai Electric Corporation (“SEC”), a world leader in the production of machinery for power generation and mechanical equipment had been signed;
- subscription by FSI and FSI Investimenti, on the one hand, and the Rocco Forte Hotels Group, on the other, on 7 November 2014, of an investment agreement, envisaging participation in the share capital of the hotel group, for a development plan focused on Italy. The agreement, which represents the first initiative of FSI in the tourism sector, envisages acquisition by FSI and FSI Investimenti with an equal share of 23% of the hotel company, based in London, amounting to GBP 60 million, equal to approx. €80 million. The operation, carried out entirely with a capital increase, was finalised on 9 March 2015;
- the investment, on 17 November 2014, by FSI and FSI Investimenti for a total of €100.6 million in Trevifin (a company with shares listed on the Mercato Telematico Azionario of Borsa Italiana), equally divided for the purchase by each of 8.426% of the share capital of Trevifin. FSI and FSI Investimenti jointly hold 16.852% of Trevifin;
- acquisition, on 4 December 2014, by SEC of a 40% stake in Ansaldo Energia for a total price of €400 million, within the context of a long-term strategic agreement between FSI and SEC as mentioned above;
- the investment, on 22 December 2014, by IQ for €165 million in Inalca, through a capital increase of €115 million and, for the remaining part of €50 million, through purchase of the shares in the company owned by Cremonini S.p.A. (“Cremonini”). As a result of the operation, Cremonini holds 71.6% of Inalca and IQ the remaining 28.4%.

As part of the agreement between FSI and Bank of Italy under which FSI has undertaken to proceed with an orderly sale to third parties of the equity investment held in Generali at market conditions by 31 December 2015, a price risk hedging transaction associated with a related securities lending transaction for 40 million shares held (equivalent to 2.569% of the share capital) was carried out through a series of 12-month forward contracts under which at maturity (in the first half of 2015) FSI can choose between physical settlement or cash settlement. The remaining 29,777,535 Generali shares held, equivalent to 1.913% of the company’s share capital, were sold through an accelerated book building procedure, reserved to Italian and foreign investors, that was completed on 8 July 2014.

## THE ACTIVITIES OF THE FINTECNA GROUP

### SHIPBUILDING

As regards shipbuilding, the main market segments in which the Fincantieri subsidiary operates include:

- the Shipbuilding sector that includes the design and construction of ships in the business areas of cruise ships, ferries, military vessels, mega yachts, in addition to transformation and repair activities.

During 2014, orders for €4,400 million (€3,010 million in 2013) were acquired, including 22 naval units, and 8 ships were delivered, including 3 cruise ships, 3 military vessels, 1 ocean research vessel and 1 mega yacht;

- the Offshore sector, in which Fincantieri mainly operates through the VARD Group, includes the design and construction of naval vessels for the extraction and production of oil and natural gas. During 2014, orders were acquired for €1,131 million (€1,816 million in 2013), including 16 naval units, and 18 ships were delivered;
- the Systems, Components and Services sector, which includes the design and production of high-tech systems and components (stability, propulsion, positioning and power generation systems, naval automation systems and steam turbines and cabins, and logistics support services) and after-sales services for naval productions. The value of orders in 2014 amounted to €204 million (€205 million in 2013).

During the first half of 2014, the Fincantieri Group undertook and successfully completed the process of being listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. At the end of the offer period, on 27 June, it was resolved to place 450,000,000 shares, deriving solely from a capital increase, and to fix the price per share at €0.78. During allocation, 500,000,000 shares were assigned, of which 450,000,000 from the capital increase and 50,000,000 from exercise of the over-allotment option granted by the selling shareholder. The placement was finalised on 3 July 2014 in parallel with the first day of trading of the shares of Fincantieri on the MTA, with capital increase proceeds of €351 million. Including the greenshoe option, partially exercised on 6 August 2014, the offer covered 457,215,171 shares of Fincantieri, approx. 27% of the share capital, for a total amount of approx. €356.6 million.

### **LIQUIDATION ACTIVITIES**

Liquidation activities continued in 2014 in accordance with the guidelines set and remained within the financial limits of the specific provisions reported in the financial statements. The targets set imply a commitment to resolving the complex issues that have arisen within the established limits and making use of the assigned risk provisions.

Specifically, the overall activity carried out by Ligestra (former Efim and former Italtrade assets) was concentrated mainly on the reclamation of sites owned by the former Efim Group.

The activities carried out by Ligestra Due continued mainly with the goal of liquidating the former IGED real estate holdings, which consisted mainly of buildings; during 2014, 14 units were sold.

As regards the Ligestra Tre Group, in the first half of 2014, the proceedings were completed for the drafting of the appraisal, which estimated the amount of €228 million due to the MEF for the purchased assets of the former SIR Committee. For this purpose, Fintecna disbursed an interest-bearing loan of €228 million to Ligestra Tre; this amount was then paid by the latter to the MEF.

In the latter part of the year, in order to simplify the chain of control, procedures were initiated aimed at the merger in 2015 of the subsidiary R.EL. S.p.A. with Ligestra Tre that will, in advance of this operation, proceed with the acquisition of the minority stake held by Fintecna in the capital of R.EL. S.p.A.

Finally, it is pointed out that, as a result of entry into force of Law 147 of 27 December 2013 (2014 Stability Law), transfer to Ligestra Quattro S.r.l. (special purpose vehicle designated for the operation) of Cinecittà Luce S.p.A. was finalised, which was placed in liquidation by the transferee company on 20 March 2014.

### TREASURY AND FUNDING OF THE FINTECNA GROUP

Funding of the Fintecna Group amounted to about €1.6 billion and was entirely attributable to the Fincantieri Group. Specifically, €930 million represents current funding (including so-called “construction loans” of the VARD Group) while €320 million are medium-to-long term amounts due to banks. The remaining amount of approx. €300 million consists the 5-year bond issued in the second half of 2013.

Compared to 2013, the change in the Group funding is primarily attributable to an increase in the share of short-term borrowings from banks.

With regard to the Group treasury, at 31 December 2014, total cash and cash equivalents and debt securities amounted to approx. €1.9 billion, of which approx. €1.3 billion held by the Parent Company in accordance with the Treasury Management Guidelines.

During 2014, the composition of this aggregate significantly changed compared with year-end 2013 due to the following operations:

- elimination of debt securities due to: (i) transfer of the entire government securities portfolio equivalent to €800 million in the first quarter of 2014; (ii) maturity of the Veneto Banca and Dexia Credio bonds totalling €270 million;
- the market listing of Fincantieri, concluded with the placement of a total of 450 million new shares for a value of €351 million;
- distribution to the shareholder CDP of an ordinary dividend equivalent to €100 million;
- payment to MEF of the amount due for the purchase of the assets of former SIR Committee by Ligestra Tre.

### Stock of investments of financial resources

(millions of euros)

	31/12/2014	31/12/2013	% change
Cash and cash equivalents and other treasury investments	1,922	930	106.6%
Debt securities	6	1,070	n/s
<b>Total</b>	<b>1,928</b>	<b>2,000</b>	<b>-3.6%</b>

## THE ACTIVITIES OF THE SACE GROUP

The total risk exposure of SACE, calculated based on the loans and guarantees provided, amounted to €37.7 billion (96.8% of which regards the guarantee portfolio), an increase of 6.4% compared to 2013; in this regard, the continuation of the growing trend already observed in 2013 is pointed out.

The portfolio of SACE BT, amounting to €36.4 billion, is substantially unchanged (+0.5%) compared to December 2013.

Total receivables of SACE Fct, comprising the aggregate amount of purchased receivables net of collections and credit notes, amounted to approx. €1,501 million, in line with the closure of the previous year (-0.2%).

(millions of euros)

Portfolio of loans and guarantees	31/12/2014	31/12/2013	% change
<b>SACE</b>	<b>37,700</b>	<b>35,426</b>	<b>6.4%</b>
Outstanding guarantees	36,494	34,476	5.9%
- <i>principal</i>	31,440	29,336	7.2%
- <i>interest</i>	5,055	5,139	-1.7%
Performing credits	1,206	950	26.9%
<b>SACE BT</b>	<b>36,360</b>	<b>36,170</b>	<b>0.5%</b>
Short-term credit	7,560	10,039	-24.7%
Surety Italy	6,713	6,990	-4.0%
Other property damage	22,087	19,141	15.4%
<b>SACE Fct</b>	<b>1,501</b>	<b>1,504</b>	<b>-0.2%</b>
Outstanding receivables	1,501	1,504	-0.2%

## TREASURY 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 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. Value-at-Risk models are used to measure capital requirements.

## Stock of investments of financial resources

(millions of euros)

	31/12/2014	31/12/13	% change
Cash and cash equivalents and other treasury investments	3,138	1,794	74.9%
- of which equity investments and shares	598	787	-24.0%
Debt securities	2,575	3,746	-31.3%
<b>Total</b>	<b>5,713</b>	<b>5,540</b>	<b>3.1%</b>

At 31 December 2014, the balance of cash and cash equivalents and other treasury investments of SACE was approx. €3.1 billion consisting mainly of: (i) current bank accounts of approx. €150 million, (ii) fixed-term deposits at the Parent Company of approx. €2.3 billion, (iii) equity investments and shares of approx. €600 million.

The overall balance of debt securities was €2.6 billion. Compared to 31 December 2013, there is a decrease of approx. €1.2 billion, referring to government bonds and corporate bonds. Those sums were invested in fixed-term deposits at the Parent Company.

## THE ACTIVITIES OF SIMEST

During 2014, SIMEST lent and managed assets of approx. €2.6 billion, with a decrease of 49% compared to 2013, essentially due to new lending through the Contributions Fund (Law 295/1973, Article 3).

## New lending and managed resources - SIMEST

(millions of euros)

Business lines	Total 2014	Total 2013	% change
<b>Enterprises</b>	<b>2,620</b>	<b>5,170</b>	<b>-49%</b>
Direct investment	80	89	-10%
Venture Capital Fund	10	13	-23%
<b>Total equity</b>	<b>90</b>	<b>101</b>	<b>-11%</b>
Law 394/1981 Fund (loans approved)	115	146	-21%
Law 295/1973 Fund (deferred principal amount approved)	2,416	4,923	-51%
<b>Total new lending, investment and managed resources</b>	<b>2,530</b>	<b>5,069</b>	<b>-50%</b>
<b>Total new lending and managed resources</b>	<b>2,620</b>	<b>5,170</b>	<b>-49%</b>

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, that offer deferred payments for medium-long term supplies;
- equity investments in foreign companies, through the granting of interest subsidies on loans obtained for investments in venture capital enterprises abroad.

With reference to export credits, during 2014, SIMEST interventions involved a volume of deferred credit capital less than the average annual value (€ 4.1 billion) of volumes acquired between 2005 and 2013. This situation is attributable to the decrease in buyer credit operations, as a result of slippage to 2015 of a number of major operations, as well as lesser recourse to disposal operations, due to the decrease in the subsidised component linked to the decrease in market interest rates.

With reference, on the other hand, to investments in companies or enterprises abroad, the reduction in the subsidised component is attributable to the continuation of the crisis and the introduction, in March 2013, of a maximum subsidisable amount of €10 million in place of the previous limit of €40 million.



## 6. Outlook

As regards the outlook, 2015 is the last year of the 2013-2015 Business Plan. The Group will be engaged in strengthening and increasing the support for the development of infrastructures, exporting and international expansion, as well as funding to proceed with the diversification process to improve direct access to the capital market. To this end, it is worth noting the successful closure, in the first quarter of 2015, of the public offering of the first CDP bonds reserved to retail savers in Italy, for a total of €1.5 billion. Finally, new lending, investment and managed resources by the Group is expected to continue in accordance with the objectives set in the Plan.

On the asset side, the stock of loans to customers and banks is expected to continue expanding more rapidly than lending forecast for the banking system as a whole, primarily due to the contribution of the Parent Company.

We expect a further decline in net interest income in 2015 as a result of the decrease in the spread between lending and funding resulting from market interest rates, which remain at record lows also following the monetary policies adopted by the ECB. This effect, combined with the continuing particularly low oil prices resulting in downward pressure on the dividend policies of investees, makes it particularly challenging to achieve the objectives set in the Plan.

The primary risks and uncertainties affecting results for 2015 consist of the uncertainty regarding the evolution of the demand and supply of credit to public entities, enterprises and households and the continued or further declining interest rates, already at record lows, with potential further decreases in the Treasury current account interest rate. The possibility that the market prices or reference values of equity investments held by CDP may perform poorly may make it necessary for adjustments to be made. Moreover, given the possibility of an unforeseen rise in interest rates, there is a risk of an increase in the early redemption of postal savings bonds and replacement with newly issued bonds, a shift that could raise funding costs.

# 7. Corporate Governance

## COMMUNICATIONS

In 2014, the external relations department focused on three areas: (a) strengthening the corporate image of CDP; (b) supporting the strategies to attract foreign capital to Italy; (c) the implementation of an institutional relations office.

As regards the first objective, CDP's first advertising campaign was prepared this year using a wide range of traditional and innovative media. This campaign was first broadcast last November. Based on the slogan "L'Italia che investe nell'Italia" (Italy invests in Italy), it describes the different areas that CDP is involved in to support the national economy.

As for the second objective, the International Relations department helped top management to conclude a series of partnerships, cooperation agreements and co-investments for a total amount (including equity capital and debt capital) of over €7 billion. The counterparties are among the most prestigious financial institutions and industrial companies from China, Russia, Brazil and the Arab world.

As regards the third objective, the Institutional Relations department was created in 2014. This department is responsible for handling relations with government authorities and members of Italian Parliament, as well as monitoring and processing regulations in the areas of the CDP Group's interest. It also provides support to the Parliamentary Supervisory Committee on the Separate Account of CDP. The monitoring and oversight of legislation has encouraged, in particular, the acceptance of a series of proposals for broadening the scope of CDP activities to support the economy, and the definition of the tax regime applicable to funding operations.

## HUMAN RESOURCE MANAGEMENT

In 2014, approx. 18,000 hours of training were delivered. Planning and design of training was carried out in close cooperation with all business functions and aligned with corporate priorities.

As in previous years, the main investment was in specialist technical training, especially in the regulatory, administrative and financial fields.

In addition, with the aim of supporting the consolidation and development of "soft" skills, training programmes were organised to improve the ability to work towards objectives and to communicate effectively, also in public.

To enable business functions to operate in an increasingly international context, investment in language training continued, involving those employees who use English the most in their professional activities.

Traditional computer courses, mainly on the Office package, aimed at the development and consolidation of skills were organised across the different areas.

A significant investment has been made in mandatory staff training on Health and Safety issues.

Thanks to the consolidation of relations with European partners, there were further developments in the programme of international exchanges with Caisse des Dépôts et Consignations (CDC), European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW), Instituto de Crédito Oficial (ICO), aimed at ensuring the reciprocal transfer of knowledge and evaluation of new opportunities for working together.

In addition, with a view to developing internal resources, internal mobility processes (also intercompany) were put in place for professional re-qualification and transferring staff to new activities.

## **Industrial relations**

For the banking sector, 2014 was a particular period in terms of industrial relations due to the termination of the collective bargaining agreement 19/1/2012, by ABI in December 2013. With specific agreement, the parties agreed to extend the term of the contract, originally set to expire in June 2014, to 31 March 2015.

In the corporate area, the first half of the year was marked by the negotiations for the renewal of the supplementary company contract, which was formally signed on 5 June.

More generally, 2014 passed smoothly, in a climate of cooperation and sharing of corporate policies, based on an approach aimed at strengthening good relations with the Company's trade union representatives.

## **Assessment of remuneration of directors with specific responsibilities**

This report illustrates and justifies the policy adopted for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer, in compliance with the legal requirements in force<sup>29</sup>.

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<sup>29</sup> Point "D" of the Circular of the Ministry for the Economy and Finance of 24 June 2013.

In its meeting of 28 October 2013, the Board of Directors – given the respective functions attributed to the Chairman of the Board of Directors and to the Chief Executive Officer by the Articles of Association and by the Board of Directors in its meeting of 26 June 2013, considering the market benchmarks for similar corporate positions and taking into account the Circular of the MEF of 24 June 2013 , Article 84-ter of Law 69 of 21 June 2013, and Article 34 of Decree Law 179 of 18 October 2012 – approved the proposal of the Remuneration Committee of 24 October 2013 to pay the following remuneration components to the Chairman of the Board of Directors and to the Chief Executive Officer.

## Chairman of the Board of Directors

(in euros)

	Annual compensation for 2013-2015 term
Fixed remuneration: compensation for position - Article 2389, para. 1	70,000
Fixed remuneration: compensation for specific responsibilities - Article 2389, para. 3	166,305
Annual variable component	39,130
Three-year incentive component (annual share)	19,565

**Annual variable component:** according to the powers conferred, the annual variable component, determined with reference to the target incentive level (100%), is paid to the extent of 50% at the discretion of the Board of Directors, upon proposal of the Remuneration Committee, based on achieving the qualitative objectives of particular importance for the Company and for the Group, and for the remaining 50% on achieving the operating income indicated in the budget for the year in question.

**Three-year incentive component:** a further three-year component – the LTI (Long Term Incentive) – is paid only if, in each of the three years, the qualitative and quantitative objectives set for the year in question have been achieved.

**Pay mix:** the salary structure of the Chairman for the 2013-2015 term maintains the same ratio between fixed remuneration and short- and long-term variable remuneration as the 2010-2012 term (80% fixed component; 20% variable component).

## Chief Executive Officer

(in euros)

	Annual compensation for 2013-2015 term
Fixed remuneration: compensation for position - Article 2389, para. 1	35,000
Fixed remuneration: compensation for specific responsibilities - Article 2389, para. 3	572,025
Annual variable component	190,675
Three-year incentive component (annual share)	25,425

**Annual variable component:** according to the powers conferred, the annual variable component, determined with reference to the target incentive level (100%), is paid to the extent of 50% at the discretion of the Board of Directors, upon proposal of the Remuneration Committee, based on achieving the qualitative objectives of particular importance for the Company and for the Group, and for the remaining 50% on achieving the operating income indicated in the budget for the year in question.

**Three-year incentive component:** a further three-year component – the LTI (Long Term Incentive) – is paid only if, in each of the three years, the qualitative and quantitative objectives set for the year in question have been achieved.

**Severance indemnity:** for the Chief Executive Officer, in keeping with the best practices of reference markets and in continuity with the previous term, a severance indemnity is envisaged, also in the case of advance termination at the Company's initiative, equal to the algebraic sum of the fixed and variable remuneration, to the fullest extent provided for (including the pro rata amount of the LTI), due for one year of office.

**Benefits:** in continuity with the previous term, the Chief Executive Officer receives forms of benefits and insurance coverage equal to those provided for executives, including for the risk of death and disability.

**Pay mix:** the salary structure of the Chief Executive Officer for the 2013-2015 term maintains the same ratio between fixed remuneration and short- and long-term variable remuneration as the 2010-2012 term (80% fixed component; 20% variable component).

In line with the directive of the MEF of 24 June 2013 ("MEF Circular") which, on the subject of the remuneration policy of directors with specific responsibilities recommends adopting remuneration policies (i) adhering to international best practices, (ii) which take into account company performance and the general economic conditions of the country, (iii) inspired by criteria of transparency and moderation, also envisaging a correlation between the total remuneration of directors with specific responsibilities and the company median value:

1. in order to ensure moderation and alignment, CDP has put in place tools for monitoring remuneration against the reference market. During the definition of remuneration for the 2013-2015 term, CDP made recourse to a leading consulting firm<sup>30</sup> specialised in remuneration analyses and comparisons for a market benchmark of similar corporate positions. From the comparison it emerged that the total remuneration of the Chairman and Chief Executive Officer of CDP were significantly below the median (-47% for the Chairman and -35% for the Chief Executive Officer) of a sample of companies comparable with CDP in terms of size and complexity, for roles of the same level of managerial responsibility and complexity<sup>31</sup>;

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30 Mercer is a global leader in Human Resources consulting, part of the Marsh & McLennan Group of Companies.

31 Sample consisting of the main banking and financial institutes in Italy and Europe selected by the consulting firm, Mercer, which carried out a remuneration analysis and comparison on behalf of CDP for the renewal of remuneration of the directors.

2. the variable remuneration components are balanced, linked to business performance and creation of value: incentives are provided only when the results are positive. The results achieved by CDP in recent years have been positive, with full achievement of the objectives established at planning sessions and approved by the BoD;
3. the criteria of moderation and transparency mentioned in the Circular also find application in the correlation between the remuneration of directors with specific responsibilities and the median value of company remuneration. With regard to remuneration of the Chairman, its ratio with the median value of company remuneration is equal to 1/4 for fixed remuneration and 1/5 for total remuneration. With regard to the remuneration of the Chief Executive Officer, the ratio is equal to 1/10 for fixed remuneration and 1/14 for total remuneration.

Lastly, the remuneration policies are adopted in accordance with the provisions set out in Article 84-ter of Decree Law 69 of 21 June 2013, already implemented by a resolution of the Board of Directors on 28 October 2013, which establishes that the remuneration of directors vested with specific responsibilities pursuant to Article 2389, paragraph 3, of the Italian Civil Code (i.e. the remuneration established by the Board of Directors, in consultation with the Board of Auditors, taking into account the specific responsibilities conferred in accordance with the articles of association) cannot be set at and paid in an amount exceeding 75% of the overall remuneration of any kind, including that for any employment with the company itself, during the term prior to renewal.

## IT SYSTEMS AND INTERNAL PROJECTS

During 2014, project activities in support of the strategic guidelines of the 2013-2015 Business Plan of CDP continued.

More specifically, in keeping with the objective to create a new financing management platform, the programme EPICA ("Public Entities Integration Channels and Applications") was implemented and the new products management for the Public Entities and Economic Support segments in the new back office system were completed. For Public Entities, following the new decrees concerning cash advances for general government payables, new financial products were made available. For the Economic Support segment, all of the application components to support the new Capital Goods Fund were completed.

During the year, in cooperation with the Business Organisation, all of the necessary changes were made to the applications due to the new organisational model implemented for the front/middle/back office for finance operations.

The following support tools were developed to help credit analysis:

- the "Loans Datamart", a database fuelling the new reporting system for monitoring exposures, fund guarantees for SMEs and SISMA, the loan positions for Public Entities and the quality of the loan portfolio;

- the analysis of master data information needs and the selection of info providers for support. The data will be integrated and changes will be made to the counterparty master data during 2015;
- the new "Electronic Rating Application" system for the automatic management of the rating and recovery rate assignment process;
- upgrading to new technology for the corporate master data and a complete revamp of the user interface.

In the area of compliance, to complete the administrative process, a contract was awarded to provide outsourced services for Supervisory Reports and the Central Credit Register and the implementation project was launched.

The new support system was selected and implemented for preparing the consolidated financial statements. It is fully operational and has been in use since the preparation of the 2014 interim report.

Numerous initiatives were concluded to improve Finance, Treasury and Risk Management operations, to provide the support needed for new business needs and to expand the CDP products catalogue. In addition to launching new operations, such as front to back repos management for the Treasury, the automated management system was created for GMRA collateral and major changes were made to the technology architecture in order to support the growth of activities on regulated markets.

Lastly, a new system was developed to support the administrative management of all of CDP's equity investments and the project for the creation of application components for the automation of all financial calculations managed on personal IT tools by the front office finance was launched.

In the Postal Savings area, a number of activities were carried out to support business, including adaptations to existing applications to handle the four new postal savings bonds products (including two Savings Plans) and three new versions of the "SMART" passbook savings account. A new user interface in the SISPAR module was developed to configure the contractual characteristics of the passbook savings accounts. A separate databases was created for managing the details of Postal Savings customers and the complex behaviour model implicit in the structure of "SMART" passbooks.

As far as the counterparty risk assessment is concerned, the management of the connected counterparties was implemented the Credit Suite module of the Integrated Database. The processing of the forecast flows compared to the actual ones was made more stable and automated.

In the Human Resources area, the project to create the new e-recruiting solution (integrated in the CDP portal and with the SAP back office) was completed during the year. Important initiatives were also launched to create a single integrated management platform for human resources, including an on-line CV solution and management on SAP of the staff evaluation process.

Significant optimisation and development operations were performed on the technological infrastructure as a whole. At the same time, the main IT management operating processes were defined and drawn

up in conjunction with the numerous automation initiatives to support the maintenance of the infrastructure and the applications.

## **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP PURSUANT TO ARTICLE 123-BIS.2 B) OF THE CONSOLIDATED LAW ON FINANCIAL INTER-MEDIATION (TUF)**

### **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 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 for a number of the companies subject to management and coordination (FSI, CDPI SGR and SIMEST) under specific service agreements with the Parent Company for internal audit activities.

The work of Internal Auditing includes, but is not limited to, assessment of the completeness, appropriateness, functionality and reliability of the organisational structure and of the entire internal control system of the CDP Group and to bring to the attention of the Board of Directors of CDP possible improvements to the risk management process as well as the related measurement and control instruments.

Internal Auditing, furthermore, provides support to the Financial Reporting Manager of CDP and the Supervisory Body in carrying out checks as per Article 6.1 b) of Legislative Decree 231/2001 of CDP, FSI, CDPI SGR and SIMEST.

## Financial and operational risk management systems

In 2014, CDP continued the process of strengthening and updating the methods and systems used for risk management.

The current measurement of interest rate and inflation risk stands out for the parallel and complementary use of two systems: RiskApp, a proprietary system developed over the years by the Risk Management and Anti-Money Laundering Area, and the AlgoOne suite, an off-the-shelf solution made by Algorithmics (IBM Risk Analytics).

The potential operational risks arising from the architectural duality, which stems from the need to integrate the two systems to ensure business continuity until the first one is fully phased out by the second one, is partially mitigated by *ex-ante* and *ex-post* controls designed to ensure the consistency of the results before generating reports.

To measure credit risk, CDP uses a proprietary model for calculation of portfolio credit risks, taking into account 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 that of default. The credit model makes it possible to calculate a variety of risk metrics (VaR, TCE<sup>32</sup>) for the entire portfolio and for individual borrowers or lines

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<sup>32</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 (to 100%) of the confidence interval (e.g. 1%). The Tail Conditional Expectation (TCE) at a given confidence interval represents the expected value only of “extreme” losses that exceed the VaR.

of business. The model is used for assessing the adjusted performance of risk in the Ordinary Account and for loans in the Separate Account to private individuals pursuant to Decree Law 185 of 29 November 2008.

CDP has a series of rating models developed by specialised external providers. These models act as a benchmark with regard to the assessment provided by the analyst. Furthermore, the "PER - Electronic Rating Application" system makes it possible to retrace the process that resulted in the assignment of a certain value for each name, and also view archived documentation concerning the assessment, based on the nature of the counterparty (public entities, bank counterparties, corporate and project finance).

Internal ratings play an important role in the assignment and monitoring process, as well as in the definition of the decision-making process; in particular, the concentration limits are adjusted according to the rating and may lead to a review of the loan by the Risk Committee, the need to submit a proposal to the Board of Directors to grant a specific exemption or, in some cases, the inadmissibility of the operation.

Counterparty risks related to transactions in derivatives and securities financing activities are monitored via proprietary tools that show the current (taking into account the net mark-to-market and collateral guarantees) and potential credit exposure.

For 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 and the mark-to-market calculation also for the exchange of collateral, the system provides 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. A proprietary tool which incorporates and processes the inputs of the various front, middle and back office systems has been developed to support this process.

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 far as operational risks are concerned, CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operating losses already taken place in the Company and recorded in the income statement, as well as operational risk events that do not generate a loss (near miss events). New features of the application were developed and implemented in 2014, in order to ensure greater integrity, confidentiality and availability of the information collected.

In order to comply with the recording requirements pursuant to Article 36 of Legislative Decree 231/2007, CDP has set up a unified computerised database for the central storage of all 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.

## **Compliance system pursuant to Legislative Decree 231/2001**

In January 2006 CDP adopted an "organisation, management and control model pursuant to Legislative Decree 231/2001" (hereinafter also referred to as the "Model"). 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 "significant" operating activities.

Given the importance of regulatory, organisational and business developments during the year, the Model was revised in 2014 and the updated version was approved by the Board of Directors on 25 November 2014. Further changes of a formal nature made to the "Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination", which is an integral part of the Model, were approved by the Chief Executive Officer on 21 January 2015.

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 criminal and legal affairs, an expert in economics and business 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, in 2010 and in 2014 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 11 occasions during 2014.

In order to ensure full implementation of the provisions concerning administrative liability pursuant to Legislative Decree 231/2001 within the Group of enterprises and in accordance with section 2.4 of the general information of the current Model, the Supervisory Body has ensured discussion among the supervisory bodies established within the companies subject to management and coordination. This is facilitated by the presence of one of its members in each of the supervisory bodies.

The “Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination” and the “Principles of the Compliance System pursuant to Legislative Decree 231/2001” of CDP are available in the “Company profile/Organisation & Governance” section of the Company’s website: <http://www.cdp.it>.

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

The CDP Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the Company’s reporting processes, is set up – including at Group level – in such a way as 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>33</sup> and is subdivided into five components (control environment, risk assessment, control activity, information and communications, and monitoring) which, depending to their characteristics, operate at the organisational unit and/or operating/administrative process level. In line with the model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.

As regards the structuring of the internal control system in the Information & Communication Technology area, the COBIT (Control Objectives for Information and related Technology) framework has been chosen as the reference.

A risk-based approach has been chosen for the internal control system applied to financial reporting, in which the focus is on the key administrative and accounting procedures of said financial reporting. In the CDP Group, 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.

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<sup>33</sup> Committee of Sponsoring Organisations of the Treadway Commission.

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 judgement 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; this activity is carried out 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 multiple units/functions to work together, in particular with regard to the Parent Company: 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.

Within the CDP Group, the Board of Directors and Board of Auditors are periodically informed of assessments of the internal control system and on the results of tests carried out, in addition to any short-falls emerging and the initiatives taken for their resolution.

To enable the Financial Reporting Manager and the administrative bodies delegated by the Parent Company to issue the certification pursuant to Article 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 final report on the internal control system applied to the financial reporting process from the financial reporting managers to their respective boards of directors; (ii) the intra-Group "chain" certification system, which use the standard certification established by Consob and adopted by the Parent Company, CDP.

## 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.

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

The manager responsible for the preparation of the company's financial reports (the "Financial Reporting Manager") at CDP is the Chief Financial Officer.

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 Financial Reporting Manager 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 company's financial reports shall meet the integrity requirements provided for the directors.*
- 3. The manager responsible for the preparation of the company's 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 three years in the administrative area at consulting firms or companies or professional firms.*
- 4. The manager responsible for the preparation of the company's 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 company's 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 budget.

## 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, Corporate Affairs and Compliance area is responsible for maintaining and updating the register.

## Code of Ethics

The Code of Ethics of CDP 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. Therefore, 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 2014 there were no breaches of the Code of Ethics by CDP employees or associates.

## GOVERNANCE STRUCTURE

In order to provide an efficient system of information and consultation enabling the Board of Directors to better assess the matters under its responsibility, the following committees have been set up, whose purpose is to advise and make recommendations, and they are diversified by area:

- Support Committee;
- Remuneration Committee;
- Eligibility Committee;
- Coordination Committee;
- Credit Committee;
- Risk Committee;
- Taxes and Conditions Committee;
- Related Parties Committee.

### Support Committee

The Support Committee is a statutory committee established to provide support to the non-controlling shareholders.



### *Composition and responsibilities*

The Support Committee has 9 members, appointed by the non-controlling shareholders. The Support Committee is appointed with the quorums to convene and to deliberate provided for in the regulations applicable to the Ordinary Shareholders' Meeting and its term ends on the date of the Shareholders' Meeting convened to appoint the Board of Directors.

The following information is provided to the Committee:

- detailed analysis on the Company's liquidity level, financing, equity investments, planned investments and disinvestments and most significant corporate transactions;
- updates on the forecasted and actual accounting data, the independent auditors' reports and the internal auditing reports relating to the organisation and to the functioning of the Company;
- the minutes of the Board of Auditors meetings.

The Support Committee held 13 meetings in 2014.

### **Remuneration Committee**

The Remuneration Committee is a board committee responsible for drawing up proposals on remuneration.

### *Composition and responsibilities*

The Remuneration Committee has three members appointed, upon proposal of the Chairman, by the Board of Directors.

The Remuneration Committee prepares proposals on the determination of remuneration of corporate officers, based on the specific positions held, and where certain conditions are met, the remuneration of other bodies prescribed by law or by the Articles of Association or established by the Board (Committees).

The proposals drawn up are submitted to the Board of Directors for its approval after obtaining the opinion of the Board of Auditors.

The Remuneration Committee held 5 meetings in 2014.

### **Eligibility Committee**

The Eligibility Committee is a collegial body that is responsible for expressing, in favour of the proposing bodies, non-binding opinions on transactions or new products in terms of eligibility.

### *Composition and responsibilities*

The Eligibility Committee is composed of the following members:

- Chief Legal Officer;
- Chief Financial Officer;
- Chief Risk Officer.

If the agenda includes discussions on new products, the Chief Operating Officer is included in the composition and has limited voting rights on these issues.

The Chief Executive Officer takes part in Eligibility Committee meetings and is responsible for appointing the Chairman for each financial year.

At the request of the Chairman and with the consent of the Chief Executive Officer, the composition of the Committee can be supplemented for decisions of particular relevance with one or more external experts with the appropriate professional qualifications for the issues to be dealt with.

The Eligibility Committee gives its non-binding opinion, in favour of the proposing bodies, on transactions or new products on:

- compliance of transactions with the law and the Articles of Association;
- viability of new products, among other things in terms of statutory compliance, financial and operational feasibility, administrative and accounting aspects and risks.

The Eligibility Committee held 14 meetings in 2014.

### **Coordination Committee**

The Coordination Committee is a collegial body that provides advice and is responsible for providing support to the Chief Executive Officer in the guidance, coordination and control of the different business areas of CDP.

### *Composition and responsibilities*

The Coordination Committee is usually convened by the Chairman once a month and is composed of the following members:

- Chief Executive Officer;
- General Manager;
- Chief Financial Officer;
- Head of Internal Auditing;
- Chief Legal Officer;
- Chief Operating Officer;

- Head of the Equity Investment Area;
- Head of the Institutional Relations and External Communications Area;
- Chief Risk Officer.

The Chief Executive Officer, or the General Manager if the CEO is unavailable, acts as the Chairman of the Coordination Committee.

The heads of the Business and Corporate Center Areas reporting to the General Manager are invited to attend Committee meetings concerning budget proposals.

The Coordination Committee has the following responsibilities:

- informing the management team on the strategic priorities and sharing the relevant information on operations;
- overseeing the implementation of the Business Plan, by monitoring the progress of construction sites, assessing any critical issues and the definition of corrective actions;
- monitoring the progress of other strategic initiatives and interfunctional projects, in order to ensure the necessary prioritisation and coordination;
- sharing the overall budget proposals of the Company presented to the competent bodies and periodically monitoring the development thereof;
- providing, at the request of the Chief Executive Officer, opinions on other matters which are of interest to the Company.

The Coordination Committee held 8 meetings in 2014.

## **Credit Committee**

The Credit Committee is a collegial body that provides technical information and is responsible for issuing mandatory and non-binding opinions in certain cases.

### *Composition and responsibilities*

The composition of the Credit Committee is established with the decision by the General Manager.

The head of the Lending Department is the Chairman of the Credit Committee and a permanent member of this committee.

The Credit Committee has the following responsibilities:

- expressing mandatory and non-binding opinions on the admissibility of the operation, in terms of both creditworthiness (of the counterparty and/or the economic and financial viability of the operation) and the appropriateness of the conditions applying to the financing, for financing subject to approval by the Board of Directors, the Chief Executive Officer and the General Manager;

- giving an opinion on the creditworthiness monitoring reports of each borrower prepared by the Lending Department on a regular basis;
- expressing, on the initiative of the Lending Department, with reference to specific non-performing loans, an opinion in support of the proposals identified by the departments involved in the management of non-performing loans;
- expressing opinions, at the request of the General Manager, on specific issues and/or lending operations.

The Credit Committee held 36 meetings in 2014.

## **Risk Committee**

The Risk Committee is a collegial body that provides technical information and advice to the Chief Executive Officer, when requested by the CEO or on proposal of the Chief Risk Officer, and provides opinions on issues concerning:

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

### *Composition and responsibilities*

The Risk Committee is composed of the following members:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Legal Officer;
- Chief Operating Officer;
- Chief Risk Officer.

The Chief Executive Officer is the Chairman of the Risk Committee.

The activity of the Risk Committee consists in monitoring all types of risks identified in the Risk Management Rules and the related financial implications.

In particular, the Risk Committee carries out the following activities:

- proposing risk policies and the maximum limits applied to the different risk categories;
- monitoring (on a regular and precautionary basis) the overall risk position with respect to internal policies, especially focusing on risk concentration exposures, and identification of the deviations and priorities for action;
- verifying and issuing opinions on the implications of CDP's business plans;
- assessing the underlying risks of new business initiatives;
- issuing opinions on transactions for which a second opinion is required or that otherwise involve a significant impact on operations (in support of and in accordance with the BoD's powers).

The Risk Committee held 26 meetings in 2014.

## **Taxes and Conditions Committee**

The Taxes and Conditions Committee is a collegial body that provides technical information and advice whose involvement is mandatory and opinions non-binding. It is responsible for providing support to the General Manager and Chief Executive Officer in determining the terms and conditions of loans offered, under the Separate Account, by the Public Entities Area and the Economic Support Area.

The Taxes and Conditions Committee usually meets on a weekly basis.

### *Composition and responsibilities*

The Taxes and Conditions Committee is composed of the following members:

- Head of the Public Entities Area;
- Head of the Finance and Funding Area;
- Head of the Planning and Control Area;
- Head of the Economic Support Area.

The Head of the Risk Management and Anti-Money Laundering Area (or person appointed by him/her) attend meetings, especially when they involve determining the conditions for a new product and/or when changes are being considered for the valuation and analysis models used.

The Head of the Finance and Funding Area, or a person delegated by this head, is the Chairman of the Taxes and Conditions Committee.

The Taxes and Conditions Committee has the following responsibilities:

- analysing trends in the lending market during the reporting period;
- analysing trends in the lending market during the reporting period and the tendering procedures/ lending operations organised by public entities, in particular regarding those for the provision of loans with costs born by central government;
- analysing the results of any transactions carried out by counterparties with other banks also in relation to competitive procedures;
- analysing any specific requirements expressed by counterparties in relation to the terms and conditions offered on financial products;
- analysing data relating to the volume and conditions of lending and funding, both actual and notional (Internal Transfer Rates) for each product concerned;
- analysing data related to profitability and progress against the budget;
- identifying the parameters to use for determining the financial terms and conditions to apply to the finance products offered and proposing the establishment of these terms and conditions.

The Taxes and Conditions Committee was set up in February 2015.

## **Related Parties Committee**

The Related Parties Committee is required, where envisaged, to express a preliminary reasoned opinion on CDP's interest in carrying out transactions with related parties, as well as on the convenience and on the substantive and procedural correctness of the relevant conditions.

### *Composition and responsibilities*

The Related Parties Committee is composed of three members appointed by the Board of Directors. The preliminary, non-binding opinion of the Related Parties Committee is formalised and provided in a timely manner to the body in charge of deciding on the transaction.

The transactions for which the Related Party Committee has expressed a negative or conditional opinion are reported at the next Shareholders' Meeting.

The Related Parties Committee held 6 meetings in 2014.

## 8. Relations of the Parent Company with the MEF

### 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. Changes were made to the yield of the current account with the Central State Treasury in 2014, due to Ministerial Decree of 28 May 2014, which enacted the changes introduced by Decree Law 66 of 24 April 2014 ("Spending review"). Specifically, while the parameters for the benchmark parameters of the yield (mean interest rate of Italian treasury bills - BOT and that of the Rendistato index) remain unchanged, the period for their measurement has changed from the previous six-month period to the "six-month period of validity of the yield".

### 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.

The first agreement, renewed on 23 December 2014 until 31 December 2019, 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;
- 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, effective as at 31 December 2014, currently under renewal, 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 ac-

tivities 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;
- periodic provision of information on developments in the transferred loans and relationships, both actual and forecast;
- monitoring and management of the Treasury accounts established for this purpose.

The MEF paid CDP €3 million in 2014 for the performance of these services.

On 12 April 2013 an addendum to the above agreement was signed in order to ensure the immediate implementation of the provisions of Decree Law 35 of 8 April 2013, regarding the release of payments for government trade payables. As a result of the regulatory provisions introduced in Article 13, para. 1, 2 and 3 of Decree Law 102 of 31 August 2013, on 11 September 2013 a supplementary deed to the addendum already entered into between CDP and MEF needed to be signed to establish the criteria and methods of access to the payment of the cash advances for 2014. Following subsequent increases in the resources of the fund, a supplementary deed to the addendum already entered into between CDP and MEF was signed on 30 April 2014.

On 15 July 2014, the signing of a second supplementary deed to the addendum between CDP and the MEF resulted in the implementation of the measures laid down in Article 31 of the Decree Law 66 of 24 April 2014 converted, with amendments, by Law of 23 June 2014, to grant cash advances to local authorities to pay the debts of these authorities to companies and entities in which they hold interests. Finally, on 5 August 2014, the third supplementary deed to the addendum was signed to implement the measures set out in Article 32 of Decree Law 66/2014, to grant cash advances to local authorities for the payment of debts to these entities, due on 31 December 2013.

A new agreement was signed on 30 December 2014 between CDP and the MEF for the management of the Government Securities Amortisation Fund. Following the decisions of the Governing Council of the European Central Bank of 5 June 2014, as a result of which the remuneration of deposits placed by general government at the national central banks (Bank of Italy) became negative and currently amounts to -0.20% per year, Article 1.387 of Law 190 of 23 December 2014 provided for the transfer of management of this fund from the Bank of Italy to CDP management.

## **MANAGEMENT ON BEHALF OF THE MEF**

The main assets managed are the loans granted by CDP and transferred to the MEF, the residual debt of which came to €9,626 million at 31 December 2014, compared with €11,260 million at the end of



2013. In addition, there are the cash advances granted for the payment of general government trade payables (Decree Law 35 of 8 April 2013), for which the debt as at 31 December 2014 amounted to €5,885 million. The liabilities include the management of postal savings bonds assigned to the MEF, which at year-end totalled €71,518 million, compared with €73,849 million at 31 December 2013. 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, and 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 €3,043 million at 31 December 2014; the natural gas infrastructure programme for the South, which had resources totalling €210 million; and resources for territorial agreements and area contracts, which came to €607 million.

## 9. Proposed allocation of net income for the year

We hereby submit for shareholder approval the financial statements for 2014, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

The net income for the year 2014, of €2,170,110,926 will be allocated in full in accordance with the resolution passed by the Shareholders' Meeting. We note that no provision needs to be made to the legal reserve because it has already reached the amount of €700,000,000 corresponding to the limit of one-fifth of the share capital required by Article 2430 of the Civil Code.

Rome, 15 April 2015

The Chairman  
Franco Bassanini



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## ANNUAL REPORT 2014

Allocation of net income for the year





## 1. PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

The Ordinary Shareholders' Meeting of CDP, held on 27 May 2015, chaired by Franco Bassanini, approved the financial statements for 2014 and resolved to approve the following allocation of net income for the year in the amount of €2,170,110,926:

- €852,636,612.80 distributed as a dividend to shareholders by the thirtieth day following the date of approval of the financial statements, equal to a dividend of €2.92 per share, excluding treasury shares;
- €1,317,474,313.20 carried forward as retained earnings.

## 2. SUMMARY TABLE OF ALLOCATION OF NET INCOME FOR THE YEAR

Below is the summary table of the allocation of net income for the year:

### Allocation of net income for the year

(euros)

Net income	2,170,110,926
Distributable income *	2,170,110,926
Dividend	852,636,613
Retained earnings	1,317,474,313
<b>Dividend per share</b>	<b>2.92</b>

\* The legal reserve has reached the limit set by Article 2430 of the Civil Code.





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**ANNUAL REPORT 2014**

Separate Financial Statements







## Form and content of the separate financial statements at 31 December 2014

The separate financial statements at 31 December 2014 have been prepared in conformity with the applicable regulations and are composed of:

- the balance sheet;
- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the 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.





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## ANNUAL REPORT 2014

### Separate Financial Statements

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement



## Balance sheet

(euros)

Assets	31/12/2014	31/12/2013
10. Cash and cash equivalents	3,431	3,530
20. Financial assets held for trading	298,681,592	472,679,479
40. Financial assets available for sale	6,907,788,220	4,939,291,611
50. Financial assets held to maturity	21,339,001,554	18,327,082,721
60. Loans to banks	26,507,878,599	14,851,354,609
<i>- of which segregated asset pool</i>	<i>315,157,507</i>	-
70. Loans to customers	263,886,601,722	242,136,225,003
80. Hedging derivatives	683,756,741	325,064,442
100. Equity investments	29,037,562,809	31,769,037,804
110. Property, plant and equipment	231,831,135	217,930,399
120. Intangible assets	5,653,001	6,252,398
130. Tax assets	914,169,425	1,233,688,891
a) current	688,383,445	1,065,965,451
b) deferred	225,785,980	167,723,440
150. Other assets	391,703,034	406,692,190
<b>Total assets</b>	<b>350,204,631,263</b>	<b>314,685,303,077</b>

(euros)

<b>Liabilities and equity</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
10. Due to banks	13,291,240,650	24,008,645,722
20. Due to customers	302,765,016,422	261,520,355,925
30. Securities issued	9,989,572,140	6,907,470,302
40. Financial liabilities held for trading	290,043,654	444,815,354
60. Hedging derivatives	2,305,630,570	1,449,143,501
70. Adjustment of financial liabilities hedged generically (+/-)	47,921,746	52,258,202
80. Tax liabilities	393,987,555	669,026,281
a) current	228,138,672	565,597,478
b) deferred	165,848,883	103,428,803
100. Other liabilities	1,548,383,498	1,479,946,192
110. Staff severance pay	887,491	756,139
120. Provisions	18,526,685	14,928,023
b) other provisions	18,526,685	14,928,023
130. Valuation reserves	1,073,171,925	975,182,823
160. Reserves	12,867,358,117	11,371,230,455
180. Share capital	3,500,000,000	3,500,000,000
190. Treasury shares (-)	(57,220,116)	(57,220,116)
200. Net income for the period (+/-)	2,170,110,926	2,348,764,274
<b>Total liabilities and equity</b>	<b>350,204,631,263</b>	<b>314,685,303,077</b>

## Income statement

(euros)

	31/12/2014	31/12/2013
10. Interest income and similar revenues	6,924,344,105	8,734,350,209
20. Interest expense and similar charges	(5,762,905,636)	(6,194,954,542)
<b>30. Net interest income</b>	<b>1,161,438,469</b>	<b>2,539,395,667</b>
40. Commission income	52,431,196	40,300,483
50. Commission expense	(1,643,658,781)	(1,623,148,314)
<b>60. Net commission income</b>	<b>(1,591,227,585)</b>	<b>(1,582,847,831)</b>
70. Dividends and similar revenues	1,846,798,798	3,088,977,849
80. Net gain (loss) on trading activities	13,164,361	76,056,378
90. Net gain (loss) on hedging activities	(44,393,865)	(14,833,356)
100. Gains (losses) on disposal or repurchase of:	339,792,976	15,736,734
a) loans	57,922,885	9,219,840
b) financial assets available for sale	281,870,091	6,477,522
c) financial assets held to maturity	-	39,372
<b>120. Gross income</b>	<b>1,725,573,154</b>	<b>4,122,485,441</b>
130. Net impairment adjustments of:	(130,744,682)	(45,290,748)
a) loans	(113,031,124)	(42,802,267)
d) other financial transactions	(17,713,558)	(2,488,481)
<b>140. Financial income (expense), net</b>	<b>1,594,828,472</b>	<b>4,077,194,693</b>
150. Administrative expenses:	(128,240,736)	(119,717,268)
a) staff costs	(65,479,924)	(62,335,374)
b) other administrative expenses	(62,760,812)	(57,381,894)
160. Net provisions	(1,628,032)	(395,528)
170. Net adjustments of property, plant and equipment	(4,822,935)	(5,147,912)
180. Net adjustments of intangible assets	(2,242,113)	(2,345,796)
190. Other operating income (costs)	4,164,148	4,758,168
<b>200. Operating costs</b>	<b>(132,769,668)</b>	<b>(122,848,336)</b>
210. Gains (losses) on equity investments	938,066,437	(1,008,947,000)
240. Gains (losses) on the disposal of investments	(5,217)	91
<b>250. Income (loss) before tax from continuing operations</b>	<b>2,400,120,024</b>	<b>2,945,399,448</b>
260. Income tax for the period on continuing operations	(230,009,098)	(596,635,174)
<b>270. Income (loss) after tax on continuing operations</b>	<b>2,170,110,926</b>	<b>2,348,764,274</b>
<b>290. Income (loss) for the period</b>	<b>2,170,110,926</b>	<b>2,348,764,274</b>

## Statement of comprehensive income

(euros)

	31/12/2014	31/12/2013
<b>10. Income (loss) for the period</b>	<b>2,170,110,926</b>	<b>2,348,764,274</b>
<b>Other comprehensive income net of taxes transferred to income statement</b>		
90. Cash flow hedges	11,676,230	(1,380,880)
100. Financial assets available for sale	86,312,872	11,145,386
<b>130. Total other comprehensive income net of taxes</b>	<b>97,989,102</b>	<b>9,764,506</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>2,268,100,028</b>	<b>2,358,528,780</b>

## Statement of changes in equity: current period

(euros)

	Balance at 31/12/2013	Changes in opening balance	Balance at 01/01/2014	Allocation of net income for previous year		Changes for the period							Comprehensive income for 2014	Equity at 31/12/2014
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							
							Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		
Share capital:	3,500,000,000		3,500,000,000											3,500,000,000
a) ordinary shares														
b) preference shares														
Share premium reserve														
Reserves:	11,371,230,455		11,371,230,455	1,496,127,662										12,867,358,117
a) income														
b) other														
Valuation reserves:	788,179,460		788,179,460											874,492,332
a) available for sale														
b) cash flow hedges	19,431,361		19,431,361											31,107,591
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares	(57,220,116)		(57,220,116)											(57,220,116)
Income (loss) for the period	2,348,764,274		2,348,764,274	(1,496,127,662)	(852,636,612)									2,170,110,926
<b>Equity</b>	<b>18,137,957,436</b>		<b>18,137,957,436</b>		<b>(852,636,612)</b>									<b>19,533,420,852</b>



Statement of changes in equity: previous period

(euros)

	Balance at 31/12/2012	Changes in opening balance	Balance at 01/01/2013	Allocation of net income for previous year		Changes for the period							Equity at 31/12/2013				
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for 2013			
							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	2,450,000,000		2,450,000,000			1,050,000,000											3,500,000,000
b) preference shares	1,050,000,000		1,050,000,000			(1,050,000,000)											
Share premium reserve																	
Reserves:																	
a) income	9,517,249,132		9,517,249,132														
b) other					1,853,981,323												11,371,230,455
Valuation reserves:																	
a) available for sale	777,034,074		777,034,074														
b) cash flow hedges	20,812,241		20,812,241														788,179,460
c) other reserves																	19,431,361
- revaluation of property	167,572,002		167,572,002														167,572,002
Equity instruments																	
Treasury shares										(57,220,116)							(57,220,116)
Income (loss) for the period	2,852,617,356		2,852,617,356		(1,853,981,323)	(998,636,033)											2,348,764,274
<b>Equity</b>	<b>16,835,284,805</b>		<b>16,835,284,805</b>			<b>(998,636,033)</b>				<b>(57,220,116)</b>							<b>18,137,957,436</b>

## Cash flow statement (indirect method)

(euros)

A. OPERATING ACTIVITIES	31/12/2014	31/12/2013
<b>1. Operations</b>	<b>5,466,218,766</b>	<b>6,556,718,122</b>
- net income for the year (+/-)	2,170,110,926	2,348,764,274
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(13,854,897)	(61,608,965)
- gains (losses) on hedging activities (-/+)	(16,215,828)	9,085,774
- net impairment adjustments (+/-)	131,452,791	45,290,748
- net value adjustments to property, plant and equipment and intangible assets (+/-)	7,065,048	7,493,709
- net provisions and other costs/revenues (+/-)	11,014,868	9,965,112
- unpaid charges, taxes and tax credits (+/-)	230,009,098	596,635,174
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	148,520,468	1,008,947,000
- other adjustments (+/-)	2,798,116,292	2,592,145,296
<b>2. Cash generated by/used in financial assets</b>	<b>(21,228,388,260)</b>	<b>(8,252,843,730)</b>
- financial assets held for trading	187,852,784	229,410,265
- financial assets at fair value	-	-
- financial assets available for sale	(1,641,091,987)	78,249,706
- loans to banks: on demand	-	-
- loans to banks: other	(11,755,990,288)	(1,347,809,928)
- loans to customers	(8,255,737,138)	(6,360,054,751)
- other assets	236,578,369	(852,639,022)
<b>3. Cash generated by/used in financial liabilities</b>	<b>29,656,011,695</b>	<b>5,145,738,562</b>
- due to banks: on demand	-	-
- due to banks: other	(10,548,512,701)	(10,076,287,893)
- due to customers	38,226,338,562	16,500,048,145
- securities issued	2,661,322,998	284,771,714
- financial liabilities held for trading	(154,771,699)	(32,272,324)
- financial liabilities at fair value	-	-
- other liabilities	(528,365,465)	(1,530,521,079)
<b>Cash generated by/used in operating activities</b>	<b>13,893,842,201</b>	<b>3,449,612,954</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>25,717,180,187</b>	<b>11,106,483,000</b>
- sale of equity investments	2,815,240,512	-
- dividends from equity investments	-	-
- sale of financial instruments held to maturity	22,901,939,675	11,106,483,000
- sale of property, plant and equipment	-	-
<b>2. Cash used in</b>	<b>(26,138,847,549)</b>	<b>(15,095,313,300)</b>
- purchase of equity investments	(221,921,860)	(2,519,511,610)
- purchase of financial assets held to maturity	(25,893,699,984)	(12,561,075,775)
- purchase of property, plant and equipment	(21,582,988)	(13,270,664)
- purchase of intangible assets	(1,642,717)	(1,455,251)
<b>Cash generated by/used in investing activities</b>	<b>(421,667,362)</b>	<b>(3,988,830,300)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	(57,220,116)
- dividend distribution and other allocations	(852,636,612)	(998,636,033)
<b>Cash generated by/used in financing activities</b>	<b>(852,636,612)</b>	<b>(1,055,856,149)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>12,619,538,227</b>	<b>(1,595,073,495)</b>

## Reconciliation

Items *		
Cash and cash equivalents at beginning of year	136,134,607,662	137,729,681,156
Total cash generated/used during the year	12,619,538,227	(1,595,073,495)
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	148,754,145,889	136,134,607,662

\* 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.



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## ANNUAL REPORT 2014

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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 22 December 2014, 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 28 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 view of the Company's financial position and performance of operations.

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. 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 of 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 2014 and 2013 financial years.

Tables with no amounts for either 2014 or 2013 have been omitted.

## CDP SEGREGATED ASSET POOLS

### *Segregated KfW asset pool*

On 29 October 2014, the Board of Directors approved the establishment of a special fund, called "KfW asset pool", exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have vis à vis CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of €300 million. This funding will be used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

To this segregated asset pool CDP allocated certain claims against banks to which CDP has provided loans under the "Fourth Agreement" and the "Fifth Agreement" entered into between CDP and ABI on 1 March 2012 and 5 August 2014, respectively, and claims of these banks against SMEs, which were transferred to CDP as guarantee for the related loans.

The total outstanding principal of loans to banks, and the related loans to SMEs sold as guarantee, included in the "KfW asset pool" cannot exceed €345 million.

At the reporting date the €300 million funding under the agreement between CDP and KfW had not been disbursed yet.

The segregated asset pool is presented in the financial statements by a specific "of which" indication.

### *Segregated asset pool for covered bonds*

Following the redemption of all issues under the Covered Bond Programme at the end of January 2013, and in accordance with the decisions of the Board of Directors in February 2013, on 11 April 2013 the termination agreement was signed with all institutional counterparties for the termination of all legal relationships associated with the segregated asset pool and, consequently, in 2013 the segregated asset pool was closed in the accounts.

## **AUDITING OF THE FINANCIAL STATEMENTS**

The statutory audit of the CDP financial statements pursuant to Legislative Decree 39/2010 was performed by PricewaterhouseCoopers S.p.A. in execution of the shareholder resolution of 25 May 2011, which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

## **ANNEXES**

In order to enhance disclosure, a detailed list of the equity investments held by CDP is annexed to this report.

Statements showing the contribution of the Separate Account and the Ordinary Account are also annexed to this report.

# PART A - ACCOUNTING POLICIES

## A.1 - General information

### SECTION 1 - DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission and with the Bank of Italy circular 262 of 22 December 2005, updated to 22 December 2014, 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 make 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 underlying 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 separate financial statements and their approval by the Board of Directors on 15 April 2015, no events occurred that would require an adjustment to the figures approved or the provision of additional information.

## SECTION 4 - OTHER ISSUES

### IFRS in force since 2014

The new standards or amendments to existing ones, which came into force in 2014, together with the related endorsement regulations by the European Commission are presented below; they were taken into account in preparing these financial statements, where applicable.

#### **IAS 27 - "Separate Financial Statements"**

– Amendments introduced by Regulation (EU) 1254/2012:

the amendments consist in having extrapolated the provisions concerning the consolidated financial statements, which have been included in a new specific standard (IFRS 10 - "Consolidated Financial Statements"). Thus, IAS 27 Revised defines and regulates the principles for the preparation of the separate financial statements only, remaining essentially unchanged in this respect from the previous version.

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments are intended to eliminate the possibility for investment entities to opt for the cost valuation of investments in subsidiaries, requiring that they be measured at fair value in their separate financial statements.

#### **IAS 28 - "Investments in Associates and joint ventures"**

– Amendments introduced by Regulation (EU) 1254/2012:

the accounting standard was supplemented with the requirement for joint ventures to be accounted for using the equity method.

#### **IFRS 10 - "Consolidated Financial Statements"**

– Adoption by Regulation (EU) 1254/2012:

the new standard establishes the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions previously contained in IAS 27 - "Consolidated and Separate Financial Statements" and SIC 12 - "Special purpose entities". The new standard contains a new definition of control as the sole basis for the consolidation of all types of entities, eliminates some inconsistencies or interpretation issues between IAS 27 and SIC 12, and finally lays down the rules for the clear and unambiguous identification of "*de facto* control".

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments require investment entities to evaluate subsidiaries at fair value through profit or loss rather than consolidating them, in order to better reflect their business model.

– Amendments introduced by Regulation (EU) 313/2013:

the regulation in question provides some clarifications and simplifications about the first application of IFRS 10 on consolidation.

**IFRS 11 - "Joint control Arrangements"**

– Adoption by Regulation (EU) 1254/2012:

the new standard establishes the accounting rules for entities that are party to a joint arrangement and replaces IAS 31 - "Interests in Joint Ventures" and SIC 10 - "Jointly controlled entities" - Non-monetary contributions by venturers. IFRS 11 also provides criteria for identifying joint arrangements based on the rights and obligations arising from the arrangements rather than on their legal form and, unlike the previous rules under IAS 31, it rules out the proportionate consolidated method as method to account for investments in jointly controlled entities.

– Amendments introduced by Regulation (EU) 313/2013:

the amendments make transition to the new standard less onerous, by limiting the requirement to provide restated comparative information to the previous comparative period only.

**IFRS 12 - "Disclosure of interests in other entities"**

– Adoption by Regulation (EU) 1254/2012:

IFRS 12 combines, enhances and replaces disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard includes all the information that an entity has to disclose to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments require that specific information be presented on subsidiaries of investment entities.

– Amendments introduced by Regulation (EU) 313/2013:

the amendments make transition to the new standard less onerous, by limiting the requirement to provide restated comparative information to the previous comparative period only.

**IAS 32 - "Financial instruments: Presentation - Offsetting of financial assets and liabilities"**

– Changes introduced by Regulation (EU) 1256/2012:

following the amendment to IFRS 7, IAS 32 Revised provides additional guidance to reduce inconsistencies in the practical application of that standard.

**IAS 36 - "Impairment of assets"**

– Amendments introduced by Regulation (EU) 1374/2013:

the amendments are intended to clarify that the information to be provided on the recoverable value of assets, when this value is based on fair value net of disposal costs, only concerns assets for which an impairment loss has been recognised.

**IAS 39 - "Financial instruments: recognition and measurement"**

– Amendments introduced by Regulation (EU) 1375/2013:

the amendments regulate situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. More specifically it states that hedge accounting can continue irrespective of the novation.

## **Accounting standards and interpretations that will enter into force in subsequent financial years**

At the date of approval of these financial statements, the IASB and the European Union have issued the following standards, amendments and interpretations that are applicable as of 1 January 2015:

### **IFRIC 21 - "Levies"**

– Interpretation introduced by Regulation (EU) 634/2014:  
the interpretation deals with the recognition of a liability related to the payment of a levy in the event such liability falls within the scope of IAS 37.

### **IFRS 3 - "Business combinations"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that the formation of all types of joint arrangement, as defined by IFRS 11, is excluded from the scope of IFRS 3.

### **IFRS 13 - "Fair value measurement"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that the exception in paragraph 52 of IFRS 13, on the ability to measure the fair value of a net position, applies to all contracts that fall within the scope of IAS 39 (and IFRS 9 in the future) regardless of whether they meet the definition of financial assets and financial liabilities provided by IAS 32.

### **IAS 40 - "Investment property"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the purchase of a property falls within the scope of IFRS 3 or IAS 40, reference must be made to the specific instructions given by the respective standards.

The following accounting standards, interpretations and amendments will be applicable as of the date of commencement of the first financial year that begins on February 1, i.e. as of the 2016 financial statements.

### **IAS 19 - "Employee benefits"**

– Amendment introduced by Regulation (EU) 29/2015:  
the amendment clarifies the application of IAS 19 to defined benefit plans which require contributions by employees or third parties that are not voluntary contributions. These contributions reduce the ser-



vice cost for the entity. The amendment allows payments linked to the service, but not related to years of service, to be deducted from the cost of benefits obtained in the period in which the service is provided, rather than spreading them over the employee's working life.

### **IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38**

– Amendments introduced by Regulation (EU) 28/2015:

these amendment were introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2010-2012 Cycle").

### **Accounting standards, amendments and interpretations not yet endorsed as at the date of these financial statements**

At the date of approval of these financial statements, the IASB and the European Union have issued but not yet endorsed the following standards, amendments and interpretations and some Exposure Drafts in the consultation stage, including specifically:

- IFRS 9 - "Financial instruments";
- IFRS 14 - "Regulatory deferral account";
- IFRS 15 - "Revenues from contracts with customers";
- Amendments to IFRS 10, IFRS 12 and IAS 28 - "Investment Entities - applying the consolidation exemption";
- Amendments to IAS 1 - "Disclosure";
- Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 - "Annual Improvements to IFRSs - 2012-2014 Cycle";
- Amendments to IFRS 10 and IAS 28 - "Sale or contribution of assets between an investor and its associate or joint venture";
- Amendments to IAS 27 - "Equity method in separate financial statements";
- Amendments to IAS 16 and IAS 38 - "Clarifications on depreciation and amortisation methods";
- Amendments to IFRS 11 - "Accounting for acquisitions of interests in joint operations";
- Exposure Draft "IFRS 2 - Share-based Payments" on the classification and measurement of share-based payments;
- Exposure Draft "IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36" on the fair value measurement of quoted investments in subsidiaries, joint ventures and associates;
- Exposure Draft "IAS 12 - Income Taxes" on the recognition of deferred tax assets for unrealised losses;
- Discussion Paper "Conceptual Framework for Financial Reporting" as part of the project to revise the current Framework;
- Exposure Draft "Insurance Contracts", as part of the project to revise the current standard;
- Exposure Draft "Leases", as part of the project to revise the current standard;
- Exposure Draft "IAS 1 - Classification of liabilities" which clarifies how an entity should classify liabilities, especially with regard to obligations that are renewed.

## **The consolidated taxation mechanism**

For the period 2012-2014, the Parent cCtity, 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.

For the period 2013-2015 CDP has widened the scope of consolidation to include the four subsidiaries: CDP Reti S.p.A., Fincantieri - Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. (the last two are controlled indirectly through Fincantieri - Cantieri Navali Italiani S.p.A.).

For the years 2014-2016 the tax consolidation scope was expanded to Fintecna S.p.A. and CDP Immobiliare S.r.l.

Accordingly, with effect from 1 January 2014, the following companies are included in the “consolidated taxation mechanism” of the CDP Group: Cassa depositi e prestiti S.p.A., Fondo Strategico Italiano S.p.A., CDP GAS S.r.l., CDP Reti S.p.A., Fincantieri - Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A., Fintecna S.p.A. and CDP Immobiliare S.r.l.

## **Other information**

The Board of Directors meeting of 15 April 2015 approved CDP's 2014 draft financial statements, which will be published according to the timings and procedures set out in current regulations applicable to CDP.

Due to requirements relating to the preparation of the consolidated financial statements, in accordance with Article 2364 of the Civil Code and the Articles of Association, approval by the Shareholders' Meeting will take place within 180 days after the end of the financial year.

## 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. 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 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 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.

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 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 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

“Equity investments” means investments in subsidiaries (IFRS 10), jointly controlled entities (IFRS 11) and entities subject to significant influence (IAS 28), other than those falling under items 20 “Financial assets held for trading” and 30 “Financial assets at fair value” in accordance with IAS 28, paragraph 18.



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 (including situations of *de facto* control). 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 10, 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 determining 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.

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.

“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 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 deriva-

tives treated as such in accordance with IAS 39, which, where applicable, are recognised under “other liabilities”. The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

### 13 - DEBT AND SECURITIES ISSUED

“Due to banks” (item 10) and “Due to customers” (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than “Financial liabilities held for trading” (item 40), “Financial liabilities at fair value through profit or loss” (item 50), and debt securities under item 30 (“Securities issued”). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It does not include the portion of the Company’s own debt securities issued but not yet placed with third parties.

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

Postal savings bonds issued by CDP are reported under “Due to banks” (item 10) and “Due to customers” (item 20), including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds 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

tive 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 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 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 in 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 2014 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, Level 3 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.4 - Disclosures on fair value measurement

### QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded. 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.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value inputs”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, 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.

The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads or yield curves. If they are used in the pricing of an instrument, they must be available for the entire remaining life of the instrument. The fair value of a financial instrument measured using techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy. The Level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or “expert-based” techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, or the inputs not observable in the market and not directly available.

This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

Valuation techniques used for Level 2 and Level 3 measurements 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.

#### **A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED**

Valuation techniques for unlisted financial instruments 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.

CDP takes the following into consideration when selecting the valuation models:

- 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.

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.

Specifically, in CDP's financial statements the fair value measurements are assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

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. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, of the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 31 December 2014 no adjustments of this kind have been made. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in CDP's financial statements:

- 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;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

*Portfolios measured at fair value on a recurring basis: details of the significant unobservable inputs per Level 3 asset and liability*

Category of financial instruments		Fair value assets (thousands of euros)	Fair value liabilities (thousands of euros)	Measurement techniques	Non-observable parameters	Range %	
Financial derivatives	Equity		(167,420)	Option pricing models	Redemption profiles (ratio of excepted principal at maturity to remaining payable)	30%	100%
	Inflation	840	(40,238)	Projection and discounting of cash flows	Term structure of expected inflation	-0.365%	1.7525%
Equity securities		10,896	-	Equity multiple	Equity multiple	100%	100%
Units in collective investment undertakings		1,297,315	-	Adjusted NAV	Adjustment to NAV	15%	15%

## A.4.2 VALUATION PROCESSES AND SENSITIVITY

### Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Here, too, Level 3 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.

The methods and processes adopted by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents updated on half-yearly basis by the Financial Engineering and Fair Value Measurement Unit, within the Risk Management and Anti-Money Laundering Area. The valuations are performed through internal systems used by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

### **Description of non-observable inputs used, on a recurring basis, in the fair value measurement of instruments classified at Level 3 and sensitivity analysis of the fair value to changes in those inputs**

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted in order to obtain a range of reasonable and possible alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

#### **Redemption profiles**

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones EuroStoxx 50 index. If the investor redeems the bond in advance they lose the entitlement to receive any component of remuneration linked to the index and as a result the equity option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considers changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

<b>Sensitivity analysis to the redemption profile (figures in millions of euros)</b>		
Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
BFP Premia and Europa bonds	+34.0	-5.5
Indexed bonds	+3.8	-1.1

### Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market, refers to rates for indexes that have a liquid market. Given that the input is nevertheless observable in the market, even though it does not refer to the indexes to which the derivatives are linked, no sensitivity analysis is presented.

### Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2014, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

### Adjustment to NAV

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2014 adjustments of this kind were made to the NAVs of the UCITS held in the portfolio at the standard rate of 15%, set on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units. Given that this parameter acts directly on the final fair value in a proportional manner, no sensitivity analysis has been reported.

## A.4.3 HIERARCHY OF FAIR VALUE INPUTS

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95).

For all classes of assets and liabilities, under the policy adopted by CDP the transfer from one level to another takes place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the unobservability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

## QUANTITATIVE DISCLOSURES

### A.4.5 HIERARCHY OF FAIR VALUE INPUTS

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euros)

Assets/Liabilities at fair value	31/12/2014			31/12/2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		298,160	522		470,394	2,285
2. Financial assets at fair value						
3. Financial assets available for sale	5,598,034	1,543	1,308,211	4,012,479	3,069	923,744
4. Hedging derivatives		683,439	318		323,957	1,107
5. Property, plant and equipment						
6. Intangible assets						
<b>Total</b>	<b>5,598,034</b>	<b>983,142</b>	<b>1,309,051</b>	<b>4,012,479</b>	<b>797,420</b>	<b>927,136</b>
1. Financial liabilities held for trading		122,624	167,420		59,765	385,050
2. Financial liabilities at fair value						
3. Hedging derivatives		2,265,393	40,238		1,423,427	25,717
<b>Total</b>		<b>2,388,017</b>	<b>207,658</b>		<b>1,483,192</b>	<b>410,767</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Due to mitigation techniques applied to counterparty risk and the creditworthiness of counterparties and CDP, the Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are negligible when determining the fair value of derivative financial instruments.

#### A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
<b>1. Opening balance</b>	<b>2,285</b>	-	<b>923,744</b>	<b>1,107</b>	-	-
<b>2. Increases</b>			<b>467,791</b>			
2.1 Purchases			440,411			
2.2 Profits taken to:			27,380			
2.2.1 Income statement						
- of which: capital gains						
2.2.2 Equity	x	x	27,380			
2.3 Transfers from other levels						
2.4 Other increases						
<b>3. Decreases</b>	<b>1,763</b>		<b>83,324</b>	<b>789</b>		
3.1 Sales						
3.2 Repayments	706		28,761			
3.3 Losses taken to:	1,057		54,563	789		
3.3.1 Income statement	1,057			789		
- of which: capital losses	1,057			789		
3.3.2 Equity	x	x	54,563			
3.4 Transfers to other levels						
3.5 Other decreases						
<b>4. Closing balance</b>	<b>522</b>	-	<b>1,308,211</b>	<b>318</b>	-	-

### A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

(thousands of euros)

	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
<b>1. Opening balance</b>	<b>385,050</b>		<b>25,717</b>
<b>2. Increases</b>	<b>32,599</b>		<b>14,521</b>
2.1 Purchases	19,413		
2.2 Losses taken to:	13,186		14,521
2.2.1 Income statement	13,186		11,113
- of which: capital losses	13,186		
2.2.2 Equity	x	x	3,408
2.3 Transfers from other levels			
2.4 Other increases			
<b>3. Decreases</b>	<b>250,229</b>		
3.1 Sales	250,209		
3.2 Repayments			
3.3 Profits taken to:	20		
3.3.1 Income statement	20		
- of which: capital gains	20		
3.3.2 Equity	x	x	
3.4 Transfers to other levels			
3.5 Other decreases			
<b>4. Closing balance</b>	<b>167,420</b>		<b>40,238</b>



**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value inputs**

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets held to maturity	21,339,002	24,724,809			18,327,083	19,896,941		
2. Loans to banks	26,507,879			27,098,091	14,851,355			15,087,709
3. Loans to customers	263,886,602		667,630	273,235,513	242,136,225			240,755,718
4. Investment property, plant and equipment					2,948			4,854
5. Non-current assets and disposal groups held for sale								
<b>Total</b>	<b>311,733,483</b>	<b>24,724,809</b>	<b>667,630</b>	<b>300,333,604</b>	<b>275,317,611</b>	<b>19,896,941</b>		<b>255,848,281</b>
1. Due to banks	13,291,241			13,291,241	24,008,646			24,008,646
2. Due to customers	302,765,016			302,765,016	261,520,356			261,520,356
3. Securities issued	9,989,572		10,256,048	23,684	6,907,470		6,405,425	384,249
4. Liabilities associated with assets held for sale								
<b>Total</b>	<b>326,045,829</b>		<b>10,256,048</b>	<b>316,079,941</b>	<b>292,436,472</b>		<b>6,405,425</b>	<b>285,913,251</b>

**Key**

CA = carrying amount  
L1 = Level 1  
L2 = Level 2  
L3 = Level 3

## A.5 - 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 “day one profit/loss” (DOP).

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 IAS/IFRS provisions.

## 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)*

	31/12/2014	31/12/2013
a) Cash	3	4
b) Free deposits with central banks		
<b>Total</b>	<b>3</b>	<b>4</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2014			31/12/2013		
	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		298,160	522		470,394	2,285
1.1 Trading						
1.2 Associated with fair value option						
1.3 Other		298,160	522		470,394	2,285
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
<b>Total B</b>		<b>298,160</b>	<b>522</b>		<b>470,394</b>	<b>2,285</b>
<b>Total (A+B)</b>		<b>298,160</b>	<b>522</b>		<b>470,394</b>	<b>2,285</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The financial derivatives shown in the table mainly regard:

- the value (approximately €189 million) of the options purchased to hedge the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading;
- the positive fair value of interest rate swaps (€66 million);
- the positive fair value (about €33 million) of forward contracts sold to FSI under a price risk hedge and related securities lending put in place by the latter on 40 million shares held in Assicurazioni

Generali S.p.A. (equal to 2.569% of the share capital), through a series of forward contracts, each with 12 months maturity and providing the option for FSI to opt for physical settlement or cash settlement at maturity (in the first half of 2015). These forwards were hedged by CDP by buying corresponding forward contracts, the negative fair value of which is recorded in liabilities held for trading.

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

(thousands of euros)

	31/12/2014	31/12/2013
<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	254,362	472,679
b) Customers	44,320	
<b>Total B</b>	<b>298,682</b>	<b>472,679</b>
<b>Total (A+B)</b>	<b>298,682</b>	<b>472,679</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2014			31/12/2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	5,598,034	1,543		4,012,479	3,069	
1.1 Structured securities						
1.2 Other debt securities	5,598,034	1,543		4,012,479	3,069	
2. Equity securities			10,896			11,761
2.1 At fair value			8,830			9,695
2.2 At cost			2,066			2,066
3. Units in collective investment undertakings			1,297,315			911,983
4. Loans						
<b>Total</b>	<b>5,598,034</b>	<b>1,543</b>	<b>1,308,211</b>	<b>4,012,479</b>	<b>3,069</b>	<b>923,744</b>

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The increase over the previous year mainly reflects investing activities in government bonds.

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

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Debt securities</b>	<b>5,599,577</b>	<b>4,015,548</b>
a) Governments and central banks	5,295,943	3,807,665
b) Other government agencies	1,543	3,069
c) Banks	302,091	204,814
d) Other		
<b>2. Equity securities</b>	<b>10,896</b>	<b>11,761</b>
a) Banks	2,066	2,066
b) Other issuers	8,830	9,695
- insurance undertakings		
- financial companies	2,844	3,709
- non-financial companies	5,986	5,986
- other		
<b>3. Units in collective investment undertakings</b>	<b>1,297,315</b>	<b>911,983</b>
<b>4. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
<b>Total</b>	<b>6,907,788</b>	<b>4,939,292</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>4,015,548</b>	<b>11,761</b>	<b>911,983</b>	-	<b>4,939,292</b>
<b>B. Increases</b>	<b>17,759,881</b>	<b>90</b>	<b>467,701</b>	-	<b>18,227,672</b>
B.1 Purchases	17,334,616		440,411		17,775,027
B.2 Fair value gains	227,159	90	27,290		254,539
B.3 Writebacks					
- recognised through income statement		x			
- recognised through equity					
B.4 Transfers from other portfolios					
B.5 Other changes	198,106				198,106
<b>C. Decreases</b>	<b>16,175,852</b>	<b>955</b>	<b>82,369</b>	-	<b>16,259,176</b>
C.1 Sales	6,087,193				6,087,193
C.2 Repayments	10,083,688		28,761		10,112,449
C.3 Fair value losses	4,971	955	53,608		59,534
C.4 Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C.5 Transfers to other portfolios					
C.6 Other changes					
<b>D. Closing balance</b>	<b>5,599,577</b>	<b>10,896</b>	<b>1,297,315</b>	-	<b>6,907,788</b>



## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	21,339,002	24,724,809			18,327,083	19,896,941		
- structured								
- other	21,339,002	24,724,809			18,327,083	19,896,941		
2. Loans								
<b>Total</b>	<b>21,339,002</b>	<b>24,724,809</b>			<b>18,327,083</b>	<b>19,896,941</b>		

#### Key

FV = fair value

CA = carrying amount

The item includes fixed-rate government securities with a carrying amount of about €17.1 billion, and inflation-linked government securities with a carrying amount of about €4.2 billion, 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)

	31/12/2014	31/12/2013
<b>1. Debt securities</b>	<b>21,339,002</b>	<b>18,327,083</b>
a) Governments and central banks	21,339,002	18,327,083
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>21,339,002</b>	<b>18,327,083</b>
<b>Total fair value</b>	<b>24,724,809</b>	<b>19,896,941</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>18,327,083</b>		<b>18,327,083</b>
<b>B. Increases</b>	<b>25,913,859</b>		<b>25,913,859</b>
B.1 Purchases	25,893,700		25,893,700
B.2 Writebacks			
B.3 Transfers from other portfolios			
B.4 Other changes	20,159		20,159
<b>C. Decreases</b>	<b>22,901,940</b>		<b>22,901,940</b>
C.1 Sales			
C.2 Repayments	22,901,940		22,901,940
C.3 Writedowns			
C.4 Transfers to other portfolios			
C.5 Other changes			
<b>D. Closing balance</b>	<b>21,339,002</b>		<b>21,339,002</b>

## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,890,989</b>	-	-	<b>1,890,989</b>	<b>1,213,100</b>	-	-	<b>1,213,100</b>
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement	1,890,989	x	x	x	1,213,100	x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>24,616,890</b>	-	-	<b>25,207,102</b>	<b>13,638,255</b>	-	-	<b>13,874,609</b>
1. Loans	24,616,890			25,207,102	13,638,255			13,874,609
1.1 Current accounts and free deposits	1,238,004	x	x	x	1,347,224	x	x	x
1.2 Fixed-term deposits	2,044,437	x	x	x	1,396,968	x	x	x
1.3 Other financing:	21,334,449	x	x	x	10,894,063	x	x	x
- repurchase agreements	8,521,237	x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other	12,813,212	x	x	x	10,894,063	x	x	x
2. Debt securities								
2.1 Structured		x	x	x		x	x	x
2.2 Other debt securities		x	x	x		x	x	x
<b>Total</b>	<b>26,507,879</b>	-	-	<b>27,098,091</b>	<b>14,851,355</b>	-	-	<b>15,087,709</b>

**Key**

FV = fair value

CA = carrying amount

Loans to banks are composed of:

- loans amounting to about €12,813 million;
- repurchase agreements for approximately €8,521 million;
- deposits in respect of Credit Support Annexes (cash collateral) at banks to hedge the counterparty credit risk on derivatives of approximately €2,044 million;
- current account balances totalling €1,238 million;
- the balance on the management account for the reserve requirement of about €1,891 million.

The resulting positive difference between the fair value and the carrying amount of the loans to banks reflects the reduction in the level of interest rates prevailing in the market.

## 6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Loans with specific fair value hedges:</b>	<b>263,395</b>	<b>272,339</b>
a) interest rate risk	263,395	272,339
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>263,395</b>	<b>272,339</b>

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: composition by type

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2014						31/12/2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
Acquired		Other	Acquired					Other				
<b>Loans</b>	<b>261,522,015</b>	-	<b>200,429</b>	-	-	<b>271,559,849</b>	<b>239,594,963</b>	-	<b>241,335</b>	-	-	<b>238,501,183</b>
1. Current accounts	227			x	x	x	2,552			x	x	x
1.1 Liquidity held with Central State Treasury	147,517,925			x	x	x	134,789,281			x	x	x
2. Repurchase agreements	18,651,109			x	x	x	8,263,855			x	x	x
3. Loans	90,949,197		200,242	x	x	x	93,438,765	240,955		x	x	x
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				x	x	x				x	x	x
5. Finance leasing				x	x	x				x	x	x
6. Factoring				x	x	x				x	x	x
7. Other	4,403,557		187	x	x	x	3,100,510	380		x	x	x
<b>Debt securities</b>	<b>2,164,158</b>	-	-	-	<b>667,630</b>	<b>1,675,664</b>	<b>2,299,927</b>	-	-	-	-	<b>2,254,535</b>
8. Structured				x	x	x				x	x	x
9. Other debt securities	2,164,158			x	x	x	2,299,927			x	x	x
<b>Total</b>	<b>263,686,173</b>	-	<b>200,429</b>	-	<b>667,630</b>	<b>273,235,513</b>	<b>241,894,890</b>	-	<b>241,335</b>	-	-	<b>240,755,718</b>

#### Key

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

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 €705 million. The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

Negative differences between fair value and carrying amount may be theoretically calculated for postal savings bonds, resulting in a compensatory effect.

However, as discussed in Section 2 - Due to customers - Item 20, taking into account the demand redemption option for bondholders and the considerable uncertainty about redemption forecasts in the presence of market conditions such as those prevailing at the end of 2014, it was decided 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)

	31/12/2014		31/12/2013		
	Performing	Impaired	Performing	Impaired	
		Acquired		Other	Acquired
<b>1. Debt securities:</b>	<b>2,164,158</b>		<b>2,299,927</b>		
a) Governments	834,691		819,498		
b) Other government agencies	540,904		533,205		
c) Other issuers	788,563		947,224		
- non-financial companies	334,730		569,423		
- financial companies	453,833		377,801		
- insurance undertakings					
- other					
<b>2. Loans to:</b>	<b>261,522,015</b>	<b>200,429</b>	<b>239,594,963</b>		<b>241,335</b>
a) Governments	185,430,323		172,771,237		
b) Other government agencies	46,464,738	8,281	47,951,875		8,270
c) Other issuers	29,626,954	192,148	18,871,851		233,065
- non-financial companies	8,557,166	192,148	9,774,135		233,065
- financial companies	21,042,777		9,051,626		
- insurance undertakings					
- other	27,011		46,090		
<b>Total</b>	<b>263,686,173</b>	<b>200,429</b>	<b>241,894,890</b>		<b>241,335</b>

### 7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Loans with specific fair value hedges:</b>	<b>8,592,681</b>	<b>8,579,536</b>
a) interest rate risk	8,592,681	8,579,536
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>	<b>372,255</b>	<b>365,322</b>
a) interest rate risk		
b) exchange rate risk		
c) other	372,255	365,322
<b>Total</b>	<b>8,964,936</b>	<b>8,944,858</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 31/12/2014			NV	Fair value 31/12/2013			NV
	L1	L2	L3	31/12/2014	L1	L2	L3	31/12/2013
<b>A. Financial derivatives</b>		<b>683,439</b>	<b>318</b>	<b>8,679,308</b>		<b>323,957</b>	<b>1,107</b>	<b>3,935,745</b>
1) Fair value		506,036	318	8,266,170		147,927	1,107	3,248,147
2) Cash flow		177,403		413,138		176,030		687,598
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>		<b>683,439</b>	<b>318</b>	<b>8,679,308</b>		<b>323,957</b>	<b>1,107</b>	<b>3,935,745</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		Investments 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	177,403	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>177,403</b>		
1. Financial liabilities	506,354			X		X		X	
2. Portfolio	X	X	X	X	X		X	X	
<b>Total liabilities</b>	<b>506,354</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: information on investments

	Registered office	Headquarters	% holding	% of votes	Carrying amount
<b>A. Wholly-owned subsidiaries</b>					
1. CDP Investimenti SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
2. Simest S.p.A.	Rome	Rome	76.00%	76.00%	232,500
3. Fondo Strategico Italiano S.p.A.	Milan	Milan	77.70%	77.70%	3,419,512
4. SACE S.p.A.	Rome	Rome	100.00%	100.00%	5,150,500
5. Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	2,009,436
6. CDP GAS S.r.l.	Rome	Rome	100.00%	100.00%	467,366
7. CDP Reti S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
8. CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	385,400
9. Quadrante S.p.A.	Rome	Rome	100.00%	100.00%	70,130
<b>B. Joint ventures</b>					
<b>C. Companies under significant influence</b>					
1. Eni S.p.A.	Rome	Rome	25.76%	25.76%	15,281,632
2. Galaxy S.à.r.l. SICAR	Luxembourg	Luxembourg	40.00%	40.00%	2,348
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	-
<b>Total</b>					<b>29,037,563</b>

### 10.2 Significant equity investments: carrying amount, fair value and dividends received

For information on this item, please refer to the content of the analogous section of the notes to the consolidated financial statements.

### 10.3 Significant equity investments: accounting data

For information on this item, please refer to the content of the analogous section of the notes to the consolidated financial statements.

### 10.4 Non-significant equity investments: accounting data

For information on this item, please refer to the content of the analogous section of the notes to the consolidated financial statements.

## 10.5 Equity investments: change for the year

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Opening balance</b>	<b>31,769,038</b>	<b>30,267,806</b>
<b>B. Increases</b>	<b>1,318,873</b>	<b>2,519,512</b>
B.1 Purchases	224,781	2,519,512
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases	1,094,092	
<b>C. Decreases</b>	<b>4,050,348</b>	<b>1,018,280</b>
C.1 Sales	2,414,500	
C.2 Writedowns	148,521	1,008,947
C.3 Other decreases	1,487,327	9,333
<b>D. Closing balance</b>	<b>29,037,563</b>	<b>31,769,038</b>
<b>E. Total revaluations</b>		
<b>F. Total writedowns</b>	<b>1,174,436</b>	<b>1,025,915</b>

As part of investments made into CDP Reti by third parties, in 2014 CDP transferred its entire equity interest in Terna to CDP Reti and, upon the repayment of provisions by CDP Reti for approximately €1,487 million (item C.3 "Other decreases"), CDP transferred 40.9% of CDP Reti share capital to State Grid Europe Limited (SGEL), a company of the State Grid Corporation of China Group, and to a group of Italian institutional investors.

More specifically (item C.1 "Sales"):

- a 35% stake was sold to SGEL for a consideration of €2,101 million;
- a 2.6% stake was sold to Cassa Nazionale di Previdenza e Assistenza Forense for a consideration of €140 million;
- a 3.3% stake was sold to 33 bank Foundations for a consideration of €173.5 million.

Item B.4 "Other increases" mainly includes the gain on the sale of CDP Reti shares for about €1,086.6 million.

Item B.1 "Purchases" mainly includes the capital contribution in favour of CDP Immobiliare for approximately €220.9 million and the capital increase, again concerning CDP Immobiliare, for about €2.9 million, subscribed through the transfer of properties as part of the reorganisation of the Group's real estate assets.

## 10.7 Commitments in respect of companies subject to significant influence

For information on this item, please refer to the content of the analogous section of the notes to the consolidated financial statements

## SECTION 11 - PROPERTY, PLANT AND EQUIPMENT - ITEM 110

### 11.1 Operating property, plant and equipment: composition of assets measured at cost

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Owned</b>	<b>231,831</b>	<b>214,982</b>
a) land	117,406	117,406
b) buildings	59,640	61,794
c) movables	1,720	2,115
d) electrical plant	998	1,302
e) other	52,067	32,365
<b>2. Acquired under finance leases</b>		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
<b>Total</b>	<b>231,831</b>	<b>214,982</b>

### 11.2 Investment property: composition of assets measured at cost

(thousands of euros)

	31/12/2014				31/12/2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>					<b>2,948</b>			<b>4,854</b>
a) land								
b) buildings					2,948			4,854
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>					<b>2,948</b>			<b>4,854</b>

## 11.5 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>84,856</b>	<b>12,747</b>	<b>10,579</b>	<b>53,934</b>	<b>279,522</b>
A.1 Total net writedowns	-	(23,062)	(10,632)	(9,277)	(21,569)	(64,540)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>61,794</b>	<b>2,115</b>	<b>1,302</b>	<b>32,365</b>	<b>214,982</b>
<b>B. Increases</b>	<b>-</b>	<b>397</b>	<b>251</b>	<b>96</b>	<b>20,951</b>	<b>21,695</b>
B.1 Purchases			251	92	20,951	21,294
B.2 Capitalised improvement costs		294				294
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		103		4		107
<b>C. Decreases</b>	<b>-</b>	<b>2,551</b>	<b>646</b>	<b>400</b>	<b>1,249</b>	<b>4,846</b>
C.1 Sales						
C.2 Depreciation		2,551	646	400	1,137	4,734
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					112	112
<b>D. Closing net balance</b>	<b>117,406</b>	<b>59,640</b>	<b>1,720</b>	<b>998</b>	<b>52,067</b>	<b>231,831</b>
D.1 Total net writedowns	-	(25,613)	(11,044)	(9,677)	(22,019)	(68,353)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>85,253</b>	<b>12,764</b>	<b>10,675</b>	<b>74,086</b>	<b>300,184</b>
E. Measurement at cost						

## 11.6 Investment property: change for the year

(thousands of euros)

	Land	Buildings	Total
<b>A. Opening balance</b>	-	<b>2,948</b>	<b>2,948</b>
<b>B. Increases</b>	-	-	-
B.1 Purchases			
B.2 Capitalised improvement costs			
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>	-	<b>2,948</b>	<b>2,948</b>
C.1 Sales			
C.2 Depreciation		89	89
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		2,859	2,859
<b>D. Closing balance</b>	-	-	-
E. Measurement at fair value			

The change in this item relates to the contribution, made in late 2014, by CDP to CDP Immobiliare of real estate previously transferred to CDP as a result of Fintecna demerger. This transaction was carried out as part of CDP real estate assets reorganisation.

## SECTION 12 - INTANGIBLE ASSETS - ITEM 120

### 12.1 Intangible assets: composition by category

Intangible assets break down as follows:

*(thousands of euros)*

	31/12/2014		31/12/2013	
	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>5,653</b>		<b>6,252</b>	
A.2.1 Assets carried at cost	5,653		6,252	
a) internally-generated intangible assets				
b) other assets	5,653		6,252	
A.2.2 Assets carried at fair value				
a) internally-generated intangible assets				
b) other assets				
<b>Total</b>	<b>5,653</b>		<b>6,252</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.</b>	<b>Opening gross balance</b>				<b>23,651</b>		<b>23,651</b>
A.1	Total net writedowns				(17,399)		(17,399)
<b>A.2</b>	<b>Opening net balance</b>				<b>6,252</b>		<b>6,252</b>
<b>B.</b>	<b>Increases</b>				<b>1,643</b>		<b>1,643</b>
B.1	Purchases				1,643		1,643
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.</b>	<b>Decreases</b>				<b>2,242</b>		<b>2,242</b>
C.1	Sales						
C.2	Writedowns				2,242		2,242
	- Amortisation				2,242		2,242
	- 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.</b>	<b>Closing net balance</b>				<b>5,653</b>		<b>5,653</b>
D.1	Total net writedowns				(19,641)		(19,641)
<b>E.</b>	<b>Closing gross balance</b>				<b>25,294</b>		<b>25,294</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, impairment adjustments of loans, fair value measurement of available-for-sale financial assets and cash flow hedges.

*(thousands of euros)*

	31/12/2014	31/12/2013
<b>Deferred tax assets recognised in income statement</b>	<b>174,010</b>	<b>129,614</b>
- debts	116	496
- provisions for risks and charges	4,727	4,001
- writedowns on loans	48,930	12,115
- property, plant and equipment/intangible assets	3,690	3,715
- other temporary differences	116,547	109,287
<b>Deferred tax assets recognised in equity</b>	<b>51,776</b>	<b>38,109</b>
- assets available for sale	46,728	34,188
- cash flow hedge	5,048	3,921
<b>Total</b>	<b>225,786</b>	<b>167,723</b>



### 13.2 Deferred tax liabilities: composition

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. More specifically they regard the fair value measurement of available-for-sale financial assets and cash flow hedges.

(thousands of euros)

	31/12/2014	31/12/2013
<b>Deferred tax liabilities recognised in income statement</b>	-	-
<b>Deferred tax liabilities recognised in equity</b>	<b>165,849</b>	<b>103,429</b>
- assets available for sale	145,431	89,907
- other	20,418	13,522
<b>Total</b>	<b>165,849</b>	<b>103,429</b>

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

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>129,614</b>	<b>112,426</b>
<b>2. Increases</b>	<b>50,687</b>	<b>20,648</b>
2.1 Deferred tax assets recognised during the year	50,687	20,648
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	50,687	20,648
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>6,291</b>	<b>3,460</b>
3.1 Deferred tax assets derecognised during the year	6,291	3,460
a) reversals	6,291	3,460
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>174,010</b>	<b>129,614</b>

### 13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>38,109</b>	<b>36,727</b>
<b>2. Increases</b>	<b>18,871</b>	<b>33,937</b>
2.1 Deferred tax assets recognised during the year	18,871	33,937
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	18,871	33,937
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>5,204</b>	<b>32,555</b>
3.1 Deferred tax assets derecognised during the year	5,204	32,555
a) reversals	5,204	32,555
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>51,776</b>	<b>38,109</b>

### 13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>103,429</b>	<b>97,535</b>
<b>2. Increases</b>	<b>86,857</b>	<b>12,184</b>
2.1 Deferred tax liabilities recognised during the year	86,857	12,184
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	86,857	12,184
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>24,437</b>	<b>6,290</b>
3.1 Deferred tax liabilities derecognised during the year	24,437	6,290
a) reversals	24,437	6,290
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>165,849</b>	<b>103,429</b>

## SECTION 15 - OTHER ASSETS - ITEM 150

## 15.1 Other assets: composition

*(thousands of euros)*

	31/12/2014	31/12/2013
Payments on account for withholding tax on passbook savings accounts	238,419	395,274
Other tax receivables	2	116
Receivables due from investees	2,322	2,079
Trade receivables and advances to public entities	6,433	3,957
Advances to suppliers	35	155
Advances to personnel	7	90
Other items	142,418	2,643
Accrued income and prepaid expenses	2,067	2,378
<b>Total</b>	<b>391,703</b>	<b>406,692</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 the end of 2014 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-2014 regards receivables in respect of investees for dividends, services rendered and expense reimbursements and receivables resulting from the adoption of the “consolidated taxation mechanism”;
- “Other items” mainly refer to items being processed which were defined after the balance sheet date.

# Liabilities

## SECTION 1 - DUE TO BANKS - ITEM 10

### 1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Due to central banks</b>	<b>5,597,974</b>	<b>18,633,851</b>
<b>2. Due to banks</b>	<b>7,693,267</b>	<b>5,374,795</b>
2.1 Current accounts and demand deposits		
2.2 Fixed-term deposits	1,927,773	1,489,775
2.3 Loans	5,765,494	3,885,020
2.3.1 Repurchase agreements	1,566,210	443,226
2.3.2 Other	4,199,284	3,441,794
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables		
<b>Total</b>	<b>13,291,241</b>	<b>24,008,646</b>
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	13,291,241	24,008,646
<b>Total fair value</b>	<b>13,291,241</b>	<b>24,008,646</b>

The item "Due to central banks" mainly refers to lines of credit extended by the ECB. The reduction in the amount compared to the prior year is due to the continuation of the early repayment plan for the three-year financing operation (LTRO).

Fixed-term deposits mainly refer to the balance on passbook savings accounts and postal savings bonds held by banks (approximately €1,416 million) and cash collateral under Credit Support Annexes securing the counterparty risk on derivatives (approximately €492 million). Liabilities for interbank deposits (€20 million) make up a residual part of this item.

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

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2014	31/12/2013
1. Current accounts and demand deposits	724,322	773,957
2. Fixed-term deposits	295,460,762	253,894,186
3. Loans	309,033	
3.1 Repurchase agreements	309,033	
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	6,270,899	6,852,213
<b>Total</b>	<b>302,765,016</b>	<b>261,520,356</b>
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	302,765,016	261,520,356
<b>Total fair value</b>	<b>302,765,016</b>	<b>261,520,356</b>

The item “Current accounts and demand deposits” at 31 December 2014 refers to the balance of demand deposits from investees, for approximately €724 million.

“Fixed-term deposits” mainly regard:

- the value of postal savings bonds measured at amortised cost (about €136.3 billion), excluding those held by banks;
- the value of passbook savings accounts (about €114 billion), excluding those held by banks;
- the balance of MEF cash management operations (OPTES) (about €38 billion);
- fixed-term deposits of investees (about €7.1 billion).

“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, for the part relating to postal savings bonds, 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 (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, taking also into account early redemption options. Conversely, for postal savings bonds that, tak-

ing into account the early redemption option, pay savers lower than market rates, the fair value would be less than the carrying amount.

The net effect of these differences may fully or partially offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical predictions on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market conditions at 31 December 2014. These elements are the volatility of credit spreads and their high percentage impact on overall interest rates, given that interest rates, net of credit spreads, are very low. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided 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 2014 amounted to about €5,483 million and include postal savings bonds indexed to baskets of shares, for which the embedded derivative has been separated from the host contract.

### 2.4 Due to customers: liabilities hedged specifically

*(thousands of euros)*

	31/12/2014	31/12/2013
<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>442,163</b>	<b>434,356</b>
a) interest rate risk	442,163	434,356
b) exchange rate risk		
c) other		
<b>Total</b>	<b>442,163</b>	<b>434,356</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)

	31/12/2014				31/12/2013			
	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	9,478,877		9,745,353	23,684	6,907,470		6,405,425	384,249
1.1 Structured	52,734		47,018		45,238		42,197	
1.2 Other	9,426,143		9,698,335	23,684	6,862,232		6,363,228	384,249
2. Other securities	510,695		510,695					
2.1 Structured								
2.2 Other	510,695		510,695					
<b>Total</b>	<b>9,989,572</b>		<b>10,256,048</b>	<b>23,684</b>	<b>6,907,470</b>		<b>6,405,425</b>	<b>384,249</b>

The item "Bonds" at 31 December 2014 refers to bonds issued under the Euro Medium Term Notes programme. During the year new issues were made under this programme for a total nominal value of €2,950 million, entirely as part of the Separate Account.

"Other securities" refers to issues of commercial paper launched in 2014 as part of the programme called "Multi-Currency Commercial Paper Programme". The nominal value of issues made during the year amounted to about €727 million.

### 3.3 Securities issued: securities hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Securities covered by specific fair value hedges:</b>	<b>8,631,029</b>	<b>6,464,128</b>
a) interest rate risk	8,631,029	6,100,378
b) exchange rate risk		
c) multiple risks		363,750
<b>2. Securities covered by specific cash flow hedges:</b>		
a) interest rate risk		
b) exchange rate risk		
c) other		
<b>Total</b>	<b>8,631,029</b>	<b>6,464,128</b>

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

### 4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2014					31/12/2013				
	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			122,624	167,420				59,765	385,050	
1.1 Trading	X				X	X				X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		122,624	167,420	X	X		59,765	385,050	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>	X		<b>122,624</b>	<b>167,420</b>	X	X		<b>59,765</b>	<b>385,050</b>	X
<b>Total (A+B)</b>	X		<b>122,624</b>	<b>167,420</b>	X	X		<b>59,765</b>	<b>385,050</b>	X

#### Key

FV = fair value

FV\* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3



This item mainly includes:

- the value of the embedded option component of bonds indexed to baskets of shares that was separated from the host contract (approximately €167 million);
- the negative fair value of interest rate swaps and cross currency swaps (about €77 million);
- the negative fair value (about €33 million) of forward contracts purchased as operational hedges of the forward contracts entered into with FSI in the mentioned hedge put in place by the latter (see Notes - Part B - Assets - section 2 "Financial assets held for trading - Item 20").

## SECTION 6 - HEDGING DERIVATIVES - ITEM 60

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

(thousands of euros)

	Fair value 31/12/2014			NV	Fair value 31/12/2013			NV
	L1	L2	L3	31/12/2014	L1	L2	L3	31/12/2013
<b>A. Financial derivatives</b>		<b>2,265,393</b>	<b>40,238</b>	<b>7,104,220</b>		<b>1,423,427</b>	<b>25,717</b>	<b>10,520,065</b>
1. Fair value		2,265,393		6,718,220		1,423,427		10,134,065
2. Cash flow			40,238	386,000			25,717	386,000
3. Investment in foreign operation								
<b>B. Credit derivatives</b>								
1. Fair value								
2. Cash flow								
<b>Total</b>		<b>2,265,393</b>	<b>40,238</b>	<b>7,104,220</b>		<b>1,423,427</b>	<b>25,717</b>	<b>10,520,065</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					Cash flow		Investment in foreign operation	
	Specific					Generic	Specific		Generic
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risk				
1. Financial assets available for sale						x		x	
2. Loans	2,265,092				x	x		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>2,265,092</b>								
1. Financial liabilities	301				x	x	40,238	x	
2. Portfolio	x	x	x	x	x		x	x	
<b>Total liabilities</b>	<b>301</b>						<b>40,238</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 7 - ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

### 7.1 Value adjustments of hedged financial liabilities

(thousands of euros)

	31/12/2014	31/12/2013
1. Positive adjustments of financial liabilities	47,922	52,258
2. Negative adjustment of financial liabilities		
<b>Total</b>	<b>47,922</b>	<b>52,258</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)

	31/12/2014	31/12/2013
Items being processed	101,019	9,576
Amounts due to employees	2,815	2,447
Charges for postal funding service	901,119	893,418
Tax payables	366,583	444,148
Trade payables	27,152	20,058
Due to social security institutions	3,354	3,001
Amounts due to subsidiaries on consolidated taxation mechanism	50,284	55,823
Adjustments to guarantees issued and commitments to disburse funds	23,612	5,899
Other	72,445	45,576
<b>Total</b>	<b>1,548,383</b>	<b>1,479,946</b>

The item reports liabilities not otherwise classified under the previous items and mainly consists of:

- the payable to Poste Italiane of about €901 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 €367 million, mainly regarding the tax on interest paid on postal savings products.

## SECTION 11 - STAFF SEVERANCE PAY - ITEM 110

### 11.1 Staff severance pay: change for the year

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Opening balance</b>	<b>756</b>	<b>751</b>
<b>B. Increases</b>	<b>1,538</b>	<b>1,209</b>
B.1 Provision for the year	1,359	1,209
B.2 Other increases	179	
<b>C. Decreases</b>	<b>1,407</b>	<b>1,204</b>
C.1 Severance payments		
C.2 Other decreases	1,407	1,204
<b>D. Closing balance</b>	<b>887</b>	<b>756</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	31/12/2014	31/12/2013
1. Company pension plans		
2. Other provisions	18,527	14,928
2.1 Legal disputes	3,763	3,893
2.2 Staff costs	11,553	9,582
2.3 Other	3,211	1,453
<b>Total</b>	<b>18,527</b>	<b>14,928</b>

### 12.2 Provisions: change for the year

(thousands of euros)

	Pension	Other provisions	Total
<b>A. Opening balance</b>		<b>14,928</b>	<b>14,928</b>
<b>B. Increases</b>		<b>11,014</b>	<b>11,014</b>
B.1 Provision for the year		1,758	1,758
B.2 Changes due to passage of time			
B.3 Changes due to changes in discount rate			
B.4 Other increases		9,256	9,256
<b>C. Decreases</b>		<b>7,415</b>	<b>7,415</b>
C.1 Use during the year		6,498	6,498
C.2 Changes due to changes in discount rate			
C.3 Other decreases		917	917
<b>D. Closing balance</b>		<b>18,527</b>	<b>18,527</b>

### 12.4 Provisions - Other provisions

Other provisions regard provisions accrued for legal disputes, employee leaving incentives, charges in respect of variable remuneration and bonuses to directors and employees, in addition to likely tax liabilities. For more details, see Part E - section 4 - Operational risks of these notes.

## SECTION 14 - CAPITAL - 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 at 31 December 2014 is fully paid up and is composed of 296,450,000 ordinary shares, without par value.

At 31 December 2014 the Company held treasury shares with a value of €57,220,116.

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

	Ordinary	Other
<b>A. Shares at start of the year</b>	<b>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
<b>A.2 Shares in circulation: opening balance</b>	<b>291,998,840</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>291,998,840</b>	
D.1 Treasury shares (+)	4,451,160	
<b>D.2 Shares at end of the year</b>	<b>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		

#### 14.4 Income reserves: additional information

(thousands of euros)

	31/12/2014	31/12/2013
<b>Income reserves</b>	<b>12,867,358</b>	<b>11,371,230</b>
Legal reserve	700,000	700,000
Other	12,167,358	10,671,230

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

(thousands of euros)

	Balance at 31/12/2014	Possible uses*	Amount available
Share capital	3,500,000		
Reserves	12,810,138		
- Legal reserve	700,000	B	700,000
- Other income reserves (net of treasury shares)	12,110,138	A, B, C	12,110,138
Valuation reserves	1,073,172		
- AFS reserve	874,492		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	31,108		
<b>Total</b>	<b>17,383,310</b>		<b>12,977,710</b>

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

## OTHER INFORMATION

### 1. Guarantees issued and commitments

*(thousands of euros)*

	31/12/2014	31/12/2013
1. Financial guarantees issued	951,251	617,185
a) Banks		
b) Customers	951,251	617,185
2. Commercial guarantees issued		
a) Banks		
b) Customers		
3. Irrevocable commitments to disburse funds	16,162,532	13,553,321
a) Banks	438,790	450,795
i) certain use	438,790	450,795
ii) uncertain use		
b) Customers	15,723,742	13,102,526
i) certain use	15,723,742	13,102,526
ii) uncertain use		
4. Commitments underlying credit derivatives: sales of protection		
5. Assets pledged as collateral for third-party debts		
6. Other commitments	2,175,335	1,683,234
<b>Total</b>	<b>19,289,118</b>	<b>15,853,740</b>

### 2. Assets pledged as collateral for own debts and commitments

*(thousands of euros)*

	31/12/2014	31/12/2013
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	1,018,500	2,917,500
4. Financial assets held to maturity	9,798,500	10,338,500
5. Loans to banks	202,273	135,250
6. Loans to customers	33,512,179	37,406,400
7. Property, plant and equipment		

The assets pledged as collateral for own debts are mainly represented by receivables and securities pledged as collateral in refinancing operations with the ECB. The remainder are securities in repurchase agreements used for funding and receivables pledged as security for loans from the EIB.



## 4. Management and intermediation services

(thousands of euros)

31/12/2014

<b>1. Order execution on behalf of customers</b>	
a) purchases	
1. settled	
2. not yet settled	
b) sales	
1. settled	
2. not yet settled	
<b>2. Asset management</b>	
a) individual	
b) collective	
<b>3. Custody and administration of securities</b>	
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): other	27,184,036
1. securities issued by the reporting bank	
2. other securities	27,184,036
c) third-party securities deposited with third parties	27,184,036
d) securities owned by bank deposited with third parties	29,125,645
<b>4. Other transactions</b>	
Management on behalf of third parties on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	71,518,103
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	9,625,800
- Payment of public administration debts - Legislative Decree 35 of 8 April 2013 (3)	6,590,067
- Funds for Social and Public Residential Building (4)	3,043,305
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2.270 (4)	607,115
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law 1041/1971 (4)	765,996
- Kyoto Fund (3)	631,485
- Funds for the natural gas infrastructure programme for the South - Law 784/1980, Law 266/1977 and Law 73/1998 (4)	209,967
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	100,070
- Minimal Environmental Impact Fund (4)	30,549
- Residential Building Loans - Law 179/1982, Article 5 (2)	89
- Other funds (4)	233,622

(1) The figure shown represents the amount at the reporting date.

(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF.

(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date.

(4) The figure shown represents the remaining funds available on the dedicated current accounts at the reporting date.

## 5. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial assets (a)	Amount of financial assets subject to on-balance-sheet netting (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not subject to on-balance sheet netting		Net amount 31/12/2014 (f=c-d-e)	Net amount 31/12/2013
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	972,456		972,456	452,225	513,831	6,400	16,537
2. Repurchase agreements	27,172,346		27,172,346	27,172,346			80,878
3. Stock lending							
4. Other							
<b>Total 31/12/2014</b>	<b>28,144,802</b>	<b>-</b>	<b>28,144,802</b>	<b>27,624,571</b>	<b>513,831</b>	<b>6,400</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>9,059,101</b>	<b>-</b>	<b>9,059,101</b>	<b>8,466,627</b>	<b>495,059</b>	<b>x</b>	<b>97,415</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet

(thousands of euros)

Balance sheet items	Net amount of financial assets reported in balance sheet (c=a-b)
1. Derivatives	972,456
20. Financial assets held for trading	288,699
80. Hedging derivatives	683,757
2. Repurchase agreements	27,172,346
60. Loans to banks	8,521,237
70. Loans to customers	18,651,109
3. Stock lending	
4. Other	

For details of the valuation criteria used for the financial assets shown in the table above, see section A of the accounting policies.

## 6. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial liabilities (a)	Amount of financial liabilities subject to on-balance-sheet netting (b)	Net amount of financial liabilities reported in balance sheet (c=a-b)	Related amounts not subject to on-balance-sheet netting		Net amount 31/12/2014 (f=c-d-e)	Net amount 31/12/2013
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	2,428,254		2,428,254	452,225	1,969,247	6,782	
2. Repurchase agreements	1,875,243		1,875,243	1,875,243			
3. Stock lending							
4. Other							
<b>Total 31/12/2014</b>	<b>4,303,497</b>		<b>4,303,497</b>	<b>2,327,468</b>	<b>1,969,247</b>	<b>6,782</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>1,952,135</b>		<b>1,952,135</b>	<b>726,876</b>	<b>1,225,259</b>	<b>x</b>	

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet

(thousands of euros)

Balance sheet items	Net amount of financial liabilities reported in balance sheet (c=a-b)
1. Derivatives	2,428,254
40. Financial liabilities held for trading	122,624
60. Hedging derivatives	2,305,630
2. Repurchase agreements	1,875,243
10. Due to banks	1,566,210
20. Due to customers	309,033
3. Stock lending	
4. Other	

For details of the valuation criteria used for the financial liabilities shown in the table above, see section A of the accounting policies.

# 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	31/12/2014	31/12/2013
1. Financial assets held for trading					
2. Financial assets available for sale	102,401			102,401	135,086
3. Financial assets held to maturity	911,247			911,247	870,249
4. Loans to banks		335,790		335,790	318,830
5. Loans to customers	86,982	5,487,924		5,574,906	7,410,185
6. Financial assets at fair value					
7. Hedging derivatives	x	x			
8. Other assets	x	x			
<b>Total</b>	<b>1,100,630</b>	<b>5,823,714</b>	<b>-</b>	<b>6,924,344</b>	<b>8,734,350</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 €4,113 million;
  - interest income on current account no. 29814 equal to about €1,700 million;
  - interest income on current accounts equal to about €11 million;
- debt securities: interest income on debt securities amounted to about €1,101 million.

The item includes interest income accrued on impaired assets of about €6,618 thousand.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payable	Securities	Other	31/12/2014	31/12/2013
1. Due to central banks	25,067	x		25,067	142,961
2. Due to banks	70,965	x		70,965	69,474
3. Due to customers	5,211,489	x		5,211,489	5,553,699
4. Securities issued	x	273,267		273,267	162,193
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	66	66	14
8. Hedging derivatives	x	x	182,052	182,052	266,614
<b>Total</b>	<b>5,307,521</b>	<b>273,267</b>	<b>182,118</b>	<b>5,762,906</b>	<b>6,194,955</b>

Interest expense on amounts due to central banks regards financing from the ECB.

Interest expense on amounts due to banks and customers mainly regards interest on postal savings products (about €5,106 million).

Interest on debt securities mainly regarded bond issues in the amount of about €273 million.

The negative differences on hedges amounted to about €182 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2014	31/12/2013
A. Positive differences on hedging transactions	112,372	75,530
B. Negatives differences on hedging transactions	294,424	342,144
<b>C. Balance (A-B)</b>	<b>(182,052)</b>	<b>(266,614)</b>

## SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission income: composition

Commission income earned by CDP during the year mainly relate to the lending activities, in the amount of about €39 million.

Also contributing to this item were the commission income of €3 million relating to the agreements signed with the Ministry for the Economy and Finance in respect of the management of assets and liabilities transferred to the MEF pursuant to Article 3 of the Ministerial Decree of 5 December 2003, in relation to activities to unlock payments of past due public administration payables (€0.75 million), and commission income totalling about €3.1 million relating to the management of the Kyoto Fund and the Revolving Fund supporting enterprises and investment in research (FRI), as well as other services provided.

Commission income of around €6.6 million was accrued on guarantees given.

(thousands of euros)

	31/12/2014	31/12/2013
a) guarantees issued	6,557	2,996
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	45,874	37,304
<b>Total</b>	<b>52,431</b>	<b>40,300</b>

## 2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to €1,640 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure 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, which is fully expensed in the year in which it accrues. The 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. In December 2014 the new Agreement was signed which will remain in force for the period 2014-2018. The Agreement provides for new investments in technology, communication, promotion and training, in order to innovate and expand the services offered in relation to postal savings.

(thousands of euros)

	31/12/2014	31/12/2013
a) guarantees received	984	733
b) credit derivatives		
c) management and intermediation services:	1,640,267	1,620,000
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	1,640,267	1,620,000
6. off-premises distribution of securities, products and services		
d) collection and payment services	1,410	1,333
e) other services	998	1,082
<b>Total</b>	<b>1,643,659</b>	<b>1,623,148</b>

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

### 3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2014		31/12/2013	
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		4,506		3,929
C. Financial assets at fair value				
D. Equity investments	1,842,293	x	3,085,049	x
<b>Total</b>	<b>1,842,293</b>	<b>4,506</b>	<b>3,085,049</b>	<b>3,929</b>

The balance consists of dividends and similar income authorised for distribution in the year from equity investments in ENI (about €1,039 million), CDP Reti (about €284 million), SACE (about €249 million), Fintecna (€100 million), Terna (€78 million), CDP GAS (€60 million), FSI (about €27 million), SIMEST (about €5 million) and CDPI SGR (about €140 thousand).

Income from units in collective investment undertakings amounts to €4.5 million.



## 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>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	
<b>4. Derivatives</b>	<b>155,965</b>	<b>10,535</b>	<b>142,110</b>	<b>11,226</b>	<b>13,164</b>
4.1 Financial derivatives:	155,965	10,535	142,110	11,226	13,164
- on debt securities and interest rates	29,678	8,266	31,286	9,881	(3,223)
- on equity securities and equity indices	126,287	2,269	110,824	1,345	16,387
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
<b>Total</b>	<b>155,965</b>	<b>10,535</b>	<b>142,110</b>	<b>11,226</b>	<b>13,164</b>

The result of trading activities, amounting to income of about €13 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.

To limit the risk of volatility in profit or loss, in 2014 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)

	31/12/2014	31/12/2013
<b>A. Income on:</b>		
A.1 Fair value hedges	385,793	585,851
A.2 Hedged financial assets (fair value)	1,005,852	
A.3 Hedged financial liabilities (fair value)	19,577	90,230
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	31,351	59,260
<b>Total income on hedging activities (A)</b>	<b>1,442,573</b>	<b>735,341</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	1,073,239	89,200
B.2 Hedged financial assets (fair value)	7,585	601,714
B.3 Hedged financial liabilities (fair value)	374,792	
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	31,351	59,260
<b>Total expense on hedging activities (B)</b>	<b>1,486,967</b>	<b>750,174</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(44,394)</b>	<b>(14,833)</b>

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

### 6.1 Gains (losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2014			31/12/2013		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks	492		492	102		102
2. Loans to customers	57,718	(287)	57,431	9,661	(543)	9,118
3. Financial assets available for sale	281,870		281,870	6,478		6,478
3.1 Debt securities	281,870		281,870	6,478		6,478
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity				39		39
<b>Total assets</b>	<b>340,080</b>	<b>(287)</b>	<b>339,793</b>	<b>16,280</b>	<b>(543)</b>	<b>15,737</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued						
<b>Total liabilities</b>						

The balance of this item at 31 December 2014 mainly relates to income earned from the trading of debt securities allocated under financial assets available for sale. The penalties received on early loan repayments and the gain on the sale of debt securities recognised as loans to customers make up this item on a residual basis.

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €130.7 million, refers to the net balance between writedowns and writebacks on loans and other financial transactions, both specific and general. 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				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
<b>A. Loans to banks</b>			<b>(3,915)</b>					<b>(3,915)</b>	<b>(9,328)</b>
- Loans			(3,915)					(3,915)	(9,328)
- Debt securities									
<b>B. Loans to customers</b>		<b>(51,489)</b>	<b>(58,543)</b>	<b>207</b>	<b>709</b>			<b>(109,116)</b>	<b>(33,474)</b>
Purchased impaired receivables									
- Loans			x						x
- Debt securities			x						x
Other receivables									
- Loans		(51,489)	(58,421)	207	709			(108,994)	(33,495)
- Debt securities			(122)					(122)	21
<b>C. Total</b>		<b>(51,489)</b>	<b>(62,458)</b>	<b>207</b>	<b>709</b>			<b>(113,031)</b>	<b>(42,802)</b>

#### Key

A = interest

B = other writebacks

## 8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees issued		(45)	(287)					(332)	(191)
B. Credit derivatives									
C. Commitments to disburse funds		(4,911)	(12,757)		286			(17,382)	(2,297)
D. Other transactions									
<b>E. Total</b>		<b>(4,956)</b>	<b>(13,044)</b>		<b>286</b>			<b>(17,714)</b>	<b>(2,488)</b>

**Key**

A = interest

B = other writebacks

## SECTION 9 - ADMINISTRATIVE EXPENSES - ITEM 150

### 9.1 Staff costs: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Employees</b>	<b>63,705</b>	<b>61,092</b>
a) wages and salaries	45,124	45,211
b) social security contributions	177	176
c) severance pay		
d) pensions	11,538	10,606
e) allocation to staff severance pay provision	1,359	1,208
f) allocation to provision for pensions and similar liabilities:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:	1,508	1,180
- defined contribution	1,508	1,180
- defined benefit		
h) costs in respect of agreements to make payments in own equity instruments		
i) other employee benefits	3,999	2,711
<b>2. Other personnel in service</b>	<b>810</b>	<b>21</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>1,416</b>	<b>1,352</b>
<b>4. Retired personnel</b>		
<b>5. Recovery of expenses for employees seconded to other companies</b>	<b>(761)</b>	<b>(376)</b>
<b>6. Reimbursement of expenses for third-party employees seconded to the Company</b>	<b>310</b>	<b>246</b>
<b>Total</b>	<b>65,480</b>	<b>62,335</b>

### 9.2 Average number of employees by category

<b>Employees</b>	<b>569</b>
a) senior management	48
b) middle management	237
- of which: grade 3 and 4	139
c) other employees	284
<b>Other personnel</b>	<b>14</b>

## 9.4 Other employee benefits

(thousands of euros)

	31/12/2014	31/12/2013
Lunch vouchers	878	820
Staff insurance	1,102	1,155
Interest subsidies on loans	72	58
Early retirement incentives	1,703	513
Other benefits	244	165
<b>Total</b>	<b>3,999</b>	<b>2,711</b>

## 9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2014	31/12/2013
Professional and financial services	8,681	8,841
IT costs	26,230	24,114
General services	8,671	8,685
Advertising and marketing	7,773	3,044
- of which mandatory publicity	1,090	1,227
Information resources and databases	1,460	1,424
Utilities, duties and other expenses	8,423	9,886
Corporate bodies	342	281
Other personnel costs	1,181	1,107
<b>Total</b>	<b>62,761</b>	<b>57,382</b>

Pursuant to Article 149-*duodécies* of the Consob Issuers Regulation, the following table reports the fees for 2014 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.	407
Certification	PricewaterhouseCoopers S.p.A.	37
<b>Total</b>		<b>444</b>

The fees paid in 2014 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)

	31/12/2014			31/12/2013
	Accruals	Reversal of excess	Total	Total
Review of existing provision for litigation		130	130	(338)
Provision for tax liabilities	(1,758)		(1,758)	(58)
<b>Total</b>	<b>(1,758)</b>	<b>130</b>	<b>(1,628)</b>	<b>(396)</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	4,823			4,823
- operating assets	4,734			4,734
- investment property	89			89
A.2 Acquired under finance leases				
- operating assets				
- investment property				
<b>Total</b>	<b>4,823</b>			<b>4,823</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	2,242			2,242
- internally generated				
- other	2,242			2,242
A.2 Acquired under finance leases				
<b>Total</b>	<b>2,242</b>			<b>2,242</b>



## SECTION 13 - OTHER OPERATING INCOME (COSTS) - ITEM 190

## 13.1 Other operating costs: composition

*(thousands of euros)*

	31/12/2014	31/12/2013
Operating costs in respect of supply chain	1	8
Charges from adjustment of asset items	2	1
<b>Total</b>	<b>3</b>	<b>9</b>

## 13.2 Other operating income: composition

*(thousands of euros)*

	31/12/2014	31/12/2013
Income for corporate offices paid to employees	831	377
Sundry reimbursements	380	1,712
Rent	20	3
Other income from services	2,936	2,675
<b>Total</b>	<b>4,167</b>	<b>4,767</b>

## SECTION 14 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 210

### 14.1 Gains (losses) on equity investments: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Gains</b>	<b>1,086,587</b>	-
1. Revaluations		
2. Gains on disposals	1,086,587	
3. Writebacks		
4. Other		
<b>B. Losses</b>	<b>(148,521)</b>	<b>(1,008,947)</b>
1. Writedowns	(148,521)	(1,008,947)
2. Impairments		
3. Losses on disposals		
4. Other		
<b>Net gain (loss)</b>	<b>938,066</b>	<b>(1,008,947)</b>

The balance of this item was positive for approximately €938 million as a result of:

- gain on disposal, of about 1,086.6 million, recognised on the sale of a 40.9% stake in CDP Reti (for more information about this transaction, please refer to the comments in the notes - Part B - Assets - section 10 - "Equity investments - Item 100");
- the value adjustment, of about €148.5 million, recognised in CDP Immobiliare following the impairment test.

For more details see the description provided in the report on operations - Chapter 5 "Operating performance" - sub-section 5.1.1.2 "Equity investment portfolio management".

## SECTION 17 - GAINS (LOSSES) ON THE DISPOSAL OF INVESTMENTS - ITEM 240

### 17.1 Gains (losses) on the disposal of investments: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Property</b>		
- Gains from disposal		
- Losses from disposal		
<b>B. Other assets</b>		
- Gains from disposal		
- Losses from disposal	(5)	
<b>Net gain (loss)</b>	<b>(5)</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)

	31/12/2014	31/12/2013
1. Current taxes (-)	(274,877)	(619,418)
2. Change in current taxes from previous years (+/-)	472	5,595
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 (+/-)	44,396	17,188
5. Change in deferred tax liabilities (+/-)		
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(230,009)	(596,635)

Current taxation for 2014 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.

For 2014, the change in deferred tax assets shows an increase, essentially attributable to the allocations to the risk provision and the provision for future employee costs and to the writedowns of loans that are deductible over five years as a result of the tax regulations introduced by Law 147 of 27 December 2013.

## 18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

	31/12/2014	Tax rate
<b>Income (loss) before taxes</b>	<b>2,400,120</b>	
<b>IRES Theoretical tax liability (27.5% rate)</b>	<b>(660,033)</b>	<b>-27.5%</b>
Permanent increases		
- non-deductible interest expense	(63,392)	-2.6%
- writedowns on equity investments	(40,843)	-1.7%
- other non-deductible costs	(1,700)	-0.1%
Temporary increases		
- impairment adjustments of loans	(35,030)	-1.5%
- other temporarily non-deductible costs	(10,773)	-0.4%
Permanent decreases		
- tax exempt dividends	481,299	20.1%
- other changes	101,284	4.2%
Temporary decreases	5,811	0.2%
<b>IRES Actual tax liability</b>	<b>(223,377)</b>	<b>-9.3%</b>
<b>Taxable income for IRAP purposes</b>	<b>719,897</b>	
<b>IRAP Theoretical tax liability (5.57% rate)</b>	<b>(40,098)</b>	<b>-5.57%</b>
non-deductible interest 4%	(12,840)	-1.8%
deductible costs from prior years	433	0.1%
deductible costs in respect of staff	1,253	0.2%
other non-deductible costs	(248)	n/s
<b>IRAP Actual tax liability</b>	<b>(51,500)</b>	<b>-7.2%</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>2,400,120</b>	<b>(230,009)</b>	<b>2,170,111</b>
<b>Other comprehensive income not transferred to income statement</b>			
20. Property, plant and equipment			
30. Intangible assets			
40. Defined-benefit plans			
50. Non-current assets held for sale			
60. Valuation reserves of equity investments accounted for with equity method (pro rata)			
<b>Other comprehensive income transferred to income statement</b>			
70. Hedging of investment in foreign operation:			
a) fair value changes			
b) reversal to income statement			
c) other changes			
80. Exchange rate differences:			
a) changes in values			
b) reversal to income statement			
c) other changes			
90. Cash flow hedges:	17,445	(5,769)	11,676
a) fair value changes	17,445	(5,769)	11,676
b) reversal to income statement			
c) other changes			
100. Financial assets available for sale:	129,299	(42,986)	86,313
a) fair value changes	195,005	(64,714)	130,291
b) reversal to income statement	(65,706)	21,728	(43,978)
- impairment adjustments			
- gain/loss on realisation	(65,706)	21,728	(43,978)
c) other changes			
110. Non-current assets held for sale:			
a) fair value changes			
b) reversal to income statement			
c) other changes			
120. 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>130. Total other comprehensive income</b>	<b>146,744</b>	<b>(48,755)</b>	<b>97,989</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>2,546,864</b>	<b>(278,764)</b>	<b>2,268,100</b>

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within CDP's organisational structure, the Chief Risk Officer, who reports directly to the CEO, is responsible for the governance of all types of risk and the clear representation to the top management and to the Board of Directors of CDP's overall risk profile and solidity. As part of this mandate, the Chief Risk Officer coordinates the activities of the Risk Management and Anti-Money Laundering (RMA) Area, of the Compliance Service and of the Lending Area. RMA is responsible for supporting the Chief Risk Officer with the governance and monitoring of all types of risks, rendering transparent 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, as subsequently updated according to needs, 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 Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to set CDP's risk appetite, the thresholds of tolerance, the risk limits, the risk governance policies and the overall framework of organisational processes. The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules and they envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering Area is structured into the following Services:

1. Credit and Counterparty Risk;
2. Financial Engineering and Fair Value Measurement;
3. Market and Liquidity Risks (ALM);
4. Operational Risks;
5. Equity Investments Risks;
6. Loan Monitoring and Control;
7. Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also attributed the role of coordinating risk management at Group level.

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. The Risk Committee is also responsible for issuing opinions on transactions that involve a significant impact on operations (in support of and in accordance with the BoD's powers).

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 Financial Engineering and Fair Value Measurement Service is also responsible for providing the Company with certified calculation models.

# 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 in support of the real estate market.

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 (as they are secured by the central government as the guarantor of last resort), and those assumed under “Export Bank” operations. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

### 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. As of November 2014, the introduction of the Chief Risk Officer, whose area of responsibility now also covers the Lending Area, led to a revision of the internal regulations governing the credit process.

The Lending Area, which performs loan review activities, is responsible, among other things, for the assignment of internal ratings and estimating loss given default; these parameters 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. The Lending Area is also responsible for monitoring existing loans, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

RMA is responsible for risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations.

The RMA periodically 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 concerning credit risk also include:

- specific checks on the correct monitoring of individual exposures, particularly with regard to impaired positions, on the assessment of ratings consistency, on provisions adequacy and on the effectiveness of the recovery process;
- the preparation of Guidelines, Regulations and Policies on ratings and recovery rate;
- the definition, selection and implementation of models, methodologies and tools of the internal rating system.

The Credit Committee is a collegial body that provides technical information and advice to decision-making bodies as well as mandatory and non-binding opinions on financing operations, both in terms of creditworthiness and of the adequacy of applied conditions. The Credit Committee is made up of members of the Lending Area and members of RMA.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the Chief Risk Officer is also required on lending transactions.

## 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.

RMA monitors compliance with the limits framework and the guidelines for the composition of the loan portfolio, introduced in the Risk Policy in 2013. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

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.

The methods adopted for the allocation of internal ratings aim to ensure compliance with reproducibility and homogeneity requirements, including through traceability of the allocation process.

In the internal rating assignment process, CDP makes use of rating models developed by specialised external providers, which are applied as benchmark instruments and are broken down by CDP's major customer types on the basis of size, legal form and industry.

The rating scale adopted by CDP, in line with those of the rating agencies, is divided into 21 classes, of which 10 refer to "investment grade" positions and 11 to "speculative grade" positions; in addition there is one class for counterparties in default. Given the types of borrowers and the limited number of historical defaults on CDP's portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data bases acquired from a specialised provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

### **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, to a significant extent, 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. Some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the sale to CDP of the underlying loans. As regards loans for which no assignment as collateral was provided (2009 SME Fund) the availability period ended in 2012 and the corresponding exposures to the banking system are being amortised.

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 requiring borrowers to comply with financial covenants and other contractual clauses that make it possible to monitor credit risk more closely over the life of an operation.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

In project finance operations, the support provided by the project's sponsors plays a significant role during the construction phase, both in terms of commitment to provide additional resources, if necessary, and in maintaining their presence as shareholders until completion of the works and start-up of operations.

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 joined the central counterparty system Cassa di Compensazione e Garanzia, through which it carries 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 restructuring 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 Area in coordination with the other organisational structures involved. Actions for the recovery of these exposures aims to maximise 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 positions	Impaired past-due exposures	Not impaired past-due exposures	Other assets	Total
1. Financial assets held for trading						298,682	298,682
2. Financial assets available for sale						5,599,577	5,599,577
3. Financial assets held to maturity						21,339,002	21,339,002
4. Loans to banks						26,507,879	26,507,879
5. Loans to customers	26,350	148,070		26,009	99,107	263,587,066	263,886,602
6. Financial assets at fair value							
7. Financial assets being divested							
8. Hedging derivatives						683,757	683,757
<b>Total at 31/12/2014</b>	<b>26,350</b>	<b>148,070</b>		<b>26,009</b>	<b>99,107</b>	<b>318,015,963</b>	<b>318,315,499</b>
<b>Total at 31/12/2013</b>	<b>12,025</b>	<b>194,053</b>		<b>35,257</b>	<b>80,926</b>	<b>279,805,693</b>	<b>280,127,954</b>

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

(thousands of euros)

	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				x	x	298,682	298,682
2. Financial assets available for sale				5,599,577		5,599,577	5,599,577
3. Financial assets held to maturity				21,339,002		21,339,002	21,339,002
4. Loans to banks				26,537,135	(29,256)	26,507,879	26,507,879
5. Loans to customers	365,025	(164,596)	200,429	263,751,432	(65,259)	263,686,173	263,886,602
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	683,757	683,757
<b>Total at 31/12/2014</b>	<b>365,025</b>	<b>(164,596)</b>	<b>200,429</b>	<b>317,227,146</b>	<b>(94,515)</b>	<b>318,115,070</b>	<b>318,315,499</b>
<b>Total at 31/12/2013</b>	<b>352,882</b>	<b>(111,547)</b>	<b>241,335</b>	<b>279,120,933</b>	<b>(32,057)</b>	<b>279,886,619</b>	<b>280,127,954</b>

The detail, by portfolio, of performing loans and the age of past-due not impaired loans is provided below.

#### A.1.2.1 Details of performing exposures by portfolio, credit quality and age of past-due amounts

(thousands of euros)

	Exposures renegotiated under collective agreements				Other performing exposures				Total performing exposures	
	Not past-due	Not impaired past-due			Not past-due	Not impaired past-due				
		Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year		More than 1 year	Up to 3 months	More than 3 months to 6 months		More than 6 months to 1 year
1. Financial assets held for trading					298,682				298,682	
2. Financial assets available for sale					5,599,577				5,599,577	
3. Financial assets held to maturity					21,339,002				21,339,002	
4. Loans to banks					26,507,879				26,507,879	
5. Loans to customers					263,587,066	20,130		29,417	49,560	263,686,173
6. Financial assets at fair value										
7. Financial assets being divested										
8. Hedging derivatives					683,757				683,757	
<b>Total performing exposure</b>					<b>318,015,963</b>	<b>20,130</b>		<b>29,417</b>	<b>49,560</b>	<b>318,115,070</b>

The amounts shown in “not impaired past-due” exposures refer to the total amount of exposures recognised in the financial statements, including amounts not yet expired, of counterparties that have at least one past due instalment and do not meet the requirements for classification as past-due impaired loans.

### 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) Impaired past-due exposures			x	
e) Other assets	26,839,226	x	(29,256)	26,809,970
<b>Total A</b>	<b>26,839,226</b>	<b>-</b>	<b>(29,256)</b>	<b>26,809,970</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired			x	
b) Other	455,632	x	(460)	455,172
<b>Total B</b>	<b>455,632</b>	<b>-</b>	<b>(460)</b>	<b>455,172</b>
<b>Total A+B</b>	<b>27,294,858</b>	<b>-</b>	<b>(29,716)</b>	<b>27,265,142</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	78,930	(52,580)	x	26,350
b) Substandard loans	260,074	(112,004)	x	148,070
c) Restructured positions			x	
d) Impaired past-due exposures	26,021	(12)	x	26,009
e) Other assets	290,387,920	x	(65,259)	290,322,661
<b>Total A</b>	<b>290,752,945</b>	<b>(164,596)</b>	<b>(65,259)</b>	<b>290,523,090</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired	26,670	(5,108)	x	21,562
b) Other	16,805,531	x	(18,045)	16,787,486
<b>Total B</b>	<b>16,832,201</b>	<b>(5,108)</b>	<b>(18,045)</b>	<b>16,809,048</b>
<b>Total A+B</b>	<b>307,585,146</b>	<b>(169,704)</b>	<b>(83,304)</b>	<b>307,332,138</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>61,629</b>	<b>255,996</b>		<b>35,257</b>
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>18,422</b>	<b>29,396</b>		<b>28,289</b>
B.1 Transfers from performing positions	315	2,762		27,156
B.2 Transfers from other categories of impaired positions	16,736	22,489		174
B.3 Other increases	1,371	4,145		959
<b>C. Decreases</b>	<b>1,121</b>	<b>25,318</b>		<b>37,525</b>
C.1. To performing loans		4,591		9,711
C.2. Writeoffs				
C.3. Collections	1,121	6,164		2,965
C.4. Assignments				
C.4.bis Losses on disposal				
C.5. Transfers to other categories of impaired positions		14,550		24,849
C.6. Other decreases		13		
<b>D. Closing gross exposure</b>	<b>78,930</b>	<b>260,074</b>		<b>26,021</b>
- of which: exposures assigned but not derecognised				

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

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past-due positions
<b>A. Total opening adjustments</b>	<b>49,604</b>	<b>61,943</b>		
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>3,893</b>	<b>50,061</b>		<b>12</b>
B.1 Writedowns	2,915	48,562		12
B.1.bis Losses on disposal				
B.2 Transfers from other categories of impaired positions				
B.3 Other increases	978	1,499		
<b>C. Decreases</b>	<b>917</b>			
C.1 Writebacks from valuations	208			
C.2 Writebacks from collection	708			
C.2.bis Gains on disposal				
C.3 Writeoffs				
C.4 Transfers to other categories of impaired positions				
C.5 Other decreases	1			
<b>D. Total closing adjustments</b>	<b>52,580</b>	<b>112,004</b>		<b>12</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>	<b>24,444</b>	<b>2,680,215</b>	<b>247,292,137</b>	<b>6,978,836</b>	<b>2,132,308</b>	<b>20,546</b>	<b>59,501,889</b>	<b>318,630,375</b>
<b>B. Derivatives</b>	<b>407</b>	<b>5,993</b>					<b>9,982</b>	<b>16,382</b>
B.1 Financial derivatives	407	5,993					9,982	16,382
B.2 Credit derivatives								
<b>C. Guarantees issued</b>			<b>234,748</b>	<b>157,287</b>			<b>559,216</b>	<b>951,251</b>
<b>D. Commitments to disburse funds</b>		<b>122,707</b>	<b>12,590,725</b>	<b>244,508</b>	<b>66,559</b>		<b>3,272,088</b>	<b>16,296,587</b>
<b>E. Other</b>								
<b>Total</b>	<b>24,851</b>	<b>2,808,915</b>	<b>260,117,610</b>	<b>7,380,631</b>	<b>2,198,867</b>	<b>20,546</b>	<b>63,343,175</b>	<b>335,894,595</b>

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

Rating class	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 - Mortgages	Land and buildings - Finance lease	Securities	Other assets	Credit derivatives				Guarantees					
						CN	Other derivatives			Governments and central banks	Other government 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	16,931,183			8,521,237	7,044,336						1,316,395			49,215	16,931,183
1.2 partially secured - of which: impaired	10,768										10,767				10,767
<b>2. Secured off-balance-sheet credit exposures:</b>															
1.1 fully secured - of which: impaired	241,387				1,997						12,339			227,051	241,387
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)
		Land and buildings - Mortgages	Land and buildings - Finance lease	Securities	Other assets	Credit derivatives				Guarantees				
						CIN	Other derivatives			Governments and central banks	Other government agencies	Banks	Other	
							Governments and central banks	Other government agencies	Banks					
<b>1. Secured on-balance-sheet credit exposures:</b>														
1.1 fully secured	24,440,334	92,483	19,663,416	979,364					806,410	722,189	28,852	2,147,620	24,440,334	
- of which: impaired	24,517	22,875							1,642				24,517	
1.2 partially secured	82,407,554	24,603		6,099,009					329,320	1,322	100,769	665,418	7,220,441	
- of which: impaired	127,717			448					120,841				121,289	
<b>2. Secured off-balance-sheet credit exposures:</b>														
1.1 fully secured	4,203,904	1,139	298,336	288,679					738,020	115,929		2,761,801	4,203,904	
- of which: impaired	18,740								18,740				18,740	
1.2 partially secured	146,440			13,419							19,582		33,001	
- 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	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	2,985	(1,730)	x		(3,760)	x	x	23,365	(46,971)	x		(119)	
A.2 Substandard loans		x	3,424	(34,701)	x			x	x	144,646	(77,303)	x		x	
A.3 Restructured positions		x			x			x	x			x		x	
A.4 Impaired past-due positions		x	1,872		x			x	x	24,137	(12)	x		x	
A.5 Other	212,899,959	x	47,007,185	x		21,496,610	x	(35)	x	8,891,896	x	(65,224)	27,011	x	
<b>Total A</b>	<b>212,899,959</b>	<b>-</b>	<b>47,015,466</b>	<b>(36,431)</b>	<b>-</b>	<b>21,496,610</b>	<b>(3,760)</b>	<b>(35)</b>	<b>-</b>	<b>9,084,044</b>	<b>(124,286)</b>	<b>(65,224)</b>	<b>27,011</b>	<b>(119)</b>	
<b>B. Off-balance-sheet exposures</b>															
B.1 Bad debts		x			x		(151)	x	x	606		x		x	
B.2 Substandard loans		x			x			x	x	18,588	(4,957)	x		x	
B.3 Other impaired assets		x	184		x			x	x	2,184		x		x	
B.4 Other	7,076,139	x	2,621,255	x		18,639	x		x	7,067,307	x	(18,045)	4,146	x	
<b>Total B</b>	<b>7,076,139</b>	<b>-</b>	<b>2,621,439</b>	<b>-</b>	<b>-</b>	<b>18,639</b>	<b>(151)</b>	<b>-</b>	<b>-</b>	<b>7,088,685</b>	<b>(4,957)</b>	<b>(18,045)</b>	<b>4,146</b>	<b>-</b>	
<b>Total (A+B) at 31/12/2014</b>	<b>219,976,098</b>	<b>-</b>	<b>49,636,905</b>	<b>(36,431)</b>	<b>-</b>	<b>21,515,249</b>	<b>(3,911)</b>	<b>(35)</b>	<b>-</b>	<b>16,172,729</b>	<b>(129,243)</b>	<b>(83,269)</b>	<b>31,157</b>	<b>(119)</b>	
<b>Total (A+B) at 31/12/2013</b>	<b>199,195,052</b>	<b>-</b>	<b>51,205,096</b>	<b>(33,906)</b>	<b>-</b>	<b>9,442,543</b>	<b>(3,911)</b>	<b>-</b>	<b>-</b>	<b>18,130,259</b>	<b>(74,048)</b>	<b>(12,043)</b>	<b>51,212</b>	<b>(119)</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	26,350	(52,580)								
A.2 Substandard loans	148,070	(112,004)								
A.3 Restructured positions										
A.4 Impaired past-due positions	26,009	(12)								
A.5 Other	289,697,085	(65,259)	409,580		85,591		112,150		18,255	
<b>Total A</b>	<b>289,897,514</b>	<b>(229,855)</b>	<b>409,580</b>	<b>-</b>	<b>85,591</b>	<b>-</b>	<b>112,150</b>	<b>-</b>	<b>18,255</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts	606	(151)								
B.2 Substandard loans	18,588	(4,957)								
B.3 Other impaired assets	2,368									
B.4 Other	14,654,734	(18,045)			1,893,662		122,227		116,863	
<b>Total B</b>	<b>14,676,296</b>	<b>(23,153)</b>	<b>-</b>	<b>-</b>	<b>1,893,662</b>	<b>-</b>	<b>122,227</b>	<b>-</b>	<b>116,863</b>	<b>-</b>
<b>Total (A+B) at 31/12/2014</b>	<b>304,573,810</b>	<b>(253,008)</b>	<b>409,580</b>	<b>-</b>	<b>1,979,253</b>	<b>-</b>	<b>234,377</b>	<b>-</b>	<b>135,118</b>	<b>-</b>
<b>Total (A+B) at 31/12/2013</b>	<b>275,278,109</b>	<b>(124,027)</b>	<b>6,562</b>	<b>-</b>	<b>2,369,531</b>	<b>-</b>	<b>234,278</b>	<b>-</b>	<b>135,682</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 Impaired past-due positions										
A.5 Other	24,721,828	(29,256)	2,088,142							
<b>Total A</b>	<b>24,721,828</b>	<b>(29,256)</b>	<b>2,088,142</b>	-	-	-	-	-	-	-
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	218,650	(460)	236,522							
<b>Total B</b>	<b>218,650</b>	<b>(460)</b>	<b>236,522</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2014</b>	<b>24,940,478</b>	<b>(29,716)</b>	<b>2,324,664</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2013</b>	<b>13,831,866</b>	<b>(25,475)</b>	<b>1,691,635</b>	-	-	-	-	-	-	-

## C. Securitisations

### 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 (portfolio extinguished);
3. A2A S.p.A. (portfolio extinguished);
4. Acea Distribuzione S.p.A. (portfolio extinguished);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

At 31 December 2014, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

The loans underlying this 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.8 Servicer activities - collections on securitised assets and redemption of securities issued by securitisation 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.		223,413		32,263						



## E. 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.

#### QUANTITATIVE DISCLOSURES

##### E.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	31/12/2014	31/12/2013
<b>A. On-balance-sheet assets</b>							294,714			1,365,323									1,660,037	443,944
1. Debt securities							294,714			1,365,323									1,660,037	443,944
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 31/12/2014</b>							294,714			1,365,323									1,660,037	x
- of which: impaired																				x
<b>Total 31/12/2013</b>							195,918			248,026									x	443,944
- 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)

## E.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>			<b>141,026</b>	<b>168,007</b>			<b>309,033</b>
a) in respect of assets fully recognised			141,026	168,007			309,033
b) in respect of assets partially recognised							
<b>2. Due to banks</b>			<b>153,208</b>	<b>1,413,002</b>			<b>1,566,210</b>
a) in respect of assets fully recognised			153,208	1,413,002			1,566,210
b) in respect of assets partially recognised							
<b>Total 31/12/2014</b>			<b>294,234</b>	<b>1,581,009</b>			<b>1,875,243</b>
<b>Total 31/12/2013</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>

## E.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	31/12/2014	31/12/2013
<b>A. On-balance-sheet assets</b>					<b>294,714</b>		<b>1,590,869</b>						<b>1,885,583</b>	<b>444,355</b>
1. Debt securities					294,714		1,590,869						1,885,583	444,355
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>294,714</b>		<b>1,590,869</b>						<b>1,885,583</b>	<b>444,355</b>
<b>C. Associated liabilities</b>					<b>294,234</b>		<b>1,581,009</b>						<b>x</b>	<b>x</b>
1. Due to customers					141,026		168,007						x	x
2. Due to banks					153,208		1,413,002						x	x
<b>Total liabilities</b>					<b>294,234</b>		<b>1,581,009</b>						<b>1,875,243</b>	<b>443,226</b>
<b>Net value 31/12/2014</b>					<b>480</b>		<b>9,860</b>						<b>10,340</b>	<b>x</b>
<b>Net value 31/12/2013</b>					<b>410</b>		<b>719</b>						<b>x</b>	<b>1,129</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.

### **E.4 Covered bond transactions**

During 2013 the outstanding issues carried out as part of the “Covered bond” programme launched in 2014 were redeemed, which included four public issues with a total overall value of €8 billion as well as a privately-placed yen-denominated issue amounting to about €64 million.

Accordingly, CDP had no outstanding exposures for covered bonds at the reporting date.

## Section 2 - Market risks

### 2.1 Interest rate risk and price risk - supervisory trading book

#### QUALITATIVE DISCLOSURES

##### A. General aspects

In 2014, CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

### 2.2 Interest rate risk 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 sensi-

tivity 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), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

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 not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

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 shifts 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 Area.

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. With reference to the latter, as part of their co-sourcing relationship, CDP provides risk management support to CDPI SGR, the company that manages the Fondo Investimenti per l’Abitare and Fondo Investimenti per la Valorizzazione; as of September, responsibility for this function, previously attributed to the current Chief Risk Officer of the Parent Company, has been entrusted to a person within CDPI SGR.

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 Euro Stoxx 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 hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in euro and other currencies, carried out using IRSs and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

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 in place as of today are classified as micro fair value hedges; there is also a CCS hedging a fixed rate yen denominated issue as operational hedge of the foreign exchange and interest rate risks associated with the note.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As a 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.

In respect of financial liabilities, fair value hedges are currently in place for the bonds issued under the EMTN Programme, through IRSs indexed to 6-month Euribor.

As regards financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features. The programme was implemented using plain vanilla amortising IRSs in which CDP pays a fixed rate 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 also early terminated in subsequent years to contain the total exposure to the yield curve.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index (“Indexed linked at maturity” and “Premia” and “Europa”) is immunised through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and putting in place hedges from a portfolio perspective. The financial characteristics of the most recent issues make it possible to take advantage of partial over-hedges on other positions in the portfolio with the same characteristics. More specifically, the hedges of options embedded in the Europa bonds, issued in June 2013, are put in place by either purchasing matching options<sup>34</sup>, or through long positions in options already in the portfolio for the pre-existing Premia bonds, where the financial characteristics in terms of strike, fixing dates, expiration coincide. The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a “one to one” basis and on an aggregated basis for similar positions according to the above characteristics.

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.

During 2014, in order to minimise exposure arising from hedge discrepancies resulting from redemptions differing from estimates, CDP continued to pursue the programme to unwind the options it had purchased to hedge the embedded options of the “Indexed linked at maturity” and “Premia” bonds. In line with this strategy, it only hedged the new issues for exposures not covered from a portfolio perspective.

## 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 (FOI), a leading source of exposure to inflation

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<sup>34</sup> The notional purchased as hedge is estimated on the basis of the proprietary model of customer redemption behaviour.

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.

As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euros.



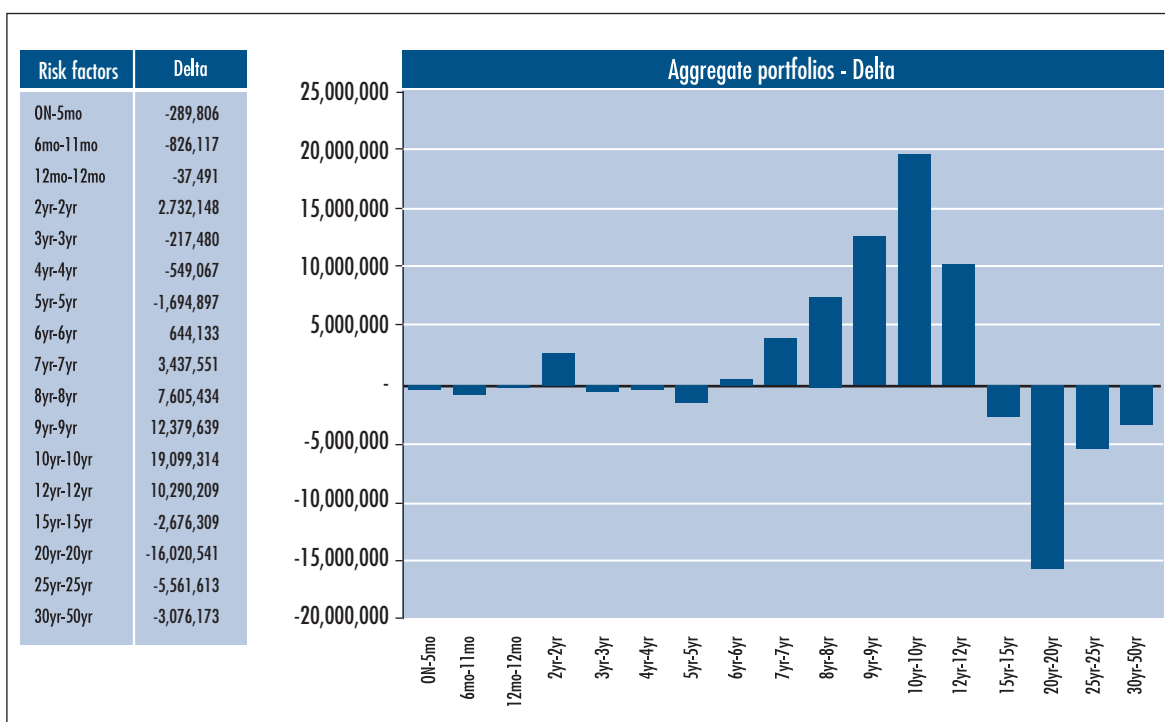
## QUANTITATIVE DISCLOSURES

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

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

#### Sensitivity to Euro zero-coupon rates by maturity

Market data at 31 December 2014



## 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 (as at 31 December 2014, one yen-denominated issue 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>413,421</b>			
A.1 Debt securities			413,421			
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>89,895</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities			89,895			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives:</b>						
- Options						
+ long positions			89,895			
+ short positions			413,421			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>			<b>503,316</b>			
<b>Total liabilities</b>			<b>503,316</b>			
<b>Difference (+/-)</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)

	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	15,370,390		13,428,212	
a) Options				
b) Swaps	15,370,390		13,428,212	
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	413,138		1,027,598	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	413,138		1,027,598	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>15,783,528</b>		<b>14,455,810</b>	
<b>Average values</b>	<b>15,119,669</b>		<b>15,518,803</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,158,750		1,785,727	
a) Options				
b) Swaps	1,078,750		1,705,727	
c) Forwards				
d) Futures				
e) Other	80,000		80,000	
2. Equity securities and equity indices	27,480,737		42,270,657	
a) Options	27,400,737		42,270,657	
b) Swaps				
c) Forwards	80,000			
d) Futures				
e) Other				
3. Foreign currencies and gold	89,513		89,829	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	89,513		89,829	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>28,729,000</b>		<b>44,146,213</b>	
<b>Average values</b>	<b>36,437,607</b>		<b>57,567,818</b>	

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

(thousands of euros)

	Positive fair value			
	31/12/2014		31/12/2013	
	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	683,757		325,064	
a) Options				
b) Interest rate swaps	506,354		126,651	
c) Cross currency swaps	177,403		198,413	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	298,682		472,679	
a) Options	189,418		424,074	
b) Interest rate swaps	66,140		46,107	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards	33,141			
f) Futures				
g) Other	9,983		2,498	
<b>Total</b>	<b>982,439</b>		<b>797,743</b>	

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

(thousands of euros)

	Negative fair value			
	31/12/2014		31/12/2013	
	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	2,305,631		1,449,144	
a) Options				
b) Interest rate swaps	2,305,631		1,449,144	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	290,044		444,815	
a) Options	169,463		387,545	
b) Interest rate swaps	64,978		42,677	
c) Cross currency swaps	12,479		12,095	
d) Equity swaps				
e) Forwards	33,141			
f) Futures				
g) Other	9,983		2,498	
<b>Total</b>	<b>2,595,675</b>		<b>1,893,959</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							9,983
- negative fair value							
- future exposure							
<b>2. Equity securities and equity indices</b>							
- notional value							14,079,312
- positive fair value							
- negative fair value							167,420
- 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			16,174,509	314,631			
- positive fair value			547,241	25,253			
- negative fair value			2,376,679	3,913			
<b>2. Equity securities and equity indices</b>							
- notional value			13,148,925	252,500			
- positive fair value			188,222	34,337			
- negative fair value			2,043	33,141			
<b>3. Foreign currencies and gold</b>							
- notional value			502,651				
- positive fair value			177,403				
- negative fair value			12,479				
<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	More than 1 year	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>10,693,361</b>	<b>23,587,126</b>	<b>10,232,041</b>	<b>44,512,528</b>
B.1 Financial derivatives on debt securities and interest rates	1,605,129	4,691,970	10,232,041	16,529,140
B.2 Financial derivatives on equity securities and equity indices	8,998,719	18,482,018		27,480,737
B.3 Financial derivatives on exchange rates and gold	89,513	413,138		502,651
B.4 Financial derivatives on other assets				
<b>Total at 31/12/2014</b>	<b>10,693,361</b>	<b>23,587,126</b>	<b>10,232,041</b>	<b>44,512,528</b>
<b>Total at 31/12/2013</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</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			487,230	33,001			
- negative fair value			1,965,566	10,464			
- future exposure			237,834	61,709			
- net counterparty risk			238,815	56,960			
<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 an operational protection measure for liquidity risk CDP adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

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: euro

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>153,920,881</b>	<b>19,937,701</b>	<b>3,870,230</b>	<b>4,111,416</b>	<b>1,221,184</b>	<b>4,211,256</b>	<b>5,650,969</b>	<b>33,527,860</b>	<b>86,332,688</b>	<b>1,890,905</b>
A.1 Government securities			402,184	299,920	1,067,033	315,926	743,749	7,339,500	16,918,150	
A.2 Other debt securities	172,195			2,737	437	18,368	65,826	162,662	1,149,495	
A.3 Units in collective investment undertakings	1,421,051									
A.4 Loans	152,327,635	19,937,701	3,468,046	3,808,759	153,714	3,876,962	4,841,394	26,025,698	68,265,043	1,890,905
- banks	1,749,948	5,714,403	2,806,682	43,050	8,008	1,253,659	1,365,499	6,890,874	5,038,683	1,890,905
- customers	150,577,687	14,223,298	661,364	3,765,709	145,706	2,623,303	3,475,895	19,134,824	63,226,360	
<b>On-balance-sheet liabilities</b>	<b>252,118,944</b>	<b>776,026</b>	<b>69,690</b>	<b>4,500,878</b>	<b>44,472,815</b>	<b>1,080,057</b>	<b>502,533</b>	<b>6,337,240</b>	<b>8,809,365</b>	
B.1 Deposits	252,088,395	635,000	940	3,185,000	43,490,226	380,000	830	1,893,740	1,122,149	
- banks	1,422,798		940	20,000	4,470,226		830	743,740	422,149	
- customers	250,665,597	635,000		3,165,000	39,020,000	380,000		1,150,000	700,000	
B.2 Debt securities			68,750	215,016	325,408	642,176	416,344	3,723,500	4,248,000	
B.3 Other liabilities	30,549	141,026		1,100,862	657,181	57,881	85,359	720,000	3,439,216	
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions								538,624		
- short positions			102,001							
C.2 Financial derivatives without exchange of principal										
- long positions	265,051		969	1,188	57,401	267,359	296,723			
- short positions	64,357		10	982	6,378	139,988	149,493			
C.3 Deposits and loans to receive										
- long positions					3,000,000					
- short positions		3,000,000								
C.4 Irrevocable commitments to disburse funds										
- long positions										19,424,019
- short positions	19,424,019									
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: yen

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>			<b>31,718</b>		<b>28,917</b>	<b>60,286</b>	<b>121,276</b>	<b>434,400</b>		
A.1 Government securities			31,718		28,917	60,286	121,276	434,400		
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			<b>94,558</b>							
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities			94,558							
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			94,120					434,400		
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
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										

## 2. Disclosure of committed assets shown on the balance sheet

(thousands of euros)

	Committed		Not committed		Total	Total
	CA	FV	CA	FV	31/12/2014	31/12/2013
1. Cash and cash equivalents		x	3	x	3	4
2. Debt securities	12,102,015	13,867,244	17,000,722	18,800,436	29,102,737	24,642,558
3. Equity securities			10,896	10,896	10,896	11,761
4. Loans	36,056,433	x	250,282,901	x	286,339,334	253,474,553
5. Other financial assets		x	33,600,007	x	33,600,007	35,098,555
6. Non-financial assets		x	1,151,654	x	1,151,654	1,457,872
<b>Total 31/12/2014</b>	<b>48,158,448</b>	<b>13,867,244</b>	<b>302,046,183</b>	<b>18,811,332</b>	<b>350,204,631</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>53,044,608</b>	<b>15,147,872</b>	<b>261,640,695</b>	<b>11,030,912</b>	<b>x</b>	<b>314,685,303</b>

### Key

CA = carrying amount

FV = fair value

The assets given as collateral to the ECB for refinancing transactions included debt securities with a nominal value of approximately €10,188 million and loans for an outstanding principal amount of about €30,383 million.

## 3. Disclosure of owned committed assets not shown on the balance sheet

(thousands of euros)

	Committed	Not committed	Total	Total
			31/12/2014	31/12/2013
1. Financial assets	27,756,076		27,756,076	10,315,517
- Securities	27,756,076		27,756,076	10,315,517
- Other				
2. Non-financial assets				
<b>Total 31/12/2014</b>	<b>27,756,076</b>		<b>27,756,076</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>10,315,517</b>		<b>x</b>	<b>10,315,517</b>

## Section 4 - Operational risks

### QUALITATIVE DISCLOSURES

#### A. General aspects, management and measurement of operational risks

##### ***Definition of operational risk***

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 amended, were adopted by CDP as 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.

The “legal risk” is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

##### ***System for managing operational risks***

The operational risk management system is a structured set of processes, functions and resources for identifying, assessing and controlling the mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Taking as reference the best banking practices and the supervisory regulations applicable to banks, CDP continued 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 the main Group companies on which CDP carries out management and coordination activities.

The goal is to be able to set up an effective system for managing and monitoring operational risks, laying the foundation for mitigation measures and for a more accurate quantification of the associated economic capital, now estimated using the Basic Indicator Approach.

The Operational Risk Service, within the Risk Management and Anti-Money Laundering Area, is responsible for the analysis, design and implementation of the organisational and methodological framework designed to identify and mitigate operational risks.

The framework adopted 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 contingent losses (assessment of level of exposure to operational risks);
- factors representing the business environment and internal control systems;
- system loss data (external data).

The major projects related to the operational risk management system initiated by CDP are presented below.

### ***Loss data collection***

The framework for loss data collection adopted by CDP uses the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) with respect to the Italian Database for Operational Losses (DIPO).

In this respect, the primary activities performed by CDP were:

- identification and updating of information sources for the continuous feeding of operating losses database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- mapping of relevant data on operational risk – relating to both operational risk events that have generated losses already recognised in profit or loss and operational risk events that have not resulted in a loss (near-miss events);
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and amount thresholds for mapping loss events, to enable the creation of representative time series of the Company's actual risk profile and such as not to exclude significant data loss that could affect the reliability and accuracy of the operational risk assessment.

CDP has developed a proprietary application (LDC) for gathering the data in question, in order to ensure the integrity, confidentiality and availability of collected information.

### ***External loss data***

CDP participates in the Italian Database for Operational Losses (DIPO) managed by ABIServizi S.p.A., in order to collect data on operating losses suffered by other financial institutions and carry out studies and in-depth analyses on organisational solutions and methodologies of operational risk management.

### ***Mapping of business processes related risks***

The work is a preliminary for the assessment of the level of exposure to operational risks and consists in mapping adverse events that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The identification of risks inherent in processes, carried out by process owners and experts appointed by the process owners, 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.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within CDP, special attention is devoted to compliance risk, to 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 Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and who act in its interest), to 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), to the risk governed by Law 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette no. 301 of 28 December 2005), to the risk of disruption or malfunction of IT systems and on outsourcing risk.

### ***Assessment of level of exposure to operational risks***

CDP has 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 risk analysis.

It is an "operational and managerial" approach that assigns responsibility for assessing the risks to which the Company is exposed to the managers of the analysed processes or the experts designated by them, through a self-assessment process designed to estimate the potential adverse events arising both from risk factors within the Company and external factors.

This activity is carried out through interviews. RMA plays a moderator role that mitigates the respondents "cognitive distortions", typical in self-evaluation processes, and ensures greater reliability and objectivity of the assessments carried out.

The methodology adopted by CDP makes it possible to estimate:

- the absolute exposure to each risk identified in the processes, i.e. the risk that is inherent in the activity under analysis in the absence of internal controls (i.e. inherent risk);
- the effectiveness of controls in place;
- the residual exposure to each risk identified in processes, i.e. the risk remaining after application of effective controls (residual risk).

The main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk Service:
  - 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;
    - propose actions to mitigate risks identified;
    - periodically monitor the evolution of those risks and the emergence of new risks;
  3. the Compliance Service:
    - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
    - proposes actions to mitigate risks identified;
  4. the Anti-Money Laundering Service:
    - identifies money laundering risk factors in line with the methodological framework adopted;
    - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
    - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
    - proposes actions to mitigate risks identified;
  5. Financial Reporting Manager:
    - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law 262 of 28 December 2005);
    - supports the owners in identifying control measures;
    - proposes actions to mitigate risks identified;
  6. 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 offences referred to in Legislative Decree 231 of 8 June 2001.

### ***Risk management and mitigation***

On the basis of critical issues detected through the loss data collection and the evaluation of the Company's exposure to operational risk, potential corrective actions are identified and prioritised.

More specifically, the Operational Risk Service develops mitigation recommendations to reduce the exposure to the most critical risks, where necessary and in cooperation with the organisational units involved.

### ***Monitoring and reporting***

A reporting system has been put in place to ensure timely information on the major operational risks identified in both the loss data collection and the evaluation of exposure to operational risk. Vulnerable areas are highlighted and the potential actions to prevent and mitigate operational risks are described.

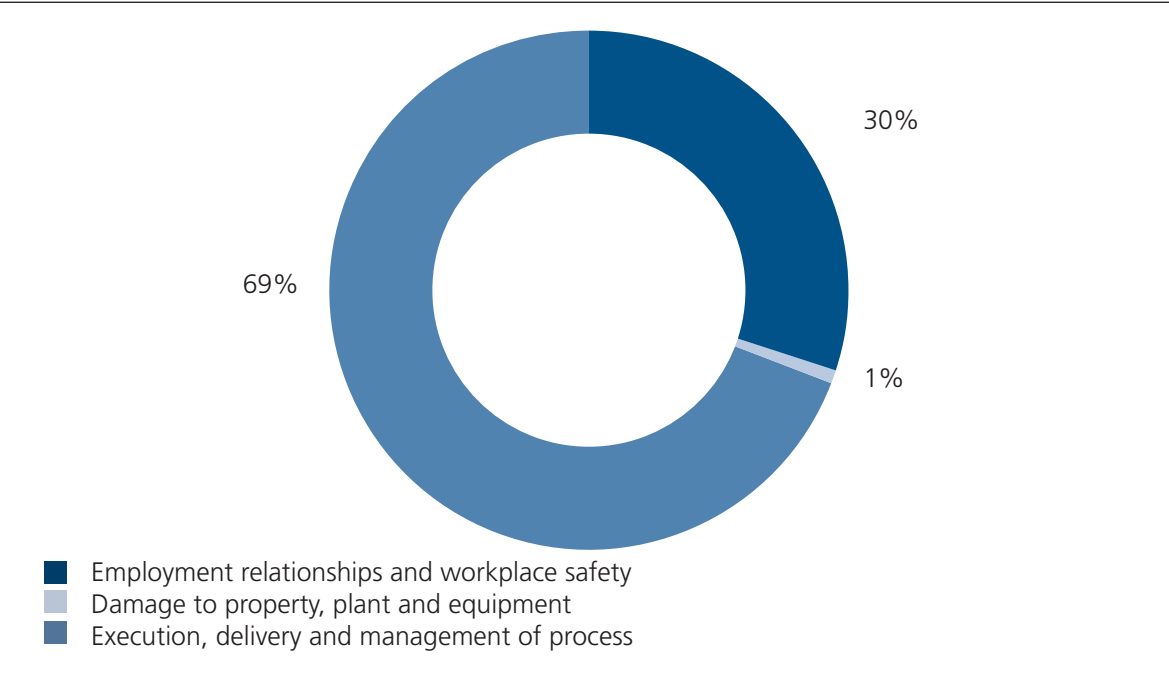
## QUANTITATIVE DISCLOSURES

The percentage composition of operational risk losses by type of event is provided below, as defined by the New Basel Accord on Capital, implemented in Italy by the New prudential supervisory provisions for banks issued by Bank of Italy in December 2006 (circular no. 263 ) as amended.

The types of operational risk event are the following:

- internal fraud: losses due to unauthorised acts, acts of a type intended to defraud, misappropriate property or violate regulations, the law or company policy that involve at least one internal party;
- external fraud: losses due to acts of a type intended to defraud, misappropriate property or violate the law by a third party;
- employment practices and safety at work: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- clients, products and business practices: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage from external events: losses arising from external events, such as natural catastrophes, terrorism and acts of vandalism;
- disruption and system failures: losses arising from disruption of business or system failures or unavailability;
- execution, delivery and process management losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

### Operating risk events 2014



In the course of 2014 the categories that had the greatest financial impact were “Execution, delivery and management of process” (mainly concerning claims for compensation related to corporate transactions) and “Employment relationships and workplace safety” (labour disputes).

## LEGAL DISPUTES

Regarding pending disputes, the overall number of cases, as well as the estimated potential liabilities, remain, in absolute terms, at insignificant levels and, even in relative terms, the impact of the estimated potential expenses on CDP’s accounts is absolutely negligible.

With regard to the Separate Account, at 31 December 2014, 79 suits were pending with a total estimated liability of about €2.1 million, of which 9 relating to disputes with suppliers.

There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or with respect to laws and regulations.

As regards the conversion of preference shares into ordinary shares, following the exercise of the right of withdrawal, the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of considerable size (about €432 million). However, the risk of losing the dispute, while possible, is not considered high.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.

Lastly, with regard to labour disputes, at 31 December 2014, 38 cases were pending, for which the estimated total potential liability is about €1.7 million. Accordingly, the observations made above in relation to disputes in the Separate Account also apply, namely that the estimated potential costs, both in absolute and relative terms, are absolutely negligible with respect to the volumes in CDP’s financial statements.

## 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 2014, 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)

	31/12/2014
a) Board of Directors	1,302
b) Board of Auditors	114
<b>Total</b>	<b>1,416</b>

#### Remuneration of other key management personnel

(thousands of euros)

	31/12/2014
a) short-term benefits	1,877
b) post-employment benefits	144
c) other long-term benefits	-
d) severance benefits	-
e) share-based payments	-
<b>Total</b>	<b>2,021</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 (4)	01/01/14-31/12/14	2015	282
Giovanni Gorno Tempini	Chief Executive Officer (4)	01/01/14-31/12/14	2015	829
Maria Cannata	Director	01/01/14-31/12/14	2015	**
Olga Cuccurullo	Director	01/01/14-31/12/14	2015	**
Marco Giovannini	Director	01/01/14-31/12/14	2015	35
Mario Nuzzo	Director	01/01/14-31/12/14	2015	35
Francesco Parlato	Director	01/01/14-31/12/14	2015	**
Antimo Prosperi	Director	01/01/14-31/12/14	2015	**
Alessandro Rivera	Director	01/01/14-31/12/14	2015	**
<b>Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)</b>				
Roberto Ferranti	Director (1)	01/01/14-31/12/14	2015	32
Vincenzo La Via	Director (2)	01/01/14-31/12/14	2015	**
Piero Fassino	Director	01/01/14-31/12/14	2015	35
Massimo Garavaglia	Director	01/01/14-31/12/14	2015	35
Antonio Saitta	Director	01/01/14-16/06/14	2014	16
<b>Board of Auditors</b>				
Angelo Provasoli	Chairman	01/01/14-31/12/14	2015	27
Gerhard Brandstätter	Auditor	01/01/14-16/04/14	2014	6
Luciano Barsotti	Auditor (3)	17/04/14-31/12/14	2015	14
Andrea Landi	Auditor	01/01/14-31/12/14	2015	20
Ines Russo	Auditor	01/01/14-31/12/14	2015	**
Giuseppe Vincenzo Suppa	Auditor (5)	01/01/14-31/12/14	2015	15

\* Date of Shareholders' Meeting called to approve financial statements for the year.

\*\* The remuneration is paid to the Ministry for the Economy and Finance.

(1) Delegate of State Accountant General. The remuneration shown is the amount paid directly to the director from 1 February 2014. Up to 31 January 2014 the remuneration was paid to the Ministry for the Economy and Finance.

(2) Director General of the Treasury.

(3) Alternate auditor brought in 17 April 2014 and appointed as auditor in the Shareholders' Meeting of 28 May 2014.

(4) The compensation includes remuneration for the full year 2014, the bonus for the previous year, and the three-year component linked to the previous term of office.

(5) The remuneration shown is the amount paid directly to the auditor from 2 April 2014. Up to 1 April 2014 the remuneration was paid to the Ministry for the Economy and Finance.



## 2. Information on transactions with related parties

This section provides information on the transactions in place with:

- the, direct and indirect, subsidiaries and associates of CDP;
- the controlling shareholder MEF;
- the direct subsidiaries or associates of MEF;
- Poste Italiane S.p.A.

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, 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 CDP's ordinary operations.

The following table shows the main relations in place at 31 December 2014.

## Transactions with related parties

(thousands of euros)

	Assets					Liabilities			Off-balance-sheet		Income statement								
	Financial assets held for trading	Financial assets available for sale	Financial assets held to maturity	Loans to customers	Other assets	Due to customers	Financial liabilities held for trading	Other liabilities	Commitments and guarantees issued	Other	Interest income and similar revenues	Interest expense and similar charges	Commission income	Commission expense	Net gain (loss) on trading activities	Gains (losses) on disposal or repurchase of loans	Administrative expenses: a) staff costs	Administrative expenses: b) other administrative expenses	Other operating income (costs)
<b>Controlling shareholder</b>																			
Ministry for the Economy and Finance	5,295,943	21,339,002	186,233,708	6,438	39,907,765	763	6,953,911	4,260,387	30,239	6,574									
<b>Direct subsidiaries</b>																			
CDP Investimenti SGR S.p.A.				385	2,087	1,923			(13)	5						156			520
Simest S.p.A.			24,700	322			24,500	199		90						144			289
Fondo Strategico Italiano S.p.A.	33,071		1	409	3,680,126	70	3,315	13,885	7	(54,874)						15			1,111
SACE S.p.A.				5	2,297,089					(16,434)									21
Fintecno S.p.A.				304	1,266,572		1,626	5,596		(14,314)								(2)	65
CDP GAS S.r.l.				175	162		5,576			(1)						28			254
CDP Reat S.p.A.			676,179	95	163,938	8,729	7,587	1,614	1,179	(1,598)	5,703					28			87
CDP Immobiliare S.r.l.				252												76			14
Quadrante S.p.A.				78															
<b>Direct associates</b>																			
Eni S.p.A.			308					479		2									
Europoietti & Finanza S.p.A. in liquidazione							151	151											

Transactions with related parties

(thousands of euros)

	Assets					Liabilities				Off-balance-sheet		Income statement							
	Financial assets held for trading	Financial assets available for sale	Financial assets held to maturity	Loans to customers	Other assets	Due to customers	Financial liabilities held for trading	Other liabilities	Commitments and guarantees issued	Other	Interest income and similar revenues	Interest expense and similar charges	Commission income	Commission expense	Net gain (loss) on trading activities	Gains (losses) on disposal or repurchase of loans	Administrative expenses: a) staff costs	Administrative expenses: b) other administrative expenses	Other operating income (costs)
<b>Other related parties</b>																			
Poste Italiane S.p.A.			519,826				901,118		432,170	10,502				(1,640,267)					
Terna S.p.A.			500,985		99			350,000		6,304		20				53			157
SNAM S.p.A.										2,396									
Fincantieri Cantieri Navali Italiani S.p.A.			8,010		43		20,415	65,775		42									61
Fincantieri Oil & Gas S.p.A.							2,559												
Isotta Fraschini Motori S.p.A.							773												
SACE Fci S.p.A.			100,014							14		100							
FSI Investimenti S.p.A.					9	287,025					(1,317)								9
FSIA Investimenti S.r.l.					9														9
Residenziale Immobiliare 2004 S.p.A.					3														3
IQ Made in Italy Investment Company S.p.A.					23	136,120					(2,870)								
Kedron S.p.A.								1,936											
Enel S.p.A.								168,000		6,358						27,572			
Ferrovie dello Stato Italiano S.p.A.			180,518							6,870		52							
Rete Autostrade Mediterranee S.p.A.								356											

## 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, to government securities recognised as financial assets available for sale and held-to-maturity, to MEF liquidity management transactions (OPTES).

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 held at the State Treasury and earns interest, as envisaged by Article 6.1 of the MEF decree 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. At 31 December 2014, cash and cash equivalents at the Central State Treasury amounted to about €147.5 billion, of which approximately €705 million were credited after the reporting date.

In addition to cash and cash equivalents at the Central Treasury, "loans to customers" also include amounts due, mainly related to financing activities, for about €37.9 billion and debt securities for about €835 million.

As regards receivables in respect of loans, it should be noted that more than 25% of CDP's portfolio is repaid by the state.

The items "Financial assets available for sale" (about €5.3 billion) and "Financial assets held to maturity" (about €21.3 billion) refer to the investment activity in government bonds.

"Due to customers" mainly refers to the balance of MEF liquidity management operations (OPTES) (about €38 billion) and to amounts not yet disbursed at year-end on loans being repaid (about €1.9 billion).

The item "Commitments and guarantees given" includes the balance of residual commitments to grant loans, which at year-end amounted to about €7 billion.

The income statement items include interest income and similar income for about €4.3 billion, of which about 1.7 billion accrued on cash and cash equivalents at the Central State Treasury.

Interest expense, mainly accrued on liquidity obtained through OPTES operations and marginally on the amounts not yet disbursed on loans being repaid, amounted to about €30 million.

Commission income, amounting to about €6.6 million, mainly derived from specially agreed fees for the management of loans and postal savings products owned by the MEF (€3 million), for the management of the Kyoto Fund (€1.7 million), for the disbursement of funds under the "Revolving Fund supporting enterprises and investment in research" (€1.1 million), for activities to unlock payments of past due public administration payables (€0.75 million).

## Transactions with direct subsidiaries and associates, and other related parties

### Loans to customers:

loans to customers mainly include the exposure arising from financing operations. The most significant exposures include:

- CDP Reti for approximately €676 million, from a loan granted in November 2014;
- Terna for approximately €501 million, from a loan granted in 2011;
- Poste Italiane for approximately €520 million: exposure primarily relates to a loan secured by government bonds, to sums not yet transferred to CDP as part of postal funding activities, the balance of a BancoPosta current account;
- Ferrovie dello Stato Italiane S.p.A. for around €181 million, relating to debt securities;
- SACE Fct for approximately €100 million, from a loan granted in December 2014;
- SIMEST for approximately €24.7 million, from loans granted during 2014.

### Financial assets held for trading:

this item includes the fair value of forward contracts sold to FSI as part of the hedging transaction put in place by the latter in relation to the price risk and the related securities lending on 40 million shares of Assicurazioni Generali S.p.A. held by FSI. CDP fully hedged the position by purchasing matching forward contracts.

### Other assets:

the amounts primarily relate to receivables from the provision of outsourced services, the recovery of costs for seconded staff and receivables relating to personnel seconded to CDP.

### Due to customers:

the item mainly includes CDP funding resulting from the progressive treasury centralisation from Group companies. The most significant deposits are shown below:

- FSI for about €3.7 billion;
- SACE for about €2.3 billion;
- Fintecna for about €1.3 billion;
- FSI Investimenti for about €287 million;
- CDP Reti for about €164 million;
- IQ for about €136 million.

### Other liabilities:

this item mainly refer to liabilities arisen from participation of Group companies to the “consolidated taxation mechanism”.

### Commitments and guarantees issued:

the most significant items include:

- commitments to grant loans to Terna for €350 million;
- guarantees issued with respect to commitments assumed by Enel S.p.A., of €168 million;

- commitments to grant loans to Fincantieri Cantieri Navali Italiani S.p.A., for about €66 million, out of the “Revolving Fund to support enterprises and investment in research”;
- commitments to grant loans to SIMEST for €24,5 million.

Other off-balance-sheet items:

other off-balance-sheet items mainly relate to the securities received as collateral by Poste Italiane to secure the loan granted and securities deposited by FSI, Fintecna and CDP Reti.

Interest income and similar revenues:

these amounts primarily relate to interest accrued in 2014 on loans to counterparties.

Interest expense and similar charges:

these amounts primarily relate to interest accrued in 2014 on deposits from Group companies.

Commission income:

commission income includes in particular the commission paid by CDP Reti, of approximately €5.7 million, in relation to the structuring of the loan granted in November 2014.

Commission expense:

commission expense for 2014 amounted to approximately €1.64 billion and refer to funding with postal savings products. The service provided by Poste Italiane is remunerated with an annual commission set in a specific agreement between the parties.

Net gain (loss) on trading activities:

the item includes the gain, for about €33 million, on forward contracts sold to FSI in the mentioned hedging transaction on Generali shares. This transactions was fully neutralised in the income statement as a result of operational hedges put in place by purchasing matching forward contracts.

Gains (losses) on disposal or repurchase of loans:

this item includes the gain realised on the sale of Enel S.p.A. debt securities, previously recognised under item 70 of the balance sheet, of around €28 million.

Administrative expenses: a) staff costs:

the item in question mainly refers to revenues from the reimbursement of costs for CDP personnel seconded to Group companies. These revenues are partially offset by costs incurred by CDP in relation to personnel of Group companies seconded to CDP.

Other operating income (costs):

this item mainly refers to revenues from the provision of auxiliary outsourced services and, residually, to income for corporate positions covered by CDP employees at Group companies.

## PART L - OPERATING SEGMENTS

This section of the notes to the financial statements has been drafted in compliance with IFRS 8 “Operating Segments”.

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 detailed below.

### **Business and Finance Areas**

This aggregate includes the activities carried out by the Public Entities, Finance and Funding, Loans, Public Interest Lending and Economic Support Areas.

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 Separate Account.

The Public Interest Lending area intervenes directly in general public interest projects sponsored by public entities or public-law bodies for which the financial sustainability has been verified.

The Loans Area 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 Economic Support Area is responsible for managing subsidised credit instruments, established by specific legislation, and economic support instruments.

Treasury operations and funding activities are managed by the Finance and Funding Area, which is responsible for meeting the CDP's funding needs as well as 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.

## **Group companies, other investments and other**

The activities related to investment and divestment of shareholdings and investment fund units, extraordinary transactions and transactions for the rationalisation of the investment portfolio, in addition to all aspects related to the management of companies and investment funds in which CDP holds equity interests, are carried out by the Equity Investments Area.

This aggregate also includes costs related to Areas that carry out governance, management, control and support activities, as well as costs and revenues not otherwise attributable.

Under the provision of IFRS 8, it was considered appropriate not give a separate breakdown of the results of the mentioned CDP 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, which is included within the Business and Finance Areas.

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 and Funding) 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.

For more information on the operating performance of the specific business units, see the report on operations.

## Reclassified balance sheet

(thousands of euros)

	Business and Finance Areas	Equity Investments and miscellaneous	Total CDP
Cash and cash equivalents and other treasury investments	180,889,803	-	180,889,803
Loans to customers and banks	102,439,974	675,000	103,114,974
Debt securities	27,764,300	-	27,764,300
Equity investments and shares	-	30,345,774	30,345,774
Funding	295,535,600	29,750,414	325,286,014
- of which: postal funding	222,946,291	29,091,500	252,037,791
- of which: funding from banks	12,080,432	-	12,080,432
- of which: funding from customers	51,756,863	-	51,756,863
- of which: funding from bonds	8,752,013	658,914	9,410,927

## Reclassified income statement

(thousands of euros)

	Business and Finance Areas	Equity Investments and miscellaneous	Total CDP
Net interest income	1,810,625	(649,187)	1,161,438
Dividends and gains (losses) on equity investments	-	2,784,865	2,784,865
Net commission income	(1,394,429)	(196,799)	(1,591,228)
Other net revenues	308,657	(94)	308,563
<b>Gross income</b>	<b>724,853</b>	<b>1,938,786</b>	<b>2,663,640</b>
Net writedowns	(130,745)	-	(130,745)
Overheads	(20,297)	(114,035)	(134,333)
<b>Operating income</b>	<b>574,458</b>	<b>1,834,360</b>	<b>2,408,818</b>

# APPENDIX - CDP investment portfolio

## Subsidiaries and other shareholdings

### ENI S.p.A.

ENI is an integrated energy Group (“oil integrated company”) engaged in all the steps of the energy supply chain; it carries out research, production, transportation, processing and marketing of oil and natural gas with an international presence in 85 countries and approximately 82,300 employees. ENI stock is listed on the Italian Stock Exchange and on the New York Stock Exchange and is included in over 50 indices, including the FTSE MIB of the Italian Stock Exchange, in which it is the highest capitalisation stock. ENI activities primarily focus on oil and gas exploration and production, in which ENI is one of the largest international companies (“international oil companies”). The company is also active in the trading and shipping of oil and gas, in commodity risk management and in downstream and industrial businesses (refining and marketing of fuels and lubricants, electricity production, chemicals and polymers, and finally the sale of gas and electricity to retail customers) and engineering and construction services for the oil and gas sector through its 42.9% stake in Saipem S.p.A., which in turn is also listed on the Italian Stock Exchange.

### Sistema Iniziative Locali S.p.A.

Sinloc is a leading reference in the market of local development initiatives and of infrastructure provision through Public Private Partnerships (PPP). The company has the distinctive ability to operate on the market both as equity investment firm, directly investing in selected projects, and as advisor contributing to the sustainability and operations of the projects in which it is involved. Over the years Sinloc has gained significant experience and expertise in many sectors with regard to strategic and operational planning processes, support to decision-making processes, analysis and structuring of investments in PPP initiatives. Currently nine of the main bank foundations and CDP own interests in Sinloc.

### Istituto per il Credito Sportivo

The Istituto per il Credito Sportivo is a residual public bank pursuant to Article 151 of the Banking Act. ICS is engaged in the banking business, accepting deposits from the public and financing activities and investment related to sport, and cultural heritage and activities. Following regulatory measures issued in 2013, ICS can also perform treasury and consulting services. At 31 December 2014, ICS was still subject to extraordinary administration proceedings.

### F2i - Fondi Italiani per le Infrastrutture SGR S.p.A.

F2i SGR provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. F2i formation was sponsored by various Italian financial

institutions, including CDP and the main Italian banks; it has total assets under management amounting to €2,600 million and has promoted and manages the two main funds specialising in infrastructure investment in Italy:

- the Fondo Italiano per le Infrastrutture, launched in 2007 with assets of €1,852 million;
- the Secondo Fondo Italiano per le Infrastrutture, launched in 2012 with target funding of €1,200 million. To date fund raising is ongoing and units have been subscribed for a value of €775 million.

#### **Fondo Italiano d'Investimento SGR S.p.A.**

Fondo Italiano d'Investimento SGR was established in March 2010 and promoted by the Ministry for the Economy and Finance together with CDP, ABI, Confindustria and the major Italian banks; the company is engaged in the asset management business. The company promotes and manages investment funds to support the growth of small and medium sized Italian companies, encouraging aggregation and internationalisation processes, and supporting the development of the Italian venture capital and private debt market.

FII SGR has total assets under management amounting to €1,500 million spread over three managed funds:

- Fondo Italiano di Investimento (FII), launched in 2010 with assets of €1,200 million;
- 2 funds of funds, consisting of one Private Debt Fund and one of Venture Capital Fund, with current assets of €250 million (target amount of €500 million) and €50 million (target amount of €200 million) respectively.

#### **Europrogetti & Finanza S.p.A. in liquidazione**

EPF, 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, it 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.

### **Investment funds and investment vehicles**

#### **Inframed Infrastructure SAS à capital variable**

In 2010, CDP and other European financial institutions – the Caisse des Dépôts et Consignations 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. Inframed has received commitments of over €385 million, of which around €150 million were subscribed by CDP.

The Inframed Fund is a variable capital investment vehicle, the main objective of which is to provide equity capital to infrastructure projects in the southern and eastern Mediterranean. The activities of the fund focus on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development segments.

### **2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA**

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” (“Marguerite Fund”), 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. Marguerite has received commitments of over €710 million, of which around €100 million were subscribed by CDP. 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.

### **European Energy Efficiency Fund SA, SICAV-SIF**

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 primarily acts as a lender to projects and to a residual extent as an investor in the equity of such initiatives. 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 and €60 million by CDP.

### **F2i - Fondo Italiano per le Infrastrutture**

The F2i Fund was launched in 2008 with assets of over €1.85 billion, of which CDP's commitment was over €150 million. The fund, whose purpose is to invest in greenfield and brownfield infrastructure, completed its investment phase in 2013. 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.

### **F2i - Secondo Fondo Italiano per le Infrastrutture**

The Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR, was launched in 2012. At the first closing at year-end 2012, €575 million had been subscribed by sponsors. At that time, CDP subscribed units totalling €100 million. At 31 December 2014, the fund totalled €775 million, of which around €100 million were subscribed 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 asset allocation in waste-to-energy projects and in the construction and operation of technological services and infrastructure.

### **PPP Italia**

Launched in 2006 and operated by Fondaco SGR, PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) and in projects for the production of energy from renewable sources. The overall resources of the fund totalled €120 million, of which around €17.5 million were subscribed by CDP.

### **Fondo Immobiliare di Lombardia - Comparto Uno**

The Fondo Immobiliare di Lombardia (FIL) is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by Investire Immobiliare SGR S.p.A. The fund was promoted by the Social

Housing Foundation. At 31 December 2014, the Comparto Uno assets amounted to €368.7 million, of which around €20 million were subscribed by CDP.

It was established with the objective to primarily invest in “Social Housing” in the Lombardy region and started its activities in 2007. In 2012 it was converted into an “umbrella fund”, and following this change, Comparto Uno was established to hold all the original assets and liabilities of FIL.

### **Fondo Investimenti per l’Abitare**

The Fondo Investimenti per l’Abitare is a real estate fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A., a company operating in the private social housing sector. The FIA was formed in July 2010 and has a 30-year life. The fund has currently resources of over €2 billion, of which around €1 million was subscribed by CDP.

The fund’s objective is to increase the supply of social housing in Italy, which is subject to rent control and/or is to be sold at subsidised prices to “socially vulnerable” families; it 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 even majority holdings, up to a maximum of 80%. The fund is also empowered to make direct investments with up to 10% of its capital.

### **Fondo Investimenti per la Valorizzazione**

The Fondo Investimenti per la Valorizzazione is an umbrella real estate fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A. The purpose of the fund is to purchase properties owned by the state, 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.

At 31 December 2014 two sub-funds were active, the Comparto Plus and the Comparto Extra, set up as a result of the transformation, in December 2013, of the Fondo Investimenti per la Valorizzazione - Plus into an umbrella fund.

The Plus sub-fund’s assets are made up of the assets previously owned by FIV Plus at the time the fund was transformed in an umbrella-fund, while the Extra sub-fund is dedicated to the development and management of the portfolio of public property acquired from the Agency of State-owned property (Agenzia del Demanio) and from local authorities at the end of December 2013.

The activity of both sub-funds is mainly targeted to increasing the property value, including through restructuring, restoration and ordinary or extraordinary maintenance or through redevelopment and upgrading.

The Comparto Extra assets (initial subscribed assets were €725 million) were increased by €355 million in December 2014, following the subscription of additional Class A shares for the purchase of public property, resulting in an increase in CDP residual commitment compared to 30 June 2014.

At 31 December 2014, CDP had subscribed the entire amount of €100 million in Comparto Plus, and, an amount of €1.08 billion euro in Comparto Extra.

### **Fondo Italiano d'Investimento**

The Fondo Italiano d'Investimento (FI) 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 has assets of €1.2 billion, of which around €250 million were subscribed by CDP.

FI 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 co-investment 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. With regard to indirect investments (funds of funds), as of the first half of 2012 the ability to invest in funds engaged in venture capital was expressly provided.

### **Private Debt Fund of Funds**

The Private Debt Fund of Funds was set up on the initiative of CDP to encourage the development of the new market of funds that invest in mini-bonds, as a tool to support Italian SMEs; it has been operating since 1 September 2014 with assets of €250 million, fully subscribed by CDP.

The investment is aimed at funds whose investment policies are focused on debt instruments issued by SMEs characterised by stability and expected future cash flow growth, with a well-defined market position, skilled entrepreneurial leadership and experienced management team.

The initiative has been developed in a credit environment that encourages companies to seek funding sources that are alternative and complementary to the banking channel. In this context, CDP action intends to provide a practical tool to support the implementation of the legislative changes introduced by the 2012 Development Decree and facilitate the issuance of mini-bonds.

### **Venture Capital Fund of Funds**

The Venture Capital Fund of Funds was set up on the initiative of CDP to actively contribute to the formation and growth of innovative start-ups in Italy; it has been operating since 1 September 2014 with assets of €50 million, fully subscribed by CDP.

The fund invests in funds with investment policies focused on venture capital transactions carried out by financing projects in the seed stage and in funds specialised in technology transfer (early conception stages and development of the business idea), in the early stage (businesses in the early stages of life) and in the late stage (existing businesses with high growth potential, which need capital to develop innovative projects that will likely account for a significant part of their business and expected growth) and in funds that invest in the low-mid cap (expansion and growth capital) segment.

### **European Investment Fund**

The EIF is a "public private partnership" under Luxembourg law owned by the EIB (63.7%), the European Commission (24.3%) and by 26 public and private financial institutions (12.0%); it has the dual

purpose of facilitating EU development policies and promote the financial sustainability of European businesses. More specifically, the EIF supports the innovation and growth of SMEs, of micro-enterprises and of European regions by improving access to loans. This activity is implemented through the provision of equity capital and the issuance of guarantees to secure loans.

The fund does not directly invest in companies' capital; it acts indirectly through private equity and venture capital funds. In addition, as it is not authorised to lend money, it does not directly grant loans or financial guarantees to businesses, but it carries out its activity through banks and other financial intermediaries using own funds received from the EIB and the European Union.

The exit from the investment is guaranteed by a put option, exercisable each year on the basis of an agreement, called Replacement Share Purchase Undertaking, between the EIB and the financial institutions that are minority shareholders.

In accordance with the bylaws, only 20% of the subscribed share capital of the fund is paid up, while the remainder may only be called up when needed due to the occurrence of specific risks.

CDP holds 50 shares of the BEI European Investment Fund for a total nominal value of €50 million, or 1.2% of the share capital.

#### **Galaxy S.à.r.l. SICAR**

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 CDP, Caisse des Dépôts et Consignations ("CDC") and Kreditanstalt für Wiederaufbau ("KfW"). The original amount of the fund was €250 million. The company ended the investment stage in July 2009, calling up amounts totalling approximately €64 million; in the divestment stage it distributed about €99 million to its shareholders, of which nearly €32 million receivable by CDP. The fund's focus is currently on the management and sale of the remaining assets in its portfolio.

CDP has committed €100 million, but has paid in about €26 million (around 40% of total commitments) and has received gross distributions of about €32 million.







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## ANNUAL REPORT 2014

### Annexes

Annex 1

List of equity investments

Annex 2

Accounting separation statements

Annex 3

Statements of reconciliation of accounting  
and operating figures





# Annex 1

## LIST OF EQUITY INVESTMENTS

(thousands of euros)

	% Holding	Carrying amount
<b>A. Listed companies</b>		
1. Eni S.p.A.	25.76%	15,281,632
<b>B. Unlisted companies</b>		
2. SACE S.p.A.	100.00%	5,150,500
3. CDP Reti S.p.A.	59.10%	2,017,339
4. Fondo Strategico Italiano S.p.A.	77.70%	3,419,512
5. Fintecna S.p.A.	100.00%	2,009,436
6. CDP GAS S.r.l.	100.00%	467,366
7. CDP Immobiliare S.r.l.	100.00%	385,400
8. Simest S.p.A.	76.00%	232,500
9. Quadrante S.p.A.	100.00%	70,130
10. Sinloc S.p.A.	11.29%	5,986
11. F2i SGR S.p.A.	16.52%	1,888
12. Istituto per il Credito Sportivo	2.21%	2,066
13. CDP Investimenti SGR S.p.A.	70.00%	1,400
14. Fondo Italiano d'Investimento SGR S.p.A.	12.50%	956
15. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-
16. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)		
- A Units	38.92%	96,690
- B Units	0.01%	17
17. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	14.08%	36,916
18. European Energy Efficiency Fund SA, SICAV-SIF (EEEE Fund)		
- A Units	12.64%	12,286
- B Units	1.99%	1,938
19. Galaxy S.à.r.l. SICAR	40.00%	2,348

# Annex 2

## ACCOUNTING SEPARATION STATEMENTS

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

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

### Separate Account

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

The Articles of Association of CDP, in accordance with law, allocate the following activities to the Separate Account<sup>35</sup>:

- a) the granting of loans to the state, regions, local authorities, public entities and bodies governed by public law;
- b) granting loans:
  - i. to public or private entities having legal status, to the exclusion of individuals, to finance public interest transactions promoted by the parties mentioned in the previous item, according to the criteria established by decrees of the Minister for the Economy and Finance adopted pursuant to Article 5, paragraph 11, letter e) of the Decree Law;
  - ii. to private entities having legal status, to the exclusion of individuals, to finance projects in general interest sectors as identified by decrees of the Minister for the Economy and Finance adopted pursuant to Article 5, paragraph 11, letter e) of the Decree Law;
  - iii. to public or private entities having legal status, to the exclusion of individuals, to support the internationalisation of companies and exports, according to the criteria established by decrees of the Minister for the Economy and Finance adopted pursuant to Article 8, of Decree Law 78 of 1 July 2009, converted with amendments by Law 102 of 3 August 2009;
  - iv. to enterprises, to support the economy, through the banking system or the subscription of investment funds managed by an asset management company whose corporate purpose achieves one of the institutional missions of Cassa depositi e prestiti S.p.A.;

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<sup>35</sup> With regard to the ways in which CDP pursues these objectives, reference should be made to the Articles of Association.

- v. to public or private entities having legal status, to the exclusion of individuals, as part of international development cooperation activities;
- vi. to Italian banks to grant loans secured by mortgages on residential properties mainly intended for the purchase of primary residences or for renovation and energy efficiency works;
- c) the acquisition of equity investments transferred or contributed to the Company by decree of the Minister for the Economy and Finance pursuant to Article 5.3, b) of the Decree Law, the management of which complies, where so provided, with the criteria laid down in the decree of the Minister for the Economy and Finance referred to in Article 5.11, d) of the Decree Law;
- d) acquiring, including indirectly, 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 pursuant to Article 5, paragraph 8-*bis* of the Decree Law;
- e) the purchase of: (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate; (ii) securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- f) the management, where assigned by the Minister for the Economy and Finance, of the functions, assets and liabilities of Cassa depositi e prestiti, prior to its transformation, transferred to the Ministry for the Economy and Finance pursuant to Article 5, paragraph 3, letter a) of the Decree Law, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- g) the provision of assistance and consulting to the parties specified in point a) or to support the operations or the parties specified in points i., ii., iii., iv. and v.;
- h) providing consulting services and conducting studies, research and analysis of economic and financial matters.

Under CDP's current organisational structure at 31 December 2014, the Separate Account encompasses the Public Entities Area; Public Interest Lending Area; the Economic Support Area; the management of equity investments in the Separate Account carried out by the Equity Investments Area and the postal savings-related activities conducted by the Finance and Funding Area.

## Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. While not specifically cited in Article 5 of Decree Law 269, the latter represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account<sup>36</sup>.

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<sup>36</sup> With regard to the ways in which CDP pursues these objectives, reference should be made to the Articles of Association.

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:

- a) the granting of loans, on a preferential basis, co-financed by financial institutions, for the construction of: (i) works, plants, networks and facilities for public utility projects; (ii) investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy;
- b) acquiring, including indirectly, 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 pursuant to Article 5, paragraph 8-*bis* of the Decree Law;
- c) the purchase of: (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate; (ii) securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- d) providing consulting services and conducting studies, research and analysis of economic and financial matters.

From an organisational standpoint, the activities of the Loans 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 General Manager and the new organisational roles of the Chief Legal Officer, Chief Risk Officer, Chief Financial Officer and Chief Operating Officer. With regard to the Equity Investments Area and the Finance and Funding 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 Service for the management of equity investments in the Separate Account, within the Equity Investments Area, and the Service for postal and retail funding, exclusively relating to the Separate Account).

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

## Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	1,133,078	28,405	(44)	1,161,438
Dividends and gains (losses) on equity investments	2,720,267	64,598	-	2,784,865
Net commission income	(1,603,283)	13,209	(1,153)	(1,591,228)
Other net revenues	264,563	44,000	-	308,563
<b>Gross income</b>	<b>2,514,626</b>	<b>150,212</b>	<b>(1,198)</b>	<b>2,663,640</b>
Net writedowns	(76,646)	(54,099)	-	(130,745)
Overheads	(16,516)	(1,687)	(117,102)	(135,306)
<b>Operating income</b>	<b>2,422,105</b>	<b>94,545</b>	<b>(107,831)</b>	<b>2,408,818</b>

## Reclassified balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents and other treasury investments	177,199,523	3,691,046	(766)	180,889,803
Loans to customers and banks	98,497,859	4,617,115	-	103,114,974
Debt securities	26,601,560	1,162,740	-	27,764,300
Equity investments and shares	29,144,134	661,640	540,000	30,345,774
Funding	317,648,946	7,637,068	-	325,286,014
- of which: postal funding	252,037,791	-	-	252,037,791
- of which: funding from banks	8,055,995	4,024,437	-	12,080,432
- of which: funding from customers	51,756,702	162	-	51,756,863
- of which: funding from bonds	5,798,458	3,612,469	-	9,410,927

## Annex 3

### CDP S.p.A. STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

The following tables reconcile 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 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, both in relation to products and to business lines.

#### Balance sheet - Assets

(millions of euros)

	2014 financial year	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 asset
<b>ASSETS</b>									
10. Cash and cash equivalents	0,003	0,003							
20. Financial assets held for trading	299				299				
40. Financial assets available for sale	6,908			5,573	1,308			27	
50. Financial assets held to maturity	21,339			21,096				243	
60. Loans to banks	26,508	13,693	12,518					297	
70. Loans to customers	263,887	167,196	90,597	1,095				4,998	
80. Hedging derivatives	684				684				
100. Equity investments	29,038				29,038				
110. Property, plant and equipment	232					232			
120. Intangible assets	6					6			
130. Tax assets	914								914
150. Other assets	392								392
<b>Total assets</b>	<b>350,205</b>	<b>180,890</b>	<b>103,115</b>	<b>27,764</b>	<b>30,346</b>	<b>982</b>	<b>237</b>	<b>5,564</b>	<b>1,306</b>



**Balance Sheet - Liabilities and equity**

(millions of euros)

	2014 financial year	LIABILITIES AND EQUITY - RECLASSIFIED SCHEDULES					Equity
		Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies, taxes and staff severance pay	
<b>LIABILITIES AND EQUITY</b>							
10. Due to banks	13,291	13,149		142			
20. Due to customers	302,765	302,726		39			
30. Securities issued	9,990	9,411		579			
40. Financial liabilities held for trading	290		290				
60. Hedging derivatives	2,306		2,306				
70. Adjustment of financial liabilities hedged generically	48		48				
80. Tax liabilities	394					394	
100. Other liabilities	1,548				1,548		
110. Staff severance pay	1					1	
120. Provisions	19					19	
130. Valuation reserves	1,073						1,073
160. Reserves	12,867						12,867
180. Share capital	3,500						3,500
190. Treasury shares	-57						-57
200. Income (loss) for the period	2,170						2,170
<b>Total liabilities and equity</b>	<b>350,205</b>	<b>325,286</b>	<b>2,644</b>	<b>760</b>	<b>1,548</b>	<b>413</b>	<b>19,553</b>

## Income statement

(millions of euros)

	2014 financial year	INCOME STATEMENT - RECLASSIFIED SCHEDULES											
		Net interest income	Dividends and gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Net writedowns	Overheads	Other operating income (costs)	Operating income	Net provisions and other	Taxes	Net income (loss)
<b>INCOME STATEMENT</b>													
10. Interest income and similar revenues	6,924	6,924				6,924			6,924			6,924	
20. Interest expense and similar charges	-5,763	-5,763			-5,763			-5,763				-5,763	
40. Commission income	52		52		52			52				52	
50. Commission expense	-1,644		-1,644		-1,644			-1,644				-1,644	
70. Dividends and similar revenues	1,847	1,847			1,847			1,847				1,847	
80. Net gain (loss) on trading activities	13			13	13			13				13	
90. Net gain (loss) on hedging activities	-44			-44	-44			-44				-44	
100. Gains (losses) on disposal or repurchase	340			340	340			340				340	
130. Writedown for impairment	-131					-131			-131			-131	
150. Administrative expenses	-128						-128		-128			-128	
160. Net provisions	-1.6									-1.6		-1.6	
170. Net adjustments of property, plant and equipment	-5									-5		-5	
180. Net adjustments of intangible assets	-2									-2		-2	
190. Other operating income (costs)	4							1	3	4		4	
210. Gains (losses) on equity investments	938		938		938				938			938	
240. Gains (losses) on disposal of investments	-0.005									-0.005		-0.005	
260. Income tax for the period on continuing operations	-230										-230	-230.0	
<b>Total income statement</b>	<b>2,170</b>	<b>1,161</b>	<b>2,785</b>	<b>-1,591</b>	<b>309</b>	<b>2,664</b>	<b>-131</b>	<b>-134</b>	<b>3</b>	<b>2,409</b>	<b>-1.6</b>	<b>-230</b>	<b>2,170</b>



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## ANNUAL REPORT 2014

Report of the Board of Auditors



Shareholders,

During the financial year ending 31 December 2014, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of Consob in its communications, to the extent compatible with the status of Cassa depositi e prestiti S.p.A. ("CDP" or the "Company").

We preface our remarks as follows:

- A. The financial statements for 2014 have been prepared in accordance with the international accounting standards, adopted with Regulation (EC) 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 the independent auditors 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 2014 report net income of €2,170 million and equity of €19,553 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 CDP;
- continued monitoring the activities undertaken by CDP, 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;
- monitored risk management control processes with meeting with the head of the risk management department;

- monitored compliance with the law and the Articles of Association, conformity with the principles of sound administration and in particular the appropriateness of the organisational, administrative and accounting arrangements adopted by the Company and their effective operation;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining information from the independent auditors;
- 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, the Board of Auditors reports that:

1. The financial year 2014 was characterised by a number of significant transactions and events, including:
  - the opening of CDP Reti's share capital to institutional investors, and specifically:
    - the transfer of the equity investment in Terna from CDP to CDP Reti: in October, CDP transferred its entire equity investment in Terna, equal to 599,999,999 shares accounting for 29.851% of share capital, to CDP Reti. Due to this transfer, CDP Reti, already with an equity investment in SNAM, became the owner of this stake in Terna. This operation led to the zeroing of the carrying amount of the equity investment in Terna for CDP and an increase for the same amount (€1,315 million) of the carrying amount of CDP Reti;
    - the taking out of a loan by CDP Reti with subsequent distribution of reserves: in November, CDP Reti took out a loan amounting to €1,500 million (45% funded by CDP itself and the remaining 55% by a pool of banks). CDP Reti then distributed reserves amounting to €1,487 million in favour of the shareholder CDP;
    - the sale to third parties of an equity investment in CDP Reti altogether amounting to 40.9%: also in November, the sale to third party investors of an overall stake of 40.9% of the share capital of CDP Reti took place via: (i) transfer of a 35% stake of CDP Reti to State Grid Europe Limited, a State Grid Corporation of China Group company, at the price of €2,101 million; (ii) transfer of a further 5.9% stake of the company to a group of Italian institutional investors (2.6% to the Cassa Nazionale di Assistenza Forense and the remaining 3.3% to 33 banking foundations) at the price of €313.5 million. This operation resulted in a reduction in the carrying amount of CDP's equity investment in CDP Reti of €1,328 million and a pre-tax capital gain in the income statement of €1,087 million.
  - *Net gain (loss) on trading and hedging activities*: the net gain on trading activities amounted to €13.2 million, mainly attributable (€16.4 million) to operational hedges of the option component embedded in the Premia and indexed savings bonds established with the purchase of options mirroring the exposure. The net gain for 2014, down on the €76 million recorded in 2013, points to a reduction in volatility in the income statement, as a result of the actions taken to reduce the situ-

ation of operational overhedging. The net loss on hedging activities was -€44.4 million, about -€30 million of which is attributable to the first application in hedge accounting of the Eonia curves for the valuation of collateralised hedging derivatives, previously valued on the basis of the Euribor curve. The remainder of the item is primarily explained by the effects related to swap fixing.

- *Agreement with Poste Italiane*: with reference to the agreement governing the postal savings management service, in December, CDP and Poste Italiane entered into a new Agreement valid for the period 2014-2018. The new Agreement consolidates the partnership between CDP and Poste Italiane and defines a remuneration, for the postal savings service performed by Poste Italiane, proportionate to the average stock and related, *inter alia*, to net funding and service quality targets. New investments are envisaged in technology, communication, promotion and training, in order to improve the service and expand operations associated with bonds and savings passbooks, increasing attention to savers needs. Finally, the establishment of committees with joint participation has been envisaged, with the aim of identifying new business opportunities. The value of the contract, recognised in the 2014 income statement, calculated on the basis of the new agreement, totalled €1,640 million.
  - *Impairment of equity investments (CDP Immobiliare)*: considering the continuation of the crisis in the real estate sector, with particular regard to assets for development, impairment testing was performed on the equity investment in CDP Immobiliare. At the outcome of the testing, which looked both at the directly-held real estate portfolio and at partnerships, the recoverable amount of the equity investment was determined to be €385.4 million. Consequently, its value at initial recognition of €533.9 million (expressed net of its adjustment fund, subject to demerger from Fintecna S.p.A. together with the stake in the company, equal to €82 million) was written down by €148.5 million.
  - *Specific and collective impairment of loans*: following the impairment testing conducted at the end of 2014 on the basis of reasonable expectations on repayment of the loan and bearing in mind the size of the guarantees covering each exposure, total writedowns amounted to €56.4 million while writebacks amounted to about €1.2 million, with a total loss of €55.2 million. The Company also recognised impairment losses from the collective assessment of performing exposures to private-sector parties. The net writedown from collective assessment in 2014 came to about €75.5 million (of which €4.3 million relating to exposures to banks). Following this adjustment, the overall provision for collective impairment amounted to €113.0 million (of which €29.7 million related to banks).
2. In the notes to the financial statements for 2014, and more specifically in Part H - Transactions with related parties, the directors report the main transactions carried out during the year. 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 Board of Auditors considers the information provided by the Board of Directors in the report on operations to be adequate.
  4. PWC, which is in charge of the statutory audit of the accounts, has not made any specific observations that might be reflected in comments or qualifications in the report of the independent auditors. No material issues emerged in the periodic exchange of information between the Board and the independent auditors.
  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 independent auditors 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 2014, there were a total of 16 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 12 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 independent auditors.
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 scope of the Group, specific software was selected and is currently in the testing phase with a view to assisting the consolidation process.
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 Legislative Decree 58 of 24 February 1998. Therefore, there are no impediments to approving the financial statements for the 2014 financial year together with the report on operations submitted by the Board of Directors and the proposed allocation of net income for the year.

Rome, 15 April 2015

#### **THE BOARD OF AUDITORS**

<i>/signature</i> /Angelo Provasoli	Chairman
<i>/signature</i> /Luciano Barsotti	Auditor
<i>/signature</i> /Andrea Landi	Auditor
<i>/signature</i> /Ines Russo	Auditor
<i>/signature</i> /Giuseppe Vincenzo Suppa	Auditor







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## ANNUAL REPORT 2014

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 2014 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 29 April 2014.

3 In our opinion, the separate financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2014 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 2014.

Rome, 30 April 2015

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*





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## ANNUAL REPORT 2014

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





## **Certification of the separate financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended**

**1.** The undersigned Giovanni Gorno Tempini, in his capacity as Chief Executive Officer, and Fabrizio Palermo, 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 2014.

**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 2014 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 2014 the Financial Reporting Manager 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) 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, 30 April 2015

Chief Executive Officer  
*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager  
*/signature/Fabrizio Palermo*







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## ANNUAL REPORT 2014



Consolidated Financial Statements



# Form and content of the consolidated financial statements at 31 December 2014

The consolidated financial statements at 31 December 2014 have been prepared in conformity with 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 F - Consolidated capital

PART G - Business combinations

PART H - Transactions with related parties

PART I - Share-based payments

PART L - Operating segments

ANNEXES - Annexes to the consolidated financial statements





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## ANNUAL REPORT 2014

### 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	31/12/2014	31/12/2013
10. Cash and cash equivalents	689	1,135
20. Financial assets held for trading	983,894	2,574,242
30. Financial assets at fair value	156,497	-
40. Financial assets available for sale	6,956,103	6,532,821
50. Financial assets held to maturity	22,913,003	19,914,739
60. Loans to banks	28,775,434	18,674,911
<i>- of which segregated asset pool</i>	<i>315,158</i>	<i>-</i>
70. Loans to customers	267,426,645	245,390,786
80. Hedging derivatives	1,568,787	961,826
100. Equity investments	19,471,749	18,353,824
110. Reinsurers' share of technical provisions	84,670	82,185
120. Property, plant and equipment	33,444,161	32,591,672
130. Intangible assets	7,886,215	9,077,528
<i>of which:</i>		
- goodwill	712,094	1,952,124
140. Tax assets	2,382,080	2,784,241
a) current	1,113,244	1,461,204
b) deferred	1,268,836	1,323,037
150. Non-current assets and disposal groups held for sale	23,783	23,320
160. Other assets	9,606,743	10,344,170
<b>Total assets</b>	<b>401,680,453</b>	<b>367,307,400</b>

The figures as at 31 December 2013 have been restated in accordance with the indications provided in Part A - Accounting policies - A.1 General information - Section 5 "Other issues".

(thousands of euros)

Liabilities and equity	31/12/2014	31/12/2013
10. Due to banks	21,808,880	31,931,111
20. Due to customers	296,256,685	258,782,572
30. Securities issued	26,914,915	22,424,082
40. Financial liabilities held for trading	398,819	516,352
60. Hedging derivatives	2,639,110	1,576,967
70. Adjustment of financial liabilities hedged generically (+/-)	47,922	52,258
80. Tax liabilities	4,604,017	6,031,866
a) current	354,364	1,035,347
b) deferred	4,249,653	4,996,519
90. Liabilities included in disposal groups classified as held for sale	7,249	7,572
100. Other liabilities	8,289,287	9,861,415
110. Staff severance pay	262,480	266,980
120. Provisions	2,999,293	3,151,130
a) post-employment benefits	1,845	4,677
b) other provisions	2,997,448	3,146,453
130. Technical provisions	2,294,435	2,461,639
140. Valuation reserves	1,232,089	(17,717)
170. Reserves	15,538,120	13,368,931
190. Share capital	3,500,000	3,500,000
200. Treasury share (-)	(57,220)	(57,220)
210. Non-controlling interests (+/-)	13,786,065	10,948,166
220. Net income (loss) for the year	1,158,307	2,501,296
<b>Total liabilities and equity</b>	<b>401,680,453</b>	<b>367,307,400</b>

The figures as at 31 December 2013 have been restated in accordance with the indications provided in Part A - Accounting policies - A.1 General information - Section 5 "Other issues".

## Consolidated income statement

(thousands of euros)

Items	31/12/2014	31/12/2013
10. Interest income and similar revenues	7,189,488	9,171,974
20. Interest expense and similar charges	(6,264,345)	(6,747,841)
<b>30. Net interest income</b>	<b>925,143</b>	<b>2,424,133</b>
40. Commission income	92,623	103,045
50. Commission expense	(1,725,244)	(1,706,479)
<b>60. Net commission income</b>	<b>(1,632,621)</b>	<b>(1,603,434)</b>
70. Dividends and similar revenues	37,858	20,249
80. Net gain (loss) on trading activities	95,043	263,533
90. Net gain (loss) on hedging activities	(37,576)	(14,205)
100. Gains (losses) on disposal or repurchase of:	495,036	68,316
a) loans	58,827	9,220
b) financial assets available for sale	436,209	59,057
c) financial assets held to maturity	-	39
110. Net gain (loss) on financial assets and liabilities at fair value	3,408	-
<b>120. Gross income</b>	<b>(113,709)</b>	<b>1,158,592</b>
130. Net impairment adjustments of:	(165,718)	(56,472)
a) loans	(124,761)	(53,744)
b) financial assets available for sale	(23,243)	(240)
d) other financial transactions	(17,714)	(2,488)
<b>140. Financial income (expense), net</b>	<b>(279,427)</b>	<b>1,102,120</b>
150. Net insurance premiums	379,071	465,275
160. Other net insurance income (expense)	123,995	(216,217)
<b>170. Net income from financial and insurance operations</b>	<b>223,639</b>	<b>1,351,178</b>
180. Administrative expenses:	(5,913,061)	(5,320,056)
a) staff costs	(1,687,007)	(1,551,116)
b) other administrative expenses	(4,226,054)	(3,768,940)
190. Net provisions	(165,194)	28,094
200. Net adjustments of property, plant and equipment	(1,235,272)	(1,202,879)
210. Net adjustments of intangible assets	(439,807)	(406,133)
220. Other operating income (costs)	10,100,365	9,527,883
<b>230. Operating costs</b>	<b>2,347,031</b>	<b>2,626,909</b>
240. Gains (losses) on equity investments	594,386	1,255,549
270. Gains (losses) on the disposal of investments	2,882	9,238
<b>280. Income (loss) before tax from continuing operations</b>	<b>3,167,938</b>	<b>5,242,874</b>
290. Income tax for the period on continuing operations	(671,151)	(1,818,241)
<b>300. Income (loss) after tax on continuing operations</b>	<b>2,496,787</b>	<b>3,424,633</b>
310. Income (loss) after tax on disposal groups held for sale	162,180	-
<b>320. Net income (loss) for the year</b>	<b>2,658,967</b>	<b>3,424,633</b>
330. Net income (loss) for the year pertaining to non-controlling interests	1,500,660	923,337
<b>340. Net income (loss) for the year pertaining to shareholders of the Parent Company</b>	<b>1,158,307</b>	<b>2,501,296</b>

The figures as at 31 December 2013 have been restated in accordance with the indications provided in Part A - Accounting policies - A.1 General information - Section 5 "Other issues".



## Statement of consolidated comprehensive income

(thousands of euros)

Items	31/12/2014	31/12/2013
<b>10. Income (loss) for the period</b>	<b>2,658,967</b>	<b>3,424,633</b>
<b>Other comprehensive income net of taxes not transferred to income statement</b>		
40. Defined benefit plans	(34,675)	(8,604)
60. Share of valuation reserves of equity investments accounted for using equity method	(13,934)	8,079
<b>Other comprehensive income net of taxes transferred to income statement</b>		
80. Exchange rate differences	(34,391)	(41,838)
90. Cash flow hedges	31,421	25,023
100. Financial assets available for sale	(61,115)	352,985
120. Share of valuation reserves of equity investments accounted for using equity method	1,243,754	(551,943)
<b>130. Total other comprehensive income net of taxes</b>	<b>1,131,060</b>	<b>(216,298)</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>3,790,027</b>	<b>3,208,335</b>
150. Consolidated comprehensive income pertaining to non-controlling interests	1,453,307	1,035,358
<b>160. Consolidated comprehensive income pertaining to shareholders of the Parent Company</b>	<b>2,336,720</b>	<b>2,172,977</b>

The figures as at 31 December 2013 have been restated in accordance with the indications provided in Part A - Accounting policies - A.1 General information - Section 5 "Other issues".

## Statement of changes in consolidated equity: current period

(thousands of euros)

	Balance at 31/12/2013	Changes in opening balance	Balance at 01/01/2014	Allocation of net income for previous year		Changes in reserves	Changes for the period							Equity at 31/12/2014	Equity Group at 31/12/2014	Equity Non-controlling interests at 31/12/2014	
				Reserves	Dividends and other allocations		Equity transactions										Comprehensive income for 2014
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
Share capital:	7,485,567	-	7,485,567	-	-	828	230,145	-	-	-	-	-	8,500	-	7,725,040	3,500,000	4,225,040
a) ordinary shares	7,369,534	-	7,369,534	-	-	828	230,145	-	-	-	-	-	8,500	-	7,609,007	3,500,000	4,109,007
b) preference shares	116,033	-	116,033	-	-	-	-	-	-	-	-	-	-	-	116,033	-	116,033
Share premium reserve	951,724	-	951,724	-	-	1,499	1,095,194	-	-	-	-	-	40,557	-	2,088,974	-	2,088,974
Reserves:	18,738,643	-	18,738,643	1,689,970	(64)	(339,288)	(13,036)	-	-	-	-	-	1,595,965	-	21,672,190	15,538,120	6,134,070
a) income	18,737,977	-	18,737,977	1,689,884	(64)	(332,940)	(13,036)	-	-	-	-	-	739,479	-	20,821,900	15,538,120	5,283,780
b) other	666	-	666	86	-	(6,948)	-	-	-	-	-	-	856,486	-	850,290	-	850,290
Valuation reserves	40,234	-	40,234	-	-	-	-	-	-	-	-	-	36	1,131,060	1,171,330	1,232,089	(60,759)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(335,241)	-	(335,241)	335,241	-	-	-	-	(98,699)	-	-	-	-	-	(98,699)	-	(98,699)
Treasury shares	(62,104)	-	(62,104)	-	-	-	1,663	-	-	-	-	-	-	-	(60,441)	(57,220)	(3,221)
Income (loss) for the period	3,424,633	-	3,424,633	(2,025,211)	(1,399,422)	-	-	-	-	-	-	-	2,658,967	-	2,658,967	1,158,307	1,500,660
<b>Total Equity</b>	<b>30,243,456</b>	-	<b>30,243,456</b>	<b>(1,399,486)</b>	<b>(336,961)</b>	<b>(336,961)</b>	<b>1,312,303</b>	<b>1,663</b>	<b>(98,699)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,645,058</b>	<b>3,790,027</b>	<b>35,157,361</b>	<b>21,371,296</b>	<b>13,786,065</b>
Equity Group	19,295,290	-	19,295,290	-	(852,638)	48,688	-	-	-	-	-	-	543,236	2,336,720	21,371,296	21,371,296	-
Equity Non-controlling interests	10,948,166	-	10,948,166	(546,848)	(546,848)	(385,449)	1,312,303	1,663	(98,699)	-	-	-	1,101,822	1,453,307	13,786,065	13,786,065	-

## Statement of changes in consolidated equity: previous period

(thousands of euros)

	Balance at 31/12/2012	Changes in opening balance	Balance at 01/01/2013	Allocation of net income for previous year		Changes for the period							Equity at 31/12/13	Equity Group at 31/12/2013	Equity Non-controlling interests at 31/12/2013	
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions									Comprehensive income for 2013
							Issues of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options				
Share capital:	6,372,651	-	6,372,651	-	-	-	671,710	-	-	-	-	-	441,206	-	7,485,567	3,985,567
a) ordinary shares	5,322,651	-	5,322,651	-	-	1,050,000	555,677	-	-	-	-	-	441,206	-	7,369,534	3,869,534
b) preference shares	1,050,000	-	1,050,000	-	-	(1,050,000)	116,033	-	-	-	-	-	-	-	116,033	116,033
Share premium reserve	945,501	-	945,501	-	-	-	12,209	-	-	-	-	-	(5,986)	-	951,724	951,724
Reserves:	17,372,394	1,557	17,373,951	1,774,450	-	(7,158)	-	-	(105)	-	-	-	(402,495)	-	18,738,643	5,369,712
a) income	16,642,370	1,557	16,643,927	1,774,450	-	(7,158)	-	-	(105)	-	-	-	326,863	-	18,737,977	5,525,865
b) other	730,024	-	730,024	-	-	-	-	-	-	-	-	-	(729,358)	-	66	(156,153)
Valuation reserves	264,331	(5,968)	258,363	-	-	(428)	-	-	-	-	-	-	(1,403)	-	40,234	(17,717)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(335,044)	-	(335,044)	335,044	-	-	-	-	(335,241)	-	-	-	-	-	(335,241)	(335,241)
Treasury shares	-	-	-	-	-	-	-	-	-	(57,220)	-	-	(4,884)	-	(62,104)	(4,884)
Income (loss) for the period	3,388,975	2,947	3,391,922	(2,109,494)	(1,282,428)	(7,586)	683,919	(57,220)	-	-	-	-	3,424,633	2,501,296	3,424,633	923,337
<b>Total Equity</b>	<b>28,008,808</b>	<b>(1,464)</b>	<b>28,007,344</b>	<b>-</b>	<b>(1,282,428)</b>	<b>(7,586)</b>	<b>683,919</b>	<b>(57,220)</b>	<b>(335,346)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,208,335</b>	<b>19,295,290</b>	<b>30,243,456</b>	<b>10,948,166</b>
Equity Group	18,183,035	2,720	18,185,755	-	(998,636)	(7,586)	-	(57,220)	-	-	-	-	2,172,977	19,295,290	19,295,290	-
Equity Non-controlling interests	9,825,773	(4,184)	9,821,589	-	(283,792)	-	683,919	-	(335,346)	-	-	-	1,035,358	10,948,166	10,948,166	10,948,166

## Consolidated cash flow statement (indirect method)

(thousands of euros)

A. OPERATING ACTIVITIES	31/12/2014	31/12/2013
<b>1. Operations</b>	<b>5,772,123</b>	<b>6,615,480</b>
- net income for the year (+/-)	2,658,967	3,424,633
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	142,317	(76,146)
- gains (losses) on hedging activities (-/+)	(23,411)	14,810
- net impairment adjustments (+/-)	175,759	58,946
- net value adjustments to property, plant and equipment and intangible assets (+/-)	1,665,038	1,685,688
- net provisions and other costs/revenues (+/-)	255,203	166,773
- net premiums not received (-)	(41,189)	(117,302)
- other insurance income not received/paid (-/+)	(471,753)	(109,268)
- unpaid charges, taxes and tax credits (+/-)	(692,665)	(288,155)
- writedowns/writebacks of equity investments (+/-)	(596,368)	(1,249,381)
- other adjustments (+/-)	2,700,225	3,104,882
<b>2. Cash generated by/used in financial assets</b>	<b>(18,528,067)</b>	<b>(8,055,580)</b>
- financial assets held for trading	1,444,623	1,282,479
- financial assets at fair value	(150,200)	-
- financial assets available for sale	(470,912)	195,317
- loans to banks: other	(11,304,772)	(1,140,556)
- loans to customers	(8,077,919)	(6,429,469)
- other assets	31,113	(1,963,351)
<b>3. Cash generated by/used in financial liabilities</b>	<b>27,883,867</b>	<b>5,330,639</b>
- due to banks: other	(9,919,927)	(11,856,633)
- due to customers	34,602,853	14,231,912
- securities issued	3,766,279	2,995,015
- financial liabilities held for trading	(137,447)	(42,875)
- other liabilities	(427,891)	3,220
<b>Cash generated by/used in operating activities</b>	<b>15,127,923</b>	<b>3,890,539</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>24,856,399</b>	<b>12,313,505</b>
- sale of equity investments	347,180	8,158
- dividends from equity investments	1,110,269	1,099,616
- sale of financial instruments held to maturity	22,937,482	11,173,401
- sale of property plant and equipment	41,650	8,030
- sale of intangibles	19,818	24,300
- sales of subsidiaries and business units	400,000	-
<b>2. Cash used in</b>	<b>(29,058,701)</b>	<b>(16,954,315)</b>
- purchase of equity investments	(435,371)	(917,160)
- purchase of financial assets held to maturity	(25,896,940)	(12,684,161)
- purchase of property, plant and equipment	(2,187,443)	(2,256,699)
- purchase of intangible assets	(490,606)	(562,544)
- purchases of subsidiaries and business units	(48,341)	(533,751)
<b>Cash generated by/used in investing activities</b>	<b>(4,202,302)</b>	<b>(4,640,810)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares		(52,915)
- issue/purchase of equity instruments	2,263,146	-
- dividend distribution and other allocations	(1,498,185)	(2,127,700)
<b>Cash generated by/used in financing activities</b>	<b>764,961</b>	<b>(2,180,615)</b>
<b>CASH GENERATED/USED DURING THE YEAR</b>	<b>11,690,582</b>	<b>(2,930,886)</b>
<b>RECONCILIATION</b>		
<b>Items</b>		
<b>Cash and cash equivalents at beginning of year</b>	<b>138,944,689</b>	<b>141,875,575</b>
Total cash generated/used during the year	11,690,582	(2,930,886)
<b>Cash and cash equivalents at end of year</b>	<b>150,635,271</b>	<b>138,944,689</b>

The figures as at 31 December 2013 have been restated in accordance with the indications provided in Part A - Accounting policies - A.1 General information - Section 5 "Other issues".

\* 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.



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Notes to the consolidated financial  
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# Introduction

## STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

As in previous years, the financial statements of the Cassa depositi e prestiti Group (CDP) 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 22 December 2014, 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.

Italian Legislative Decree 38 of 28 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 Group's financial performance and standing for the period.

## 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. 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.

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 either 2014 or 2013 have been omitted.

## CDP SEGREGATED ASSET POOLS

### *Segregated KfW asset pool*

On 29 October 2014, the Board of Directors approved the establishment of a special fund, called “KfW asset pool”, exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have vis à vis CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of €300 million. This funding will be used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

To this segregated asset pool CDP allocated certain claims against banks to which CDP has provided loans under the “Fourth Agreement” and the “Fifth Agreement” entered into between CDP and ABI on 1 March 2012 and 5 August 2014, respectively, and claims of these banks against SMEs, which were transferred to CDP as guarantee for the related loans.

The total outstanding principal of loans to banks, and the related loans to SMEs sold as guarantee, included in the “KfW asset pool” cannot exceed €345 million.

At the reporting date the €300 million funding under the agreement between CDP and KfW had not been disbursed yet.

The segregated asset pool is presented in the financial statements by a specific “of which” indication.

### *Segregated asset pool for covered bonds*

Following the redemption of all issues under the Covered Bond Programme at the end of January 2013, and in accordance with the decisions of the Board of Directors in February 2013, on 11 April 2013 the

termination agreement was signed with all institutional counterparties for the termination of all legal relationships associated with the segregated asset pool and, consequently, in 2013 the segregated asset pool was closed in the accounts.

## AUDITING OF THE FINANCIAL STATEMENTS

The audit of the CDP Group's 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 22 December 2014, 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:

- “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 Group’s financial standing in a true and fair manner, the notes to the financial statements also provide supplemental information for such purpose.

The consolidated 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 and the subsequent Document no. 4 of 4 March 2010 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, the CDP Group 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, the CDP Group 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.

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 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 underlying 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 assessment of the accuracy of the value of goodwill and other intangible 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 the insurance companies;
- the valuation of work in progress and of inventories of raw materials, semi-finished and finished goods.

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 2014, 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 22 December 2014.

The following table reports the companies included in the scope of consolidation on a full line-by-line basis.

## 1. Equity investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Headquarters	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	% holding	
1. Aakre Egenom AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	100.00%	100.00%
2. ACE Marine LLC	Green Bay - WI	Green Bay - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
3. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
4. Brevik Elektro AS	Brevik (Norway)	Brevik (Norway)	1	Multifag AS	100.00%	100.00%
5. Brevik Philadelphia	Philadelphia (USA)	Philadelphia (USA)	1	Vard Electro AS	100.00%	100.00%
6. CDP GAS S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
7. CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
8. CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
9. CDP ReIt S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
10. Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
				Seaf S.p.A.	15.00%	15.00%
11. Delli S.r.l.	Follo (SP - Italy)	Follo (SP - Italy)	1	Fincantieri S.p.A.	100.00%	100.00%
12. Estaleiro Quissamã Ltda	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Vard Group AS	50.50%	50.50%
13. Fincantieri Do Brasil Participações S.A.	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Fincantieri Holding B.V.	20.00%	20.00%
				Fincantieri S.p.A.	80.00%	80.00%
14. Fincantieri Holding B.V.	Amsterdam (Netherlands)	Amsterdam (Netherlands)	1	Fincantieri S.p.A.	100.00%	100.00%
15. Fincantieri India Private Limited	New Delhi (India)	New Delhi (India)	1	Fincantieri Holding B.V.	99.00%	99.00%
				Fincantieri S.p.A.	1.00%	1.00%
16. Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Green Bay - WI	1	Fincantieri USA Inc.	87.44%	87.44%
17. Fincantieri Marine Group LLC	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
18. Fincantieri Marine Systems North America Inc.	Chesapeake - VI (USA)	Chesapeake - VI (USA)	1	Fincantieri Holding B.V.	100.00%	100.00%
19. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
20. Fincantieri S.p.A.	Trieste	Trieste	1	Finteco S.p.A.	72.51%	72.51%
21. Fincantieri USA Inc.	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri S.p.A.	86.02%	86.02%
22. Finteco S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
23. FIV Comparto Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
24. FIV Comparto Plus	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
25. FINSNA YK	Nagasaki (Japan)	Nagasaki (Japan)	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
26. Fondo Strategico Italiano S.p.A.	Milan	Milan	1	CDP S.p.A.	77.70%	77.70%
				Finteco S.p.A.	2.30%	2.30%
27. FSI Investimenti S.p.A.	Milan	Milan	1	Fondo Strategico Italiano S.p.A.	77.12%	77.12%
28. FSIA Investimenti S.r.l.	Milan	Milan	1	FSI Investimenti S.p.A.	100.00%	100.00%
29. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
30. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
31. Marine Interiors S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
32. Marinette Marine Corporation	Marinette - WI	Marinette - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
33. Multifag AS	Skien (Norway)	Skien (Norway)	1	Vard Brevik Holding AS	100.00%	100.00%
34. Quadrante S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
35. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74.47%	74.47%
36. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
37. Sace do Brasil	San Paolo (Brazil)	San Paolo (Brazil)	1	SACE S.p.A.	100.00%	100.00%
38. SACE Fet	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
39. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
40. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
41. Seonics AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	51.00%	51.00%
42. Seonics Polska SPZ O.O.	Gdansk (Poland)	Gdansk (Poland)	1	Seonics AS	100.00%	100.00%
43. Seastermo S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
44. Simest S.p.A.	Rome	Rome	1	CDP S.p.A.	76.01%	76.01%
45. SNM S.p.A.	San Donato Milanese (MI - Italy)	San Donato Milanese (MI - Italy)	1	CDP ReIt S.p.A.	28.98%	28.98%
				CDP GAS S.r.l.	3.40%	3.40%
46. Società per l'Esercizio di attività Finanziarie SEAF S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
47. Tamini Transformers USA LLC	Chicago (USA)	Chicago (USA)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
48. Tamini Trasformatori S.r.l.	Melegnano (MI)	Melegnano (MI)	1	Tema Plus S.r.l.	100.00%	100.00%
49. Tema Cma Gora d.o.o.	Podgorica (Montenegro)	Podgorica (Montenegro)	1	Tema S.p.A.	100.00%	100.00%
50. Tema Interconnector S.r.l.	Rome	Rome	1	Tema Rete Italia S.p.A.	5.00%	5.00%
				Tema S.p.A.	95.00%	100.00%

## 1. Equity investments in subsidiaries and joint ventures (consolidated proportionately)

Company name	Headquarters	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	% holding	
51. Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
52. Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
53. Terna Rete Italia S.r.l. (formerly TELAT)	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
54. Terna S.p.A.	Rome	Rome	1	CDP Reti S.p.A.	29.85%	29.85%
55. Terna Storage S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
56. V.T.D. Trasformatori S.r.l.	Valdagno (VI - Italy)	Valdagno (VI - Italy)	1	Tamini Trasformatori S.r.l.	98.00%	98.00%
				Verbano Trasformatori S.r.l.	2.00%	100.00%
57. Valcomp Tre S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
58. Valcomp Uno S.r.l.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
59. Vard Accommodation AS	Tenafjord (Norway)	Tenafjord (Norway)	1	Vard Group AS	100.00%	100.00%
60. Vard Accommodation Tulcea SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Accommodation AS	98.18%	98.18%
				Vard Electro Tulcea SRL	1.82%	1.82%
61. Vard Braila SA	Braila (Romania)	Braila (Romania)	1	Vard Group AS	5.88%	5.88%
				Vard RO Holding SRL	94.12%	94.12%
62. Vard Brevik Holding AS	Brevik (Norway)	Brevik (Norway)	1	Vard Group AS	100.00%	100.00%
63. Vard Design AS	Alesund (Norway)	Alesund (Norway)	1	Vard Group AS	100.00%	100.00%
64. Vard Design Liburno Ltd.	Rejeka (Croatia)	Rejeka (Croatia)	1	Vard Design AS	51.00%	51.00%
65. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (India)	New Delhi (India)	1	Vard Tulcea SA	1.00%	1.00%
				Vard Electro AS	99.00%	99.00%
66. Vard Electro AS	Sovik (Norway)	Sovik (Norway)	1	Vard Group AS	100.00%	100.00%
67. Vard Electro Braila SRL	Braila (Romania)	Braila (Romania)	1	Vard Electro AS	100.00%	100.00%
68. Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi (Brazil)	Niteroi (Brazil)	1	Vard Electro AS	99.00%	99.00%
				Vard Group AS	1.00%	1.00%
69. Vard Electro Tulcea SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Electro AS	99.96%	99.96%
70. Vard Engineering Constanta SRL	Costanza (Romania)	Costanza (Romania)	1	Vard Braila SA	30.00%	30.00%
				Vard RO Holding SRL	70.00%	70.00%
71. Vard Engineering Brevik AS	Brevik (Norway)	Brevik (Norway)	1	Vard Brevik Holding AS	70.00%	70.00%
72. Vard Group AS	Alesund (Norway)	Alesund (Norway)	1	Vard Holdings Limited	100.00%	100.00%
73. Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	55.63%	55.63%
74. Vard Marine Inc.	Vancouver (Canada)	Vancouver (Canada)	1	Vard Group AS	100.00%	100.00%
75. Vard Marine US Inc.	USA	USA	1	Vard Marine Inc.	100.00%	100.00%
76. Vard Niteroi SA	Rio de Janeiro (Brazil)	Rio de Janeiro (Brazil)	1	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0.00%	0.00%
				Vard Group AS	100.00%	100.00%
77. Vard Offshore Brevik AS	Porsgrunn (Norway)	Porsgrunn (Norway)	1	Vard Brevik Holding AS	100.00%	100.00%
78. Vard Piping AS	Tenafjord (Norway)	Tenafjord (Norway)	1	Vard Group AS	100.00%	100.00%
79. Vard Promar SA	Recife (Brazil)	Recife (Brazil)	1	Vard Group AS	50.50%	50.50%
80. Vard RO Holding SRL	Tulcea (Romania)	Tulcea (Romania)	1	Vard Group AS	100.00%	100.00%
81. Vard Ship Repair Braila SA	Braila (Romania)	Braila (Romania)	1	Vard Braila SA	68.58%	68.58%
				Vard Brevik Holding AS	31.42%	31.42%
82. Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
83. Vard Tulcea SA	Tulcea (Romania)	Tulcea (Romania)	1	Vard RO Holding SRL	99.44%	99.44%
84. Vard Vung Tau Ltd	Vung Tau (Vietnam)	Vung Tau (Vietnam)	1	Vard Singapore Pte. Ltd.	100.00%	100.00%
85. Verbano Trasformatori S.r.l.	Novara	Novara	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
86. XXI APRILE S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
87. Azienda Energia e Servizi Torino S.p.A.	Turin	Turin	1	Snam S.p.A.	100.00%	100.00%
88. Gasrule Insurance Ltd	Dublin (IE)	Dublin (IE)	1	Snam S.p.A.	100.00%	100.00%
89. GNL Italia S.p.A.	San Donato Milanese (MI - Italy)	San Donato Milanese (MI - Italy)	1	Snam S.p.A.	100.00%	100.00%
90. Italgas S.p.A.	Turin	Turin	1	Snam S.p.A.	100.00%	100.00%
91. Napoletanogas S.p.A.	Naples	Naples	1	Italgas S.p.A.	99.69%	100.00%
92. SNAM Rete Gas S.p.A.	San Donato Milanese (MI - Italy)	San Donato Milanese (MI - Italy)	1	Snam S.p.A.	100.00%	100.00%
93. Stogit S.p.A.	San Donato Milanese (MI - Italy)	San Donato Milanese (MI - Italy)	1	Snam S.p.A.	100.00%	100.00%
94. Vard Engineering Gdansk SP. Z O. O.	Poland	Poland	1	Vard Engineering Brevik AS	100.00%	100.00%

### 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 87/1992
  - 6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/1992
  - 7 = joint control
- (2) Actual percentage of votes in Ordinary Shareholders' Meeting, distinguishing between effective and potential votes.

Compared to the situation at 31 December 2013, the most significant change in the area consolidated on a full line-by-line basis is the deconsolidation of the Ansaldo Energia Group as a result of the sale in December 2014 of a 40% stake in the investee to Shanghai Electric Corporation.

During the year, the following extraordinary transactions were carried out that increased the weighting of minority interests in consolidated capital:

- the disposal of a minority interest, equal to 40.9%, in the ownership of CDP Reti, to which the Parent Company transferred its controlling stake in Terna prior to the disposal;
- the Kuwait Investment Authority became a shareholder (22.88%) in the newco FSI Investimenti, which was the beneficiary of the transfer by Fondo Strategico Italiano of its equity investment portfolio at 31 December 2013.

## 2. Significant assessments or assumptions made to determine the scope of consolidation

### 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, income and expenses between consolidated companies are totally eliminated.

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 assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the acquiree is effectively acquired.

Starting from financial year 2014, with restatement of the comparative figures for 2013, the CDP Group consolidated SNAM on a line by line basis.

In fact in view of:

- the number of voting rights held by CDP in absolute terms;
- the number of these voting rights as a proportion of all shareholders, i.e. the absence for SNAM of any major shareholders or shareholders' agreements;
- the outcomes of recent meetings;
- the presence of CDP directors and employees;
- the successful appointment of the majority of the Board of Directors;

there was deemed to be sufficient evidence of the existence of *de facto* control, in accordance with IFRS 10.

### **Accounting for companies using the equity method**

Associates and joint ventures are accounted for using the equity method.

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, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. 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.

### 3. Equity investments in subsidiaries exclusively with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- minority interests are equal to or greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

#### 3.1 Non-controlling interests, percentage of non-controlling votes, dividends paid to non-controlling interests

(thousand of euros)

Company name	Non-controlling interests	% of non-controlling votes (1)	Dividends paid to non-controlling interests
1. Terna S.p.A.	82.36%	82.36%	281,998
2. Snam S.p.A.	79.47%	79.47%	354,906

(1) Available voting rights at Ordinary Shareholders' Meeting.

#### 3.2 Significant non-controlling interests: accounting information

(thousands of euros)

Company name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Gross income	Operating costs	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
1. Terna S.p.A.	15,191,871	158	2,065,453	11,231,095	9,033,268	3,092,919	(133,325)	(131,831)	992,212	869,237	533,533	11,001	544,534	9,786	554,320
2. Snam S.p.A.	25,502,842	305	295,823	20,474,784	13,936,384	7,171,696	(347,549)	(397,375)	1,971,863	1,707,112	1,198,046		1,198,046	(7,382)	1,190,664

### 4. Significant restrictions

No significant restrictions were found to exist.

## 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 15 April 2015, no events occurred in addition to those reported below that would require an adjustment to the figures approved or the provision of additional information.

## SECTION 5 - OTHER ISSUES

### IFRS in force since 2014

The new standards or amendments to existing ones, which came into force in 2014, together with the related endorsement regulations by the European Commission are presented below; they were taken into account in preparing these financial statements, where applicable.

#### **IAS 27 - "Separate Financial Statements"**

– Amendments introduced by Regulation (EU) 1254/2012:

the amendments consist in having extrapolated the provisions concerning the consolidated financial statements, which have been included in a new specific standard (IFRS 10 - "Consolidated Financial Statements"). Thus, IAS 27 Revised defines and regulates the principles for the preparation of the separate financial statements only, remaining essentially unchanged in this respect from the previous version.

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments are intended to eliminate the possibility for investment entities to opt for the cost valuation of investments in subsidiaries, requiring that they be measured at fair value in their separate financial statements.

#### **IAS 28 - "Investments in Associates and Joint Ventures"**

– Amendments introduced by Regulation (EU) 1254/2012:

the accounting standard was supplemented with the requirement for joint ventures to be accounted for using the equity method.

#### **IFRS 10 - "Consolidated Financial Statements"**

– Adoption by Regulation (EU) 1254/2012:

the new standard establishes the rules for the preparation and presentation of consolidated financial statements, supplementing the provisions previously contained in IAS 27 - "Consolidated and Separate Financial Statements" and SIC 12 - "Special purpose entities". The new standard contains a new definition of control as the sole basis for the consolidation of all types of entities, eliminates some inconsistencies or interpretation issues between IAS 27 and SIC 12, and finally lays down the rules for the clear and unambiguous identification of "*de facto* control".

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments require investment entities to evaluate subsidiaries at fair value through profit or loss rather than consolidating them, in order to better reflect their business model.

– Amendments introduced by Regulation (EU) 313/2013:

the regulation in question provides some clarifications and simplifications about the first application of IFRS 10 on consolidation.



**IFRS 11 - "Joint Control Arrangements"**

– Adoption by Regulation (EU) 1254/2012:

the new standard establishes the accounting rules for entities that are party to a joint arrangement and replaces IAS 31 - "Interests in Joint Ventures" and SIC 13 - "Jointly controlled entities - Non-monetary contributions by venturers". IFRS 11 also provides criteria for identifying joint arrangements based on the rights and obligations arising from the arrangements rather than on their legal form and, unlike the previous rules under IAS 31, it rules out the proportionate consolidated method as method to account for investments in jointly controlled entities.

– Amendments introduced by Regulation (EU) 313/2013:

the amendments make transition to the new standard less onerous, by limiting the requirement to provide restated comparative information to the previous comparative period only.

**IFRS 12 - "Disclosure of interests in other entities"**

– Adoption by Regulation (EU) 1254/2012:

IFRS 12 combines, enhances and replaces disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard includes all the information that an entity has to disclose to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

– Amendments introduced by Regulation (EU) 1174/2013:

the amendments require that specific information be presented on subsidiaries of investment entities.

– Amendments introduced by Regulation (EU) 313/2013:

the amendments make transition to the new standard less onerous, by limiting the requirement to provide restated comparative information to the previous comparative period only.

**IAS 32 - "Financial instruments: Presentation - Offsetting of financial assets and liabilities"**

– Changes introduced by Regulation (EU) 1256/2012:

following the amendment to IFRS 7, IAS 32 Revised provides additional guidance to reduce inconsistencies in the practical application of that standard.

**IAS 36 - "Impairment of assets"**

– Amendments introduced by Regulation (EU) 1374/2013:

the amendments are intended to clarify that the information to be provided on the recoverable value of assets, when this value is based on fair value net of disposal costs, only concerns assets for which an impairment loss has been recognised.

**IAS 39 - "Financial instruments: recognition and measurement"**

– Amendments introduced by Regulation (EU) 1375/2013:

the amendments regulate situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. More specifically it states that hedge accounting can continue irrespective of the novation.

## **Accounting standards and interpretations that will enter into force in subsequent financial years**

At the date of approval of these financial statements, the IASB and the European Union have issued the following standards, amendments and interpretations that are applicable as of 1 January 2015.

### **IFRIC 21 - "Levies"**

– Interpretation introduced by Regulation (EU) 634/2014:  
the interpretation deals with the recognition of a liability related to the payment of a levy in the event such liability falls within the scope of IAS 37.

### **IFRS 3 - "Business combinations"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that the formation of all types of joint arrangement, as defined by IFRS 11, is excluded from the scope of IFRS 3.

### **IFRS 13 - "Fair value measurement"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that the exception in paragraph 52 of IFRS 13, on the ability to measure the fair value of a net position, applies to all contracts that fall within the scope of IAS 39 (and IFRS 9 in the future) regardless of whether they meet the definition of financial assets and financial liabilities provided by IAS 32.

### **IAS 40 - "Investment property"**

– Amendment introduced by Regulation (EU) 1361/2014:  
this amendment, which was introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2011-2013 Cycle"), clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the purchase of a property falls within the scope of IFRS 3 or IAS 40, reference must be made to the specific instructions given by the respective standards.

The following accounting standards, interpretations and amendments will be applicable as of the date of commencement of the first financial year that begins on February 1, i.e. as of the 2016 financial statements.

### **IAS 19 - "Employee benefits"**

– Amendment introduced by Regulation (EU) 29/2015:  
The amendment clarifies the application of IAS 19 to defined benefit plans which require contributions by employees or third parties that are not voluntary contributions. These contributions reduce the ser-

vice cost for the entity. The amendment allows payments linked to the service, but not related to years of service, to be deducted from the cost of benefits obtained in the period in which the service is provided, rather than spreading them over the employee's working life.

### **IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38**

– Amendments introduced by Regulation (EU) 28/2015:

these amendment were introduced as part of the annual improvement and general review of international accounting standards ("Annual Improvements to IFRSs: 2010-2012 Cycle").

### **Accounting standards, amendments and interpretations not yet endorsed as at the date of these financial statements**

At the date of approval of these financial statements, the IASB and the European Union have issued but not yet endorsed the following standards, amendments and interpretations and some Exposure Drafts in the consultation stage, including specifically:

- IFRS 9 - "Financial instruments";
- IFRS 14 - "Regulatory deferral account";
- IFRS 15 - "Revenues from contracts with customers";
- Amendments to IFRS 10, IFRS 12 and IAS 28 - "Investment Entities - applying the consolidation exemption";
- Amendments to IAS 1 - "Disclosure";
- Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 - "Annual Improvements to IFRSs - 2012-2014 Cycle";
- Amendments to IFRS 10 and IAS 28 - "Sale or contribution of assets between an investor and its associate or joint venture";
- Amendments to IAS 27 - "Equity method in separate financial statements";
- Amendments to IAS 16 and IAS 38 - "Clarifications on depreciation and amortisation methods";
- Amendments to IFRS 11 - "Accounting for acquisitions of interests in joint operations";
- Exposure Draft "IFRS 2 - Share-based Payments" on the classification and measurement of share-based payments;
- Exposure Draft "IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36" on the fair value measurement of quoted investments in subsidiaries, joint ventures and associates;
- Exposure Draft "IAS 12 - Income Taxes" on the recognition of deferred tax assets for unrealised losses;
- Discussion Paper "Conceptual Framework for Financial Reporting" as part of the project to revise the current Framework;
- Exposure Draft "Insurance Contracts", as part of the project to revise the current standard;
- Exposure Draft "Leases", as part of the project to revise the current standard;
- Exposure Draft "IAS 1 - Classification of liabilities" which clarifies how an entity should classify liabilities, especially with regard to obligations that are renewed.

## The consolidated taxation mechanism

For the period 2012-2014, the Parent Company 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.

For the period 2013-2015 CDP has widened the scope of consolidation to include the four subsidiaries: CDP Reti S.p.A., Fincantieri - Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. (the last two are controlled indirectly through Fincantieri - Cantieri Navali Italiani S.p.A.).

For the years 2014-2016 the tax consolidation scope was expanded to Fintecna S.p.A. and CDP Immobiliare S.r.l.

Accordingly, with effect from 1 January 2014, the following companies are included in the “consolidated taxation mechanism” of the CDP Group: Cassa depositi e prestiti S.p.A., Fondo Strategico Italiano S.p.A., CDP GAS S.r.l., CDP Reti S.p.A., Fincantieri - Cantieri Navali Italiani S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A., Fintecna S.p.A. and CDP Immobiliare S.r.l.

## 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.

## Restatement of the financial statements at 31 December 2013

The financial statements at 31 December 2013 were restated for the following reasons:

- following identification of *de facto* control in accordance with IFRS 10, as described in section 3 - “Scope and methods of consolidation”, SNAM was consolidated on a line-by-line basis. The monitoring of SNAM shareholders’ meetings, which continued in 2014, confirmed a trend in the exercise of voting rights in line with previous meetings. Accordingly, absent evidence to the contrary, it was considered necessary to apply full line-by-line consolidation as if control had always been exercised. The full line-by-line consolidation of SNAM, previously consolidated using the equity method, had no effect on shareholders’ equity and earnings of CDP Group at 31 December 2013;
- completion of purchase price allocation related to the acquisition of interest in Ansaldo Energia. The final purchase price allocation for the subsidiary, acquired in late 2013, had no effect on the net assets of CDP Group;
- reclassifications of amounts between financial statements items as a result of analysis of regulatory requirements.

# Restatement of the 2013 financial statements

## Consolidated balance sheet

(thousands of euros)

Assets	31/12/2013	31/12/2013 Restated	Differences
10. Cash and cash equivalents	737	1,135	398
20. Financial assets held for trading	2,574,242	2,574,242	
40. Financial assets available for sale	6,532,702	6,532,821	119
50. Financial assets held to maturity	19,914,739	19,914,739	
60. Loans to banks	18,672,942	18,674,911	1,969
70. Loans to customers	245,792,451	245,390,786	(401,665)
80. Hedging derivatives	961,826	961,826	
100. Equity investments	20,474,446	18,353,824	(2,120,622)
110. Reinsurers' share of technical provisions	82,185	82,185	
120. Property, plant and equipment	13,524,650	32,591,672	19,067,022
130. Intangible assets	2,789,776	9,077,528	6,287,752
<i>of which:</i>			
- goodwill	1,793,787	1,952,124	158,337
140. Tax assets	2,194,896	2,784,241	589,345
a) current	1,446,498	1,461,204	14,706
b) deferred	748,398	1,323,037	574,639
150. Non-current assets and disposal groups held for sale		23,320	23,320
160. Other assets	6,951,847	10,344,170	3,392,323
<b>Total assets</b>	<b>340,467,439</b>	<b>367,307,400</b>	<b>26,839,961</b>

## Consolidated balance sheet

(thousands of euros)

Liabilities and equity	31/12/2013	31/12/2013 Restated	Differences
10. Due to banks	27,875,218	31,931,111	4,055,893
20. Due to customers	258,782,572	258,782,572	
30. Securities issued	13,567,579	22,424,082	8,856,503
40. Financial liabilities held for trading	516,352	516,352	
60. Hedging derivatives	1,570,173	1,576,967	6,794
70. Adjustment of financial liabilities hedged generically (+/-)	52,258	52,258	
80. Tax liabilities	2,551,975	6,031,866	3,479,891
a) current	940,307	1,035,347	95,040
b) deferred	1,611,668	4,996,519	3,384,851
90. Liabilities associated with disposal groups held for sale		7,572	7,572
100. Other liabilities	7,131,964	9,861,415	2,729,451
110. Staff severance pay	173,210	266,980	93,770
120. Provisions	2,283,731	3,151,130	867,399
a) post-employment benefits	4,677	4,677	
b) other provisions	2,279,054	3,146,453	867,399
130. Technical provisions	2,461,639	2,461,639	
140. Valuation reserves	(17,717)	(17,717)	
170. Reserves	13,362,943	13,368,931	5,988
180. Share premium reserve	5,988		(5,988)
190. Share capital	3,500,000	3,500,000	
200. Treasury shares (-)	(57,220)	(57,220)	
210. Non-controlling interests (+/-)	4,205,478	10,948,166	6,742,688
220. Net (loss) income for the period	2,501,296	2,501,296	
<b>Total liabilities and equity</b>	<b>340,467,439</b>	<b>367,307,400</b>	<b>26,839,961</b>

## Consolidated income statement

(thousands of euros)

Items	31/12/2013	31/12/2013 Restated	Differences
10. Interest income and similar revenues	9,168,751	9,171,974	3,223
20. Interest expense and similar charges	(6,328,077)	(6,747,841)	(419,764)
<b>30. Net interest income</b>	<b>2,840,674</b>	<b>2,424,133</b>	<b>(416,541)</b>
40. Commission income	103,045	103,045	
50. Commission expense	(1,650,912)	(1,706,479)	(55,567)
<b>60. Net commission income</b>	<b>(1,547,867)</b>	<b>(1,603,434)</b>	<b>(55,567)</b>
70. Dividends and similar revenues	20,249	20,249	
80. Net gain (loss) on trading activities	263,533	263,533	
90. Net gain (loss) on hedging activities	(14,283)	(14,205)	78
100. Gains (losses) on disposal or repurchase of:			
a) loans	68,316	68,316	
b) financial assets available for sale	9,220	9,220	
c) financial assets held to maturity	59,057	59,057	
d) financial liabilities	39	39	
110. Net gain (loss) on financial assets and liabilities at fair value			-
<b>120. Gross income</b>	<b>1,630,622</b>	<b>1,158,592</b>	<b>(472,030)</b>
130. Net impairment adjustments of:			
a) loans	(56,472)	(56,472)	
b) financial assets available for sale	(53,744)	(53,744)	
c) financial assets held to maturity	(240)	(240)	
d) other financial transactions	(2,488)	(2,488)	
<b>140. Financial income (expense), net</b>	<b>1,574,150</b>	<b>1,102,120</b>	<b>(472,030)</b>
150. Net insurance premiums	465,275	465,275	
160. Other net insurance income (expense)	(216,217)	(216,217)	
<b>170. Net income from financial and insurance operations</b>	<b>1,823,208</b>	<b>1,351,178</b>	<b>(472,030)</b>
180. Administrative expenses:			
a) staff costs	(4,254,733)	(5,320,056)	(1,065,323)
b) other administrative expenses	(1,177,777)	(1,551,116)	(373,339)
b) other administrative expenses	(3,076,956)	(3,768,940)	(691,984)
190. Net provisions	31,711	28,094	(3,617)
200. Net adjustments of property, plant and equipment	(504,914)	(1,202,879)	(697,965)
210. Net adjustments of intangible assets	(93,142)	(406,133)	(312,991)
220. Other operating income (costs)	5,691,545	9,527,883	3,836,338
<b>230. Operating costs</b>	<b>870,467</b>	<b>2,626,909</b>	<b>1,756,442</b>
240. Gains (losses) on equity investments	1,436,550	1,255,549	(181,001)
270. Gains (losses) on the disposal of investments	(2,956)	9,238	12,194
<b>280. Income (loss) before tax from continuing operations</b>	<b>4,127,269</b>	<b>5,242,874</b>	<b>1,115,605</b>
290. Income tax for the period on continuing operations	(1,228,267)	(1,818,241)	(589,974)
<b>300. Income (loss) after tax on continuing operations</b>	<b>2,899,002</b>	<b>3,424,633</b>	<b>525,631</b>
310. Income (loss) after tax on disposal groups held for sale			
<b>320. Net income (loss) for the year</b>	<b>2,899,002</b>	<b>3,424,633</b>	<b>525,631</b>
330. Net income (loss) for the year pertaining to non-controlling interests	397,706	923,337	525,631
<b>340. Net income (loss) for the year pertaining to shareholders of the Parent Company</b>	<b>2,501,296</b>	<b>2,501,296</b>	

## 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 were acquired to hedge risks and that are designated as effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. 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 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 amortised cost through profit or loss, while gains or losses associated with a change in fair value are recognised in a specific equity reserve (other comprehensive income - OCI), 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 event of a partial disposal, the valuation reserve is reversed to profit or loss 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 delivery of the instruments, are measured at cost. 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 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 reg-

istered 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 the asset is sold. Accordingly, in the event of 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 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 actual 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. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are sold 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. 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 are recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

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

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.

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

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

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

Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 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 es-

timate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the one-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 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 is offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- 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 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. 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 event of hedges designed to neutralise the risk of changes in future cash flows arising from future transactions that are considered as highly probable as at the balance sheet date (cash flow hedge), the fair value changes of the derivative after initial recognition are recognised, to the extent of the effective portion, under the item "reserves" in shareholders' equity. When the economic effects of the hedged item materialise, the reserve is transferred to operating profit or loss. If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss.

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised as "reserves" is immediately recycled through profit or loss. Conversely, if the derivative is sold or no longer qualifies as an effective hedge, the portion of "reserves" corresponding to the fair value changes of the instrument recognised up to that time, continues to be recognised in equity and shall be recycled through profit or loss, in accordance with the above-mentioned classification criteria, as the economic effects of the underlying hedged item materialise. If the hedged transaction is no longer considered as probable, the cumulative unrealised gains or losses recognised in equity are immediately recycled through 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 (IFRS 11) 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 recorded at cost, at the settlement date, and subsequently adjusted according to 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 higher allocated price is not presented separately but is included in the carrying value of the investment (equity method).

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 or prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, shall be recognised when the impairment is deemed to be significant or prolonged. 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.

Any losses of the investee attributed to the owner that exceed the carrying value of the investment are recorded in a specific provision to the extent to which the owner is required to respond to the legal or implicit obligations of the investee, or in any case to cover its losses.

## 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 tangible assets net of depreciation. The depreciation rates used are felt to reflect the remaining useful economic life of each asset.

Newly acquired assets are depreciated as from the period in which they enter service.

Property, plant and equipment held under finance leases that substantially transfer all the risks and rewards of ownership, are recognised as assets at the lower of their fair value or the present value of the minimum lease payments due under the lease, including any amounts payable to exercise the final 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 where the lessor substantially retains all the risks and rewards associated with ownership are classified as operating leases. The costs of operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Property, plant and equipment leased out under finance lease agreements (or agreements that are treated as finance leases), that substantially transfer all the risks and rewards associated with ownership to the lessee, 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 lower of the fair value of the asset at the time the agree-

ment is entered into and the present value of the minimum payments due to the Group under the lease, calculated at a market interest rate; (ii) the production cost of the leased asset increased by legal and internal costs directly attributable to negotiating and arranging the lease. 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.

In the presence of obligations to dismantle and remove assets and reclaim sites, the carrying value includes the estimated costs (discounted) that will be incurred when the structures are decommissioned, which are recognised in a specific provision. The accounting treatment of revisions to these estimated costs, the passage of time and the discount rate are set out in the section "Provisions".

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

For IAS purposes, "Intangible assets" include goodwill, governed by IFRS 3, and other intangible assets, governed by IAS 38 and primarily include concessions, licenses and trademarks, customer contracts, R&D costs and industrial patents and intellectual property rights.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at fair value as of the date of acquisition and are amortised over the expected life of the asset. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.



The value of the storage concessions, determined as indicated by the Ministry for Productive Activities in the decree of 3 November 2005, is recorded under "Concessions, licenses, trademarks and similar rights" and is not subject to amortisation.

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 as 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 identified and the associated costs can be identified and measured reliably;
- the technical feasibility of the project has been established;
- there is a clear intention to complete the project and sell the intangible assets generated by the project;
- a potential market exists or, in the case of internal use, the usefulness of the intangible asset has been established;
- adequate technical and financial resources to complete the project are available.

The amortisation 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.

The 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) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company;
- 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.

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.

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 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 investment exclusively acquired 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 year and were calculated on the basis of the tax rates currently in force.

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 sepa-

rately. Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are 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/expected that a charge, i.e., 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.

Provisions include liabilities for defined benefit plans, other than staff severance pay (e.g., payment of seniority bonuses after a specific length of service or medical care after retirement), through which the Group undertakes to provide the agreed benefits to the current workforce and to former employees and to incur the actuarial and investment risks associated with the plan. Therefore, the cost of this plan is not defined in terms of contributions due for the year, but is recalculated on the basis of demographic and statistical assumptions and on wage trends. The methodology used is the “projected unit credit method”.

## 13 - DEBT AND SECURITIES ISSUED

“Due to banks” (item 10) and “Due to customers” (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than “Financial liabilities held for trading” (item 40), “Financial liabilities at fair value through profit or loss” (item 50), and debt securities under item 30 (“Securities issued”). This includes operating payables. 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 carried out 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 of the liability to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability is retained, the liability remains on the balance sheet even if official title has been transferred.

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

## 16 - FOREIGN CURRENCY TRANSACTIONS

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

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

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

- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

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

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 denominated in foreign currencies other than the euro are translated in accordance with the following rules:

- all assets and liabilities are translated using the exchange rates in effect at the date of the financial statements;
- costs and revenues are translated at the average exchange rate for the period/year;
- the “translation reserve” includes both the exchange rate differences arising from translation of income statement items at a rate different from that at year-end and those arising from the translation of shareholders’ equity opening balances at an exchange rate different from that at year-end;
- goodwill and fair value adjustments relating to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at year-end.

## 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.

In accordance with IFRS 4, insurance liabilities related to actuarial reserves may continue to be accounted for in accordance with 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 are made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. Reserves continued to be accounted for in compliance with the accounting standards adopted prior to IFRSs, as all the existing policies fall within the scope of IFRS 4 (insurance contracts); specifically, this item includes:

- unearned premium reserve, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Legislative Decree 173 of 26 May 1997; the reserve for unexpired risks, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- 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 for employee benefits payable to employees on or after termination of employment 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 estimated by independent actuaries.

Gains and losses resulting from the annual remeasurement of the liability recognised for commitments to employees are recognised as valuation reserves included in shareholders' equity.

For a limited number of companies in the Group, with a limited number of employees and whose liability for staff severance pay is not material, that liability continued to be reported as calculated on the basis of Italian statutory provisions (pursuant to Article 2120 of the Italian Civil Code).

### **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.

## Inventories

Inventories, including compulsory stock, are stated at the lesser of their cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost. The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads.

## 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, Gas and Water.

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.

### **Net premium income**

This macro-item includes accrued premiums in respect of contracts classified as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary. All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

### **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 underlying the judgements, assumptions and estimates used could also have an impact on future results.

### **Emission rights**

Costs relating to emission rights, determined on the basis of market prices, are recorded solely for the amount of carbon dioxide emissions exceeding the allocated emission rights; costs relating to the purchase of emission rights are capitalised and recorded among intangible assets net of any negative balance between emissions and allocated rights. Proceeds relating to emission rights are recorded at the

moment of their realisation through the sale of rights. In the event of sale, any purchased rights are understood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in “Other operating income (costs)” in the income statement.

## 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 2014 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, Level 3 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 allocat-

ed 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 in the business combination agreement is measured at the acquisition-date fair value and included in the amount of the consideration transferred in the business combination 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 that occurred in stages, the Group's previously held equity interest in the acquiree is remeasured at fair value at the date of acquisition of control and any resulting gain or loss is recognised in the income statement. Any amount resulting from previously held equity interest recognised in other comprehensive income is reclassified in the income statement as if the equity interest had been disposed of.

If the initial accounting for a business combination is incomplete at the end of the reporting period in which the business combination occurs, the Group reports the provisional amounts of the items for which the measurement cannot be completed in its consolidated financial statements. 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.4 - Disclosures on fair value measurement

### QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded. 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.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value inputs”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, 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.

The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads or yield curves. If they are used in the pricing of an instrument, they must be available for the entire remaining life of the instrument. The fair value of a financial instrument measured using techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

The Level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or “expert-based” techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, or the inputs not observable in the market and not directly available.

This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

### A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

Valuation techniques for unlisted financial instruments 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.

The CDP Group takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represents 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 corporate systems of the Group's companies.

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.

Specifically, in CDP's consolidated financial statements the fair value measurements are assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them. 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. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, of the frequency of exchange of the collateral and the fact that it is established in the form of cash, as well as the minimum ratings required from the counterparties, at 31 December 2014 no adjustments of this kind have been made. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in CDP consolidated financial statements:

- 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;
- certain bonds whose valuation depends on the conditions of use established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unquoted equity instruments that are measured using non-market parameters.

## A.4.2 VALUATION PROCESSES AND SENSITIVITY

### Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Here, too, Level 3 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.

The methods and processes adopted by CDP Group aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents that are periodically updated. The valuations are performed through internal systems used by the companies of the CDP Group for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

### Description of non-observable inputs used in the valuation process for the fair value measurement of instruments classified at Level 3 on a recurring basis and the sensitivity of the fair value to changes in those inputs and sensitivity analyses

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of reasonable possible alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

### Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date.



The estimate is made by the Parent Company through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones Euro Stoxx 50 index. If the investor redeems the bond in advance they lose the entitlement to receive any component of remuneration linked to the index and as a result the equity option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

<b>Sensitivity analysis to the redemption profile (figures in millions of euros)</b>		
Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
BFP Premia and Europa bonds	+34.0	-5.5
Indexed bonds	+3.8	-1.1

## Term structure of expected inflation

The term structure of expected inflation used to value derivatives in certain indexes that do not have a liquid market refers to rates for indexes that have a liquid market. Given that the input is nevertheless observable in the market, even though it does not refer to the indexes to which the derivatives are linked, no sensitivity analysis is presented.

## Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2014, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value in a proportional manner, no sensitivity analysis has been reported.

## Adjustment to NAV

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjust-

ments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2014 adjustments of this kind were made to the NAVs of the Units in Collective Undertakings held in the portfolio at the standard rate of 15%, set on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units. Given that this parameter acts directly on the final fair value in a proportional manner, no sensitivity analysis has been reported.

### **A.4.3 HIERARCHY OF FAIR VALUE INPUTS**

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95).

For all classes of assets and liabilities, under the policy adopted by CDP Group the transfer from one level to another takes place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the unobservability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

QUANTITATIVE DISCLOSURES

A.4.5 HIERARCHY OF FAIR VALUE INPUTS

A.4.5.1 Assets and liabilities valued at fair value on a recurring basis:  
breakdown by level of fair value inputs

(thousands of euros)

Financial assets/liabilities measured at fair value	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	679,767	303,605	522	2,052,959	518,998	2,285
2. Financial assets at fair value			156,497			
3. Financial assets available for sale	6,325,135	14,449	616,519	6,080,728	10,814	441,279
4. Hedging derivatives	6,359	1,562,110	318		960,719	1,107
5. Property, plant and equipment						
6. Intangible assets						
<b>Total</b>	<b>7,011,261</b>	<b>1,880,164</b>	<b>773,856</b>	<b>8,133,687</b>	<b>1,490,531</b>	<b>444,671</b>
1. Financial liabilities held for trading		205,509	193,310		93,835	422,517
2. Financial liabilities at fair value						
3. Hedging derivatives	9,772	2,589,100	40,238		1,551,250	25,717
<b>Total</b>	<b>9,772</b>	<b>2,794,609</b>	<b>233,548</b>	<b>1,645,085</b>	<b>448,234</b>	

#### A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
<b>1. Opening balance</b>	<b>2,285</b>		<b>441,279</b>	<b>1,107</b>		
<b>2. Increases</b>		<b>156,497</b>	<b>229,431</b>			
2.1 Purchases		150,200	202,011			
2.2 Profits taken to:		3,408	27,380			
2.2.1 Income statement		3,408	-			
<i>- of which: capital gains</i>		<i>3,408</i>				
2.2.2 Equity	x	x	27,380			
2.3 Transfers from other levels						
2.4 Other increases		2,889	40			
<b>3. Decreases</b>	<b>1,763</b>		<b>54,191</b>	<b>789</b>		
3.1 Sales			28,785			
3.2 Repayments	706					
3.3 Losses taken to:	1,057		23,412	789		
3.3.1 Income statement	1,057		792			
<i>- of which: capital losses</i>	<i>1,057</i>		<i>792</i>	<i>789</i>		
3.3.2 Equity	x	x	22,620			
3.4 Transfers from other levels			89			
3.5 Other decreases			1,905			
<b>4. Closing balance</b>	<b>522</b>	<b>156,497</b>	<b>616,519</b>	<b>318</b>		

### A.4.5.3 Change for the year in financial liabilities carried at fair value on a recurring basis (Level 3)

(thousands of euros)

	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
<b>1. Opening balance</b>	<b>422,517</b>		<b>25,717</b>
<b>2. Increases</b>	<b>34,698</b>		<b>14,521</b>
2.1 Issues	19,738		
2.2 Losses taken to:	14,960		14,521
2.2.1 Income statement	14,960		11,113
<i>- of which: capital losses</i>	<i>14,960</i>		<i>11,113</i>
2.2.2 Equity	x	x	3,408
2.3 Transfers from other levels			
2.4 Other increases			
<b>3. Decreases</b>	<b>263,905</b>		
3.1 Buybacks			
3.2 Repayments	250,209		
3.3 Profits taken to:	13,696		
3.3.1 Income statement	13,696		
<i>- of which: capital gains</i>	<i>13,696</i>		
3.3.2 Equity	x	x	
3.4 Transfers from other levels			
3.5 Other decreases			
<b>4. Closing balance</b>	<b>193,310</b>		<b>40,238</b>

#### A.4.5.4 Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets held to maturity	22,913,003	26,501,631		24	19,914,739	21,546,525		38
2. Loans to banks	28,775,434		36	29,365,610	18,674,911		271,246	18,639,561
3. Loans to customers	267,426,645		2,089,757	275,248,702	245,390,786		1,100,981	242,909,606
4. Investment property, plant and equipment	40,077		30,984	8,686	47,863		36,198	13,540
5. Non-current assets and disposal groups held for sale	23,783			23,783	23,320			23,320
<b>Total</b>	<b>319,178,942</b>	<b>26,501,631</b>	<b>2,120,777</b>	<b>304,646,805</b>	<b>284,051,619</b>	<b>21,546,525</b>	<b>1,408,425</b>	<b>261,586,065</b>
1. Due to banks	21,808,880		1,657,052	20,149,086	31,931,111		1,111,944	31,439,342
2. Due to customers	296,256,685		2,412	296,254,273	258,782,572		21,336	258,761,236
3. Securities issued	26,914,915	17,388,133	10,303,116	23,684	22,424,082	15,847,719	6,674,532	384,249
4. Liabilities associated with disposal groups held for sale	7,249			7,249	7,572			7,572
<b>Total</b>	<b>344,987,729</b>	<b>17,388,133</b>	<b>11,962,580</b>	<b>316,434,292</b>	<b>313,145,337</b>	<b>15,847,719</b>	<b>7,807,812</b>	<b>290,592,399</b>

#### Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

## A.5 - 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 “day one profit/loss” (DOP).

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)*

	31/12/2014	31/12/2013
a) Cash	689	1,135
b) Free deposits with central banks		
<b>Total</b>	<b>689</b>	<b>1,135</b>



## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2014									31/12/2013		
	Banking group			Insurance group			Other entities			L1	L2	L3
	L1	L2	L3	L1	L2	L3	L1	L2	L3			
<b>A. On-balance-sheet assets</b>												
1. Debt securities				86,118						1,270,165		
1.1 Structured securities												
1.2 Other debt securities				86,118						1,270,165		
2. Equity securities				37,610	1,944					68,164	1,150	
3. Units in collective investment undertakings				556,039	2,534					714,630	3,256	
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
<b>Total A</b>				<b>679,767</b>	<b>4,478</b>					<b>2,052,959</b>	<b>4,406</b>	
<b>B. Derivatives</b>												
1. Financial derivatives		276,625	522		19,213			3,289			514,592	2,285
1.1 Trading					19,213			3,289			44,198	
1.2 Associated with fair value option												
1.3 Other		276,625	522								470,394	2,285
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
<b>Total B</b>		<b>276,625</b>	<b>522</b>		<b>19,213</b>			<b>3,289</b>			<b>514,592</b>	<b>2,285</b>
<b>Total (A+B)</b>		<b>276,625</b>	<b>522</b>	<b>679,767</b>	<b>23,691</b>			<b>3,289</b>		<b>2,052,959</b>	<b>518,998</b>	<b>2,285</b>

**Key**

L1 = Level 1

L2 = Level 2

L3 = Level 3

The financial derivatives shown 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)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>A. On-balance-sheet assets</b>					
<b>1. Debt securities</b>		<b>86,118</b>		<b>86,118</b>	<b>1,270,165</b>
a) Governments and central banks		48,133		48,133	994,960
b) Other government agencies					
c) Banks		37,985		37,985	131,473
d) Other					143,732
<b>2. Equity securities</b>		<b>39,554</b>		<b>39,554</b>	<b>69,314</b>
a) Banks					
b) Other issuers:		39,554		39,554	69,314
- insurance undertakings					
- financial companies		158		158	188
- non-financial companies		39,396		39,396	69,126
- other					
<b>3. Units in collective investment undertakings</b>		<b>558,573</b>		<b>558,573</b>	<b>717,886</b>
<b>4. Loans</b>					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
<b>Total A</b>		<b>684,245</b>		<b>684,245</b>	<b>2,057,365</b>
<b>B. Derivatives</b>					
a) Banks	265,898	19,213	3,289	288,400	516,877
- fair value	265,898	19,213	3,289	288,400	516,877
b) Customers	11,249			11,249	
- fair value	11,249			11,249	
<b>Total B</b>	<b>277,147</b>	<b>19,213</b>	<b>3,289</b>	<b>299,649</b>	<b>516,877</b>
<b>Total (A+B)</b>	<b>277,147</b>	<b>703,458</b>	<b>3,289</b>	<b>983,894</b>	<b>2,574,242</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>1,270,165</b>	<b>69,314</b>	<b>717,886</b>		<b>2,057,365</b>
<b>B. Increases</b>	<b>189,262</b>	<b>17,914</b>	<b>11,891</b>		<b>219,067</b>
B.1 Purchases	189,262	17,820	12		207,094
B.2 Fair value gains		94	11,879		11,973
B.3 Other increases					
<b>C. Decreases</b>	<b>1,373,309</b>	<b>47,674</b>	<b>171,204</b>		<b>1,592,187</b>
C.1 Sales	1,217,166	30,590			1,247,756
C.2 Repayments	135,423	318	731		136,472
C.3 Fair value losses	9,289	16,766	170,470		196,525
C.4 Transfer to other portfolios					
C.5 Other decreases	11,431		3		11,434
<b>D. Closing balance</b>	<b>86,118</b>	<b>39,554</b>	<b>558,573</b>		<b>684,245</b>

## SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE - ITEM 30

### 3.1 Financial assets at fair value: composition by type

(thousands of euros)

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			156,497			
1.1 Structured securities			156,497			
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Structured						
4.2 Other						
<b>Total</b>			<b>156,497</b>			
<b>Cost</b>			<b>150,200</b>			

### 3.2 Financial assets at fair value: composition by debtor/issuer

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Debt securities</b>	<b>156,497</b>	
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers	156,497	
<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</b>	<b>156,497</b>	

### 3.3 Financial assets at fair value: 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>156,497</b>				<b>156,497</b>
B.1 Purchases	150,200				150,200
B.2 Fair value gains	3,408				3,408
B.3 Other increases	2,889				2,889
<b>C. Decreases</b>					
C.1 Sales					
C.2 Repayments					
C.3 Fair value losses					
C.4 Other decreases					
<b>D. Closing balance</b>	<b>156,497</b>				<b>156,497</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

### 4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	5,598,034	1,543		4,814,023	3,069	
1.1 Structured securities						
1.2 Other debt securities	5,598,034	1,543		4,814,023	3,069	
2. Equity securities	727,101	6,732	17,645	1,259,547	7,745	21,092
2.1 At fair value	727,101	5,751	9,782	1,259,547	6,218	10,986
2.2 At cost		981	7,863		1,527	10,106
3. Units in collective investment undertakings		6,174	597,764	7,158		418,889
4. Loans			1,110			1,298
<b>Total</b>	<b>6,325,135</b>	<b>14,449</b>	<b>616,519</b>	<b>6,080,728</b>	<b>10,814</b>	<b>441,279</b>

### 4.1 of which: pertaining to the Banking group

(thousands of euros)

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	5,598,034	1,543		4,012,479	3,069	
1.1 Structured securities						
1.2 Other debt securities	5,598,034	1,543		4,012,479	3,069	
2. Equity securities			10,942			11,807
2.1 At fair value			8,830			9,695
2.2 At cost			2,112			2,112
3. Units in collective investment undertakings			597,764			418,889
4. Loans						
<b>Total</b>	<b>5,598,034</b>	<b>1,543</b>	<b>608,706</b>	<b>4,012,479</b>	<b>3,069</b>	<b>430,696</b>

#### 4.1 of which: pertaining to Other entities

(thousands of euros)

	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities				801,544		
1.1 Structured securities						
1.2 Other debt securities				801,544		
2. Equity securities	727,101	6,732	6,703	1,259,547	7,745	9,285
2.1 At fair value	727,101	5,751	952	1,259,547	6,218	1,291
2.2 At cost		981	5,751		1,527	7,994
3. Units in collective investment undertakings		6,174		7,158		
4. Loans			1,110			1,298
<b>Total</b>	<b>727,101</b>	<b>12,906</b>	<b>7,813</b>	<b>2,068,249</b>	<b>7,745</b>	<b>10,583</b>

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

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Debt securities</b>	<b>5,599,577</b>			<b>5,599,577</b>	<b>4,817,092</b>
a) Governments and central banks	5,295,943			5,295,943	4,609,209
b) Other government agencies	1,543			1,543	3,069
c) Banks	302,091			302,091	204,814
d) Other					
<b>2. Equity securities</b>	<b>10,942</b>		<b>740,536</b>	<b>751,478</b>	<b>1,288,384</b>
a) Banks	2,066			2,066	2,066
b) Other issuers	8,876		740,536	749,412	1,286,318
- insurance undertakings			681,200	681,200	1,193,196
- financial companies	2,890		5,165	8,055	8,920
- non-financial companies	5,986		53,767	59,753	81,536
- other			404	404	2,666
<b>3. Units in collective investment undertakings</b>	<b>597,764</b>		<b>6,174</b>	<b>603,938</b>	<b>426,047</b>
<b>4. Loans</b>			<b>1,110</b>	<b>1,110</b>	<b>1,298</b>
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other			1,110	1,110	1,298
<b>Total</b>	<b>6,208,283</b>		<b>747,820</b>	<b>6,956,103</b>	<b>6,532,821</b>

### 4.3 Financial assets available for sale: subject to specific hedging

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Financial assets subject to specific fair value hedge</b>	<b>681,200</b>	
a) Interest rate risk		
b) Price risk	681,200	
c) Exchange rate risk		
d) Credit risk		
e) Multiple risks		
<b>2. Financial assets subject to specific cash flow hedges</b>		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
<b>Total</b>	<b>681,200</b>	

Financial assets subject to hedging relate to the value of the investment held in Generali at the end of 2014 (2.569% of share capital), which is hedged against price risk through a series of forward contracts.



#### 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>4,817,092</b>	<b>1,288,384</b>	<b>426,047</b>	<b>1,298</b>	<b>6,532,821</b>
<b>B. Increases</b>	<b>17,986,333</b>	<b>27,669</b>	<b>229,301</b>		<b>18,243,303</b>
B.1 Purchases	17,529,629	38	202,011		17,731,678
B.2 Fair value gains	258,598	5,756	27,290		291,644
B.3 Writebacks					
- recognised through income statement		x			
- recognised through equity					
B.4 Transfers from other portfolios					
B.5 Other changes	198,106	21,875			219,981
<b>C. Decreases</b>	<b>17,203,848</b>	<b>564,575</b>	<b>51,410</b>	<b>188</b>	<b>17,820,021</b>
C.1 Sales	7,106,273	495,811	28,761		7,630,845
C.2 Repayments	10,083,688				10,083,688
C.3 Fair value losses	4,971	42,151	22,649	175	69,946
C.4 Writedowns for impairment		23,243			23,243
- recognised through income statement		23,243			23,243
- recognised through equity					
C.5 Transfers to other portfolios					
C.6 Other changes	8,916	3,370		13	12,299
<b>D. Closing balance</b>	<b>5,599,577</b>	<b>751,478</b>	<b>603,938</b>	<b>1,110</b>	<b>6,956,103</b>

#### 4.4 of which: pertaining to the Banking group

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>4,015,548</b>	<b>11,807</b>	<b>418,889</b>		<b>4,446,244</b>
<b>B. Increases</b>	<b>17,759,881</b>	<b>90</b>	<b>229,301</b>		<b>17,989,272</b>
B.1 Purchases	17,334,616		202,011		17,536,627
B.2 Fair value gains	227,159	90	27,290		254,539
B.3 Writebacks					
- recognised through income statement		x			
- recognised through equity					
B.4 Transfers from other portfolios					
B.5 Other changes	198,106				198,106
<b>C. Decreases</b>	<b>16,175,852</b>	<b>955</b>	<b>50,426</b>		<b>16,227,233</b>
C.1 Sales	6,087,193		28,761		6,115,954
C.2 Repayments	10,083,688				10,083,688
C.3 Fair value losses	4,971	955	21,665		27,591
C.4 Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C.5 Transfers to other portfolios					
C.6 Other changes					
<b>D. Closing balance</b>	<b>5,599,577</b>	<b>10,942</b>	<b>597,764</b>		<b>6,208,283</b>

#### 4.4 of which: pertaining to Other entities

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
<b>A. Opening balance</b>	<b>801,544</b>	<b>1,276,577</b>	<b>7,158</b>	<b>1,298</b>	<b>2,086,577</b>
<b>B. Increases</b>	<b>226,452</b>	<b>27,579</b>			<b>254,031</b>
B.1 Purchases	195,013	38			195,051
B.2 Fair value gains	31,439	5,666			37,105
B.3 Writebacks					
- recognised through income statement		x			
- recognised through equity					
B.4 Transfers from other portfolios					
B.5 Other changes		21,875			21,875
<b>C. Decreases</b>	<b>1,027,996</b>	<b>563,620</b>	<b>984</b>	<b>188</b>	<b>1,592,788</b>
C.1 Sales	1,019,080	495,811			1,514,891
C.2 Repayments					
C.3 Fair value losses		41,196	984	175	42,355
C.4 Writedowns for impairment		23,243			23,243
- recognised through income statement		23,243			23,243
- recognised through equity					
C.5 Transfers to other portfolios					
C.6 Other changes	8,916	3,370		13	12,299
<b>D. Closing balance</b>	<b>-</b>	<b>740,536</b>	<b>6,174</b>	<b>1,110</b>	<b>747,820</b>

## SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

### 5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	22,913,003	26,501,631		24	19,914,739	21,546,525		38
- structured								
- other	22,913,003	26,501,631		24	19,914,739	21,546,525		38
2. Loans								
<b>Total</b>	<b>22,913,003</b>	<b>26,501,631</b>		<b>24</b>	<b>19,914,739</b>	<b>21,546,525</b>		<b>38</b>

#### Key

CA = carrying amount

FV = fair value

The item mainly includes fixed-rate government securities held by the Parent Company with a carrying amount of about €17.1 billion, and inflation-linked government securities with a carrying amount of about €4.2 billion, the latter held to hedge the exposure to Italian inflation arising from postal savings bonds indexed to inflation issued by the Parent Company.

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

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Debt securities</b>	<b>22,913,003</b>	<b>19,914,739</b>
a) Governments and central banks	22,847,720	19,819,404
b) Other government agencies		
c) Banks	20,550	46,276
d) Other issuers	44,733	49,059
<b>2. Loans</b>		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers		
<b>Total</b>	<b>22,913,003</b>	<b>19,914,739</b>
<b>Total (fair value)</b>	<b>26,501,655</b>	<b>21,546,563</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>19,914,739</b>		<b>19,914,739</b>
<b>B. Increases</b>	<b>25,949,809</b>		<b>25,949,809</b>
B.1 Purchases	25,896,940		25,896,940
B.2 Writebacks			
B.3 Transfers from other portfolios			
B.4 Other changes	52,869		52,869
<b>C. Decreases</b>	<b>22,951,545</b>		<b>22,951,545</b>
C.1 Sales			
C.2 Repayments	22,937,482		22,937,482
C.3 Writedowns			
C.4 Transfers to other portfolios			
C.5 Other changes	14,063		14,063
<b>D. Closing balance</b>	<b>22,913,003</b>		<b>22,913,003</b>

## SECTION 6 - LOANS TO BANKS - ITEM 60

### 6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,890,989</b>			<b>1,890,989</b>	<b>1,213,100</b>			<b>1,213,100</b>
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement	1,890,989	x	x	x	1,213,100	x	x	x
3. Repurchase agreements		x		x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>26,884,445</b>		<b>36</b>	<b>27,474,621</b>	<b>17,461,811</b>		<b>271,246</b>	<b>17,426,461</b>
1. Loans	26,884,445		36	27,474,621	17,190,107			17,426,461
1.1 Current accounts and free deposits	3,355,268	x	x	x	4,393,656	x	x	x
1.2 Fixed-term deposits	2,199,140	x	x	x	1,903,721	x	x	x
1.3 Other financing:	21,330,037	x	x	x	10,892,730	x	x	x
- repurchase agreements	8,521,237	x	x	x		x	x	x
- finance leasing	-	x	x	x		x	x	x
- other	12,808,800	x	x	x	10,892,730	x	x	x
2. Debt securities	-				271,704		271,246	
2.1 Structured		x	x	x		x	x	x
2.2 Other debt securities		x	x	x	271,704	x	x	x
<b>Total</b>	<b>28,775,434</b>	<b>-</b>	<b>36</b>	<b>29,365,610</b>	<b>18,674,911</b>	<b>-</b>	<b>271,246</b>	<b>18,639,561</b>

#### Key

CA = carrying amount

FV = fair value

Loans to banks are primarily composed of:

- the balance on the management account for the reserve requirement of about €1,891 million;
- loans of approximately €12,809 million, mostly attributable to loans granted by the Parent Company to the banking system as part of initiatives to support SMEs;
- fixed-term deposits for approximately €2,199 million, of which about €2,044 million in respect of Credit Support Annexes (cash collateral) opened by the Parent Company to hedge counterparty credit risk on derivatives;
- repurchase agreements of the Parent Company for approximately €8,521 million;
- current account balances amounting to about €3,355 million.

The positive difference between the fair value and the carrying amount of loans to banks reflects the lower interest rates prevailing on the market.

## 6.1 of which: pertaining to the Banking group

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>	<b>1,890,989</b>			<b>1,890,989</b>	<b>1,213,100</b>			<b>1,213,100</b>
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement	1,890,989	x	x	x	1,213,100	x	x	x
3. Repurchase agreements		x	x	x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>24,612,520</b>	<b>36</b>		<b>25,202,732</b>	<b>13,635,844</b>			<b>13,872,198</b>
1. Loans	24,612,520	36		25,202,732	13,635,844			13,872,198
1.1 Current accounts and free deposits	1,238,046	x	x	x	1,347,330	x	x	x
1.2 Fixed-term deposits	2,044,437	x	x	x	1,396,968	x	x	x
1.3 Other financing:	21,330,037	x	x	x	10,891,546	x	x	x
- repurchase agreements	8,521,237	x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other	12,808,800	x	x	x	10,891,546	x	x	x
2. Debt securities								
2.1 Structured		x	x	x		x	x	x
2.2 Other debt securities		x	x	x		x	x	x
<b>Total</b>	<b>26,503,509</b>	<b>36</b>		<b>27,093,721</b>	<b>14,848,944</b>			<b>15,085,298</b>

**Key**

CA = carrying amount

FV = fair value

## 6.1 of which: pertaining to the Insurance group

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>								
1. Fixed-term deposits		x	x	x		x	x	x
2. Reserve requirement		x	x	x		x	x	x
3. Repurchase agreements		x		x		x	x	x
4. Other		x	x	x		x	x	x
<b>B. Loans to banks</b>	<b>243,058</b>			<b>243,058</b>	<b>657,031</b>			<b>657,031</b>
1. Loans	243,058			243,058	657,031			657,031
1.1 Current accounts and free deposits	88,355	x	x	x	149,983	x	x	x
1.2 Fixed-term deposits	154,703	x	x	x	506,753	x	x	x
1.3 Other financing:		x	x	x	295	x	x	x
- repurchase agreements		x	x	x		x	x	x
- finance leasing		x	x	x		x	x	x
- other		x	x	x	295	x	x	x
2. Debt securities								
2.1 Structured		x	x	x		x	x	x
2.2 Other debt securities		x	x	x		x	x	x
<b>Total</b>	<b>243,058</b>			<b>243,058</b>	<b>657,031</b>			<b>657,031</b>

### Key

CA = carrying amount

FV = fair value



## 6.1 of which: pertaining to Other entities

(thousands of euros)

	31/12/2014				31/12/2013			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Claims on central banks</b>								
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement		X	X	X		X	X	X
3. Repurchase agreements		X		X		X	X	X
4. Other		X	X	X		X	X	X
<b>B. Loans to banks</b>	<b>2,028,867</b>	-	<b>36</b>	<b>2,028,831</b>	<b>3,168,936</b>		<b>271,704</b>	<b>2,897,232</b>
1. Loans	2,028,867		36	2,028,831	2,897,232			2,897,232
1.1 Current accounts and free deposits	2,028,867	X	X	X	2,896,343	X	X	X
1.2 Fixed-term deposits		X	X	X		X	X	X
1.3 Other financing:		X	X	X	889	X	X	X
- repurchase agreements		X	X	X		X	X	X
- finance leasing		X	X	X		X	X	X
- other		X	X	X	889	X	X	X
2. Debt securities					271,704		271,704	
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities		X	X	X	271,704	X	X	X
<b>Total</b>	<b>2,028,867</b>		<b>36</b>	<b>2,028,831</b>	<b>3,168,936</b>		<b>271,704</b>	<b>2,897,232</b>

**Key**

CA = carrying amount

FV = fair value

## 6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Loans with specific fair value hedges:</b>	<b>263,395</b>	<b>272,339</b>
a) interest rate risk	263,395	272,339
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>263,395</b>	<b>272,339</b>

Loans subject to specific hedges are included in the assets of the Parent Company.

## SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: composition by type

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2014						31/12/2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
Acquired		Other	Acquired					Other				
<b>Loans</b>	<b>264,116,080</b>		<b>332,858</b>		<b>1,422,127</b>	<b>272,759,489</b>	<b>241,921,074</b>		<b>372,163</b>		<b>1,100,981</b>	<b>239,857,449</b>
1. Current accounts	486,832			x	x	x	269,850		-	x	x	x
1.1 Liquidity held with Central State Treasury	147,517,932			x	x	x	134,789,288		-	x	x	x
2. Repurchase agreements	18,651,109		200,242	x	x	x	8,263,855		-	x	x	x
3. Loans	89,643,334			x	x	x	92,529,543		240,955	x	x	x
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	457			x	x	x	441		-	x	x	x
5. Finance leasing				x	x	x	-		-	x	x	x
6. Factoring	1,167,367		103,338	x	x	x	1,232,529		101,428	x	x	x
7. Other	6,649,049		29,278	x	x	x	4,835,568		29,780	x	x	x
<b>Debt securities</b>	<b>2,977,707</b>				<b>667,630</b>	<b>2,489,213</b>	<b>3,097,549</b>					<b>3,052,157</b>
8. Structured				x	x	x				x	x	x
9. Other debt securities	2,977,707			x	x	x	3,097,549			x	x	x
<b>Total</b>	<b>267,093,787</b>		<b>332,858</b>		<b>2,089,757</b>	<b>275,248,702</b>	<b>245,018,623</b>		<b>372,163</b>		<b>1,100,981</b>	<b>242,909,606</b>

#### Key

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

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 €705 million.

Repurchase agreements of €18,651 million refer to the Parent Company.

Factoring receivables, amounting to €1,271 million, refer to loans granted by the subsidiary SACE Fct. The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

Negative differences between fair value and carrying amount may be theoretically calculated for postal bonds of the Parent Company, resulting in a compensatory effect.

However, as discussed in Section 2 - Due to customers - Item 20, taking into account the demand redemption option for bondholders and the considerable uncertainty about redemption forecasts in the presence of market conditions such as those prevailing at the end of 2014, it was decided 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)

	31/12/2014		31/12/2013			
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
<b>1. Debt securities:</b>	<b>2,977,707</b>			<b>3,097,549</b>		
a) Governments	834,691			819,498		
b) Other government agencies	540,904			533,205		
c) Other issuers	1,602,112			1,744,846		
- non-financial companies	1,148,279			1,367,045		
- financial companies	453,833			377,801		
- insurance undertakings						
- other						
<b>2. Loans to:</b>	<b>264,116,080</b>	<b>332,858</b>	<b>241,921,074</b>	<b>372,163</b>		
a) Governments	186,975,091	13,475	174,062,364	23,588		
b) Other government agencies	46,836,895	28,081	48,382,396	33,551		
c) Other	30,304,094	291,302	19,476,314	315,024		
- non-financial companies	9,534,169	290,612	10,317,525	313,189		
- financial companies	20,340,877		9,056,068			
- insurance undertakings	51		13,188			
- other	428,997	690	89,533	1,835		
<b>Total</b>	<b>267,093,787</b>	<b>332,858</b>	<b>245,018,623</b>	<b>372,163</b>		

### 7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Loans with specific fair value hedges:</b>	<b>8,592,681</b>	<b>8,579,536</b>
a) interest rate risk	8,592,681	8,579,536
b) exchange rate risk		
c) credit risk		
d) multiple risks		
<b>2. Loans with specific cash flow hedges:</b>	<b>372,255</b>	<b>365,322</b>
a) interest rate risk		
b) exchange rate risk		
c) other	372,255	365,322
<b>Total</b>	<b>8,964,936</b>	<b>8,944,858</b>

## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

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

(thousands of euros)

	31/12/2014			NV	31/12/2013			NV
	L1	L2	L3	31/12/2014	L1	L2	L3	31/12/2013
<b>A. Financial derivatives:</b>	<b>6,359</b>	<b>1,562,110</b>	<b>318</b>	<b>12,261,994</b>		<b>960,719</b>	<b>1,107</b>	<b>9,671,716</b>
1) Fair value		1,384,249	318	11,810,925		779,647	1,107	8,906,185
2) Cash flow	6,359	177,861		451,069		181,072		765,531
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>	<b>6,359</b>	<b>1,562,110</b>	<b>318</b>	<b>12,261,994</b>		<b>960,719</b>	<b>1,107</b>	<b>9,671,716</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				71		x		x	x
2. Loans				x		x	177,403	x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other		44,430				x	458	x	
<b>Total assets</b>		<b>44,430</b>		<b>71</b>			<b>177,861</b>		
1. Financial liabilities	1,340,066			x		x	6,359	x	x
2. Portfolio	x	x	x	x	x		x		x
<b>Total liabilities</b>	<b>1,340,066</b>				<b>-</b>		<b>6,359</b>		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

## SECTION 10 - EQUITY INVESTMENTS - ITEM 100

## 10.1 Equity investments: information on investments

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment Investor	% holding	% of votes (2)
<b>A. Joint ventures</b>						
1. Alhere S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
2. Ansaldo Energia	Genoa	Genoa	4	FSI Investimenti S.p.A.	44.55%	44.55%
				Fondo Strategico Italiano S.p.A.	0.29%	0.29%
3. Bonafous S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
4. Cinque Cerchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
5. ELMED Etudes S.a.r.l.	Tunisi (Tunisia)	Tunisi (Tunisia)	4	Tema S.p.A.	50.00%	50.00%
6. ETIHAD SHIP BUILDING LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
7. IQ Made in Italy Investment Company S.p.A.	Milan	Milan	4	FSI Investimenti S.p.A.	50.00%	50.00%
8. Italia Turismo S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	42.00%	42.00%
9. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
10. Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
11. Metroweb Italia S.p.A.	Milan	Milan	4	FSI Investimenti S.p.A.	46.17%	46.17%
12. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
13. Pentagramma Perugia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
14. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
15. Pentagramma Romagna S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16. Quadrifoglio Brescia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
17. Quadrifoglio Genova S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
18. Quadrifoglio Piacenza S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
19. Quadrifoglio Verona S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
20. Quadrifoglio Modena S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
21. SIA S.p.A.	Milan	Milan	4	FSIA Investimenti S.r.l.	48.97%	48.97%
22. Valitalia Finanziaria S.p.A.	Milan	Milan	4	FSI Investimenti S.p.A.	0.50%	0.50%
23. GasBridge 1 B.V.	Rotterdam (NL)	Rotterdam (NL)	7	Snam S.p.A.	50.00%	50.00%
24. GasBridge 2 B.V.	Rotterdam (NL)	Rotterdam (NL)	7	Snam S.p.A.	50.00%	50.00%
25. Metano Casalpusterlengo S.p.A. in liquidazione	Casalpusterlengo (LO - Italy)	Casalpusterlengo (LO - Italy)	7	Snam S.p.A.	50.00%	50.00%
26. Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO - Italy)	Sant'Angelo Lodigiano (LO - Italy)	7	Snam S.p.A.	50.00%	50.00%
27. TIGF Holding S.A.S.	Pau (FR)	Pau (FR)	7	Snam S.p.A.	45.00%	45.00%
28. Toscana Energia S.p.A.	Florence	Florence	7	Snam S.p.A.	48.08%	48.08%
29. Trans Austria Gasleitung GmbH (4)	Wien (A)	Wien (A)	7	Snam S.p.A.	84.47%	50.00%
30. Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	Snam S.p.A.	45.00%	45.00%
<b>B. Companies subject to significant influence</b>						
1. African Trade Insurance Company	Nairobi (Kenya)	Nairobi (Kenya)	7	SACE S.p.A.	6.76%	6.76%
2. Brevik Technology AS	Brevik (Norway)	Brevik (Norway)	4	Vard Brevik Holding AS	34.00%	34.00%
3. Bridge Eiendom AS	Brevik (Norway)	Brevik (Norway)	4	Vard Brevik Holding AS	50.00%	50.00%
4. Castor Drilling Solution AS	Kristiansand (Norway)	Kristiansand (Norway)	4	Seoanics AS	34.00%	34.00%
5. CESI S.p.A.	Milan	Milan	7	Tema S.p.A.	42.70%	42.70%
6. CGES A.D.	Podgorica (Montenegro)	Podgorica (Montenegro)	7	Tema S.p.A.	22.09%	22.09%
7. Consorzio INCOMIR in liquidazione	Mercogliano (AV-I)	Mercogliano (AV-I)	4	Fintecna S.p.A.	45.46%	45.46%
8. CORESO S.A.	Bruxelles (Belgium)	Bruxelles (Belgium)	7	Tema S.p.A.	22.49%	22.49%
9. CSS Design Limited	Isle of Man	Isle of Man	4	Vard Marine Inc.	31.00%	31.00%
10. Dameco AS	Skien (Norway)	Skien (Norway)	4	Vard Offshore Brevik AS	34.00%	34.00%
11. DOF Icearn AS	Norway	Norway	4	Vard Group AS	50.00%	50.00%
12. Erii S.p.A.	Rome	Rome	7	CDP S.p.A.	25.76%	25.76%
13. Europrogetti & Finanza S.p.A. in liquidazione	Milan	Milan	7	CDP S.p.A.	31.80%	31.80%
14. Galaxy S.r.l. SICAR	Luxembourg	Luxembourg	7	CDP S.p.A.	40.00%	40.00%

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment Investor	% holding	% of votes (2)
15. Medion S.p.A.	Castelvecchio Pascoli (LUH)	Castelvecchio Pascoli (LUH)	7	FSI Investimenti S.p.A.	25.06%	25.06%
16. Ligestra Due S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
17. Ligestra S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
18. Ligestra Tre S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
19. Makster Supply AS	Stavanger (Norway)	Stavanger (Norway)	4	Vard Group AS	40.00%	40.00%
20. Makster Supply KS	Stavanger (Norway)	Stavanger (Norway)	4	Vard Group AS	36.00%	36.00%
21. Olympic Green Energy KS	Fosnavag (Norway)	Fosnavag (Norway)	4	Vard Group AS	30.00%	30.00%
22. Olympic Subsea KS	Fosnavag (Norway)	Fosnavag (Norway)	4	Vard Group AS	35.00%	35.00%
23. Rem Supply AS	Fosnavag (Norway)	Fosnavag (Norway)	4	Vard Group AS	26.66%	26.66%
24. Taklif AS	Skien (Norway)	Skien (Norway)	4	Vard Brevik Holding AS	25.47%	25.47%
25. Trevi Finanziaria Industriale S.p.A.	Cesena	Cesena	7	FSI Investimenti S.p.A.	8.43%	8.43%
				Fondo Strategico Italiano S.p.A.	8.43%	8.43%
27. ACAM GAS S.p.A.	La Spezia	La Spezia	4	Snam S.p.A.	49.00%	49.00%
28. Metano Arcore S.p.A.	Arcore (MIH)	Arcore (MIH)	4	Snam S.p.A.	100.00%	100.00%
29. Servizi Territori Aree e Penisola S.p.A.	Naples	Naples	4	Snam S.p.A.	100.00%	100.00%
<b>C. Unconsolidated subsidiaries (3)</b>						
1. Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM-H)	Fiumicino (RM-H)	1	Fintecna S.p.A.	68.85%	68.85%
2. Cagliari 89 Scarl in liquidazione	Monastir (CA-I)	Monastir (CA-I)	1	Fintecna S.p.A.	51.00%	51.00%
3. COEDAM Scarl in liquidazione	Rome	Rome	1	Fintecna S.p.A.	60.00%	60.00%
4. Consorzio Aereost in liquidazione	Rome	Rome	1	Fintecna S.p.A.	97.38%	97.38%
5. Consorzio Codelsa in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
6. Consorzio Edinsud in liquidazione	Naples	Naples	1	Fintecna S.p.A.	58.82%	58.82%
7. Consorzio IMAFID in liquidazione	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
8. Consorzio Italtecnosud in liquidazione	Rome	Rome	1	Fintecna S.p.A.	75.00%	75.00%
9. Consorzio I.M.E.D.I.N. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
10. Ligestra Quattro S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
11. Tirrenia di Navigazione S.p.A. in amm.ne straordinaria	Naples	Naples	1	Fintecna S.p.A.	100.00%	100.00%
12. WPG Ltd in liquidazione	Bangkok (Thailandia)	Bangkok (Thailandia)	1	Fintecna S.p.A.	99.45%	99.45%
13. Consorzio GI	Rome	Rome	1	CDP Immobiliare S.r.l.	99.90%	99.90%

#### 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 87/1992
- 6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/1992
- 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 89.2%.

(5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to the Ministry for the Economy and Finance. For this reason these companies, even if they are totally owned, are consolidated with the equity method.



## 10.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euros)

	Carrying amount	Fair value	Dividends received
<b>A. Joint ventures</b>			
<b>B. Companies subject to significant influence</b>			
Eni S.p.A.	16,436,893	13,583,964	1,039,159

ENI shares feature heavily in CDP's equity investment portfolio, so the CDP Group's risk profile is closely linked to the main factors that determine ENI's value and profitability. Of these, the price of oil is particularly significant, which has fallen sharply in the final quarter of 2014 (-40%). In connection with this change, ENI's share price has dropped, reaching market prices that are lower than their carrying value in CDP's accounts. Expectations of the dividends that ENI will be able to distribute in the future have also been revised down.

In the first quarter of 2015, ENI's share price returned to alignment with its carrying value in CDP's accounts, thanks to the general rise in the stock market and oil prices stabilisation.

## 10.3 Significant equity investments: accounting data

(millions of euros)

Company name	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Write-downs of property, plant and equipment and intangible assets	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
<b>A.1 Joint ventures</b>														
<b>A.2 Companies subject to significant influence</b>														
Eni S.p.A.	6,614	6,303	132,834	2,909	57,942	110,948	(1,251)	11,499	7,342	7,342	850	850	4,748	5,598

## 10.4 Non-significant equity investments: accounting data

(thousands of euros)

Company name	Carrying amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Joint ventures	2,710,798	8,727,743	6,429,037	4,027,537	29,014		28,942	20,116	49,058
Companies subject to significant influence	314,548	4,582,520	3,923,744	3,157,313	101,179		119,244	(37,959)	81,285
Unconsolidated subsidiaries	9,600	8,058	12,693	449	(39)		(39)		(39)

## 10.5 Equity investments: change for the year

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Opening balance</b>	<b>18,353,824</b>	<b>16,057,935</b>
<b>B. Increases</b>	<b>2,415,468</b>	<b>3,840,624</b>
B.1 Purchases	435,371	232,289
B.2 Writebacks	205	111
B.3 Revaluations	613,069	1,205,879
B.4 Other increases	1,366,823	2,402,345
<b>C. Decreases</b>	<b>1,297,543</b>	<b>1,544,735</b>
C.1 Sales	347,180	8,158
C.2 Writedowns	16,906	1,251
C.3 Other decreases	933,457	1,535,326
<b>D. Closing balance</b>	<b>19,471,749</b>	<b>18,353,824</b>
<b>E. Total revaluations</b>	<b>4,828,703</b>	<b>4,369,435</b>
<b>F. Total writedowns</b>	<b>141,914</b>	<b>18,219</b>

## 10.6 Significant assessments or assumptions made to determine whether there is joint control or significant influence

Please refer to the contents of Section 7 "Equity Investments", Part A.2 of these notes to the consolidated financial statements.

## 10.7 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;
- to the commitments related to the investment in Kedrion Group S.p.A., broken down as follows:
  - a. earn out clause: Sestant, a Marcucci family SPV and shareholder in Kedrion, is to receive a bonus from FSI Investimenti if the value of the investment rises significantly in the event of changes in the ownership structure of the investee. At 31 December 2014, the option is worth about €2,150 thousand;
  - b. FSI Investimenti has undertaken to provide Kedrion with a loan of up to €50 million to service its general financial requirements, to be made through one or more draw-downs upon request of the company. Kedrion will pay a gross annual interest rate, at market conditions, of 6% and will be allowed to repay the loan (capital and interest) within 120 days of its provision, or within 180 days if the funds are used to fund a growth project in which both parties are involved. In the event that repayment is not made within these terms, FSI Investimenti will be entitled to demand a capital increase corresponding to the amount drawn down. At 31 December 2014 this loan has not been drawn down and is treated in the accounts as a commitment, partly in view of the fact that Kedrion Group must first grant the conversion option to FSI Investimenti;
- to the commitments related to the investment in Metroweb Italia S.p.A., which feature the following undertakings and conditions:
  - a. an option for F2i SGR S.p.A. ("F2i") to acquire the entire investment in Metroweb Italia from FSI Investimenti and, if not exercised, an option for FSI Investimenti to sell its entire investment in Metroweb Italia to F2i, in both cases at contractually agreed terms and conditions. The basis for the conditions to be fulfilled no longer exists. Therefore, the option can no longer be exercised and consequently it has not been recorded in the financial statements;
  - b. the allocation to FSI Investimenti of a set number of warrants that include the right to receive, without further payment, an equal number of Metroweb Italia shares in the event of significant liabilities not declared in the agreements signed upon CDP Group becoming a shareholder in Metroweb Italia. In order to avoid upsetting company balances if the conditions for exercising the warrants held by FSI Investimenti do occur and they are exercised, F2i has been allocated a set number of warrants entitling it to subscribe an equal number of shares at a pre-arranged price. These warrants have not been given a value because they will only be allocated to FSI Investimenti in the event that significant liabilities are found to exist;
- to the commitments related to the investment in Ansaldo Energia S.p.A., which feature the following undertakings and conditions:
  - a. FSI Investimenti has been engaged in buying a further 15% stake in the share capital of Ansaldo Energia from FSI Investimenti, which involves the purchase of a call option that gives it the right to buy this stake from Finmeccanica between 30 June 2017 and 31 December 2017 at a price of €147.1 million, and the sale to Finmeccanica of a put option that gives it the right, in the same

- period of time, to sell the remaining 15% of the stake in Ansaldo Energia to FSI Investimenti. At 31 December 2014, the put-call option is estimated to be worth about €16,175 thousand;
- b. the contract for the purchase of the equity investment in Ansaldo Energia involves the recognition of a variable price component (up to €130 million) to be paid by FSI Investimenti to Finmeccanica if Ansaldo Energia achieves a number of profitability targets in place for 2014 to 2016. At 31 December 2014, this option is estimated to be worth about €7,240 thousand;
- to the commitments made by CDP Immobiliare with the private-sector partners in the partnerships, under which the partners, to the extent of their ownership stakes, agree to:
    - a. mutually undertake in favour of the jointly controlled entities (the “Companies”) (pursuant to Article 1411 of the Italian Civil Code) to ensure, where necessary, further financial support to meet the needs of the Companies in excess of third party finance, including funding to cover ordinary operating and the start-up costs and/or for the provision of third party finance;
    - b. mutually undertake in favour of the Companies, to cover their losses for an amount no less than necessary to reinstate the minimum required capital pursuant to Article 2327 of the Italian Civil Code, by using, in the first place, the partner’s loan offered by each party, and for the remaining amount required, within the limits specifically set out in current partnership agreements and indicated in the report on operations in the sections relating to each partnership.

## 10.8 Obligations relating to associates

Commitments to associates include:

- in relation to the equity investment in Trevi Finanziaria Industriale S.p.A., the earn out granted by FSI and FSI Investimenti to Trevi Holding S.E. and Mr. Davide Trevisani in the event of a significant increase in the value of the investment if the shareholders agreements are legitimately terminated, not renewed at expiry or cease to be effective. The market value of these liabilities was measured at inception at around €2 million (portion pertaining to FSI) and added to the carrying value of the investment. At 31 December 2014, the fair value of the earn out was about €1,805 thousand;
- commitments to increase the stake held in a number of companies engaged in shipbuilding projects in which an indirect stake is held through the subsidiary Vard.

## SECTION 11 - REINSURERS' SHARE OF TECHNICAL PROVISIONS - ITEM 110

### 11.1 Reinsurers' share of technical provisions: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Non-life insurance</b>	<b>84,670</b>	<b>82,185</b>
A.1 Provision for unearned premiums	38,310	31,057
A.2 Provision for claims outstanding	46,163	50,770
A.3 Other	197	358
<b>B. Life insurance</b>		
B.1 Mathematical reserves		
B.2 Provision for claims outstanding		
B.3 Other		
<b>C. Technical provisions where the investment risk is borne by the insured</b>		
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices		
C.2 Reserves from the operation of pension funds		
<b>D. Total reinsurers' share of technical provisions</b>	<b>84,670</b>	<b>82,185</b>

### 11.2 Change in item 110 "Reinsurers' share of technical provisions"

(thousands of euros)

	Non-life insurance		
	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	31,057	50,770	358
a) Increases	8,765	241	
b) Decreases	(1,512)	(4,848)	(161)
Closing balance	38,310	46,163	197

## 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	31/12/2014	31/12/2013
<b>1. Owned</b>	<b>231,921</b>	<b>116,057</b>	<b>33,046,821</b>	<b>33,394,799</b>	<b>32,543,334</b>
a) land	117,406	100,281	335,467	553,154	545,925
b) buildings	59,640	13,676	1,858,880	1,932,196	1,841,137
c) movables	1,738	1,820	7,525	11,083	13,410
d) electrical plant	998	231	387,304	388,533	302,704
e) other	52,139	49	30,457,645	30,509,833	29,840,158
<b>2. Acquired under finance leases</b>			<b>9,285</b>	<b>9,285</b>	<b>475</b>
a) land					
b) buildings			709	709	475
c) movables					
d) electrical plant					
e) other			8,576	8,576	
<b>Total</b>	<b>231,921</b>	<b>116,057</b>	<b>33,056,106</b>	<b>33,404,084</b>	<b>32,543,809</b>

### 12.2 Investment property: composition of assets measured at cost

(thousands of euros)

	31/12/2014				31/12/2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>40,077</b>		<b>30,984</b>	<b>8,686</b>	<b>47,863</b>		<b>36,198</b>	<b>13,540</b>
a) land	4,185		5,917		4,185		5,917	
b) buildings	35,892		25,067	8,686	43,678		30,281	13,540
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>40,077</b>		<b>30,984</b>	<b>8,686</b>	<b>47,863</b>		<b>36,198</b>	<b>13,540</b>

## 12.2 of which: pertaining to the Banking group

(thousands of euros)

	31/12/2014				31/12/2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>					<b>2,948</b>			<b>4,854</b>
a) land								
b) buildings					2,948			4,854
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>					<b>2,948</b>			<b>4,854</b>

## 12.2 of which: pertaining to the Insurance group

(thousands of euros)

	31/12/2014				31/12/2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>14,237</b>		<b>16,330</b>		<b>14,274</b>		<b>16,330</b>	
a) land	4,185		5,917		4,185		5,917	
b) buildings	10,052		10,413		10,089		10,413	
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>14,237</b>		<b>16,330</b>		<b>14,274</b>		<b>16,330</b>	

## 12.2 of which: pertaining to Other entities

(thousands of euros)

	31/12/2014				31/12/2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Owned</b>	<b>25,840</b>		<b>14,654</b>	<b>8,686</b>	<b>30,641</b>		<b>19,868</b>	<b>8,686</b>
a) land								
b) buildings	25,840		14,654	8,686	30,641		19,868	8,686
<b>2. Acquired under finance leases</b>								
a) land								
b) buildings								
<b>Total</b>	<b>25,840</b>		<b>14,654</b>	<b>8,686</b>	<b>30,641</b>		<b>19,868</b>	<b>8,686</b>

## 12.5 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>545,993</b>	<b>2,471,411</b>	<b>28,858</b>	<b>545,360</b>	<b>42,515,238</b>	<b>46,106,860</b>
A.1 Total net writedowns	(68)	(629,799)	(15,448)	(242,656)	(12,675,080)	(13,563,051)
<b>A.2 Opening net balance</b>	<b>545,925</b>	<b>1,841,612</b>	<b>13,410</b>	<b>302,704</b>	<b>29,840,158</b>	<b>32,543,809</b>
<b>B. Increases</b>	<b>17,818</b>	<b>276,372</b>	<b>4,184</b>	<b>197,681</b>	<b>2,248,875</b>	<b>2,744,930</b>
B.1 Purchases	4,512	37,670	668	43,172	2,101,372	2,187,394
B.2 Capitalised improvement costs		294				294
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences		3,876		438	15,057	19,371
B.6 Transfers from investment property						
B.7 Other changes	13,306	234,532	3,516	154,071	132,446	537,871
<b>C. Decreases</b>	<b>10,589</b>	<b>185,079</b>	<b>6,511</b>	<b>111,852</b>	<b>1,570,624</b>	<b>1,884,655</b>
C.1 Sales	35	5,712		245	34,534	40,526
- of which: business combinations		5,258			25,221	30,479
C.2 Depreciation		64,916	4,914	103,983	1,051,329	1,225,142
C.3 Writedowns for impairment recognised in:						
a) equity	66				6,212	6,278
b) income statement	66				6,212	6,278
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	471	1,334		4,508	1,425	7,738
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	10,017	113,117	1,597	3,116	477,124	604,971
<b>D. Closing net balance</b>	<b>553,154</b>	<b>1,932,905</b>	<b>11,083</b>	<b>388,533</b>	<b>30,518,409</b>	<b>33,404,084</b>
D.1 Total net writedowns	(134)	(698,875)	(16,728)	(302,144)	(13,618,000)	(14,635,881)
<b>D.2 Closing gross balance</b>	<b>553,288</b>	<b>2,631,780</b>	<b>27,811</b>	<b>690,677</b>	<b>44,136,409</b>	<b>48,039,965</b>
E. Measurement at cost						



## 12.5 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>84,825</b>	<b>13,345</b>	<b>18,999</b>	<b>54,414</b>	<b>288,989</b>
A.1 Total net writedowns		(23,031)	(11,215)	(17,697)	(21,964)	(73,907)
<b>A.2 Opening net balance</b>	<b>117,406</b>	<b>61,794</b>	<b>2,130</b>	<b>1,302</b>	<b>32,450</b>	<b>215,082</b>
<b>B. Increases</b>		<b>397</b>	<b>256</b>	<b>96</b>	<b>20,956</b>	<b>21,705</b>
B.1 Purchases			256	92	20,956	21,304
B.2 Capitalised improvement costs		294				294
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		103		4		107
<b>C. Decreases</b>		<b>2,551</b>	<b>648</b>	<b>400</b>	<b>1,267</b>	<b>4,866</b>
C.1 Sales						
C.2 Depreciation		2,551	648	400	1,155	4,754
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					112	112
<b>D. Closing net balance</b>	<b>117,406</b>	<b>59,640</b>	<b>1,738</b>	<b>998</b>	<b>52,139</b>	<b>231,921</b>
D.1 Total net writedowns		(25,582)	(11,863)	(18,097)	(23,119)	(78,661)
<b>D.2 Closing gross balance</b>	<b>117,406</b>	<b>85,222</b>	<b>13,601</b>	<b>19,095</b>	<b>75,258</b>	<b>310,582</b>
E. Measurement at cost						

## 12.5 of which: pertaining to the Insurance group

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>100,281</b>	<b>15,525</b>	<b>2,912</b>	<b>525</b>	<b>51</b>	<b>119,294</b>
A.1 Total net writedowns		(1,013)	(731)	(184)	-	(1,928)
<b>A.2 Opening net balance</b>	<b>100,281</b>	<b>14,512</b>	<b>2,181</b>	<b>341</b>	<b>51</b>	<b>117,366</b>
<b>B. Increases</b>		<b>178</b>	<b>368</b>	<b>42</b>		<b>588</b>
B.1 Purchases		178	368	42		588
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						
<b>C. Decreases</b>		<b>1,014</b>	<b>729</b>	<b>152</b>	<b>2</b>	<b>1,897</b>
C.1 Sales						
C.2 Depreciation		1,014	728	152	2	1,896
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			1			1
<b>D. Closing net balance</b>	<b>100,281</b>	<b>13,676</b>	<b>1,820</b>	<b>231</b>	<b>49</b>	<b>116,057</b>
D.1 Total net writedowns		(2,027)	(1,459)	(336)	(2)	(3,824)
<b>D.2 Closing gross balance</b>	<b>100,281</b>	<b>15,703</b>	<b>3,279</b>	<b>567</b>	<b>51</b>	<b>119,881</b>
E. Measurement at cost						

**12.5 of which: pertaining to Other entities**

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
<b>A. Opening gross balance</b>	<b>328,306</b>	<b>2,371,062</b>	<b>12,600</b>	<b>525,837</b>	<b>42,460,772</b>	<b>45,698,577</b>
A.1 Total net writedowns	(68)	(605,756)	(3,501)	(224,776)	(12,653,115)	(13,487,216)
<b>A.2 Opening net balance</b>	<b>328,238</b>	<b>1,765,306</b>	<b>9,099</b>	<b>301,061</b>	<b>29,807,657</b>	<b>32,211,361</b>
<b>B. Increases</b>	<b>17,818</b>	<b>275,797</b>	<b>3,560</b>	<b>197,543</b>	<b>2,227,919</b>	<b>2,722,637</b>
B.1 Purchases	4,512	37,492	44	43,038	2,080,416	2,165,502
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		3,876		438	15,057	19,371
B.6 Transfers from investment property						
B.7 Other changes	13,306	234,429	3,516	154,067	132,446	537,764
<b>C. Decreases</b>	<b>10,589</b>	<b>181,514</b>	<b>5,134</b>	<b>111,300</b>	<b>1,569,355</b>	<b>1,877,892</b>
C.1 Sales	35	5,712		245	34,534	40,526
C.2 Depreciation		61,351	3,538	103,431	1,050,172	1,218,492
C.3 Writedowns for impairment recognised in:						
a) equity	66				6,212	6,278
b) income statement	66				6,212	6,278
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	471	1,334		4,508	1,425	7,738
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	10,017	113,117	1,596	3,116	477,012	604,858
<b>D. Closing net balance</b>	<b>335,467</b>	<b>1,859,589</b>	<b>7,525</b>	<b>387,304</b>	<b>30,466,221</b>	<b>33,056,106</b>
D.1 Total net writedowns	(134)	(671,235)	(4,221)	(292,131)	(13,595,945)	(14,563,666)
<b>D.2 Closing gross balance</b>	<b>335,601</b>	<b>2,530,824</b>	<b>11,746</b>	<b>679,435</b>	<b>44,062,166</b>	<b>47,619,772</b>
E. Measurement at cost						

## 12.6 Investment property: change for the year

(thousands of euros)

	Banking group		Insurance group		Other entities	
	Land	Buildings	Land	Buildings	Land	Buildings
<b>A. Opening balance</b>		<b>2,948</b>	<b>4,185</b>	<b>10,089</b>		<b>30,641</b>
<b>B. Increases</b>				49		
B.1 Purchases				49		
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>		<b>2,948</b>		<b>86</b>		<b>4,801</b>
C.1 Sales				86		1,038
C.2 Depreciation		89				
C.3 Fair value losses						
C.4 Writedowns for impairment						3,763
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) operating property						
b) assets held for sale						
C.7 Other changes		2,859				
<b>D. Closing balance</b>		<b>-</b>	<b>4,185</b>	<b>10,052</b>		<b>25,840</b>
<b>E. Measurement at cost</b>						

## 12.7 Commitments to purchase property, plant and equipment

As at 31 December 2014, the subsidiary Fincantieri had commitments to purchase property, plant and equipment for around €45 million. Those commitments mainly related to investments in plant and machinery.

## SECTION 13 - INTANGIBLE ASSETS - ITEM 130

### 13.1 Intangible assets: composition by category

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2014		31/12/2013	
	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>	x		x		x	<b>712,094</b>	x	<b>712,094</b>	x	<b>1,952,124</b>
A.1.1 pertaining to Group	x		x		x	712,094	x	712,094	x	1,952,124
A.1.2 non-controlling interests	x		x		x		x		x	
<b>A.2 Other intangible assets</b>	<b>5,734</b>		<b>6,728</b>		<b>7,161,659</b>		<b>7,174,121</b>		<b>7,125,404</b>	
A.2.1 Assets carried at cost:	5,734		6,728		7,161,659		7,174,121		7,125,404	
a) internally-generated intangible assets			6,182		26,417		32,599		73,679	
b) other assets	5,734		546		7,135,242		7,141,522		7,051,725	
A.2.2 Assets carried at fair value										
a) internally-generated intangible assets										
b) other assets										
<b>Total</b>	<b>5,734</b>		<b>6,728</b>		<b>7,161,659</b>	<b>712,094</b>	<b>7,174,121</b>	<b>712,094</b>	<b>7,125,404</b>	<b>1,952,124</b>

“Other intangible assets” mainly relate to intangible assets resulting from business combinations involving the various companies of the Group. They mainly regard:

- concessions and licences worth €1,004,630 thousand, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth €5,609,716 thousand, of which €5,490,743 thousand refer to SNAM, and the remainder to Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructures under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at €174,395 thousand;
- trademarks worth €12,831 thousand;
- technological knowledge worth €20,800 thousand;
- the order portfolio of the industrial companies of the Group worth €4,200 thousand;
- development costs valued at €31,989 thousand;
- software licences worth €237,073 thousand.

## 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>1,952,124</b>	<b>110,658</b>		<b>10,388,213</b>		<b>12,450,995</b>
A.1 Total net writedowns		(36,979)		(3,336,488)		(3,373,467)
<b>A.2 Opening net balance</b>	<b>1,952,124</b>	<b>73,679</b>		<b>7,051,725</b>		<b>9,077,528</b>
<b>B. Increases</b>	<b>1,785</b>	<b>18,402</b>		<b>972,138</b>		<b>992,325</b>
B.1 Purchases		18,281		472,325		490,606
- 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				1,891		1,891
B.6 Other changes	1,785	121		497,922		499,828
<b>C. Decreases</b>	<b>1,241,815</b>	<b>59,482</b>		<b>882,341</b>		<b>2,183,638</b>
C.1 Sales				19,818		19,818
- of which: business combinations						
C.2 Writedowns		17,007		422,800		439,807
- Amortisation	x	17,007		422,800		439,807
- 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	36,401			9,977		46,378
C.6 Other changes	1,205,414	42,475		429,746		1,677,635
<b>D. Closing net balance</b>	<b>712,094</b>	<b>32,599</b>		<b>7,141,522</b>		<b>7,886,215</b>
D.1 Total net writedowns	-	(145,096)		(3,957,843)		(4,102,939)
<b>E. Closing gross balance</b>	<b>712,094</b>	<b>177,695</b>		<b>11,099,365</b>		<b>11,989,154</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>23,718</b>		<b>23,718</b>
A.1 Total net writedowns				(17,437)		(17,437)
<b>A.2 Opening net balance</b>				<b>6,281</b>		<b>6,281</b>
<b>B. Increases</b>				<b>1,743</b>		<b>1,743</b>
B.1 Purchases				1,743		1,743
- 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>2,290</b>		<b>2,290</b>
C.1 Sales						
- of which: business combinations						
C.2 Writedowns				2,290		2,290
- Amortisation	x			2,290		2,290
- 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>5,734</b>		<b>5,734</b>
D.1 Total net writedowns				(19,727)		(19,727)
<b>E. Closing gross balance</b>				<b>25,461</b>		<b>25,461</b>
F. Measurement at cost						

**Key**

DEF: definite life

INDEF: indefinite life

## 13.2 of which: pertaining to the Insurance 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>7,916</b>		<b>1,401</b>		<b>9,317</b>
A.1 Total net writedowns		(1,864)		(523)		(2,387)
<b>A.2 Opening net balance</b>		<b>6,052</b>		<b>878</b>		<b>6,930</b>
<b>B. Increases</b>		<b>1,565</b>		<b>163</b>		<b>1,728</b>
B.1 Purchases		1,444		163		1,607
- 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		121				121
<b>C. Decreases</b>		<b>1,435</b>		<b>495</b>		<b>1,930</b>
C.1 Sales						
- of which: business combinations						
C.2 Writedowns		1,435		375		1,810
- Amortisation	x	1,435		375		1,810
- 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				120		120
<b>D. Closing net balance</b>		<b>6,182</b>		<b>546</b>		<b>6,728</b>
D.1 Total net writedowns		(3,298)		(898)		(4,196)
<b>E. Closing gross balance</b>		<b>9,480</b>		<b>1,444</b>		<b>10,924</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>1,952,124</b>	<b>102,742</b>		<b>10,363,094</b>		<b>12,417,960</b>
A.1 Total net writedowns	-	(35,115)		(3,318,528)		(3,353,643)
<b>A.2 Opening net balance</b>	<b>1,952,124</b>	<b>67,627</b>		<b>7,044,566</b>		<b>9,064,317</b>
<b>B. Increases</b>	<b>1,785</b>	<b>16,837</b>		<b>970,232</b>		<b>988,854</b>
B.1 Purchases		16,837		470,419		487,256
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				1,891		1,891
B.6 Other changes	1,785			497,922		499,707
<b>C. Decreases</b>	<b>1,241,815</b>	<b>58,047</b>		<b>879,556</b>		<b>2,179,418</b>
C.1 Sales				19,818		19,818
C.2 Writedowns		15,572		420,135		435,707
- Amortisation	x	15,572		420,135		435,707
- 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	36,401			9,977		46,378
C.6 Other changes	1,205,414	42,475		429,626		1,677,515
<b>D. Closing net balance</b>	<b>712,094</b>	<b>26,417</b>		<b>7,135,242</b>		<b>7,873,753</b>
D.1 Total net writedowns	-	(141,798)		(3,937,215)		(4,079,013)
<b>E. Closing gross balance</b>	<b>712,094</b>	<b>168,215</b>		<b>11,072,457</b>		<b>11,952,766</b>

F. Measurement at cost

Key

DEF: definite life

INDEF: indefinite life

## Impairment testing of goodwill

Goodwill recognised in the balance sheet in the amount of €712 million, consists of:

- €208 million for Terna;
- €299 million for SNAM;
- goodwill of €200 million relating to the companies in the Vard Group's scope of consolidation from 2013.

With reference to the companies in the Vard Group and the FMG Group, impairment testing of goodwill as per IAS 36 was performed using the unlevered version of the discounted cash flow model, which determines value in use of an asset on the basis of an estimation of future cash flows and an appropriate discount rate. These cash flows are projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates ("g rates") that are no higher than those forecast for the markets in which the single cash generating units (CGUs) operate. No loss of value was detected in the impairing testing, as the recoverable value of the CGUs was higher than their accounting value.

In relation to Terna and SNAM, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of the average of the stock market prices of the last 24 months.

Both companies' fair values were higher than the value of their respective net assets, inclusive of the results of the purchase price allocation and goodwill.

## 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	31/12/2014	31/12/2013
<b>Deferred tax assets recognised in income statement</b>	<b>174,313</b>	<b>164,357</b>	<b>865,058</b>	<b>1,203,728</b>	<b>1,253,001</b>
- losses carried forward			59,325	59,325	39,717
- grants			35,514	35,514	32,667
- sundry writedowns		11,505	25,130	36,635	78,053
- financial instruments		18,676	945	19,621	22,826
- debts	116	16		132	513
- dismantling and site restoration			204,584	204,584	157,724
- provisions for risks and charges	4,962	5,092	178,683	188,737	197,737
- writedowns of receivables	48,930	45,780	14,253	108,963	64,244
- property, plant and equipment / intangible assets	3,690	446	109,878	114,014	113,101
- product guarantee			12,832	12,832	8,924
- employee benefits		161	49,167	49,328	49,268
- technical provisions		51,141		51,141	118,912
- exchange differences		29,948		29,948	43,369
- other temporary differences	116,615	1,592	174,747	292,954	325,946
<b>Deferred tax assets recognised in equity</b>	<b>33,854</b>	<b>7</b>	<b>31,247</b>	<b>65,108</b>	<b>70,036</b>
- assets available for sale	28,788		227	29,015	27,437
- cash flow hedge	5,048		9,817	14,865	32,806
- other assets	18	7	21,203	21,228	9,793
<b>Total</b>	<b>208,167</b>	<b>164,364</b>	<b>896,305</b>	<b>1,268,836</b>	<b>1,323,037</b>

## 14.2 Deferred tax liabilities: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>Deferred tax liabilities recognised in income statement</b>	<b>113,170</b>	<b>183,237</b>	<b>3,812,548</b>	<b>4,108,955</b>	<b>4,910,166</b>
- capital gains taxed in instalments			35,931	35,931	67,250
- severance pay		30	9,764	9,794	11,234
- property, plant and equipment		19,195	2,902,400	2,921,595	3,730,887
- own securities portfolio		2,607		2,607	6,224
- equity investments	113,170			113,170	96,428
- other financial instruments		12,947	672	13,619	13,679
- technical provisions		49,213		49,213	36,219
- other		78,697		78,697	23,237
- offsetting against deferred tax assets		20,548	863,781	884,329	925,008
<b>Deferred tax liabilities recognised in equity</b>	<b>134,542</b>		<b>6,156</b>	<b>140,698</b>	<b>86,353</b>
- assets available for sale	120,067		6,121	126,188	78,510
- other liabilities	14,475		35	14,510	7,843
<b>Total</b>	<b>247,712</b>	<b>183,237</b>	<b>3,818,704</b>	<b>4,249,653</b>	<b>4,996,519</b>

### 14.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>129,840</b>	<b>236,240</b>	<b>886,921</b>	<b>1,253,001</b>	<b>1,069,094</b>
<b>2. Increases</b>	<b>51,002</b>	<b>21,202</b>	<b>201,227</b>	<b>273,431</b>	<b>327,992</b>
2.1 Deferred tax assets recognised during the year	51,002	21,202	113,196	185,400	172,869
a) in respect of previous periods					
b) due to change in accounting policies					
c) writebacks					15,850
d) other	51,002	21,202	113,196	185,400	157,019
2.2 New taxes or increases in tax rates					
2.3 Other increases			83,026	83,026	109,691
2.4 Business combinations			5,005	5,005	45,432
<b>3. Decreases</b>	<b>6,529</b>	<b>93,085</b>	<b>223,090</b>	<b>322,704</b>	<b>144,085</b>
3.1 Deferred tax assets derecognised during the year	6,529	93,085	105,720	205,334	74,701
a) reversals	6,529	31,302	74,183	112,014	55,813
b) writedowns for supervening non-recoverability					649
c) due to change in accounting policies					
d) other		61,783	31,537	93,320	18,239
3.2 Reduction in tax rates			101,667	101,667	
3.3 Other decreases			15,703	15,703	69,384
a) transformation in tax credits under Law 214/2011					
b) other			15,703	15,703	69,384
3.4 Business combinations					
<b>4. Closing balance</b>	<b>174,313</b>	<b>164,357</b>	<b>865,058</b>	<b>1,203,728</b>	<b>1,253,001</b>

#### 14.4 Changes in deferred tax liabilities (recognised in income statement)

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>96,199</b>	<b>135,416</b>	<b>4,678,551</b>	<b>4,910,166</b>	<b>4,897,657</b>
<b>2. Increases</b>	<b>52,128</b>	<b>77,477</b>	<b>156,207</b>	<b>285,812</b>	<b>360,057</b>
2.1 Deferred tax liabilities recognised during the year	52,128	77,477	1,857	131,462	113,757
a) in respect of previous periods		4,005		4,005	
b) due to change in accounting policies					
c) other	52,128	73,472	1,857	127,457	113,757
2.2 New taxes or increases in tax rates					
2.3 Other increases			154,350	154,350	41,724
2.4 Business combinations					204,576
<b>3. Decreases</b>	<b>35,157</b>	<b>29,656</b>	<b>1,022,210</b>	<b>1,087,023</b>	<b>347,548</b>
3.1 Deferred tax liabilities derecognised during the year	35,157	29,656	558,459	623,272	338,370
a) reversals	35,157	29,656	558,459	623,272	325,195
b) due to change in accounting policies					
c) other					13,175
3.2 Reduction in tax rates			324,824	324,824	
3.3 Other decreases			138,927	138,927	
3.4 Business combinations					9,178
<b>4. Closing balance</b>	<b>113,170</b>	<b>183,237</b>	<b>3,812,548</b>	<b>4,108,955</b>	<b>4,910,166</b>

### 14.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>30,735</b>		<b>39,301</b>	<b>70,036</b>	<b>97,908</b>
<b>2. Increases</b>	<b>8,323</b>	<b>7</b>	<b>11,698</b>	<b>20,028</b>	<b>34,443</b>
2.1 Deferred tax assets recognised during the year	8,308	7		8,315	26,560
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	8,308	7		8,315	26,560
2.2 New taxes or increases in tax rates					
2.3 Other increases	15		11,698	11,713	7,883
2.4 Business combinations					
<b>3. Decreases</b>	<b>5,204</b>		<b>19,752</b>	<b>24,956</b>	<b>62,315</b>
3.1 Deferred tax assets derecognised during the year	5,204			5,204	32,555
a) reversals	5,204			5,204	32,555
b) writedowns for supervening non-recoverability					
c) due to change in accounting policies					
d) other					
3.2 Reduction in tax rates					29,760
3.3 Other decreases			19,752	19,752	
3.4 Business combinations					
<b>4. Closing balance</b>	<b>33,854</b>	<b>7</b>	<b>31,247</b>	<b>65,108</b>	<b>70,036</b>

## 14.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Opening balance</b>	<b>72,122</b>	<b>200</b>	<b>14,031</b>	<b>86,353</b>	<b>86,473</b>
<b>2. Increases</b>	<b>86,857</b>		<b>3,664</b>	<b>90,521</b>	<b>24,304</b>
2.1 Deferred tax liabilities recognised during the year	86,857		77	86,934	24,304
a) in respect of previous periods			77	77	15
b) due to change in accounting policies					
c) other	86,857			86,857	24,289
2.2 New taxes or increases in tax rates					
2.3 Other increases			3,587	3,587	
2.4 Business combinations					
<b>3. Decreases</b>	<b>24,437</b>	<b>200</b>	<b>11,539</b>	<b>36,176</b>	<b>24,424</b>
3.1 Deferred tax liabilities derecognised during the year	24,437	200	7,278	31,915	14,577
a) reversals	24,437		7,278	31,715	14,577
b) due to change in accounting policies					
c) other		200		200	
3.2 Reduction in tax rates			90	90	
3.3 Other decreases			4,171	4,171	9,847
3.4 Business combinations					
<b>4. Closing balance</b>	<b>134,542</b>	<b>-</b>	<b>6,156</b>	<b>140,698</b>	<b>86,353</b>



## SECTION 15 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 150 OF ASSETS AND ITEM 90 OF LIABILITIES

### 15.1 Non current assets and disposal groups held for sale: composition by category

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Individual assets</b>		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, plant and equipment	23,783	23,320
A.4 Intangible assets		
A.5 Other non-current assets		
<b>Total A</b>	<b>23,783</b>	<b>23,320</b>
- of which carried at cost		
- of which designated at fair value – Level 1		
- of which designated at fair value – Level 2		
- of which designated at fair value – Level 3	23,783	23,320
<b>B. Groups of assets (discontinued operations)</b>		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Property, plant and equipment		
B.9 Intangible assets		
B.10 Other assets		
<b>Total B</b>		
- of which carried at cost		
- of which designated at fair value – Level 1		
- of which designated at fair value – Level 2		
- of which designated at fair value – Level 3		
<b>C. Liabilities associated with individual assets held for sale</b>		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities	7,249	7,572
<b>Total C</b>	<b>7,249</b>	<b>7,572</b>
- of which carried at cost		
- of which designated at fair value – Level 1		
- of which designated at fair value – Level 2		
- of which designated at fair value – Level 3	7,249	7,572
<b>D. Liabilities associated with disposal groups held for sale</b>		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value		
D.6 Provisions		
D.7 Other liabilities		
<b>Total D</b>		
- of which carried at cost		
- of which designated at fair value – Level 1		
- of which designated at fair value – Level 2		
- of which designated at fair value – Level 3		

## SECTION 16 - OTHER ASSETS - ITEM 160

### 16.1 Other assets: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
Payments on account for withholding tax on postal savings passbooks	238,419			238,419	395,274
Other tax receivables	13	6,477	62,121	68,611	118,853
Leasehold improvements			5,740	5,740	6,125
Receivables due from investees	136		105,015	105,151	66,495
Trade receivables and advances to public entities	6,432		24,938	31,370	31,330
Construction contracts			1,665,139	1,665,139	1,689,013
Advances to suppliers	202	614	198,066	198,882	216,456
Inventories		24	2,249,438	2,249,462	1,961,979
Advances to personnel	7	775	14,063	14,845	12,040
Other trade receivables	27	147,929	3,920,413	4,068,369	4,893,640
Other items	143,257	5,773	583,808	732,838	680,939
Accrued income and prepaid expenses	2,184	1,211	224,522	227,917	272,026
<b>Total</b>	<b>390,677</b>	<b>162,803</b>	<b>9,053,263</b>	<b>9,606,743</b>	<b>10,344,170</b>

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

The main items under this heading are:

- withholding tax on interest paid on postal savings passbooks for about €238 million: the balance at 31 December 2014 refers to advances paid to the Italian Revenue in excess of withholdings applied to interest earned in 2014 on postal savings passbooks;
- construction contracts for about €1,665 million, mainly related to Fincantieri shipbuilding activities;
- inventories of work in progress and semi-finished goods for approximately €2,249 million;
- other trade receivables in the amount of about €4,068 million mainly attributable to SNAM and Terna.

# Liabilities

## SECTION 1 - DUE TO BANKS - ITEM 10

### 1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Due to central banks</b>	<b>5,597,974</b>	<b>18,633,851</b>
<b>2. Due to banks</b>	<b>16,210,906</b>	<b>13,297,260</b>
2.1 Current accounts and demand deposits	238,618	239,390
2.2 Fixed-term deposits	1,927,773	1,489,775
2.3 Loans	13,969,298	11,483,143
2.3.1 Repurchase agreements	1,566,210	443,226
2.3.2 Other	12,403,088	11,039,917
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.6 Other payables	75,217	84,952
<b>Total</b>	<b>21,808,880</b>	<b>31,931,111</b>
Fair value - Level 1		
Fair value - Level 2	1,657,052	1,111,944
Fair value - Level 3	20,149,086	31,439,342
<b>Total fair value</b>	<b>21,806,138</b>	<b>32,551,286</b>

The item "Due to central banks" mainly refers to lines of credit extended by the ECB. The reduction in the amount compared to the prior year is due to the continuation by the Parent Company of the early repayment plan for the three-year financing operation (LTRO).

Fixed-term deposits mainly 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.

For the Parent Company, loans mainly comprise repurchase agreements and loans from the EIB; the remainder is composed of bank loans to the other Group companies.

## 1.2 Due to banks: subordinated liabilities

At 31 December 2014 there were no subordinated liabilities.

## 1.3 Due to banks: structured liabilities

At 31 December 2014 there were no structured liabilities.

## 1.4 Due to banks: liabilities hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<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>2,389,831</b>	<b>2,118,536</b>
a) interest rate risk	2,389,831	2,118,536
b) exchange rate risk		
c) other		
<b>Total</b>	<b>2,389,831</b>	<b>2,118,536</b>

## 1.5 Due to banks for finance leasing

(thousands of euros)

	Minimum payments
Up to 3 months	
From 3 months to 1 year	1,682
From 1 year to 5 years	6,962
More than 5 years	126
Present value of minimum payments gross/net	8,770

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2014	31/12/2013
1. Current accounts and demand deposits	450	14,213
2. Fixed-term deposits	288,545,537	251,572,836
3. Loans	1,413,495	150,820
3.1 Repurchase agreements	975,393	
3.2 Other	438,102	150,820
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	6,297,203	7,044,703
<b>Total</b>	<b>296,256,685</b>	<b>258,782,572</b>
Fair value - Level 1		
Fair value - Level 2	2,412	21,336
Fair value - Level 3	296,254,273	258,761,236
<b>Total fair value</b>	<b>296,256,685</b>	<b>258,782,572</b>

“Fixed-term deposits” mainly regard the balance at year-end 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, for the part relating to postal savings bonds issued by the Parent Company, 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. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, taking also into account early redemption options. Conversely, for postal bonds that, taking into account the early redemption option, pay savers lower than market rates, the fair value would be less than the carrying amount.

The net effect of these differences may fully or partially offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical predictions on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market

conditions at 31 December 2014. These elements are the volatility of credit spreads and their high percentage impact on overall interest rates, given that interest rates, net of credit spreads, are very low. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

## 2.2 Breakdown of item 20 "Due to customers": subordinated liabilities

At 31 December 2014 there were no subordinated liabilities.

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

Structured liabilities at 31 December 2014 amounted to about €5,483 million and include postal savings bonds indexed to baskets of shares, for which the embedded derivative has been separated from the host contract.

## 2.4 Due to customers: liabilities hedged specifically

	<i>(thousands of euros)</i>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
<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>442,163</b>	<b>434,356</b>
a) interest rate risk	442,163	434,356
b) exchange rate risk		
c) other		
<b>Total</b>	<b>442,163</b>	<b>434,356</b>

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

## 2.5 Due to customers for finance leasing

	<i>(thousands of euros)</i>
	<b>Minimum payments</b>
Up to 3 months	
From 3 months to 1 year	337
From 1 year to 5 years	267
More than 5 years	
Present value of minimum payments gross/net	604

## SECTION 3 - SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: composition by type

(thousands of euros)

	31/12/2014				31/12/2013			
	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	26,404,220	17,388,133	9,792,421	23,684	22,424,082	15,847,719	6,674,532	384,249
1.1 structured	52,734		47,018		45,238		42,197	
1.2 other	26,351,486	17,388,133	9,745,403	23,684	22,378,844	15,847,719	6,632,335	384,249
2. Other securities	510,695		510,695					
2.1 structured								
2.2 other	510,695		510,695					
<b>Total</b>	<b>26,914,915</b>	<b>17,388,133</b>	<b>10,303,116</b>	<b>23,684</b>	<b>22,424,082</b>	<b>15,847,719</b>	<b>6,674,532</b>	<b>384,249</b>

### 3.1 of which: pertaining to the Banking group

(thousands of euros)

	31/12/2014				31/12/2013			
	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	9,363,083		9,630,678	23,684	6,795,080		6,302,147	384,249
1.1 structured	52,734		47,018		45,238		42,197	
1.2 other	9,310,349		9,583,660	23,684	6,749,842		6,259,950	384,249
2. Other securities	510,695		510,695					
2.1 structured								
2.2 other	510,695		510,695					
<b>Total</b>	<b>9,873,778</b>		<b>10,141,373</b>	<b>23,684</b>	<b>6,795,080</b>		<b>6,302,147</b>	<b>384,249</b>

For the Banking group the balance at 31 December 2014 referred to:

- “Bonds” at 31 December 2014 refers to bonds issued by the Parent Company under the Euro Medium Term Notes programme. During the year new issues were made under this programme for a total nominal value of €2,950 million, entirely as part of the Separate Account;
- “Other securities” refers to issues of commercial paper launched by the Parent Company in 2014 as part of the programme called “Multi-Currency Commercial Paper Programme”. The nominal value of issues made during the year amounted to about €727 million.



### 3.1 of which: pertaining to Other entities

(thousands of euros)

	31/12/2014				31/12/2013			
	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	17,041,137	17,388,133	161,743		15,629,002	15,847,719	372,385	
1.1 structured								
1.2 other	17,041,137	17,388,133	161,743		15,629,002	15,847,719	372,385	
2. Other securities								
2.1 structured								
2.2 other								
<b>Total</b>	<b>17,041,137</b>	<b>17,388,133</b>	<b>161,743</b>		<b>15,629,002</b>	<b>15,847,719</b>	<b>372,385</b>	

Outstanding securities issued by other entities refer to bonds issued by SNAM and Terna.

### 3.2 Breakdown of item 30 "Securities issued": subordinated securities

At 31 December 2014, there were no subordinated securities in issue.

### 3.3 Breakdown of item 30 "Securities issued": securities hedged specifically

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Securities covered by specific fair value hedges:</b>	<b>15,131,257</b>	<b>10,152,005</b>
a) interest rate risk	15,131,257	9,788,255
b) exchange rate risk		
c) multiple risks		363,750
<b>2. Securities covered by specific cash flow hedges:</b>	<b>68,995</b>	<b>69,228</b>
a) interest rate risk		
b) exchange rate risk	68,995	69,228
c) other		
<b>Total</b>	<b>15,200,252</b>	<b>10,221,233</b>

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

### 4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2014					31/12/2013				
	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			205,509	193,310				93,835	422,517	
1.1 Trading	x		82,955	25,890	x	x		34,070	37,467	x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		122,554	167,420	x	x		59,765	385,050	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>205,509</b>	<b>193,310</b>	<b>x</b>	<b>x</b>		<b>93,835</b>	<b>422,517</b>	<b>x</b>
<b>Total (A+B)</b>	<b>x</b>		<b>205,509</b>	<b>193,310</b>	<b>x</b>	<b>x</b>		<b>93,835</b>	<b>422,517</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 issued by the Parent Company 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

(thousand of euros)

	31/12/2014			NV 31/12/2014	31/12/2013			NV 31/12/2013
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>	<b>9,772</b>	<b>2,589,100</b>	<b>40,238</b>	<b>11,180,466</b>	<b>1,551,250</b>	<b>25,717</b>		<b>14,219,893</b>
1) Fair value	9,772	2,544,844		8,255,625	1,452,441			11,890,602
2) Cash flow		44,256	40,238	2,924,841	98,809	25,717		2,329,291
3) Investment in foreign operation								
<b>B. Credit derivatives</b>								
1) Fair value								
2) Cash flow								
<b>Total</b>	<b>9,772</b>	<b>2,589,100</b>	<b>40,238</b>	<b>11,180,466</b>	<b>-</b>	<b>1,551,250</b>	<b>25,717</b>	<b>14,219,893</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				33,071		x		x	x
2. Loans	2,265,092			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		246,380				x	462	x	
<b>Total assets</b>	<b>2,265,092</b>	<b>246,380</b>		<b>33,071</b>			<b>462</b>		
1. Financial liabilities	10,073			x		x	84,032	x	x
2. Portfolio	x	x	x	x	x		x		x
<b>Total liabilities</b>	<b>10,073</b>			<b>x</b>			<b>84,032</b>		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

## SECTION 7 - ADJUSTMENT OF FINANCIAL LIABILITIES HEDGED GENERICALLY - ITEM 70

### 7.1 Value adjustments of hedged financial liabilities

*(thousands of euros)*

	31/12/2014	31/12/2013
1. Positive adjustments of financial liabilities	47,922	52,258
2. Negative adjustments of financial liabilities		
<b>Total</b>	<b>47,922</b>	<b>52,258</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	31/12/2014	31/12/2013
Items being processed	101,019			101,019	9,576
Amounts due to employees	2,945	2,277	114,698	119,920	123,741
Charges for postal funding service	901,119			901,119	893,418
Tax payables	366,724	2,966	93,212	462,902	554,895
Construction contracts			551,468	551,468	1,275,535
Trade payables	27,927	36,274	4,025,958	4,090,159	4,597,481
Due to social security institutions	3,538	2,415	95,205	101,158	106,473
Accrued expenses and deferred income		1,381	371,483	372,864	852,266
Other items of insurance companies		31,114		31,114	54,942
- due to insured for recovered amounts					
- liabilities for premiums to be reimbursed		14		14	59
- premium deposits					5
- processing expenses		37		37	26
- collections from factoring being processed		31,063		31,063	54,852
Other	96,251	87,243	1,374,070	1,557,564	1,393,088
<b>Total</b>	<b>1,499,523</b>	<b>163,670</b>	<b>6,626,094</b>	<b>8,289,287</b>	<b>9,861,415</b>

For the Banking group, the main items under this heading are:

- the payable to Poste Italiane S.p.A. of about €901 million, in respect of the unpaid portion at the balance sheet date of commissions for funding with postal savings products;
- tax payables totalling about €367 million, mainly regarding the tax on interest paid on postal savings products.

With regard to Other entities, the item mainly refers to trade payables for about €4.1 billion, mainly related to Terna (about €2 billion), Fintecna (about €1 billion) and SNAM (about €0.8 billion).

## 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	31/12/2014	31/12/2013
<b>A. Opening balance</b>	<b>938</b>	<b>6,353</b>	<b>259,689</b>	<b>266,980</b>	<b>253,261</b>
<b>B. Increases</b>	<b>1,724</b>	<b>1,043</b>	<b>44,060</b>	<b>46,827</b>	<b>43,572</b>
B.1 Provision for the year	1,483	424	5,625	7,532	7,339
B.2 Other increases	241	619	38,435	39,295	36,233
<b>C. Decreases</b>	<b>1,449</b>	<b>437</b>	<b>49,441</b>	<b>51,327</b>	<b>29,853</b>
C.1 Severance payments	8	437	16,332	16,777	19,239
C.2 Other decreases	1,441		33,109	34,550	10,614
<b>D. Closing balance</b>	<b>1,213</b>	<b>6,959</b>	<b>254,308</b>	<b>262,480</b>	<b>266,980</b>

## SECTION 12 - PROVISIONS - ITEM 120

### 12.1 Provisions: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Company pension plans</b>		<b>1,845</b>		<b>1,845</b>	<b>4,677</b>
<b>2. Other provisions</b>	<b>19,381</b>	<b>171,180</b>	<b>2,806,887</b>	<b>2,997,448</b>	<b>3,146,453</b>
2.1 legal disputes	3,763	2,038	62,161	67,962	95,441
2.2 staff costs	12,374	4,004	167,622	184,000	158,798
2.3 other	3,244	165,138	2,577,104	2,745,486	2,892,214
<b>Total</b>	<b>19,381</b>	<b>173,025</b>	<b>2,806,887</b>	<b>2,999,293</b>	<b>3,151,130</b>

## 12.2 Provisions: change for the year

(thousands of euros)

	Banking group		Insurance group		Other entities		31/12/2014	
	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions	Pensions	Other provisions
<b>A. Opening balance</b>	-	15,713	1,919	168,370	2,758	2,962,370	4,677	3,146,453
<b>B. Increases</b>		11,868		3,802		600,914		616,584
B.1 Provision for the year		2,612		1,889		397,216		401,717
B.2 Changes due to passage of time						23,135		23,135
B.3 Changes due to changes in discount rate						165,071		165,071
B.4 Other increases		9,256		1,913		15,492		26,661
<b>C. Decreases</b>	-	8,200	74	992	2,758	756,397	2,832	765,589
C.1 Use during the year		7,167	74	992		209,698	74	217,857
C.2 Changes due to changes in discount rate								
C.3 Other decreases		1,033			2,758	546,699	2,758	547,732
<b>D. Closing balance</b>	-	19,381	1,845	171,180	-	2,806,887	1,845	2,997,448

## 12.4 Provisions - Other provisions

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>2. Other provisions</b>	<b>19,381</b>	<b>171,180</b>	<b>2,806,887</b>	<b>2,997,448</b>	<b>3,146,453</b>
2.1 legal disputes	3,763	2,038	62,161	67,962	95,441
2.2 staff costs	12,374	4,004	167,622	184,000	158,798
- early retirement			53,040	53,040	48,255
- loyalty bonus			4,851	4,851	5,360
- electricity discount			49,008	49,008	35,019
- other	12,374	4,004	60,723	77,101	70,164
2.3 other	3,244	165,138	2,577,104	2,745,486	2,892,214

The main contributors to “Other provisions for risks and charges”, totalling €2,745 million at 31 December 2014, are:

- about 23% for the provisions for dismantling and reclamation of sites, mainly arising from charges expected to be incurred for the removal of structures and reclamation of natural gas storage and transport sites;

- about 18% for provisions for risks from civil, administrative and tax disputes, mostly arising from the incorporations of the former IRI Group companies in liquidation;
- about 12% for the reclamation and conservation of property sites, as well as provisions for commitments in respect of contracts. These relate to the probable liabilities deriving from the commitments assumed by the companies of the former IRI Group following their privatisation and rationalisation. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments bearing in mind contractual provisions in force;
- about 9% for potential liabilities relating to the assets pertaining to the sub-holding company Fintecna, recognised in the context of the price allocation process set out in IFRS 3;
- about 6% for provisions for liquidation costs, estimated on the basis of the expected cost of handling the disputes deriving from the incorporation into Fintecna of the former IRI Group companies in liquidation. The estimate of these costs is determined on the basis of the expected time for resolving said disputes;
- about 5% for the provision for environmental risks and charges, which mainly comprises the charges for the environmental reclamation of the soil, in accordance with Law 471/1999 as amended, mainly for the disposal of solid waste related to the distribution of natural gas.



## SECTION 13 - TECHNICAL PROVISIONS - ITEM 130

### 13.1 Technical provisions: composition

(thousands of euros)

	Direct business	Indirect business	Total 31/12/2014	Total 31/12/2013
<b>A. Non-life insurance</b>	<b>2,221,458</b>	<b>72,977</b>	<b>2,294,435</b>	<b>2,461,639</b>
A.1 Provision for unearned premiums	1,582,478	64,841	1,647,319	1,670,508
A.2 Provision for claims outstanding	638,064	8,136	646,200	790,073
A.3 Other	916		916	1,058
<b>B. Life insurance</b>				
B.1 Mathematical reserves				
B.2 Provision for claims outstanding				
B.3 Other				
<b>C. Technical provisions where the investment risk is borne by the insured</b>				
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices				
C.2 Reserves from the operation of pension funds				
<b>D. Total technical provisions</b>	<b>2,221,458</b>	<b>72,977</b>	<b>2,294,435</b>	<b>2,461,639</b>

### 13.2 Technical provisions: change for the year

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Non-life insurance</b>	<b>2,294,435</b>	<b>2,461,639</b>
Opening balance	2,461,639	
Business combinations		
Change in the reserve (+/-)	(167,204)	2,461,639
<b>B. Life insurance and other technical provisions</b>		
Opening balance		
Business combinations		
Changes due to premium income		
Changes due to payments		
Change due to income and other bonuses paid to insurers (+/-)		
Change due to exchange difference (+/-)		
Change in other technical provisions (+/-)		
<b>C. Total technical provisions</b>	<b>2,294,435</b>	<b>2,461,639</b>

## SECTION 15 - GROUP EQUITY - ITEMS 140, 170, 180, 190, 210 AND 220

### 15.1 "Share capital" and "Treasury shares": composition

The share capital of the Parent Company of €3,500,000,000 at 31 December 2014 is fully paid up and is composed of 296,450,000 ordinary shares, without par value.

At 31 December 2014 the Parent Company held treasury shares with a value of €57,220,116.

## 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>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
<b>A.2 Shares in circulation: opening balance</b>	<b>291,998,840</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>291,998,840</b>	
D.1 Treasury shares (+)	4,451,160	
<b>D.2 Shares at end of the year</b>	<b>296,450,000</b>	
- fully paid	296,450,000	
- partly paid		

## 15.4 Income reserves: additional information

(thousands of euros)

	31/12/2014	31/12/2013
<b>Income reserves</b>	<b>15,538,120</b>	<b>13,368,931</b>
Legal reserve	700,000	700,000
Other reserves	14,838,120	12,668,931

## SECTION 16 - NON-CONTROLLING INTERESTS - ITEM 210

### 16.1 Breakdown of item 210 Non-controlling interests

(thousands of euros)

	31/12/2014	31/12/2013
1. Terna S.p.A.	3,074,695	2,726,284
2. Snam S.p.A.	7,368,861	6,875,951
Other equity investments	3,342,509	1,345,931

### 16.2 Equity instruments: composition

(thousands of euros)

	31/12/2014	31/12/2013
Share capital:		
a) ordinary shares	4,109,007	3,869,534
b) preference shares	116,033	116,033
Share premium reserve	2,088,974	951,724
Reserves:		
a) income	5,283,780	5,525,865
b) other	850,290	(156,153)
Valuation reserves	(60,759)	57,951
Equity instruments		
Interim dividends	(98,699)	(335,241)
Treasury shares	(3,221)	(4,884)
Income (loss) for the period	1,500,660	923,337
<b>Total non-controlling interests</b>	<b>13,786,065</b>	<b>10,948,166</b>

## OTHER INFORMATION

### 1. Guarantees issued and commitments

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
1. Financial guarantees issued	949,328		43,500	992,828	950,207
a) Banks					270,000
b) Customers	949,328		43,500	992,828	680,207
2. Commercial guarantees issued			134,022	134,022	1,277,504
a) Banks			134,022	134,022	127,197
b) Customers					1,150,307
3. Irrevocable commitments to disburse funds	15,722,257	59,386	191,506	15,973,149	13,788,725
a) Banks	438,790			438,790	450,795
i) certain use	438,790			438,790	450,795
ii) uncertain use					
b) Customers	15,283,467	59,386	191,506	15,534,359	13,337,930
i) certain use	15,283,467			15,283,467	13,022,648
ii) uncertain use		59,386	191,506	250,892	315,282
4. Commitments underlying credit derivatives: sales of protection					
5. Assets pledged as collateral for third-party debts					84,500
6. Other commitments	2,175,335		58,210	2,233,545	3,124,972
<b>Total</b>	<b>18,846,920</b>	<b>59,386</b>	<b>427,238</b>	<b>19,333,544</b>	<b>19,225,908</b>

## 2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	Banking group	Other entities	31/12/2014	31/12/2013
1. Financial assets held for trading				
2. Financial assets at fair value				
3. Financial assets available for sale	1,018,500		1,018,500	2,917,500
4. Financial assets held to maturity	9,798,500		9,798,500	10,338,500
5. Loans to banks	202,273		202,273	135,250
6. Loans to customers	33,512,179	17,785	33,529,964	37,406,400
7. Property, plant and equipment		166,527	166,527	152,000
8. Other assets		1,762,085	1,762,085	244,000

“Other assets” pledged as collateral include:

- the assets (land and buildings recognised under item 160 of assets in the balance sheet) bearing first mortgages securing bank loans obtained to purchase them;
- the value of the shares issued by Ansaldo Energia and pledged to this investee’s lending banks, totalling about €448 million, and the net assets of the subsidiary FSIA Investimenti, equal to about €217 million, whose shares have been pledged to the banks that have financed the company.

## 3. Information on operating leases

(thousands of euros)

	31/12/2014	31/12/2013
<b>Information from lessee perspective</b>		
<b>Future non-cancellable operating lease payments</b>	<b>11,256</b>	<b>73,382</b>
- up to 3 months	394	9,071
- from 3 months to 1 year	5,042	30,914
- from 1 year to 5 years	5,486	32,438
- more than 5 years	334	959
<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)

**31/12/2014**

<b>1. Order execution on behalf of customers</b>	
a) purchases	
1. settled	
2. not yet settled	
b) sales	
1. settled	
2. not yet settled	
<b>2. Asset management</b>	
a) individual	
b) collective	418,729
<b>3. Securities custody and administration</b>	
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	6,089,254
1. securities issued by consolidated companies	
2. other securities	6,089,254
c) third-party securities deposited with third parties	6,089,254
d) own securities portfolio deposited with third parties	47,290,598
<b>4. Other</b>	
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of MEF (note 1)	71,518,103
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (note 2)	9,625,800
- Payment PA payable - Decree Law 8 April 2013, 35 (note 3)	6,590,067
- Funds for Approved and Subsidised Residential Building initiatives (note 4)	3,043,305
- Funds for Regional Agreements and Area Contracts - Law 662/1996, Article 2, paragraph 207 (note 4)	607,115
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law 1041/1971 (note 4)	765,996
- Kyoto Fund (note 3)	631,485
- Funds for Methanisation of Southern Italy - Law 784/1980, Law 266/1997 and Law 73/1998 (note 4)	209,967
- MIUR Student Accommodation - Law 388/2000 (note 4)	100,070
- Minimum Environmental Impact Fund (note 4)	30,549
- Residential Construction Mortgages - Law 179/1982 Article 5 (note 2)	89
- Contributions Fund pursuant to Law 295/1973 c/o SIMEST (note 5)	2,112,650
- Revolving Fund pursuant to Law 394/81 c/o SIMEST (note 5)	722,489
- Revolving Fund for Venture Capital Operations (note 5)	240,535
- Start Up Fund (5)	3,990

(1) The figure shown represents the amount at the reporting date of the financial statements.

(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF.

(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, on loans managed on behalf of the MEF.

(4) The figure shown represents the remaining balances of the funds available on the dedicated current accounts at the reporting date of the financial statements.

(5) The figure shown relates to the total assets of the public subsidised fund.

## 6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial assets (a)	Amount of financial assets subject to on-balance sheet netting (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amount not subject to on-balance sheet netting		Net amount 31/12/2014 (f=c-d-e)	Net amount 31/12/2013
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	972,456		972,456	452,225	513,831	6,400	16,537
2. Repurchase agreements	27,172,346		27,172,346	27,172,346			80,878
3. Securities lending							
4. Other							
<b>Total 31/12/2014</b>	<b>28,144,802</b>		<b>28,144,802</b>	<b>27,624,571</b>	<b>513,831</b>	<b>6,400</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>9,059,101</b>		<b>9,059,101</b>	<b>8,466,627</b>	<b>495,059</b>	<b>x</b>	<b>97,415</b>

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euros)

Balance sheet items	Net amount of financial assets reported in balance sheet (c=a-b)
1. Derivatives	972,456
20. Financial assets held for trading	288,699
80. Hedging derivatives	683,757
2. Repurchase agreements	27,172,346
60. Loans to banks	8,521,237
70. Loans to customers	18,651,109
3. Stock lending	
4. Other	

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the accounting policies.



## 7. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros)

	Gross amount of financial liabilities (a)	Amount of financial liabilities subject to on-balance sheet netting (b)	Net amount of financial liabilities reported in balance sheet (c=a-b)	Related amount not subject to on-balance sheet netting		Net amount 31/12/2014 (f=c-d-e)	Net amount 31/12/2013
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	2,428,254		2,428,254	452,225	1,969,247	6,782	
2. Repurchase agreements	1,875,243		1,875,243	1,875,243			
3. Securities lending							
4. Other							
<b>Total 31/12/2014</b>	<b>4,303,497</b>		<b>4,303,497</b>	<b>2,327,468</b>	<b>1,969,247</b>	<b>6,782</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>1,952,135</b>		<b>1,952,135</b>	<b>726,876</b>	<b>1,225,259</b>	<b>x</b>	

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euros)

Balance sheet items	Net amount of financial liabilities reported in balance sheet (c=a-b)
1. Derivatives	2,428,254
40. Financial liabilities held for trading	122,624
60. Hedging derivatives	2,305,630
2. Repurchase agreements	1,875,243
10. Due to banks	1,566,210
20. Due to customers	309,033
3. Stock lending	-
4. Other	-

For details of the valuation criteria used for the financial liabilities shown in the table above, see Section A of the accounting policies.

# 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	31/12/2014	31/12/2013
1. Financial assets held for trading	8,914			<b>8,914</b>	<b>41,242</b>
2. Financial assets at fair value	2,889			<b>2,889</b>	
3. Financial assets available for sale	108,671			<b>108,671</b>	<b>175,959</b>
4. Financial assets held to maturity	985,960			<b>985,960</b>	<b>932,487</b>
5. Loans to banks	1,937	371,408	58	<b>373,403</b>	<b>428,385</b>
6. Loans to customers	102,800	5,574,475		<b>5,677,275</b>	<b>7,558,552</b>
7. Hedging derivatives	x	x			
8. Other assets	x	x	32,376	<b>32,376</b>	<b>35,349</b>
<b>Total</b>	<b>1,211,171</b>	<b>5,945,883</b>	<b>32,434</b>	<b>7,189,488</b>	<b>9,171,974</b>

Interest income for the period was generated primarily by:

- loans and current accounts in the amount of about €4,246 million;
- liquidity held by the Parent Company on Treasury account no. 29814 in the amount of about €1,700 million;
- debt securities in the amount of about €1,211 million.

The item includes interest income accrued on impaired assets of about €3.7 million and on assets in foreign currency of €5.4 million.

## 1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payables	Securities	Other	31/12/2014	31/12/2013
1. Due to central banks	25,067	x		<b>25,067</b>	<b>142,961</b>
2. Due to banks	159,573	x		<b>159,573</b>	<b>249,789</b>
3. Due to customers	5,133,049	x		<b>5,133,049</b>	<b>5,501,663</b>
4. Securities issued	x	802,902		<b>802,902</b>	<b>639,925</b>
5. Financial liabilities held for trading					
6. Financial liabilities at fair value		873		<b>873</b>	
7. Other liabilities and provisions	x	x	20,173	<b>20,173</b>	<b>36,293</b>
8. Hedging derivatives	x	x	122,708	<b>122,708</b>	<b>177,210</b>
<b>Total</b>	<b>5,317,689</b>	<b>803,775</b>	<b>142,881</b>	<b>6,264,345</b>	<b>6,747,841</b>

Interest expense on amounts due to customers mainly regards interest on postal savings products (about €5,106 million).

Interest on debt securities mainly regarded bond issues in the amount of about €804 million.

The negative differences on hedges amounted to about €123 million.

## 1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2014	31/12/2013
A. Positive differences on hedging transactions	243,046	212,984
B. Negative differences on hedging transactions	365,754	390,194
<b>C. Balance (A-B)</b>	<b>(122,708)</b>	<b>(177,210)</b>

## SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

### 2.1 Commission income: composition

*(thousands of euros)*

	31/12/2014	31/12/2013
a) guarantees issued	6,552	2,993
b) credit derivatives		
c) management, intermediation and advisory services:	9,939	10,140
1. trading of financial instruments		
2. trading of currencies		
3. management of portfolios	9,939	10,140
3.1. individual		
3.2. collective	9,939	10,140
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. receipt and transmission of orders		
8. advisory services		
8.1. for investments		
8.2. for structured finance		
9. distribution of third party services		
9.1. management of portfolios		
9.1.1. individual		
9.1.2. collective		
9.2 insurance products		
9.3. other products		
d) collection and payment services		
e) servicing for securitisations		
f) factoring services	11,067	10,745
g) collection services		
h) management multilateral trading systems		
i) maintenance and management of current accounts		
j) other services	65,065	79,167
<b>Total</b>	<b>92,623</b>	<b>103,045</b>

During the year, the Parent Company accrued commission income mainly in respect of:

- lending activities, in the amount of about €33.1 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 €1.7 million;

- Revolving Fund to support enterprises and research investment (FRI) in the amount of €1.1 million;
- activities related to the release of payments of past due government debts (€0.75 million);
- guarantees issued in the amount of about €6,6 million.

The other Group entities contribute to the item, mainly for commissions related to:

- CDPI SGR for asset management services (about €9.9 million);
- SACE Fct, for services related to factoring transactions (about €11.1 million);
- SIMEST, for the management of the Venture Capital Fund and subsidised funds (about €20.4 million).

## 2.2 Commission expense: composition

(thousands of euros)

	31/12/2014	31/12/2013
a) guarantees received	19,191	15,533
b) credit derivatives		
c) management and intermediation services:	1,689,743	1,675,568
1. trading of financial instruments		
2. trading of currencies		
3. management of portfolios		
3.1 own		
3.2 assigned by third parties		
4. custody and administration of securities		
5. placement of financial instruments	1,689,743	1,675,568
6. door-to-door selling of financial instruments, products and services		
d) collection and payment services	2,017	2,087
e) other services	14,293	13,291
<b>Total</b>	<b>1,725,244</b>	<b>1,706,479</b>

Commission expense mainly regards the charge for the period, equal to €1,640 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure and 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 is fully expensed in the year in which it accrues. The 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 place-

ment services. In December 2014 the new Agreement was signed which will remain in force for the period 2014-2018. The agreement provides for new investments in technology, communication, promotion and training, in order to innovate and expand the services offered in relation to postal savings.

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

### 3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2014		31/12/2013	
	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading	1,243		1,857	
B. Financial assets available for sale	32,109	4,506	14,463	3,929
C. Financial assets at fair value				
D. Equity investments		x		x
<b>Total</b>	<b>33,352</b>	<b>4,506</b>	<b>16,320</b>	<b>3,929</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>	<b>11,973</b>	<b>32,831</b>	<b>196,525</b>	<b>2,179</b>	<b>(153,900)</b>
1.1 Debt securities		17,120	9,289	2,135	5,696
1.2 Equity securities	94	15,711	16,766	44	(1,005)
1.3 Units in collective investment undertakings	11,879		170,470		(158,591)
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>	<b>206</b>				<b>206</b>
2.1 Debt securities					
2.2 Payables					
2.3 Other	206				206
<b>3. Other financial assets and liabilities: exchange rate differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>182,851</b>
<b>4. Derivatives</b>	<b>184,152</b>	<b>25,907</b>	<b>145,531</b>	<b>12,354</b>	<b>65,886</b>
4.1 Financial derivatives:	184,152	25,907	145,531	12,354	65,886
- on debt securities and interest rates	43,321	23,700	31,286	10,506	25,229
- on equity securities and equity indices	140,420	2,207	112,528	1,585	28,514
- on currencies and gold	x	x	x	x	13,712
- other	411		1,717	263	(1,569)
4.2 Credit derivatives					
<b>Total</b>	<b>196,331</b>	<b>58,738</b>	<b>342,056</b>	<b>14,533</b>	<b>95,043</b>

The result of trading activities, in the amount of €95 million, is mainly attributable the Insurance group whose net contribution amounted to around €104 million.

The items also includes net income from derivatives on equities and equity indices, resulting from the operational hedges of the option component embedded in the Premia and Indexed postal savings bonds established with the purchase of options mirroring the exposure, for about €13 million.

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

### 5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>A. Income on:</b>		
A.1 Fair value hedges	598,669	795,388
A.2 Hedged financial assets (fair value)	1,044,150	
A.3 Hedged financial liabilities (fair value)	23,202	92,969
A.4 Cash flow hedges		71
A.5 Assets and liabilities in foreign currencies	31,494	59,566
<b>Total income on hedging activities (A)</b>	<b>1,697,515</b>	<b>947,994</b>
<b>B. Expense on:</b>		
B.1 Fair value hedges	1,078,249	86,449
B.2 Hedged financial assets (fair value)	7,585	601,714
B.3 Hedged financial liabilities (fair value)	617,683	214,776
B.4 Cash flow hedges	223	
B.5 Assets and liabilities in foreign currencies	31,351	59,260
<b>Total expense on hedging activities (B)</b>	<b>1,735,091</b>	<b>962,199</b>
<b>C. Net gain (loss) on hedging activities (A-B)</b>	<b>(37,576)</b>	<b>(14,205)</b>



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

## 6.1 Gains (losses) on disposal or repurchase: composition

*(thousands of euros)*

	31/12/2014			31/12/2013		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
<b>Financial assets</b>						
1. Loans to banks	492		492	102		102
2. Loans to customers	58,622	(287)	58,335	9,661	(543)	9,118
3. Financial assets available for sale	436,209		436,209	68,676	(9,619)	59,057
3.1 Debt securities	340,693		340,693	66,122	(9,619)	56,503
3.2 Equity securities	95,516		95,516	29		29
3.3 Units in collective investment undertakings						
3.4 Loans				2,525		2,525
4. Financial assets held to maturity				39		39
<b>Total assets</b>	<b>495,323</b>	<b>(287)</b>	<b>495,036</b>	<b>78,478</b>	<b>(10,162)</b>	<b>68,316</b>
<b>Financial liabilities</b>						
1. Due to banks						
2. Due to customers						
3. Securities issued						
<b>Total liabilities</b>						

The balance of this item at 31 December 2014 mainly relates to income earned from the trading of debt securities, and, residually, of equity securities, allocated under assets available for sale.

Finally, also the penalties received on early loan repayments and the gain on the sale of debt securities recognised as loans to customers contributed to the balance of this item.

SECTION 7 - NET GAIN (LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE  
- ITEM 110

7.1 Net change in value of financial assets and liabilities at fair value: composition

(thousands of euros)

	Gains	Realised profits	Losses	Realised losses	Net gain (loss)
<b>1. Financial assets</b>	<b>3,408</b>				<b>3,408</b>
1.1 Debt securities	3,408				3,408
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
<b>2. Financial liabilities</b>					
2.1 Debt securities					
2.2 Due to banks					
2.3 Due to customers					
<b>3. Foreign currency financial assets and liabilities</b>	X	X	X	X	
<b>4. Credit and financial derivatives</b>					
<b>Total</b>	<b>3,408</b>				<b>3,408</b>

## SECTION 8 - NET IMPAIRMENT ADJUSTMENTS - ITEM 130

The balance, totalling €165.7 million, refers to the net balance between writedowns and writebacks, both specific and general. 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				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Derecognitions	Other		A	B	A	B		
A. Loans to banks			3,919					(3,919)	(9,328)
- Loans			3,919					(3,919)	(9,328)
- Debt securities									
B. Loans to customers	3,209	71,840	65,657	207	14,609		5,048	(120,842)	(44,416)
Impaired loans acquired									
- Loans			x			x	x		
- Debt securities			x			x	x		
Other receivables								(120,842)	
- Loans	3,209	67,365	65,535	207	14,609		5,048	(116,245)	(41,864)
- Debt securities		4,475	122					(4,597)	(2,552)
<b>C. Total</b>	<b>3,209</b>	<b>71,840</b>	<b>69,576</b>	<b>207</b>	<b>14,609</b>		<b>5,048</b>	<b>(124,761)</b>	<b>(53,744)</b>

#### Key

A = From interest

B = Other writebacks

## 8.2 Net impairment losses on financial assets available for sale: composition

(thousands of euros)

	Writedowns		Writebacks		31/12/2014	31/12/2013
	Specific		Specific			
	Derecognitions	Other	From interest	Other writebacks		
A. Debt securities						
B. Equity securities		(23,243)	x	x	(23,243)	(240)
C. Units in collective investment undertakings			x			
D. Loans to banks						
E. Loans to customers						
<b>F. Total</b>		<b>(23,243)</b>			<b>(23,243)</b>	<b>(240)</b>

## 8.4 Net impairment adjustments of other financial transactions: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Derecognitions	Other		A	B	A	B		
A. Guarantees issued		45	287					(332)	(191)
B. Credit derivatives									
C. Commitments to disburse funds		4,911	12,757		286			(17,382)	(2,297)
D. Other operations									
<b>E. Total</b>		<b>4,956</b>	<b>13,044</b>		<b>286</b>			<b>(17,714)</b>	<b>(2,488)</b>

Key

A = From interest

B = Other writebacks

## SECTION 9 - NET INSURANCE PREMIUMS - ITEM 150

### 9.1 Net insurance premiums: composition

(thousands of euros)

	Direct business	Indirect business	31/12/2014 Total	31/12/2013 Total
<b>A. Life insurance</b>				
A.1 Gross premium income recognised (+)				
A.2 Premiums transferred to reinsurance (-)		x		
A.3 Total				
<b>B. Non-life insurance</b>				
B.1 Gross premium income recognised (+)	334,807	41,521	376,328	355,838
B.2 Premiums transferred to reinsurance (-)	(29,605)	x	(29,605)	(21,701)
B.3 Change in gross amount of provision for unearned premiums (+/-)	58,603	(33,507)	25,096	141,169
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	6,832	420	7,252	(10,031)
B.5 Total	370,637	8,434	379,071	465,275
<b>C. Total net premium income</b>	<b>370,637</b>	<b>8,434</b>	<b>379,071</b>	<b>465,275</b>

## SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - ITEM 160

### 10.1 Other net insurance income (expense): composition

(thousands of euros)

	31/12/2014	31/12/2013
1. Net change in technical provisions	(18)	10
2. Claims accrued and paid during the year	131,916	(186,984)
3. Other net insurance income (expense)	(7,903)	(29,243)
<b>Total</b>	<b>123,995</b>	<b>(216,217)</b>

### 10.2 Breakdown of sub-item "Net change in technical provisions"

(thousands of euros)

	2014	2013
<b>1. Life insurance</b>		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Other technical provisions		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Gross annual amount		
C.2 (-) Amounts borne by reinsurers		
<b>Total "life insurance reserves"</b>		
<b>2. Non-life insurance</b>	<b>(18)</b>	<b>10</b>
Changes in other technical provisions for life insurance other than claims provisions net of cessions in reinsurance	(18)	10

### 10.3 Breakdown of sub-item “Claims accrued and paid during the year”

(thousands of euros)

	2014	2013
<b>Life insurance: expenses for claims, net of cessions in reinsurance</b>		
A. Amounts paid		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Change in the reserve for sums to be paid		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
<b>Total life insurance claims</b>		
<b>Non-life insurance: expenses for claims, net of recoveries and cessions in reinsurance</b>		
C. Amounts paid	(373,520)	(365,391)
C.1 Gross annual amount	(404,145)	(399,303)
C.2 (-) Amounts borne by reinsurers	30,625	33,912
D. Change in recoveries net of amounts borne by reinsurers	366,166	225,114
E. Changes in claims reserve	139,270	(46,707)
E.1 Gross annual amount	143,877	(32,718)
E.2 (-) Amounts borne by reinsurers	(4,607)	(13,989)
<b>Total non-life insurance claims</b>	<b>131,916</b>	<b>(186,984)</b>

### 10.4 Breakdown of sub-item “Other net insurance income (expense)”

(thousands of euros)

	2014	2013
<b>Life insurance</b>	-	-
Other gains		
Other losses		
<b>Non-life insurance</b>	(7,903)	(29,243)
Other gains	17,599	9,240
Other losses	(25,502)	(38,483)
<b>Total</b>	<b>(7,903)</b>	<b>(29,243)</b>

## SECTION 11 - ADMINISTRATIVE EXPENSES - ITEM 180

### 11.1 Staff costs: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>1. Employees</b>	<b>68,577</b>	<b>73,767</b>	<b>1,525,147</b>	<b>1,667,491</b>	<b>1,533,437</b>
a) wages and salaries	48,721	41,065	1,013,804	1,103,590	1,014,456
b) social security costs	197	9,109	145,913	155,219	146,918
c) staff severance pay		980	26,798	27,778	30,190
d) pension costs	12,315	3,521	199,276	215,112	200,125
e) allocation to staff severance pay	1,483	424	6,630	8,537	8,735
f) allocation to provision for post-employment benefits					
- defined contribution					
- defined benefit					
g) payments to external supplementary pensions funds:					
- defined contribution	1,638	2,648	47,389	51,675	51,426
- defined benefit	1,638	2,513	44,978	49,129	48,626
		135	2,411	2,546	2,800
h) costs arising from share-based payment arrangements					
i) other employee benefits	4,223	16,020	85,337	105,580	81,587
<b>2. Other personnel in service</b>	<b>185</b>	<b>704</b>	<b>4,900</b>	<b>5,789</b>	<b>3,955</b>
<b>3. Board of Directors and Board of Auditors</b>	<b>1,547</b>	<b>799</b>	<b>11,381</b>	<b>13,727</b>	<b>13,724</b>
<b>4. Retired personnel</b>					
<b>Total</b>	<b>70,309</b>	<b>75,270</b>	<b>1,541,428</b>	<b>1,687,007</b>	<b>1,551,116</b>



## 11.2 Average number of employees by category

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
<b>Employees</b>	<b>618</b>	<b>712</b>	<b>31,439</b>	<b>32,745</b>	<b>34,631</b>
a) senior management	53	42	580	675	726
b) middle management	254	269	8,256	8,779	8,668
- of which: grade 3 and 4	148		638	786	839
c) other employees	297	401	22,593	23,291	25,237
<b>Other personnel</b>	<b>14</b>		<b>10</b>	<b>24</b>	<b>13</b>

## 11.4 Other employee benefits

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
Food coupons	64	1,067	540	1,671	2,462
Insurance policies	1,007	2,423	1,473	4,903	5,546
Lump sum repayments	1,102	36		1,138	728
Contributions to mortgage loan interest	72	543		615	589
Leaving incentives		4,632	50,164	54,796	6,533
Energy Bonus			1,941	1,941	2,015
Length of service bonuses	1,947		800	2,747	81
Other benefits	31	7,319	30,419	37,769	63,633
<b>Total</b>	<b>4,223</b>	<b>16,020</b>	<b>85,337</b>	<b>105,580</b>	<b>81,587</b>

## 11.5 Other administrative expenses: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
IT costs	26,466	5,718	115,168	147,352	129,836
General services	8,751	5,112	3,373,738	3,387,601	2,983,492
Professional and financial services	8,998	6,522	370,748	386,268	381,343
Publicity and marketing expenses	7,847	1,059	27,542	36,448	28,432
Other personnel-related expenses	1,345	2,333	29,966	33,644	31,023
Utilities, duties and other expenses	8,564	7,475	211,191	227,230	207,558
Information resources and databases	1,488	4,643	459	6,590	6,466
Corporate bodies	370		551	921	790
<b>Total</b>	<b>63,829</b>	<b>32,862</b>	<b>4,129,363</b>	<b>4,226,054</b>	<b>3,768,940</b>

The following table reports the fees paid for statutory auditing and non-audit services.

(thousands of euros)

	PricewaterhouseCoopers		Ernst & Young	Other auditors	Total
	Parent Company	Other Group companies	Other Group companies	Other Group companies	
Auditing	407	3,339	808	56	4,610
Certification services	37	144	705		886
Tax consultancy services		60			60
Other services		1,286			1,286
<b>Total</b>	<b>444</b>	<b>4,829</b>	<b>1,513</b>	<b>56</b>	<b>6,842</b>

## SECTION 12 - NET PROVISIONS - ITEM 190

### 12.1 Net provisions: composition

(thousands of euros)

	Allocations	Uses	31/12/2014
Net provisions for legal disputes	(6,793)	15,463	8,670
Net provisions for sundry expenses for personnel	(7,192)	1,158	(6,034)
Net provisions for tax disputes	(239)		(239)
Net sundry provisions	(240,979)	73,388	(167,591)
<b>Total</b>	<b>(255,203)</b>	<b>90,009</b>	<b>(165,194)</b>

### 12.1 of which: pertaining to the Banking group

(thousands of euros)

	Allocations	Uses	31/12/2014
Net provisions for legal disputes		130	130
Net provisions for sundry expenses for personnel			
Net provisions for tax disputes			
Net sundry provisions	(1,791)		(1,791)
<b>Total</b>	<b>(1,791)</b>	<b>130</b>	<b>(1,661)</b>

### 12.1 of which: pertaining to the Insurance group

(thousands of euros)

	Allocations	Uses	31/12/2014
Net provisions for legal disputes	(223)	35	(188)
Net provisions for sundry expenses for personnel	(1,029)	316	(713)
Net provisions for tax disputes			
Net sundry provisions	(642)	317	(325)
<b>Total</b>	<b>(1,894)</b>	<b>668</b>	<b>(1,226)</b>

### 12.1 of which: pertaining to Other entities

(thousands of euros)

	Allocations	Uses	31/12/2014
Net provisions for legal disputes	(6,570)	15,298	8,728
Net provisions for sundry expenses for personnel	(6,163)	842	(5,321)
Net provisions for tax disputes	(239)		(239)
Net sundry provisions	(238,546)	73,071	(165,475)
<b>Total</b>	<b>(251,518)</b>	<b>89,211</b>	<b>(162,307)</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)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(1,224,668)	(10,041)		(1,234,709)
- for operations	(1,224,579)	(6,278)		(1,230,857)
- for investment	(89)	(3,763)		(3,852)
A.2 Acquired under finance leases	(563)			(563)
- for operations	(563)			(563)
- for investment				
<b>Total</b>	<b>(1,225,231)</b>	<b>(10,041)</b>		<b>(1,235,272)</b>

### 13.1 of which: pertaining to the Banking group

(thousands of euros)

	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(4,843)			(4,843)
- for operations	(4,754)			(4,754)
- for investment	(89)			(89)
A.2 Acquired under finance leases				
- for operations				
- for investment				
<b>Total</b>	<b>(4,843)</b>			<b>(4,843)</b>

### 13.1 of which: pertaining to the Insurance group

(thousands of euros)

	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(1,896)			(1,896)
- for operations	(1,896)			(1,896)
- for investment				
A.2 Acquired under finance leases				
- for operations				
- for investment				
<b>Total</b>	<b>(1,896)</b>			<b>(1,896)</b>

## 13.1 of which: pertaining to Other entities

*(thousands of euros)*

	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Property, plant and equipment</b>				
A.1 Owned	(1,217,929)	(10,041)		(1,227,970)
- for operations	(1,217,929)	(6,278)		(1,224,207)
- for investment		(3,763)		(3,763)
A.2 Acquired under finance leases	(563)			(563)
- for operations	(563)			(563)
- for investment				
<b>Total</b>	<b>(1,218,492)</b>	<b>(10,041)</b>		<b>(1,228,533)</b>

## SECTION 14 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 210

### 14.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(439,807)			(439,807)
- internally generated by the Company	(17,007)			(17,007)
- other	(422,800)			(422,800)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(439,807)</b>			<b>(439,807)</b>

### 14.1 of which: pertaining to the Banking group

(thousands of euros)

	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(2,290)			(2,290)
- internally generated by the Company				
- other	(2,290)			(2,290)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(2,290)</b>			<b>(2,290)</b>

### 14.1 of which: pertaining to the Insurance group

(thousands of euros)

	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(1,810)			(1,810)
- internally generated by the Company	(1,435)			(1,435)
- other	(375)			(375)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(1,810)</b>			<b>(1,810)</b>

## 14.1 of which: pertaining to Other entities

*(thousands of euros)*

	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a+b-c)
<b>A. Intangible assets</b>				
A.1 Owned	(435,707)			(435,707)
- internally generated by the Company	(15,572)			(15,572)
- other	(420,135)			(420,135)
A.2 Acquired under finance leases				
<b>Total</b>	<b>(435,707)</b>			<b>(435,707)</b>

## SECTION 15 - OTHER OPERATING INCOME (COSTS) - ITEM 220

### 15.1 Other operating costs: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
Other costs from expense cycle					
Settlements for lawsuits					
Depreciation of leasehold improvements			860	860	776
Ordinary maintenance costs of buildings for investment use					
Other	812	7,241	206,934	214,987	96,707
<b>Total</b>	<b>812</b>	<b>7,241</b>	<b>207,794</b>	<b>215,847</b>	<b>97,483</b>

### 15.2 Other operating income: composition

(thousands of euros)

	Banking group	Insurance group	Other entities	31/12/2014	31/12/2013
Income from settlement of liability items					
Income for company engagements to employees					890
Sundry reimbursements					
Recovery of expenses					
Insurance compensation payments					
Rental income and other income from property management		728	26,043	26,771	56,699
Revenues from industrial management			10,172,319	10,172,319	9,479,613
Reimbursement expenses incurred for MIUR Agreement					
Other	1,591	7,107	108,424	117,122	88,164
<b>Total</b>	<b>1,591</b>	<b>7,835</b>	<b>10,306,786</b>	<b>10,316,212</b>	<b>9,625,366</b>

Revenues from industrial operations mainly derive from:

- SNAM for about €3.9 billion;
- Terna, for about €2 billion;
- Fintecna Group, for about €4.3 billion, mainly attributable to the revenues of companies in the ship-building business.

Revenue from real estate operations is primarily attributable to CDP Immobiliare.



## SECTION 16 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 240

### 16.1 Gains (losses) on equity investments: composition

(thousands of euros)

	31/12/2014	31/12/2013
<b>1. Joint ventures</b>		
<b>A. Income</b>	<b>205,509</b>	<b>1,276,426</b>
1. Writebacks	133,152	1,201,263
2. Gains on disposal		
3. Writebacks		
4. Other	72,357	75,163
<b>B. Expenses</b>	<b>(16,894)</b>	<b>(27,675)</b>
1. Impairment	(4,935)	(544)
2. Writedowns for impairment	(11,673)	
3. Losses on disposal		
4. Other	(286)	(27,131)
<b>Net gain (loss)</b>	<b>188,615</b>	<b>1,248,751</b>
<b>2. Companies subject to significant influence</b>		
<b>A. Income</b>	<b>406,070</b>	<b>7,505</b>
1. Writebacks	401,490	4,616
2. Gains on disposal	1,963	
3. Writebacks	205	111
4. Other	2,412	2,778
<b>B. Expenses</b>	<b>(299)</b>	<b>(707)</b>
1. Impairment	(298)	(707)
2. Writedowns for impairment		
3. Losses on disposal	(1)	
4. Other		
<b>Net gain (loss)</b>	<b>405,771</b>	<b>6,798</b>
<b>Total</b>	<b>594,386</b>	<b>1,255,549</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 €383 million;
- TAG in the amount of €43 million, of which €54 million relating to valuation at equity and -€12 million for impairment losses;
- SIA in the amount of €13 million;
- TIGF Holding S.A.S. in the amount of €24 million;
- Toscana Energia S.p.A. in the amount of €23 million;
- Azienda Energia e Servizi Torino S.p.A. - A.E.S. in the amount of €20 million;
- Kedrion Group in the amount of €8 million.

## SECTION 19 - GAINS (LOSSES) ON THE DISPOSAL OF INVESTMENTS - ITEM 270

### 19.1 Gains (losses) on the disposal of investments: composition

(thousands of euros)

	31/12/2014	31/12/2013
A. Land and buildings	320	(4,123)
- Gains on disposal	320	965
- Losses on disposal		(5,088)
B. Other assets	2,562	13,361
- Gains on disposal	4,123	14,247
- Losses on disposal	(1,561)	(886)
<b>Net gain (loss)</b>	<b>2,882</b>	<b>9,238</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)

	31/12/2014	31/12/2013
1. Current taxes (-)	(1,386,177)	(2,194,069)
2. Change in current taxes from previous years (+/-)	19,993	53,047
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 (+/-)	(121,601)	98,168
5. Change in deferred tax liabilities (+/-)	816,634	224,613
6. Taxes for the year (-) (-1+/-2+3+3.bis +/-4+/-5)	(671,151)	(1,818,241)

## 20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

	31/12/2014	Tax rate
<b>Income (loss) before taxes</b>	<b>6,096,111</b>	
<b>IRES theoretical tax liability (rate 27.5%)</b>	<b>(1,676,431)</b>	<b>-27.50%</b>
<b>Increases in taxes</b>		
- non-deductible interest expense	(64,123)	-1.05%
- writedowns of equity investments	(53,029)	-0.87%
- other non-deductible costs	(178,354)	-2.93%
- adjustments on receivables (+)	(102,516)	-1.68%
- non-deductible temporary differences	(62,023)	-1.02%
- non-deductible permanent differences	(28,637)	-0.47%
- additional IRES ("Robin Hood Tax")	(159,888)	-2.62%
- effect of different foreign tax rates (+)	(11,870)	-0.19%
<b>Decreases in taxes</b>		
- dividends 95% exempt	561,658	9.21%
- other changes	473,548	7.77%
- ACE benefit	55,877	0.92%
- exchange difference	71,853	1.18%
- adjustments on receivables (-)	60,071	0.99%
<b>IRES actual tax liability</b>	<b>(1,113,864)</b>	<b>-18.26%</b>

	31/12/2014	Tax rate
<b>IRAP tax amount</b>	<b>4,982,261</b>	
<b>IRAP theoretical tax liability (5.57% rate)</b>	<b>(277,512)</b>	<b>-5.57%</b>
<b>Increases in taxes</b>		
- non-deductible interest 4%	(12,882)	0.26%
- other non-deductible costs	(56,827)	1.14%
<b>Decreases in taxes</b>		
- costs deductible in previous years	8,451	-0.17%
- deductible costs for staff costs	13,454	-0.27%
- other decreases	53,003	-1.06%
<b>IRAP actual tax liability</b>	<b>(272,313)</b>	<b>-5.67%</b>

## SECTION 21 - INCOME (LOSS) AFTER TAX ON DISPOSAL GROUPS HELD FOR SALE - ITEM 310

### 21.1 Income (loss) after tax on disposal groups held for sale: composition

(thousands of euros)

	31/12/2014	31/12/2013
1. Income	1,299,094	
2. Expenses	(1,249,635)	
3. Results of valuations of disposal groups and associated liabilities	72,979	
4. Gains (losses) on disposal	66,382	
5. Duties and taxes	(26,640)	
<b>Net income (loss)</b>	<b>162,180</b>	<b>-</b>

On 4 December 2014, the CDP Group – through the Fondo Strategico Italiano S.p.A. – sold 40% of its equity stake in Ansaldo Energia to Shanghai Electric Corporation for a price of €400 million. The transaction resulted in the loss of control over Ansaldo Energia and hence its deconsolidation. The residual interest, classified as an equity investment in an associate, was remeasured at the date of loss of control on the basis of its fair value, in accordance with IFRS 10, §25. Overall, the transaction produced a gain of €151 million – of which €83 million is attributable to the remeasurement – recorded in item 310 “Income (loss) after tax on disposal groups held for sale”.

### 21.2 Breakdown of income taxes on disposal groups held for sale

(thousands of euros)

	31/12/2014	31/12/2013
1. Current tax (-)	(32,307)	
2. Change in deferred tax assets (+/-)	(5,015)	
3. Change in deferred tax liabilities (+/-)	10,682	
<b>4. Income taxes for the year (-1 +/- 2 +/- 3)</b>	<b>(26,640)</b>	

## SECTION 22 - NET INCOME (LOSS) FOR THE YEAR PERTAINING TO NON-CONTROLLING INTERESTS - ITEM 330

### 22.1 Breakdown of item 330 "Net income (loss) for the year pertaining to non-controlling interests"

Net income pertaining to non-controlling interests amounts to €1,500,660 thousand.

*(thousands of euros)*

Company name	31/12/2014	31/12/2013
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	466,674	348,595
2. SNAM S.p.A.	986,594	525,631
Other equity investments	47,392	49,111
<b>Total</b>	<b>1,500,660</b>	<b>923,337</b>

# PART D – CONSOLIDATED COMPREHENSIVE INCOME

## Detailed breakdown of consolidated comprehensive income

(thousands of euros)

	Gross amount	Income taxes	Net amount
<b>10. Income (loss) for the period</b>	<b>x</b>	<b>x</b>	<b>2,658,967</b>
<b>Other comprehensive income not transferred to income statement:</b>			<b>(48,609)</b>
20. Property, plant and equipment			
30. Intangible assets			
40. Defined benefit plans	(43,611)	8,936	(34,675)
50. Non-current assets held for sale			
60. Share of valuation reserves of equity investments accounted for using the equity method	(13,934)		(13,934)
<b>Other comprehensive income transferred to income statement:</b>	<b>1,245,383</b>	<b>(65,714)</b>	<b>1,179,669</b>
<b>70. Hedging of foreign investments</b>			
a) fair value changes			
b) transfer to income statement			
c) other changes			
<b>80. Exchange rate differences</b>	<b>(34,391)</b>		<b>(34,391)</b>
a) changes in value	(34,217)		(34,217)
b) transfer to income statement			
c) other changes	(174)		(174)
<b>90. Cash flow hedges</b>	<b>51,021</b>	<b>(19,600)</b>	<b>31,421</b>
a) fair value changes	51,021	(19,600)	31,421
b) transfer to income statement			
c) other changes			
<b>100. Financial assets available for sale</b>	<b>(15,001)</b>	<b>(46,114)</b>	<b>(61,115)</b>
a) fair value changes	221,698	(84,314)	137,384
b) transfer to income statement	(236,699)	38,200	(198,499)
- impairment adjustments	21,875	(301)	21,574
- gains (losses) on disposal	(258,574)	38,501	(220,073)
c) other changes			
<b>110. Non-current assets held for sale</b>			
a) changes in value			
b) transfer to income statement			
c) other changes			
<b>120. Share of valuation reserves of equity investments accounted for using the equity method</b>	<b>1,243,754</b>		<b>1,243,754</b>
a) fair value changes	1,243,754		1,243,754
b) transfer to income statement			
- impairment adjustments			
- gains (losses) on disposal			
c) other changes			
<b>130. Total other comprehensive income</b>	<b>1,187,838</b>	<b>(56,778)</b>	<b>1,131,060</b>
<b>140. Comprehensive income (items 10+130)</b>	<b>x</b>	<b>x</b>	<b>3,790,027</b>
150. Consolidated comprehensive income pertaining to non-controlling interests	x	x	1,453,307
<b>160. Consolidated comprehensive income pertaining to shareholders of the Parent Company</b>	<b>x</b>	<b>x</b>	<b>2,336,720</b>

# PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

## Introduction

The CDP Group attributes great importance to risk management and control as conditions for pursuing its effort 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 vision 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;
- 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.

### **Monitoring risk in the companies subject to management and coordination**

The Management and Coordination Rules establish that:

- risk management activities for the subsidiaries are supervised by the RMA Area of the Parent Company. The RMA area is under the responsibility of the Chief Risk Officer who directly reports to the CEO;
- the subsidiaries agree their rules for assuming risk with CDP prior to their approval; the corporate bodies of the subsidiaries approve the risk management strategies and policies of their companies, ensuring that they are consistent with the Parent Company's rules for assuming risk. They notify the Parent Company that its rules have been incorporated in their risk management systems; the Parent Company's RMA Area monitors the appropriate adoption of the new risk assumption rules by the subsidiaries on an ongoing basis;

- the risk management units of the subsidiaries prepare and submit the required periodic disclosures to the Parent Company's RMA Area, with a frequency appropriate to the specific type of risk involved, ensuring compliance with the functional requirements established by the Parent Company.

A summary is provided below of the main activities involved in monitoring risk in the companies subject to management and coordination.

With reference to CDPI SGR, CDP provided risk management support as part of their co-sourcing relationship. As of September, responsibility for the Risk Management Unit, previously attributed to the current Chief Risk Officer of the Parent Company, has been entrusted to a person within the subsidiary. Loss data collection and the evaluation of the company's exposure to operational risk continued to be performed. Training on operational risk was provided to some of the personnel of CDPI SGR.

In addition, the Board of Directors of the company has adopted the "Anti-Money Laundering Safeguards Structure" guidelines issued by the Parent Company. These guidelines enable, among other things, the satisfaction of the regulatory requirements arising from secondary regulation, in the light of which strategic decisions at Group level regarding money laundering and terrorist financing risk have been transferred back to the corporate bodies of the Parent Company. Information flows have therefore been set up, both periodic and event based, with the Anti-Money Laundering and Compliance Unit of CDPI SGR. With reference to CDP Immobiliare, the analysis of the real estate portfolio continued in order to implement risk monitoring. An initial mapping of the real estate portfolio risk profile was completed in line with the criteria set at Group level. The process for the selection of a consulting firm was completed in view of the start of the implementation of the operational risk management system for the top-down risk assessment.

In 2015 CDP is expected to start an outsourcing service for risk management activities.

With regard to FSI, the coordination and collaboration continued with the Risk Management Department of FSI with particular reference to the valuation during the investment phase of the risk profile of the individual transactions. FSI's activities also involved monitoring the equity investments held in the company portfolio and supervision and support for the accounting valuations linked to the option components contained in the investment transactions undertaken by the company.

With regard to Fintecna, the Risk Management function established in 2014, in close coordination with the Parent Company, focused on operational risks. The methodological framework for the assessment of the company's level of exposure to operational risk was presented to management. The pilot project related to the "Purchase of goods and services" procedure and the top down risk assessment project were also started and completed. In the first half of the year the treasury management was centralised within CDP and the possibility became available to carry out Asset & Liability Management (ALM) in accordance with the Parent Company guidelines. Of note, lastly, during the year was the listing of Fincantieri owned by Fintecna.

With regard to SACE, activities primarily concentrated on methodological comparison, exchange of information flows and changes in the risk policies. In particular, the methodological comparisons involved aspects relating to market risk and the methods for treating financial positions in the risk systems currently used by the company. The comparison and exchange of information flows continued with respect



to the guarantee portfolio of SACE S.p.A. enabling the creation of a database of the exposures of this portfolio as an aid to the management of risk at Group level.

Lastly, SACE reviews its organisational structure, extending the scope of the risk control function.

During the second half of the year, activities mainly focused on changes in risk policies that affected both the core business of the company, consisting in the granting of guarantees, and the financial management of assets. Support was given to the activities related to the definition and structuring of the state guarantee in favour of SACE pursuant to Article 32 of Decree Law 91/2014 (converted into Law 116/2014); these activities were completed in November with the signing of the Agreement between the Ministry for the Economy and Finance and SACE and the issuance of two decrees of the President of the Council of Ministers relating the guarantee application.

With regard to SIMEST, the provision of the risk management service by CDP on an outsourcing basis was started in the second half of the year. Within the Risk Management service the analysis of the complex industrial organisation of the company continued; a shared activity was started on the organisation and the processes with a view to draw up a document containing risk management principles. The process for the selection of a consulting firm was completed in view of identifying the risks to which SIMEST is exposed, through interviews to the managers (top down risk assessment).

# Section 1 - The risks of the Banking group

## Introduction

Within the Parent Company's organisational structure, the Chief Risk Officer, who reports directly to the CEO, is responsible for the governance of all types of risk and the clear representation to the top management and to the Board of Directors of CDP's overall risk profile and solidity. As part of this mandate, the Chief Risk Officer coordinates the activities of the Risk Management and Anti-Money Laundering (RMA) Area, of the Compliance Service and of the Lending Area. RMA is responsible for supporting the Chief Risk Officer with the governance and monitoring of all types of risks, rendering transparent 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, as subsequently updated according to needs, 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 Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to set CDP's risk appetite, the thresholds of tolerance, the risk limits, the risk governance policies and the overall framework of organisational processes.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules and they envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering Area is structured into the following Services:

1. Credit and Counterparty Risk;
2. Financial Engineering and Fair Value Measurement;
3. Market and Liquidity Risks (ALM);
4. Operational Risks;
5. Equity Investments Risks;
6. Loan Monitoring and Control;
7. Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also attributed the role of coordinating risk management at Group level.

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. The Risk Committee is also responsible for issuing opinions on transactions that involve a significant impact on operations (in support of and in accordance with the BoD's powers).

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 Financial Engineering and Fair Value Measurement Service is also responsible for providing the Company with certified calculation models.

# 1.1 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) carried out by the Parent Company.

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 in support of the real estate market.

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 (as they are secured by the central government as the guarantor of last resort), and those assumed under “Export Bank” operations. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

### 2. Credit risk management policies

#### 2.1 Organisational aspects

The principles followed by the Parent Company in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved. As of November 2014, the in-

roduction of the Chief Risk Officer, whose area of responsibility now also covers the Lending Area, led to a revision of the internal regulations governing the credit process.

The Lending Area, which performs loan review activities, is responsible, 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. The Lending Area is also responsible for monitoring existing loans, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

RMA is responsible for risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations.

The RMA periodically 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 concerning credit risk also include:

- specific checks on the correct monitoring of individual exposures, particularly with regard to impaired positions, on the assessment of ratings consistency, on provisions adequacy and on the effectiveness of the recovery process;
- the preparation of Guidelines, Regulations and Policies on ratings and recovery rate;
- the definition, selection and implementation of models, methodologies and tools of the internal rating system.

The Credit Committee is a collegial body that provides technical information and advice to decision-making bodies as well as mandatory and non-binding opinions on financing operations, both in terms of creditworthiness and of the adequacy of applied conditions. The Credit Committee is made up of members of the Lending Area and members of RMA.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the Chief Risk Officer is also required on lending transactions.

## 2.2 Management, measurement and control systems

As part of its credit risk management and control policies for the Separate Account, the Parent Company 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.

RMA monitors compliance with the limits framework and the guidelines for the composition of the loan portfolio, introduced in the Risk Policy in 2013. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

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.

The methods adopted for the allocation of internal ratings aim to ensure compliance with reproducibility and homogeneity requirements, including through traceability of the allocation process.

In the internal rating assignment process, CDP makes use of rating models developed by specialised external providers, which are applied as benchmark instruments and are broken down by CDP's major customer types on the basis of size, legal form and industry.

The rating scale adopted by CDP, in line with those of the rating agencies, is divided into 21 classes, of which 10 refer to "investment grade" positions and 11 to "speculative grade" positions; in addition there is one class for counterparties in default. Given the types of borrowers and the limited number of historical defaults on CDP's portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data bases acquired from a specialised provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

## 2.3 Credit risk mitigation techniques

The Parent Company 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, to a significant extent, 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. Some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the sale to CDP of the underlying loans. As regards loans for which no assignment as collateral was provided (2009 SME Fund) the availability period ended in 2012 and the corresponding exposures to the banking system are being amortised.

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 requiring borrowers to comply with financial covenants and other contractual clauses that make it possible to monitor credit risk more closely over the life of an operation.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

In project finance operations, the support provided by the project's sponsors plays a significant role during the construction phase, both in terms of commitment to provide additional resources, if necessary, and in maintaining their presence as shareholders until completion of the works and start-up of operations.

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 joined the central counterparty system Cassa di Compensazione e Garanzia, through which it carries 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 Parent Company 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 restructuring 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 Area in coordination with the other organisational structures involved. Actions for the recovery of these exposures aims to maximise 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 loan	Restructured positions	Impaired past-due exposures	Not impaired past-due exposures	Other assets	Impaired		Other
1. Financial assets held for trading						277,147		108,620	385,767
2. Financial assets available for sale						5,599,577		1,110	5,600,687
3. Financial assets held to maturity						21,346,324		1,566,679	22,913,003
4. Loans to banks						26,503,509		2,271,925	28,775,434
5. Loans to customers	26,350	148,070		26,009	99,107	262,268,306	132,429	4,726,374	267,426,645
6. Financial assets at fair value								156,497	156,497
7. Financial assets beign divested									
8. Hedging derivatives						672,221		896,566	1,568,787
<b>Total at 31.12.2014</b>	<b>26,350</b>	<b>148,070</b>		<b>26,009</b>	<b>99,107</b>	<b>316,667,084</b>	<b>132,429</b>	<b>9,727,771</b>	<b>326,826,820</b>
<b>Total at 31.12.2013</b>	<b>12,025</b>	<b>194,053</b>		<b>35,257</b>	<b>80,926</b>	<b>278,651,729</b>	<b>130,551</b>	<b>12,443,153</b>	<b>291,547,694</b>

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

(thousands of euros)

	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
<b>A. Banking group</b>							
1. Financial assets held for trading				x	x	277,147	277,147
2. Financial assets available for sale				5,599,577		5,599,577	5,599,577
3. Financial assets held to maturity				21,346,324		21,346,324	21,346,324
4. Loans to banks				26,532,765	(29,256)	26,503,509	26,503,509
5. Loans to customers	365,025	(164,596)	200,429	262,432,672	(65,259)	262,367,413	262,567,842
6. Financial assets at fair value				x	x		
7. Financial assets being divested							
8. Hedging derivatives				x	x	672,221	672,221
<b>Total A</b>	<b>365,025</b>	<b>(164,596)</b>	<b>200,429</b>	<b>315,911,338</b>	<b>(94,515)</b>	<b>316,766,191</b>	<b>316,966,620</b>
<b>B. Other entities included in consolidation</b>							
1. Financial assets held for trading				x	x	108,620	108,620
2. Financial assets available for sale				1,110		1,110	1,110
3. Financial assets held to maturity				1,566,679		1,566,679	1,566,679
4. Loans to banks				2,271,925		2,271,925	2,271,925
5. Loans to customers	157,863	(25,434)	132,429	4,730,461	(4,087)	4,726,374	4,858,803
6. Financial assets at fair value				x	x	156,497	156,497
7. Financial assets being divested							
8. Hedging derivatives				x	x	896,566	896,566
<b>Total B</b>	<b>157,863</b>	<b>(25,434)</b>	<b>132,429</b>	<b>8,570,175</b>	<b>(4,087)</b>	<b>9,727,771</b>	<b>9,860,200</b>
<b>Total at 31/12/2014</b>	<b>522,888</b>	<b>(190,030)</b>	<b>332,858</b>	<b>324,481,513</b>	<b>(98,602)</b>	<b>326,493,962</b>	<b>326,826,820</b>
<b>Total at 31/12/2013</b>	<b>508,726</b>	<b>(136,840)</b>	<b>371,886</b>	<b>288,978,533</b>	<b>(148,429)</b>	<b>291,578,972</b>	<b>291,950,858</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 value adjustments	Portfolio writedowns	Net exposure
<b>A. On-balance-sheet exposures</b>				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Impaired past-due exposures			x	
e) Other assets	26,839,268	x	(29,256)	<b>26,810,012</b>
<b>Total A</b>	<b>26,839,268</b>		<b>(29,256)</b>	<b>26,810,012</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired			x	
b) Other	455,632	x	(460)	<b>455,172</b>
<b>Total B</b>	<b>455,632</b>		<b>(460)</b>	<b>455,172</b>
<b>Total (A+B)</b>	<b>27,294,900</b>		<b>(29,716)</b>	<b>27,265,184</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	78,930	(52,580)	x	26,350
b) Substandard loans	260,074	(112,004)	x	148,070
c) Restructured positions			x	
d) Impaired past-due exposures	26,021	(12)	x	26,009
e) Other assets	290,402,612		(65,259)	290,337,353
<b>Total A</b>	<b>290,767,637</b>	<b>(164,596)</b>	<b>(65,259)</b>	<b>290,537,782</b>
<b>B. Off-balance-sheet exposures</b>				
a) Impaired	26,670	(5,108)	x	21,562
b) Other	16,805,531	x	(18,045)	16,787,486
<b>Total B</b>	<b>16,832,201</b>	<b>(5,108)</b>	<b>(18,045)</b>	<b>16,809,048</b>
<b>Total (A+B)</b>	<b>307,599,838</b>	<b>(169,704)</b>	<b>(83,304)</b>	<b>307,346,830</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 positions	Past-due positions
<b>A. Opening gross exposure</b>	<b>61,629</b>	<b>255,996</b>		<b>35,257</b>
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>18,422</b>	<b>29,396</b>		<b>28,289</b>
B.1 Transfers from performing loans	315	2,762		27,156
B.2 Transfers from other categories of impaired exposures	16,736	22,489		174
B.3 Other increases	1,371	4,145		959
<b>C. Decreases</b>	<b>1,121</b>	<b>25,318</b>		<b>37,525</b>
C.1 To performing loans		4,591		9,711
C.2 Writeoffs				
C.3 Collections	1,121	6,164		2,965
C.4 Gains on disposal				
C.4 bis Losses on disposal				
C.5 Transfers to other categories of impaired exposures		14,550		24,849
C.6 Other decreases		13		
<b>D. Closing gross exposure</b>	<b>78,930</b>	<b>260,074</b>		<b>26,021</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 positions	Past-due positions
<b>A. Total opening adjustments</b>	<b>49,604</b>	<b>61,943</b>		
- of which: exposures assigned but not derecognised				
<b>B. Increases</b>	<b>3,893</b>	<b>50,061</b>		<b>12</b>
B.1 Writedowns	2,915	48,562		12
B.1 bis Losses on disposal				
B.2 Transfers from other categories of impaired positions				
B.3 Other increases	978	1,499		
<b>C. Decreases</b>	<b>917</b>			
C.1 Writebacks from valuations	208			
C.2 Writebacks from collection	708			
C.2 bis Gains on disposal				
C.3 Writeoffs				
C.4 Transfers to other categories of impaired positions				
C.5 Other decreases	1			
<b>D. Total closing adjustments</b>	<b>52,580</b>	<b>112,004</b>		<b>12</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>	24,444	2,680,215	247,306,871	6,978,836	2,132,308	20,546	59,501,889	318,645,109
<b>B. Derivatives</b>	407	5,993					9,982	16,382
B.1 Financial derivatives	407	5,993					9,982	16,382
B.2 Credit derivatives								
<b>C. Guarantees issued</b>			234,748	157,287			557,293	949,328
<b>D. Commitments to disburse funds</b>		122,707	12,590,725	244,508	66,559		3,272,088	16,296,587
<b>E. Other</b>								
<b>Total</b>	<b>24,851</b>	<b>2,808,915</b>	<b>260,132,344</b>	<b>7,380,631</b>	<b>2,198,867</b>	<b>20,546</b>	<b>63,341,252</b>	<b>335,907,406</b>

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

### Mapping of long-term ratings issued by external rating agencies

Rating grades	ECAI		
	Moody's	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 amount	Collateral guarantees (1)				Personal guarantees (2)								Total (1)+(2)			
		Property		Securities	Other collateral guarantees	Credit derivatives				Unsecured loans							
		Mortgages	Finance lease			Credit Linked Notes	Other derivatives			Governments and central banks	Other public entities	Banks	Other entities				
							Governments and central banks	Other public entities	Banks						Other entities		
<b>1. Secured on-balance-sheet credit exposures:</b>	<b>16,941,951</b>			<b>8,521,237</b>	<b>7,044,336</b>							<b>1,327,162</b>			<b>49,215</b>	<b>16,941,950</b>	
1.1 fully secured	16,931,183			8,521,237	7,044,336							1,316,395			49,215	16,931,183	
- of which impaired																	
1.2 partially secured	10,768											10,767					10,767
- of which impaired																	
<b>2. Secured off-balance-sheet credit exposures:</b>	<b>241,387</b>				<b>1,997</b>							<b>12,339</b>			<b>227,051</b>	<b>241,387</b>	
2.1 fully secured	241,387				1,997							12,339			227,051	241,387	
- 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 amount	Collateral guarantees (1)				Personal guarantees (2)								Total (1)+(2)
		Property		Securities	Other collateral guarantees	Credit derivatives				Unsecured loans				
		Mortgages	Finance lease			Credit Linked Notes Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
				Other derivatives										
<b>1. Secured on-balance-sheet credit exposures:</b>	<b>106,847,888</b>	<b>117,086</b>	<b>19,663,416</b>	<b>7,078,373</b>						<b>1,135,730</b>	<b>723,511</b>	<b>129,621</b>	<b>2,813,038</b>	<b>31,660,775</b>
1.1 fully secured	24,440,334	92,483	19,663,416	979,364						806,410	722,189	28,852	2,147,620	24,440,334
- of which impaired	24,517	22,875								1,642				24,517
1.2 partially secured	82,407,554	24,603		6,099,009						329,320	1,322	100,769	665,418	7,220,441
- of which impaired	127,717			448						120,841				121,289
<b>2. Secured off-balance-sheet credit exposures:</b>	<b>4,350,344</b>	<b>1,139</b>	<b>298,336</b>	<b>302,098</b>						<b>738,020</b>	<b>115,929</b>	<b>19,582</b>	<b>2,761,801</b>	<b>4,236,905</b>
2.1 fully secured	4,203,904	1,139	298,336	288,679						738,020	115,929		2,761,801	4,203,904
- of which impaired	18,740									18,740				18,740
2.2 partially secured	146,440			13,419								19,582		33,001
- 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		2,985	(1,730)	x		(3,760)	x		x	23,365	(46,971)	x		(119)	x	
A.2 Substandard loans		x		3,424	(34,701)	x			x		x	144,646	(77,303)	x			x	
A.3 Restructured positions		x				x			x		x			x			x	
A.4 Impaired past-due positions		x		1,872		x			x		x	24,137	(12)	x			x	
A.5 Other	212,899,959	x		47,007,185	x		21,503,932	x	(35)	x	8,899,266	x	(65,224)	27,011	x			
<b>Total A</b>	<b>212,899,959</b>			<b>47,015,466</b>	<b>(36,431)</b>		<b>21,503,932</b>	<b>(3,760)</b>	<b>(35)</b>		<b>9,091,414</b>	<b>(124,286)</b>	<b>(65,224)</b>	<b>27,011</b>	<b>(119)</b>			
<b>B. Off-balance-sheet exposures</b>																		
B.1 Bad debts		x				x		(151)	x		x	606		x			x	
B.2 Substandard loans		x				x			x		x	18,588	(4,957)	x			x	
B.3 Other impaired assets		x		184		x			x		x	2,184		x			x	
B.4 Other	7,076,139	x		2,621,255	x		18,639	x		x	7,067,307	x	(18,045)	4,146	x			
<b>Total B</b>	<b>7,076,139</b>			<b>2,621,439</b>			<b>18,639</b>	<b>(151)</b>			<b>7,088,685</b>	<b>(4,957)</b>	<b>(18,045)</b>	<b>4,146</b>				
<b>Total at 31/12/2014</b>	<b>219,976,098</b>			<b>49,636,905</b>	<b>(36,431)</b>		<b>21,522,571</b>	<b>(3,911)</b>	<b>(35)</b>		<b>16,180,099</b>	<b>(129,243)</b>	<b>(83,269)</b>	<b>31,157</b>	<b>(119)</b>			
<b>Total at 31/12/2013</b>	<b>199,204,664</b>			<b>51,205,096</b>	<b>(33,906)</b>		<b>9,442,543</b>	<b>(3,911)</b>			<b>18,130,603</b>	<b>(74,048)</b>	<b>(12,043)</b>	<b>51,212</b>	<b>(119)</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 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	26,350	(52,580)								
A.2 Substandard loans	148,070	(112,004)								
A.3 Restructured positions										
A.4 Impaired past-due positions	26,009	(12)								
A.5 Other	289,711,777	(65,259)	409,580		85,591		112,150		18,255	
<b>Total A</b>	<b>289,912,206</b>	<b>(229,855)</b>	<b>409,580</b>		<b>85,591</b>		<b>112,150</b>		<b>18,255</b>	
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts	606	(151)								
B.2 Substandard loans	18,588	(4,957)								
B.3 Other impaired assets	2,368									
B.4 Other	14,654,734	(18,045)			1,893,662		122,227		116,863	
<b>Total B</b>	<b>14,676,296</b>	<b>(23,153)</b>			<b>1,893,662</b>		<b>122,227</b>		<b>116,863</b>	
<b>Total (A+B) at 31/12/2014</b>	<b>304,588,502</b>	<b>(253,008)</b>	<b>409,580</b>		<b>1,979,253</b>		<b>234,377</b>		<b>135,118</b>	
<b>Total (A+B) at 31/12/2013</b>	<b>275,288,065</b>	<b>(124,027)</b>	<b>6,562</b>		<b>2,369,531</b>		<b>234,278</b>		<b>135,682</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 Impaired past-due positions										
A.5 Other	24,721,870	(29,256)	2,088,142							
<b>Total A</b>	<b>24,721,870</b>	<b>(29,256)</b>	<b>2,088,142</b>							
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	218,650	(460)	236,522							
<b>Total B</b>	<b>218,650</b>	<b>(460)</b>	<b>236,522</b>							
<b>Total (A+B) at 31/12/2014</b>	<b>24,940,520</b>	<b>(29,716)</b>	<b>2,324,664</b>							
<b>Total (A+B) at 31/12/2013</b>	<b>13,831,972</b>	<b>(25,475)</b>	<b>1,691,635</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 (portfolio extinguished);
3. A2A S.p.A. (portfolio extinguished);
4. Acea Distribuzione S.p.A. (portfolio extinguished);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (portfolio extinguished).

At 31 December 2014, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

The loans underlying this 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.8 Banking group - Servicer activities - Collections on securitised assets and redemption of securities issued by securitisation vehicle

(thousands of euros)

Servicer	Vehicle	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	
CDP SPA	CPG - Società di cartolarizzazione a r.l.		223,413		32,263							

## E. 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

### E.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	31/12/2014	31/12/2013
<b>A. On-balance-sheet assets</b>							<b>294,714</b>			<b>1,365,323</b>									<b>1,660,037</b>	<b>443,944</b>
1. Debt securities							294,714			1,365,323									1,660,037	443,944
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 31/12/2014</b>							<b>294,714</b>			<b>1,365,323</b>									<b>1,660,037</b>	<b>x</b>
- of which impaired																				x
<b>Total 31/12/2013</b>							<b>195,918</b>			<b>248,026</b>									<b>x</b>	<b>443,944</b>
- 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)

## E.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>			<b>141,026</b>	<b>168,007</b>			<b>309,033</b>
a) in respect of assets fully recognised			141,026	168,007			309,033
b) in respect of assets partially recognised							
<b>2. Due to banks</b>			<b>153,208</b>	<b>1,413,002</b>			<b>1,566,210</b>
a) in respect of assets fully recognised			153,208	1,413,002			1,566,210
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 31/12/2014</b>			<b>294,234</b>	<b>1,581,009</b>			<b>1,875,243</b>
<b>Total 31/12/2013</b>			<b>195,508</b>	<b>247,718</b>			<b>443,226</b>

### E.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	31/12/2014	31/12/2013
<b>A. On-balance-sheet assets</b>					294,714		1,590,869						1,885,583	444,355
1. Debt securities					294,714		1,590,869						1,885,583	444,355
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>					294,714		1,590,869						1,885,583	444,355
<b>C. Associated liabilities</b>					294,234		1,581,009						x	x
1. Due to customers					141,026		168,007						x	x
2. Due to banks					153,208		1,413,002						x	x
3. Securities issued														
<b>Total liabilities</b>					294,234		1,581,009						1,875,243	443,226
<b>Net value 31/12/2014</b>					480		9,860						10,340	x
<b>Net value 31/12/2013</b>					410		719						x	1,129

**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**

There were no transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

#### **E.4 Banking group - Covered bond transactions**

During 2013 the outstanding issues carried out by the Parent Company as part of the “Covered bond” programme launched in 2014 were redeemed, which included four public issues with a total overall value of €8 billion as well as a privately-placed yen-denominated issue amounting to about €64 million.

Accordingly, there were no outstanding exposures for covered bonds at the reporting date.



## 1.2 Banking group - Market risks

### 1.2.1 Interest rate risk 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, the Banking group is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. The Parent Company 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.

The Parent Company 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 sensi-

tivity 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), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

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 not only the calculation of the daily VaR but also the entire simulation.

The Risk Policy of the Banking group sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

The Parent Company 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 shifts in the yield curve on net interest income.

The approach to ALM 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 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. The real estate risk connected to the management by CDP Investimenti SGR S.p.A. of the funds Fondo Investimenti per l'Abitare (FIA) and Fondo Investimenti per la Valorizzazione is also monitored.

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 Euro Stoxx 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 of the Parent Company.

The Ordinary Account is normally hedged against interest rate risk at the origination stage.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in euro and other currencies, carried out using IRSs and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

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 in place as of today are classified as micro fair value hedges; there is also a CCS hedging a fixed rate yen denominated issue as operational hedge of the foreign exchange and interest rate risks associated with the note.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As a 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.

In respect of financial liabilities, fair value hedges are currently in place for the bonds issued under the EMTN Programme, through IRSs indexed to 6-month Euribor.

As regards financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the state, CDP had a negative exposure to a rate increase. CDP responded with a programme of mi-

cro-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 a fixed rate 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 also early terminated in subsequent years to contain the total exposure to the yield curve.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index (“Indexed linked at maturity” and “Premia” and “Europa”) is immunised through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and putting in place hedges from a portfolio perspective. The financial characteristics of the most recent issues make it possible to take advantage of partial over-hedges on other positions in the portfolio with the same characteristics. More specifically, the hedges of options embedded in the Europa bonds, issued in June 2013, are put in place by either purchasing matching options<sup>37</sup>, or through long positions in options already in the portfolio for the pre-existing Premia bonds, where the financial characteristics in terms of strike, fixing dates, expiration coincide. The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a “one to one” basis and on an aggregated basis for similar positions according to the above characteristics.

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.

During 2014, in order to minimise exposure arising from hedge discrepancies resulting from redemptions differing from estimates, the Parent Company continued to pursue the programme to unwind the options it had purchased to hedge the embedded options of the “Indexed linked at maturity” and “Premia” bonds. In line with this strategy, it only hedged the new issues for exposures not covered from a portfolio perspective.

## C. Cash flow hedges

During 2010 the Parent Company launched a hedging programme for postal bonds indexed to the consumer price index for blue-collar and office worker households (FOI), 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

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<sup>37</sup> The notional purchased as hedge is estimated on the basis of the proprietary model of customer redemption behaviour.

CDP expects to reach at maturity for each series of hedged bond. In most of the transactions in this category, the Parent Company 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.

As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euros.

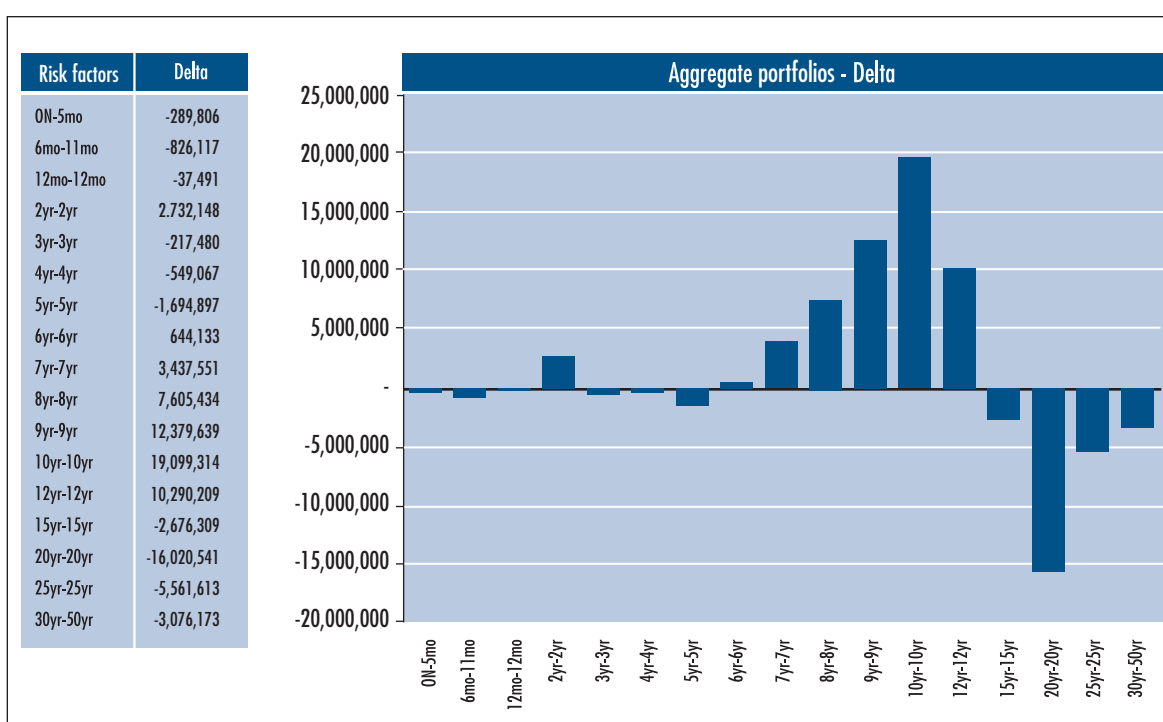
## QUANTITATIVE DISCLOSURES

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

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

#### Sensitivity to euro zero-coupon rates by maturity

Market data at 31 December 2014



### 1.2.3 Exchange rate risk

#### 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 the Banking group.

Certain activities of the Parent Company 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 (as at 31 December 2014, one yen-denominated issue under the EMTN programme) was hedged with cross currency swaps, which transform the Parent Company'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>413,421</b>			
A.1 Debt securities			413,421			
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>89,895</b>			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities			89,895			
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives</b>						
- Options						
+ long positions			89,895			
+ short positions			413,421			
- Other derivatives						
+ long positions						
+ short positions						
<b>Total assets</b>			<b>503,316</b>			
<b>Total liabilities</b>			<b>503,316</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)

	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	15,370,390		13,428,212	
a) Options				
b) Swaps	15,370,390		13,428,212	
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	413,138		1,027,598	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	413,138		1,027,598	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>15,783,528</b>		<b>14,455,810</b>	
<b>Average values</b>	<b>15,119,669</b>		<b>15,518,803</b>	

## A.2.2 Other derivatives

(thousands of euros)

	31/12/2014		31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,158,750		1,785,727	
a) Options				
b) Swaps	1,078,750		1,705,727	
c) Forwards				
d) Futures				
e) Other	80,000		80,000	
2. Equity securities and equity indices	27,480,737		42,270,657	
a) Options	27,400,737		42,270,657	
b) Swaps				
c) Forwards	80,000			
d) Futures				
e) Other				
3. Foreign currencies and gold	89,513		89,829	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	89,513		89,829	
4. Commodities				
5. Other underlyings				
<b>Total</b>	<b>28,729,000</b>		<b>44,146,213</b>	
<b>Average values</b>	<b>36,437,607</b>		<b>57,567,818</b>	

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

(thousands of euros)

	Positive fair value			
	31/12/2014		31/12/2013	
	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	683,757		325,064	
a) Options				
b) Interest rate swaps	506,354		126,651	
c) Cross currency swaps	177,403		198,413	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	298,682		472,679	
a) Options	189,418		424,074	
b) Interest rate swaps	66,140		46,107	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards	33,141			
f) Futures				
g) Other	9,983		2,498	
<b>Total</b>	<b>982,439</b>		<b>797,743</b>	

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

(thousands of euros)

	Negative fair value			
	31/12/2014		31/12/2013	
	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	2,305,631		1,449,144	
a) Options				
b) Interest rate swaps	2,305,631		1,449,144	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	290,044		444,815	
a) Options	169,463		387,545	
b) Interest rate swaps	64,978		42,677	
c) Cross currency swaps	12,479		12,095	
d) Equity swaps				
e) Forwards	33,141			
f) Futures				
g) Other	9,983		2,498	
<b>Total</b>	<b>2,595,675</b>		<b>1,893,959</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							9,983
- negative fair value							
- future exposure							
<b>2. Equity securities and equity indices</b>							
- notional value							14,079,312
- positive fair value							
- negative fair value							167,420
- 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			16,174,509	314,631			
- positive fair value			547,241	25,253			
- negative fair value			2,376,679	3,913			
<b>2. Equity securities and equity indices</b>							
- notional value			13,148,925	252,500			
- positive fair value			188,222	34,337			
- negative fair value			2,043	33,141			
<b>3. Foreign currencies and gold</b>							
- notional value			502,651				
- positive fair value			177,403				
- negative fair value			12,479				
<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	More than 1 year 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>10,693,361</b>	<b>23,587,126</b>	<b>10,232,041</b>	<b>44,512,528</b>
B.1 Financial derivatives on debt securities and interest rates	1,605,129	4,691,970	10,232,041	16,529,140
B.2 Financial derivatives on equity securities and equity indices	8,998,719	18,482,018		27,480,737
B.3 Financial derivatives on exchange rates and gold	89,513	413,138		502,651
B.4 Financial derivatives on other assets				
<b>Total at 31/12/2014</b>	<b>10,693,361</b>	<b>23,587,126</b>	<b>10,232,041</b>	<b>44,512,528</b>
<b>Total at 31/12/2013</b>	<b>18,828,778</b>	<b>29,409,524</b>	<b>10,363,721</b>	<b>58,602,023</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			487,230	33,001			
- negative fair value			1,965,566	10,464			
- future exposure			237,834	61,709			
- net counterparty risk			238,815	56,960			
<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**

The exposure of the Banking group to liquidity risk in the form of asset liquidity risk is limited as it does not engage in trading.

For the Parent Company, 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 an operational protection measure for liquidity risk CDP adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, the Parent Company 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: euro

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
<b>On-balance-sheet assets</b>	<b>153,928,293</b>	<b>19,937,701</b>	<b>3,870,230</b>	<b>4,111,416</b>	<b>1,221,184</b>	<b>4,211,256</b>	<b>5,652,416</b>	<b>33,533,735</b>	<b>86,332,688</b>	<b>1,890,905</b>
A.1 Government securities			402,184	299,920	1,067,033	315,926	745,196	7,345,375	16,918,150	
A.2 Other debt securities	172,195			2,737	437	18,368	65,826	162,662	1,149,495	
A.3 Units in collective investment undertakings	1,421,051									
A.4 Loans	152,335,047	19,937,701	3,468,046	3,808,759	153,714	3,876,962	4,841,394	26,025,698	68,265,043	1,890,905
- banks	1,749,990	5,714,403	2,806,682	43,050	8,008	1,253,659	1,365,499	6,890,874	5,038,683	1,890,905
- customers	150,585,057	14,223,298	661,364	3,765,709	145,706	2,623,303	3,475,895	19,134,824	63,226,360	
<b>On-balance-sheet liabilities</b>	<b>252,118,944</b>	<b>776,026</b>	<b>69,690</b>	<b>4,500,878</b>	<b>44,472,815</b>	<b>1,080,057</b>	<b>502,533</b>	<b>6,337,240</b>	<b>8,809,365</b>	
B.1 Deposits and current accounts	252,088,395	635,000	940	3,185,000	43,490,226	380,000	830	1,893,740	1,122,149	
- banks	1,422,798		940	20,000	4,470,226		830	743,740	422,149	
- customers	250,665,597	635,000		3,165,000	39,020,000	380,000		1,150,000	700,000	
B.2 Debt securities			68,750	215,016	325,408	642,176	416,344	3,723,500	4,248,000	
B.3 Other liabilities	30,549	141,026		1,100,862	657,181	57,881	85,359	720,000	3,439,216	
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions								538,624		
- short positions			102,001							
C.2 Financial derivatives without exchange of principal										
- long positions	265,051		969	1,188	57,401	267,359	296,723			
- short positions	64,357		10	982	6,378	139,988	149,493			
C.3 Deposits and loans to receive										
- long positions					3,000,000					
- short positions		3,000,000								
C.4 Irrevocable commitments to disburse funds										
- long positions										19,424,019
- short positions	19,424,019									
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>			31,718		28,917	60,286	121,276	434,400		
A.1 Government securities			31,718		28,917	60,286	121,276	434,400		
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
<b>On-balance-sheet liabilities</b>			94,558							
B.1 Deposits and current accounts										
- banks										
- customers										
B.2 Debt securities			94,558							
B.3 Other liabilities										
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions			94,120							
- short positions							434,400			
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										

## 2. Disclosure of committed assets shown on the balance sheet

(thousands of euros)

	Committed		Not committed		Total	Total
	CA	FV	CA	FV	31/12/2014	31/12/2013
1. Cash and cash equivalents		x	3	x	3	
2. Debt securities	12,102,015	13,867,244	17,008,044	18,807,924	29,110,059	24,654,194
3. Equity securities			10,896	10,896	10,896	11,761
4. Loans	36,056,433	x	250,292,351	x	286,348,784	253,475,019
5. Other financial assets		x	33,602,949	x	33,602,949	35,098,555
6. Non-financial assets		x	1,151,654	x	1,151,654	1,460,949
<b>Total 31/12/2014</b>	<b>48,158,448</b>	<b>13,867,244</b>	<b>302,065,897</b>	<b>18,818,820</b>	<b>350,224,345</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>53,044,608</b>	<b>15,147,872</b>	<b>261,653,834</b>	<b>11,042,635</b>	<b>x</b>	<b>314,700,478</b>

### Key

CA = carrying amount

FV = fair value

The assets given as collateral to the ECB for refinancing transactions included debt securities with a nominal value of approximately €10,188 million and loans for an outstanding principal amount of about €30,383 million.

## 3. Disclosure of owned committed assets not shown on the balance sheet

(thousands of euros)

	Committed	Not committed	Total	Total
			31/12/2014	31/12/2013
1. Financial assets	27,756,076		27,756,076	10,315,517
- securities	27,756,076		27,756,076	10,315,517
- other				
2. Non-financial assets				
<b>Total 31/12/2014</b>	<b>27,756,076</b>		<b>27,756,076</b>	<b>x</b>
<b>Total 31/12/2013</b>	<b>10,315,517</b>		<b>x</b>	<b>10,315,517</b>

## 1.4 Banking group - Operational risks

### QUALITATIVE DISCLOSURES

#### General aspects, management and measurement of operational risks

##### ***Definition of operational risk***

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 amended, were adopted as 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.

The “legal risk” is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

##### ***System for managing operational risks***

The operational risk management system is a structured set of processes, functions and resources for identifying, assessing and controlling the mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Taking as reference the best banking practices and the supervisory regulations applicable to banks, the formalisation and implementation of a methodological and organisational framework continued to be pursued – in terms of structures, processes, strategies and policies – for managing operational risk related to the products/processes of the companies of the Banking group.

The goal is to be able to set up an effective system for managing and monitoring operational risks, laying the foundation for mitigation measures and for a more accurate quantification of the associated economic capital, now estimated using the Basic Indicator Approach.

The Operational Risk Service of the Parent Company, within the Risk Management and Anti-Money Laundering Area, is responsible for the analysis, design and implementation of the organisational and methodological framework designed to identify and mitigate operational risks.

The framework adopted 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 contingent losses (assessment of level of exposure to operational risks);
- factors representing the business environment and internal control systems;
- system loss data (external data).

The major projects initiated in relation to the operational risk management system are presented below.

### ***Loss data collection***

The framework for loss data collection adopted uses the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) with respect to the Italian Database for Operational Losses (DIPO).

In this respect, the primary activities carried out were:

- identification and updating of information sources for the continuous feeding of operating losses database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- mapping of relevant data on operational risk – relating to both operational risk events that have generated losses already recognised in profit or loss and operational risk events that have not resulted in a loss (near-miss events);
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and amount thresholds for mapping loss events, to enable the creation of time series representative of the actual risk profile of companies in the Banking group and such as not to exclude significant data loss that could affect the reliability and accuracy of the operational risk assessment.

A proprietary application was developed (LDC) for gathering the data in question, in order to ensure the integrity, confidentiality and availability of collected information.

### ***External loss data***

The Parent Company participates in the Italian Database for Operational Losses (DIPO) managed by ABIServizi S.p.A., in order to collect data on operating losses suffered by other financial institutions and carry out studies and in-depth analyses on organisational solutions and methodologies of operational risk management.

### ***Mapping of business processes related risks***

The work is a preliminary for the assessment of the level of exposure to operational risks and consists in mapping adverse events that could impact corporate processes, including risks associated with the introduction of new products, processes and systems.

The identification of risks inherent in processes, carried out by process owners and experts appointed by the process owners, 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.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within the Banking group, special attention is devoted to compliance risk, to 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 Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and who act in its interest), to 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), to the risk governed by Law 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette no. 301 of 28 December 2005), to the risk of disruption or malfunction of IT systems and on outsourcing risk.

### ***Assessment of level of exposure to operational risks***

CDP has 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 risk analysis.

It is an "operational and managerial" approach that assigns responsibility for assessing the risks to which the Company is exposed to the managers of the analysed processes or the experts designated by them, through a self-assessment process designed to estimate the potential adverse events arising both from risk factors within the Company and external factors.

This activity is carried out through interviews. RMA plays a moderator role that mitigates the respondents "cognitive distortions", typical in self-evaluation processes, and ensures greater reliability and objectivity of the assessments carried out.

The methodology adopted makes it possible to estimate:

- the absolute exposure to each risk identified in the processes, i.e. the risk that is inherent in the activity under analysis in the absence of internal controls (i.e. inherent risk);
- the effectiveness of controls in place;
- the residual exposure to each risk identified in processes, i.e. the risk remaining after application of effective controls (residual risk).

In the Parent Company, the main actors involved in assessing the exposure to operational risks are:

1. the Operational Risk Service:
  - 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;
  - propose actions to mitigate risks identified;
  - periodically monitor the evolution of those risks and the emergence of new risks;
3. the Compliance Service:
  - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
  - proposes actions to mitigate risks identified;
4. the Anti-Money Laundering Service:
  - identifies money laundering risk factors in line with the methodological framework adopted;
  - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
  - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
  - proposes actions to mitigate risks identified;
5. Financial Reporting Manager:
  - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law 262 of 28 December 2005);
  - supports the owners in identifying control measures;
  - proposes actions to mitigate risks identified;
6. 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 offences referred to in Legislative Decree 231 of 8 June 2001.

### ***Risk management and mitigation***

On the basis of critical issues detected through the loss data collection and the evaluation of the Company's exposure to operational risk, potential corrective actions are identified and prioritised.

More specifically, the Operational Risk Service of the Parent Company develops mitigation recommendations to reduce the exposure to the most critical risks, where necessary and in cooperation with the organisational units involved.

### ***Monitoring and reporting***

A reporting system has been put in place to ensure timely information on the major operational risks identified in both the loss data collection and the evaluation of exposure to operational risk. Vulnerable areas are highlighted and the potential actions to prevent and mitigate operational risks are described.

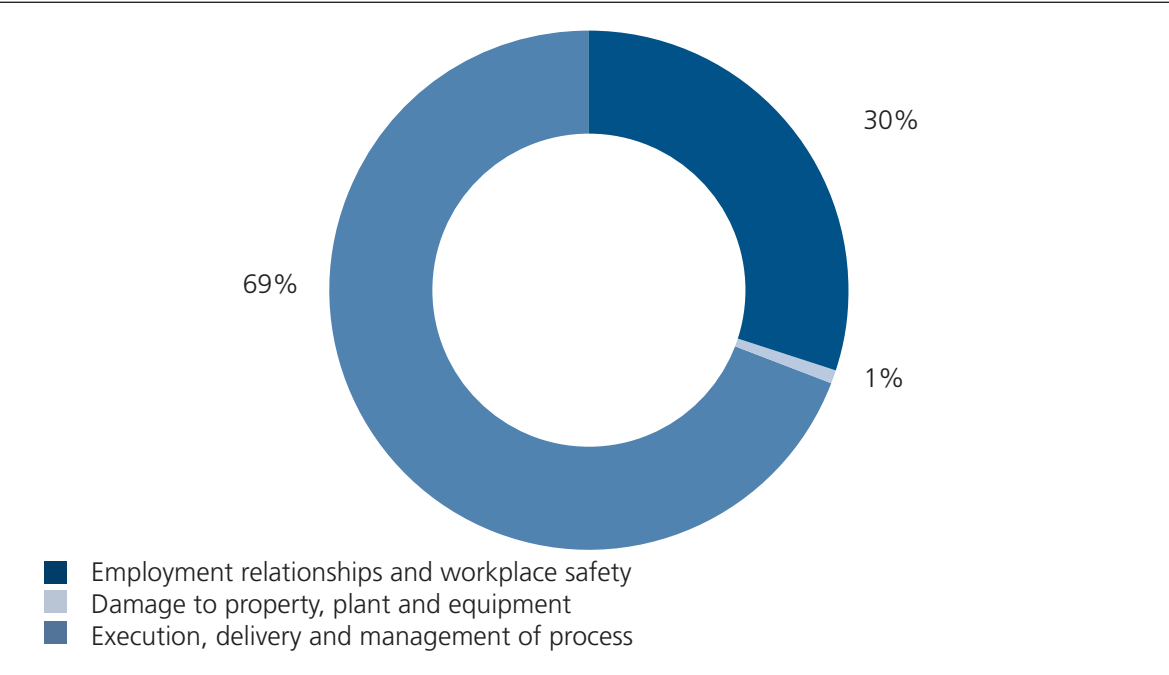
## QUANTITATIVE DISCLOSURES

The percentage composition of operational risk losses of the Parent Company by type of event is provided below, as defined by the New Basel Accord on Capital, implemented in Italy by the New prudential supervisory provisions for banks issued by Bank of Italy in December 2006 (circular no. 263 ) as amended.

The types of operational risk event are the following:

- internal fraud: losses due to unauthorised acts, acts of a type intended to defraud, misappropriate property or violate regulations, the law or company policy that involve at least one internal party;
- external fraud: losses due to acts of a type intended to defraud, misappropriate property or violate the law by a third party;
- employment practices and safety at work: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- clients, products and business practices: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage from external events: losses arising from external events, such as natural catastrophes, terrorism and acts of vandalism;
- disruption and system failures: losses arising from disruption of business or system failures or unavailability;
- execution, delivery and process management losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

### Operating risk events 2014





In the course of 2014 the categories that had the greatest financial impact were “execution, delivery and management of process” (mainly concerning claims for compensation related to corporate transactions) and “Employment relationship and workplace safety” (labour disputes).

#### LEGAL DISPUTES OF THE PARENT COMPANY

Regarding pending disputes, the overall number of cases, as well as the estimated potential liabilities, remain, in absolute terms, at insignificant levels and, even in relative terms, the impact of the estimated potential expenses on the Parent Company’s accounts is absolutely negligible.

With regard to the Separate Account, at 31 December 2014, 79 suits were pending with a total estimated liability of about €2.1 million, of which 9 relating to disputes with suppliers.

There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or with respect to laws and regulations.

As regards the conversion of preference shares into ordinary shares, following the exercise of the right of withdrawal, the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of considerable size (about €432 million). However, the risk of losing the dispute, while possible, is not considered high.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.

Lastly, with regard to labour disputes, at 31 December 2014, 38 cases were pending, for which the estimated total potential liability is about €1.7 million. Accordingly, the observations made above in relation to disputes in the Separate Account also apply, namely that the estimated potential costs, both in absolute and relative terms, are absolutely negligible with respect to the volumes in CDP’s financial statements.

## 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 €37.7 billion, up 6.4% compared with the end of 2013. The pace of growth for 2013, which had slowed down in 2012, picked up again, mainly due to the guarantee portfolio, which accounted for 96.8% of the overall exposure. The loan portfolio grew by 26.9%; the commercial component, whilst accounting for only 4.8% of loans, increased from €12.6 million to €57.8 million.

The total portfolio of SACE BT compared to 2013 was substantially unchanged (+0.5%) and amounted to €36.4 billion.

(millions of euros)

Portfolio	2014	2013	Change (%)
<b>SACE</b>	<b>37,699.8</b>	<b>35,425.7</b>	<b>6.4%</b>
Outstanding guarantees	36,494.3	34,475.8	5.9%
- principal	31,439.8	29,336.4	7.2%
- interest	5,054.5	5,139.4	-1.7%
Performing credits	1,205.5	949.9	26.9%
<b>SACE BT</b>	<b>36,359.7</b>	<b>36,170.1</b>	<b>0.5%</b>
Short-term credit	7,559.8	10,039.0	-24.7%
Surety Italy	6,713.2	6,990.1	-4.0%
Other Property Damage	22,086.7	19,141.0	15.4%

### SACE

The breakdown by geo-economic area showed an increase in the exposure to EU countries (41.4% compared with 40.4% in 2013), up by 9.0% versus the previous year: as before, Italy continued to rank first in terms of concentration, with a relative weight of 28.6%.

It was followed by other European and CIS countries, which, with a 20.1% share of the portfolio (down in comparison with 2013, when it amounted to 21.0%), recorded only a slight increase in exposure, equal to 1.9%. The other geo-economic areas accounted for 38.5% of the portfolio as a whole and showed a 7.2% average exposure increase over 2013: Americas +4.9% (with a slightly lower share of the portfolio, down from 14.2% in 2013 to 14.0% in 2014), Middle East and Northern Africa

+6.1% (whose share of the portfolio remained unchanged for 2013 and 2014, at 13.2%), Far East and Oceania +7.2% (whose share of the portfolio remained unchanged for 2013 and 2014, at 9.2%) and, finally, Sub-Saharan Africa, up 10.6% (with a share of the portfolio slightly up from 2.0% in 2013 to 2.1% in 2014).

The proportion of loans in US dollars increased compared with last year, rising from 51.2% to 52.7%, while 42% of the guarantee portfolio was denominated in that currency (versus 38% in 2013): this was also due to the strengthening of the US dollar versus the euro, from 1.3791 in 2013 to 1.2141 in 2014. 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 unearned premium provision and in part through asset-liability management techniques implemented by the Company.

The breakdown by sector continued to show a high level of concentration, with the top five sectors representing 69% of the overall private-sector portfolio. Oil&Gas continued to be the main sector, accounting for 23.6% (up from 23.0% in 2013) and an increased exposure (+11.1%) compared to 2013. Noteworthy is also the increase in guarantees to the Infrastructure and Construction sector by 11.6% (with a share that grew from 15.4% in 2013 to 15.9%) and to the Cruise sector by 33.9% (with a share that grew from 10.6% in 2013 to 13.1%).

## **SACE BT**

### ***Credit insurance business***

The policies at risk under the credit insurance business line were 109,156 at 31 December 2014 (-36.3% compared to December 2013), for a corresponding value of €8.6 billion. Nominal risk exposure at the same date, which is defined taking into account deferral in payment terms, contract extensions and deductibles, was spread on 84,653 debtors (-31.2% compared to 2013) for a total of €7.6 billion, down 24.7% from the previous year. The average amount insured per debtor stood at €89 thousand. The portfolio was primarily concentrated in EU countries (78.3%), with Italy accounting for 56.5%.

Agriculture, Wholesale Trade and Retail Trade were the top three industries for this line of business, accounting for 10.3%, 10.0% and 9.7% of total exposure respectively.

### ***Surety business***

The exposure of the surety business, namely the amount insured, amounted to €6.7 billion, slightly down (-4.0%) compared to December 2013. Guarantees in tenders represent 62.9% of the exposure, followed by guarantees for tax payments and reimbursements (33.0%).

The portfolio, consisting of more than 32 thousand contracts, was concentrated in the north of Italy (63.9%) and the centre (27.2%).

### *Construction/other property damage business*

Nominal exposure of the construction/other property damage business was equal to €22.1 billion. Actual exposure – calculated net of deductibles, percentage deductibles and indemnity limits – was €17 billion. The number of existing policies was equal to 7,166. Construction All Risk and Erection All Risk policies accounted for 50.6% of the portfolio, Ten-year Liability policies for 38.8% and Non-life Policies for the remaining 10.6%.

## 2.2 Financial risks

The financial management aims to achieve the two following macro-objectives:

- preserving the value of company assets: in line with developments of the reference regulatory and financial framework, the SACE Group, through a process of integrated Asset & Liability Management, hedges (both directly and indirectly) in order to balance negative variances in the guarantee and loan portfolio in the event of adverse changes to risk factors;
- contributing to the achievement of corporate financial goals through targeted, effective investments.

This activity confirmed that values were in line with the limits defined for each company and each type of investment. Value-at-Risk models are used to quantify capital requirements.

<i>(millions of euros)</i>				
<b>Asset class</b>	<b>HTM</b>	<b>HFT</b>	<b>Total</b>	<b>%</b>
Bonds	1,691.0	908.0	2,599.0	41.3%
Collective investment undertakings		558.6	558.6	8.9%
Shares		39.6	39.6	0.6%
Money Market		3,088.4	3,088.4	49.1%
<b>Total</b>	<b>1,691.0</b>	<b>4,594.5</b>	<b>6,285.5</b>	<b>100.0%</b>

Of the total portfolio, 41.3% is accounted for by bonds and other debt securities, 8.9% by stakes in collective investment undertakings mainly invested in bonds or shares, 0.6% by shares and the remaining 49.1% by monetary instruments.

With regard to the credit risk of its securities portfolio, the SACE Group and the subsidiaries pursued 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.

Breakdown of securities portfolio by Rating class	%
AAA	1.7%
AA	1.4%
AA-	0.3%
A	
BBB	95.0%
Other	7.0%

### Sensitivity Analysis

During the year, a sensitivity analysis is conducted on the Group's investment portfolio, specifically for bonds, shares and stakes in collective investment undertakings.

The sensitivity analysis of the securities portfolio (excluding the HTM component) involves stress tests and analysis scenarios calibrated on the basis of 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	Effect on trading book (millions of euros)	Stress test description
All Rates +100bp	65.2	Explicit Factor Shocks
All Rates -100bp	-78.8	Explicit Factor Shocks
Equities up 10%	-13.5	Global/US/Europe/Asia & Japan market factors up 10%
Equities down 10%	13.5	Global/US/Europe/Asia & Japan market factors down 10%
Oil Up 20%	-11.1	Explicit Factor Shocks
EUR up 10% vs. USD: Propagation.	-121.0	Euro up 10% on the USD, with propagation on 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	41.9	Historical returns immediately after the Lehman Brothers bankruptcy in 2008
Greece Financial Crisis - 2010	80.1	Greece was one of the fastest growing economies in the Euro zone between 2000 and 2007. However the cost of financing this growth resulted in alarmingly high public deficits, particularly with respect to GDP. On 27 April 2010 the Greek debt rating was downgraded from BBB+ to BB+.
Oil Prices Drop - May 2010	37.4	Oil price down by 20% due to concerns about the reduction in government budgets as a result of the economic crisis in the European countries.
Russian Financial Crisis - 2008	48.3	The war in Georgia and the rapid decline in the oil prices raises fears of an economic recession
Debt Ceiling Crisis & Downgrade 2011	-21.6	The debt crisis in the US and the subsequent downgrade by S & P. This scenario reflects the market variables of 17 days: from 22 July 2011 to 8 August 2011, the day when the market began to react to the debt impasse.
VIX up scenario	-35.3	Historical scenario of the VIX in the period 5 July to 30 September 2011: from a low of 16.06 (5 July) to 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 (€0.58 million), substantially in line with that posted in 2013 (€0.65 million), confirming the wisdom of the prudent approach adopted for this portfolio as well.

## 2.2 Legal disputes

SACE is involved in 38 disputes, the vast majority of which is related to insurance commitments undertaken prior to 1998. More specifically, there are 31 pending suits against the company, involving provisions of about €33.4 million, while SACE itself has filed 7 claims, seeking a total of around €168.5 million. Furthermore, at 31 December 2014, the company was involved in 18 suits brought by SACE to obtain recognition of the privileged nature of its claims in bankruptcy proceedings, pursuant to Legislative Decree 123/98, in relation to compensation paid (or being paid) against guarantees issued in support of the internalisation of businesses.

## 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.

This section provides 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. Quantitative information on the 2014 financial statements are also provided.

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)

	31/12/2014				31/12/2013			
	Performing credits	Loans at fair value	Hedging derivatives	Total	Performing credits	Loans at fair value	Hedging derivatives	Total
<b>Assets</b>								
Derivative financial instruments			784.8	784.8			545.5	545.5
Cash, short-term deposits and intercompany loans	1,217.3			1,217.3	1,617.1			1,617.1
<b>Total</b>	<b>1,217.3</b>		<b>784.8</b>	<b>2,002.1</b>	<b>1,617.1</b>		<b>545.5</b>	<b>2,162.6</b>

(millions of euros)

	31/12/2014				31/12/2013			
	Payables	Loans at fair value	Hedging derivatives	Total	Payables	Loans at fair value	Hedging derivatives	Total
<b>Liabilities</b>								
Long-term debt	2,865.7	5,983,6		8,849.3	2,365.9	6,341.8		8,707.7
Derivative financial instruments			35.5	35.5			80.0	80.0
<b>Total</b>	<b>2,865.7</b>	<b>5,983,6</b>	<b>35.5</b>	<b>8,884.8</b>	<b>2,365.9</b>	<b>6,341.8</b>	<b>80.0</b>	<b>8,787.7</b>

## 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 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 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 and 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, related to hedging the risk of changes in the cash flows associated with long-term floating-rate loans;
- fair value hedge derivatives, 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).



The following table shows the notional amounts and the fair value of derivatives entered into by the Terna Group:

(millions of euros)

	31/12/2014		31/12/2013		Change	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
FVH derivatives	3,150.0	784.8	3,750.0	545.5	-600.0	239.3
CFH derivatives	2,687.3	-35.5	2,366.3	-80.0	321.0	44.5

### *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 to reduce the volume of debt exposed to fluctuations in interest rates as well as the volatility of borrowing costs. By entering into an interest rate swap with a counterparty, Terna agrees to exchange floating rate interest payments against fixed rate interest payments (agreed between the parties), or vice versa, with reference to predefined notional amounts and at specified time intervals.

The following table reports the financial instruments subscribed by Terna, classified by type of interest rate (fixed or floating):

(millions of euros)

	Carrying amount 31/12/2014	Carrying amount 31/12/2013	Change
<b>Fixed rate financial instruments</b>			
- liabilities	6,019.1	6,421.8	-402.7
<b>Floating rate financial instruments</b>			
- assets	2,002.1	2,162.6	-160.5
- liabilities	2,865.7	2,365.9	499.8
<b>Total</b>	<b>6,882.7</b>	<b>6,625.1</b>	<b>257.6</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, into floating-to-fixed interest rate swaps (CFH) to hedge the expected cash flows in respect of all other floating-rate debt.

Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, as initially and periodically verified, is high (between 80% and 125%), the company chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to simultaneously recognise the income statement effects of the hedges and the hedged item. As a result, for FVH derivatives, the fair value changes of the hedged item attributable to the risk being hedged must be recognised in the income statement, thereby offsetting the fair value changes of the derivative that are also recognised in the income statement; for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognising any ineffective portion through profit or loss) and then recycled through profit or loss in the same period in which the cash flows relating to the hedged item have an earnings effect. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items, therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact from fair value changes on the income statement. 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)

	Net income or loss				Equity	
	current rates +10%	rates at 31/12/2014	current rates -10%	current rates +10%	rates at 31/12/2014	current rates -10%
<b>31 December 2014</b>						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	-4.7	2.0	8.7	-35.1	-35.5	-35.9
<i>Hypothetical change</i>	-6.7		6.7	0.4		-0.4
<b>31 December 2013</b>						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	0.2	0.3	-	-78.1	-80.0	-82.0
<i>Hypothetical change</i>	-0.2		-0.3	1.9		-1.9

### *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 thereby obtaining 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*

Terna generally 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.

In the financial statements at 31 December 2014 (as at 31 December 2013), there were 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 liq-

liquidity. At 31 December 2014, Terna had approximately €739 million in short-term credit lines and €750 million in revolving credit lines. The following table reports the repayment schedule for nominal long-term debt at 31 December 2014:

*(millions of euros)*

	Maturity period	31/12/2013	31/12/2014	Amount maturing within 12 months	Amount maturing after 12 months	2016	2017	2018	2019	Beyond
Bonds	2014-2024	1,596.2	1,081.9		1,081.9					1,081.9
Bonds IL	2023	677.0	731.6		731.6					731.6
Bonds PP	2019	672.4	691.9		691.9				691.9	
Bonds 1250	2021	1,402.6	1,483.0		1,483.0					1,483.0
Bonds 1250	2017	1,246.9	1,247.8		1,247.8		1,247.8			
Bonds 750	2018	746.7	747.5		747.5			747.5		
<b>Total fixed rate</b>		<b>6,341.8</b>	<b>5,983.7</b>		<b>5,983.7</b>	<b>1,247.8</b>	<b>747.5</b>	<b>691.9</b>	<b>3,296.5</b>	
EIB	2014-2030	1,216.3	1,707.0	112.5	1,594.5	120.5	132.4	132.4	111.2	1,098.0
Club Deal	2015	649.6	649.9	649.9						
CDP	2019	500.0	500.0		500.0					500.0
Leases	2019-2021-2022		8.8	1.7	7.1	1.7	1.7	1.7	1.9	0.1
<b>Total floating rate</b>		<b>2,365.9</b>	<b>2,865.7</b>	<b>764.1</b>	<b>2,101.6</b>	<b>122.2</b>	<b>134.1</b>	<b>134.1</b>	<b>113.1</b>	<b>1,598.1</b>
<b>Total</b>		<b>8,707.7</b>	<b>8,849.4</b>	<b>764.1</b>	<b>8,085.3</b>	<b>122.2</b>	<b>1,381.9</b>	<b>881.6</b>	<b>805.0</b>	<b>4,894.6</b>

## Credit risk

Credit risk is the risk that 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 Group.

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, Gas and Water (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 31/12/2014	Carrying amount 31/12/2013	Change
FVH derivatives	784.8	545.5	239.3
Cash and cash equivalents	1,217.3	1,617.1	-399.8
Trade receivables	1,577.8	1,721.1	-143.3
<b>Total</b>	<b>3,579.9</b>	<b>3,883.7</b>	<b>-303.8</b>

The overall credit risk exposure at 31 December 2014 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 arises where the loan agreements or bond issues' regulations, to which the parent company is a party, contain provisions according to which, upon the occurrence of certain events, the counterparties are entitled to request the debtor the immediate repayment of the loaned amounts, thereby generating a liquidity risk. Regarding contractual agreements on financing in place at 31 December 2014, refer to the "Financing and financial liabilities" section of the Notes to Terna S.p.A.'s accounts.

### SNAM Group

SNAM established the Enterprise Risk Management (ERM) Unit, reporting directly to the Chief Executive Officer, in order to monitor the integrated corporate risk management process for all Group companies. ERM's main goals are defining a risk assessment model that enables the identification of the aforementioned risks based on common, cross-functional logics and the prioritisation of risks, as well as the consolidation of mitigation actions and the development of a reporting system.

The ERM method adopted by SNAM Group for the structured, consistent identification, assessment, management and control of risks for SNAM and its subsidiaries is in line with reference frameworks and existing international best practice (COSO Framework and ISO 31000).

ERM operates within the wider context of SNAM's Risk Management and Internal Control System.

## **Risk management and internal control systems**

Responsibility for SNAM's Risk Management and Internal Control System rests with the Board of Directors (BoD), which, together with the Control and Risk Committee, manages and assesses the system's adequacy, identifying in SNAM's Chief Executive Officer the director tasked with establishing and maintaining an effective internal control and risk management system.

The Board of Auditors and the Supervisory Body monitor the System's effectiveness within their respective spheres of competence.

SNAM's risk management is articulated into the following three levels of internal control:

- first level: identification, assessment and monitoring of relevant risks within individual group processes. Group functions who are the owners of individual risks and are responsible for identifying, quantifying and managing them – apart from implementing any necessary controls – fall within this level;
- second level: (i) monitoring of main risks in order to ensure the efficiency and effectiveness of: (a) management and handling of the aforementioned risks; (b) adequacy and operational effectiveness of the controls established to monitor key risks; (ii) support to the first level in defining and implementing adequate systems to manage main risks and relevant controls. Group staff functions responsible for co-ordinating and managing the main control systems (e.g. Corporate Administrative Liability, Corporate Disclosure, Anti-corruption, Antitrust) operate at this level;
- third level: independent, objective assurance about the adequacy and the operating effectiveness of the first and second level of controls and risk management methods as a whole. This activity is performed by the Internal Audit function, whose activities are informed and guided by the "Guidelines" defined and approved by SNAM's Board of Directors.

The main risks identified, monitored and, as specified below, managed by SNAM within the scope of corporate risks are: (i) market risk resulting from exposure to interest rates and natural gas price fluctuations; (ii) credit risk resulting from the possibility of default by a counterparty; (iii) liquidity risk resulting from the lack of financial resources to fulfil short-term commitments; (iv) rating risk; (v) default risk and debt covenants; (vi) operational risk; (vii) specific risks linked to the sectors in which the group operates.

## **Financial risks**

### *Market risks*

#### **Interest rate risk**

Interest rate fluctuations affect the market value of the company's financial assets and liabilities and the level of net financial charges. SNAM's Risk Management objective consists in optimising the interest rate risk whilst pursuing the targets defined and approved in the financial plan. The SNAM

Group is run on the basis of a centralised organisational model. As a result, SNAM's business units ensure coverage of requirements through access to the financial markets (capital markets and banking channel) and the use of funds in line with approved objectives, ensuring that the debt profile is kept within set limits.

As at 31 December 2014, 69% of financial debt was fixed-rate (against 64% at the end of 2013) and the remaining 31% was variable-rate (versus 36% at the end of 2013).

As at 31 December 2014, the SNAM Group used external financial resources in the shape of bond issues and bi-lateral and syndicated loan agreements with banks and other lenders, in the form of medium- to long-term loans and credit facilities at interest rates that were index-linked to market reference rates – in particular to the Europe Interbank Offered Rate (Euribor) rate – or at fixed rate.

### **Interest rate risk**

SNAM's exposure to the interest rate risk pertains to both transaction risk and transaction risk related to exchange rates. The transaction risk arises from the conversion of trade or financial receivables (payables) into currencies other than the functional one and can be linked to the impact of adverse exchange rate fluctuations between the moment the transaction was originated and the moment it was perfected (collection/payment). The translation rate risk consists in the fluctuation of the exchange rates of currencies other than the consolidation currency (euro), which can result in variances to consolidated equity. SNAM's Risk Management objective is that of minimising the transaction risk, also resorting to the use of derivative financial instruments.

As at 31 December 2014, SNAM had foreign currency items consisting essentially of a bond for an amount of 10 billion Japanese yen maturing in 2019, for a counter-value of approx. €75 million on the issue date, fully converted into euros through a Cross Currency Swap hedging derivative. SNAM does not hold hedging derivatives on currencies for speculative purposes.

### **Risk of natural gas price fluctuations**

Starting from 1 January 2010, the Authority for Electricity, Gas and Water (AEEGSI) has defined the methods for the payment in kind by service users to the major transmission service operator of gas quantities to cover fuel gas, network leaks and Unaccounted For Natural Gas. As a result, the fluctuation in the price of natural gas to hedge fuel gas and network leaks no longer represents a risk factor for SNAM. Starting from 1 January 2014, with the beginning of the fourth regulatory period (1 January 2014 - 31 December 2017), the Authority for Electricity, Gas and Water changed the methods for the payment in kind – by service users to the major transmission service operator – of gas quantities to cover Unaccounted For Natural Gas. Specifically, with Resolution 514/2013/R/gas, AEEGSI defined the allowed level of unaccounted for gas on the basis of a fixed value for the entire regulatory period, in order to incentivise the major transmission service operator to achieve further efficiency gains. In view of the aforementioned mechanism for the payment in kind for unaccounted for gas, there is ongoing uncertainty about any quantities of unaccounted for natural gas recorded in excess compared to the quantities paid for in kind by service users.

### *Credit risk*

The credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed settlement of any amounts due may negatively impact SNAM's performance and financial soundness.

With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of business units and SNAM's dedicated centralised functions, including credit collection and dispute management activities. Guidelines and methods for the quantification and management of client risk are defined at Corporate level.

The rules governing clients' access to the services offered are established by the Authority for Electricity, Gas and Water and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern duties and responsibilities of the subjects involved in the process of providing the aforementioned services and mandate contractual clauses that diminish the risk of non-compliance on the part of clients. In specific cases, the Codes provide for the issue of guarantees to partly cover some obligations entered into when the client does not possess a credit rating issued by a major international rating agency. The regulatory body of rules also provides for specific clauses to guarantee the neutrality of the entity responsible for the balancing activity, performed by SNAM Rete Gas as major transmission service operator since 1 December 2011. Specifically, balancing regulations entail an obligation for SNAM Rete Gas to acquire, on an economic merit basis, the financial resources required to ensure the safe and efficient handling of gas from input to offtake points, in order to guarantee the constant balancing of the network, procure the storage resources required to cover any imbalances of individual users and adjust the relevant income statement entries.

SNAM provides its business services to a limited number of gas sector operators, of which Eni S.p.A. is the most important one in terms of turnover. However, it cannot be ruled out SNAM may incur into liabilities and/or losses due to the non-fulfilment of payment obligations on the part of its clients, also taking into account the current economic and financial environment, which makes credit collection activity more complex and critical.

### *Liquidity risk*

The liquidity risk is the risk that, due to the inability of raising new funds (funding liquidity risk) or liquidating assets on the market (asset liquidity risk), the company may not be able to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, an extreme consequence, a condition of insolvency that puts the continuation of company business at risk.

SNAM's Risk Management goal is that of implementing, within the financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the Group, minimising the relevant opportunity cost and maintaining an optimal profile in terms of maturity and composition of debt.

As highlighted in the paragraph "Interest rate risk", whilst implementing the debt refinancing plan, SNAM gained access to a large range of funding sources through the credit system and the capital mar-



kets (bonds, bilateral contracts, syndicated loans with major national and international banks and loan agreements funded by the European Investment Bank - EIB).

SNAM has set itself the objective of a gradual achievement of a balanced debt structure, in terms of split between bonds and banking loans and availability of usable committed credit facilities, in line with the business profile and the regulatory framework in which the company operates.

As at 31 December 2014, SNAM had unused long-term committed credit facilities totalling approx. €3.9 billion. On the same data, as an addition and an integration to resorting to the banking system, the Euro Medium Term Notes (EMTN) programme allowed the issue, by 30 June 2015, of further bonds for a maximum amount of €1.55 billion, to be placed with institutional investors.

### **Rating risk**

With respect to SNAM's long-term debt, on 18 February 2014, Moody's confirmed its Baa1 rating, raising the outlook from negative to stable. The review followed a similar decision adopted about the Italian sovereign debt on 14 February.

On 9 December 2014 the rating agency Standard & Poor's reduced SNAM's long-term debt rating by one notch, from BBB+ to BBB, with a stable outlook.

This followed the reduction by one notch of the rating of the Italian Republic's sovereign debt decided on 5 December 2014 (from BBB to BBB- with stable outlook).

SNAM's long-term rating is positioned one notch above that of the Italian Republic. Based on the methods adopted by rating agencies, the downgrade by one notch of the Italian Republic's current rating would trigger a downward adjustment, by at least one notch, of SNAM's current rating.

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

The risk of default consists in the possibility that the loan agreements underwritten contain provisions that entail the possibility for the lender to activate contractual protections, which could result in the early repayment of the loan if specific circumstances occur, thereby generating a potential liquidity risk.

As at 31 December 2014 SNAM had entered into unsecured bilateral and syndicated loan agreements with banks and other financial institutions. Some of these agreements, provide for, *inter alia*, compliance with the following: (i) negative pledge commitments pursuant to which SNAM and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries can carry out.

The bonds issued by SNAM on 31 December 2014 as part of the Euro Medium Term Notes programme provided for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu clauses*, but which do not encompass financial covenants.

Failure to comply with these covenants, and the occurrence of other events, some of which are subject to specific threshold values, such as cross-default events, may result in SNAM's failure to comply and could trigger the early repayment of the relevant loan. For EIB loans only, the lender is entitled to request further guarantees if SNAM's rating reaches the level of BBB- (Standard & Poor's) or Baa3 (Moody's).

With reference to the preventive measure of the judiciary administration, notified by the Court of Palermo to the subsidiary Italgas on 11 July 2014, the developments that took place from the date of the provision to the date of this report, as well as the actions implemented by the company, do not constitute grounds for activating the aforementioned contractual protections.

### **Operational risk**

The activities performed by SNAM must comply with laws and regulations at EU, national, regional and local level.

The charges and costs associated with the necessary actions to be implemented in order to comply with the obligations provided for are and will be a significant cost item in current and future financial years. Compliance with laws and regulations, apart from minimising risks in the company's activities, is essential to obtain health and safety and environmental authorisations and/or permits. Violation of current regulations may result in criminal and/or civil sanctions and, in specific cases where safety and environmental rules are violated, companies may be liable on the basis of a European model of corporate social responsibility adopted also in Italy (Legislative Decree 231/2001). The possibility of SNAM incurring significant costs or liability cannot be entirely ruled out.

Current regulations highlight the value of organisational models aimed at preventing offences in the event of violation of environmental and workplace health and safety laws, specifying corporate liability. SNAM uses organisational tools and internal regulations to establish the responsibilities and procedures to be adopted within the Group when designing, constructing, operating and disposing all corporate assets, thereby ensuring compliance with laws and internal regulations on health, safety and the environment.

SNAM and its subsidiaries have implemented environmental and workplace health and safety management systems based on the principles of their own Health, Safety, Environment and Quality Policy, which has been consolidated within the company for several years now.

The documentation and implementation of SNAM Management Systems are certified according to international regulations.

In 2014, regular inspections were carried out by the Certification Body DNV GL Business Assurance S.r.l. for HSEQ Management Systems and Accredia for the accreditations of the SNAM Rete Gas and Italgas laboratories, as well as that of Napoletanagas as Inspection Body. These inspections confirmed all certifications already granted to Group companies.

By adopting management systems and procedures that take into account the specific characteristics of its business and by continually improving and modernising its facilities, SNAM ensures that it can identify, assess and mitigate risks as part of a cycle of continual improvement.

SNAM pays the utmost attention to all its operational processes: from designing and constructing plants to operating and maintaining them. For the purposes of business management and operational control, the company uses specific techniques that are continually being updated and are developed in compliance with international best practices.

SNAM develops and maintains technical regulations and management systems for environment and workplace health and safety based on an annual cycle of planning, implementation, control, results review and the setting of new objectives.

Management system control is guaranteed by monitoring health, safety and environmental indicators, periodic reporting and inspections of operating sites and the registered office, which involve:

- technical audit, designed to ensure that management systems are correctly implemented in compliance with the Code of Ethics and Organisational Model 231;
- certification/maintenance/renewal checks on management system certification (conducted at least annually by an external certification body);
- health, safety and environment checks on outsourced activities.

The findings are examined together with the results of the operating checks, providing basic information for planning future activities and setting new objectives, in accordance with SNAM principles.

SNAM has adopted organisational and regulatory measures for the prevention (availability, goods and services agreements, training, etc.) and management of any operational crises that may impact assets, people and the environment, identifying the actions required to limit damage.

SNAM participates in international working groups that conduct benchmarking activities, draw up guidelines and carry out studies aimed at identifying ways in which gas transportation processes can be improved. In addition to the risk and HSE event management, monitoring and response system, SNAM has taken out insurance to limit the possible negative effects on its assets of damages caused to third parties and to industrial property, whether onshore or offshore (Messina strait, Offshore LNG Toscana - OLT connection at Livorno), that could occur during operations and/or investment works. The amount covered varies according to the type of event and is determined using current market best practice in risk assessment.

### *Risks linked with non-achievement of infrastructure development targets*

SNAM's effective ability to develop its infrastructure is subject to many unforeseeable events linked to operating, economic, regulatory, authorisation and competition factors that are outside of its control. SNAM is therefore unable to guarantee that the projects to upgrade and extend its network will be started, and that, if completed, will lead to the expected benefits in terms of tariffs. Additionally, development projects may require greater investments or longer time frames than those originally planned, affecting SNAM's financial position and results.

### *Risks deriving from plant malfunctioning*

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable service disruptions due to factors that are outside of SNAM's control, such as accidents, breakdowns or malfunctioning of equipment or control systems; the underperformance of plants; and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond SNAM's control. These events could also cause significant damage to people, property or the environment.

Any service interruptions and subsequent compensation obligations could lead to a decrease in revenue and/or an increase in costs. Although SNAM has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

#### ***Risks deriving from the need to manage a significant information flow to operate regulated services***

The regulatory framework in which SNAM operates involves continually collecting and processing a significant flow of information from its service clients. The information received by SNAM includes, *inter alia*, capacity bookings, details of where gas is coming from and going to each day, physical and commercial balancing mechanisms and forecasts on demand and transportation capacity usage. This flow of information, partly managed by extensive use of IT systems, is broad and complex. Therefore, SNAM cannot guarantee that management of the aforesaid flow will not lead to operating and planning issues which could affect its business.

#### ***Risk deriving from the seasonal nature of the business***

Based on the current regulatory framework, SNAM's overall business is not affected by seasonal or cyclical factors that could have a significant impact on its annual or interim financial position and results.

### **Risks specific to the sectors in which SNAM operates**

#### ***Risks related to regulatory changes***

SNAM operates in the regulated gas sector. The relevant directives and legal provisions issued by the European Union and the Italian government and the resolutions of the Authority for Electricity, Gas and Water (AEEGSI) and, more generally, changes to the reference regulatory framework may have a significant impact on SNAM's operations, results and financial stability. Considering the specific nature of its business and the context in which SNAM operates, changes to the regulatory context with regard to criteria for determining reference tariffs are particularly significant. To this end, it should be highlighted that, with Resolutions 438/2013/R/gas, 514/2013/R/gas and 573/2013/gas, AEEGSI defined the criteria for determining reference tariffs, respectively, for liquefied natural gas regasification, natural gas transportation and natural gas distribution services for the fourth regulatory period (1 January 2014 - 31 December 2017). In 2014, with Resolution 531/2014/R/gas, AEEGSI defined the criteria for determining reference tariffs for natural gas storage services for the fourth regulatory period (1 January 2015 - 31 December 2018).

In addition to this, Decree Law 138 of 13 August 2011, which was converted into Law 148 of 14 September 2011, extended the application of additional IRES to the natural gas transportation and distribution business segments, with a tax rise of 10.5% for 2011-2013 and 6.5% from 2014. It also prohibited companies from passing on the tax rise to customers via tariff increases and mandated the Authority for Electricity, Gas and Water to enforce this rule. The additional IRES was declared unlawful by the Constitutional Court with ruling 10/2015 of 9 February 2015. The unlawfulness of tax imposition is effective starting from 12 February 2015, as established in the ruling.

Future changes to European Union or Italian legislative policies, which may have unforeseeable effects on the relevant legislative framework and, therefore, on SNAM's operations and results, cannot be ruled out.

### *Risks linked with the end of gas distribution concessions held by Italgas and its investee companies*

#### **Risks relating to tenders for new gas distribution concessions**

At 31 December 2014, SNAM, through Italgas, had a portfolio of 1,437 natural gas distribution concessions spread throughout Italy. On the basis of current regulations applicable to SNAM's concessions, new gas distribution contracts will no longer be awarded on the basis of individual municipalities but exclusively on the basis of minimum territorial units (MTUs). As the tender process unfolds, SNAM may not be awarded one or more of the new concessions, or it may be awarded them on less favourable terms than is currently the case. This could have a negative impact on its operations, results, balance sheet and cash flow, notwithstanding – should the company not be awarded concessions for the municipalities it previously managed – the collection of the reimbursement envisaged for the outgoing operator.

#### **Risks relating to quantifying repayment due by the new operator**

With reference to the gas distribution concessions of which Italgas also owns the networks and plants, Legislative Decree 164/2000 and subsequent additions and amendments stipulates that the amount to be reimbursed to outgoing operators that hold concessions and contracts in place during the transitional period shall be calculated on the basis of the provisions set out in agreements or contracts, provided that these were stipulated before the date on which the regulation pursuant to Ministerial Decree 226 of 12 November 2011 entered into force (i.e. before 11 February 2012) and, insofar as it cannot be inferred from the wishes of the parties and for the aspects that are not governed by the aforementioned conventions and contracts, based on Guidelines and operating methods for the assessment of the reimbursement value subsequently provided for by the Ministry for Economic Development with document of 7 April 2014, approved with Ministerial Decree of 22 May 2014. At any rate, private contributions relating to local assets, as valued according to the current tariff regulation methodology, shall be subtracted from the amount to be reimbursed. In the event of disagreement between the local authority and the outgoing operator about the determination of the reimbursement value, the call for tender reports a reference value to be used for the tender, determined as the higher value between the estimate of the granting local authority and the RAB.

Decree 226 of the Minister for Economic Development of 12 November 2011 stipulates that the incoming operator will acquire ownership of the system by paying the outgoing operator the redemption value, with the exception of any parts owned by the local municipality.

Eventually, i.e. in subsequent periods, the reimbursement to the outgoing operator shall be at any rate equal to the value of local net fixed assets, net of government grants for capital expenditure and private contributions relating to local assets, calculated on the basis of criteria used by the Authority for Electricity, Gas and Water to determine distribution tariffs (RAB).

In the light of new legal provisions, it is possible that the amount to be reimbursed may be less than the RAB value.

### *Risks relating to gas storage concession ownership*

Through Stogit, SNAM holds ten gas storage concessions. Of these, eight (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expire in December 2016, one (Bordolano) in November 2031 and the other (Fiume Treste), which was extended for a decade for the first time during 2011, in June 2022. Each Stogit concession awarded before the entry into force of Legislative Decree 164/2000 may be extended by the Ministry for Economic Development no more than twice for a duration of ten years at a time, pursuant to Article 1, paragraph 61, of Law 239/2004. Pursuant to Article 34, paragraph 18, of Decree Law 179/2012, transposed by Law 221/2012, the term of the only Stogit concession awarded after the entry into force of Legislative Decree 164/2000 (Bordolano) has a duration of thirty years, with the possibility of a further ten-year extension. If SNAM is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than the current ones, there may be negative effects on the company's operations, results, balance sheet and cash flow.

### *Risks connected with certain socio-political situations in natural gas production and transit countries*

A large part of the natural gas which travels through the SNAM transportation network does, or may, come from or travel through countries that present risks arising from specific socio-political situations. Importing and transiting natural gas from or through such countries may present risks such as: higher taxes and excise duties; production, export or transportation limits; enforced contract renegotiations; nationalisation or renationalisation of assets; changes to national political and governing systems; changes to commercial policies; monetary restrictions; and loss or damage owing to the actions of rebel groups. If shippers are unable to access the natural gas available in these countries as a result of the aforementioned or similar situations or they are damaged in any other way by said situations, there may be a risk of them being unable to fulfil their contractual obligations to SNAM or, at any rate, there may be a reduction in volumes of gas transported. Such events may therefore have a negative effect on operations, results, the balance sheet and cash flow.

The European Community, through Regulation (EU) 994/2010 of the European Parliament and of the Council of 20 October 2010 ("SOS Regulation"), established an obligation for each Member State to identify, through predetermined guidelines, measures intended to guarantee the security of its gas supply or to meet demand for gas. In implementation of the aforementioned Regulation, in accordance with the provisions of Legislative Decree 93 of 1 June 2011, the Ministry for Economic Development shall carry out an assessment of risks every two years on the security of the domestic natural gas system, and define a preventive action plan and an emergency and monitoring plan for the security of natural gas supply.

Quantitative information about financial risks as required by IFRS 7 "Financial instruments: Notes to the Financial Statements" is provided in note 24, "Guarantees, commitments and risks", of the notes to the consolidated financial statements of the SNAM Group.

## ***Fintecna Group***

In 2014, the Fintecna Group continued its careful monitoring of the main risk factors that affect its operations. In particular, at its meeting on 27 May 2014, the Board of Directors of Fintecna S.p.A. established the company's "Risk Management" body. Operating in close coordination with the Risk Management departments of the shareholder Cassa depositi e prestiti S.p.A., this body's objective is to assist in defining and implementing the company's risk management system and risk measurement methodologies, including in compliance with the guidelines issued by CDP.

At the same meeting, the Board of Directors also established the Compliance function, as per CDP's requirements regarding the implementation of organisational and operational measures to protect against compliance risk. Compliance risk is the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of laws or regulations or self-governance rules (e.g. bylaws, codes of conduct, corporate governance rules). To further protect against this risk, specific Compliance Rules have been adopted, leading to the implementation of organisational and operational measures designed to mitigate compliance risk.

The main operational risk factors pertaining to the parent company Fintecna S.p.A. and to the directly controlled special purpose entities dedicated to liquidation activities relate to the handling of ongoing complex litigation. In fact, these special purpose entities are exposed to the risks arising from ongoing litigation, 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 on 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, which are currently deemed adequate and appropriate to meet the costs that the Group companies are likely to incur.

The types of financial risks affecting the parent company include the following.

### ***Liquidity risk***

According to management assessments, financial resources are sufficient to meet the cash requirements connected mainly to the major instance of litigation that has been mentioned. Indeed, cash and cash equivalents represents the ideal asset to counterbalance the "provisions" on the liability side of its balance sheet. As such, the failure to make appropriate provisions – with particular reference to the management of the litigation as a whole and the consequent erroneous use of liquidity – constitutes a further risk factor for the Group.

Accordingly, as part of their assessments of the provisions, the directors also continually update their assessments on the use of these provisions, including using forecasts, and bear them in mind when setting their liquidity management policies.

Lastly, it is worth underlining that at present the cash and cash equivalents of the parent company Fintecna has been almost entirely deposited with CDP; there is a deposit agreement between the parties that defines the procedures and conditions pertaining to the deposits, in accordance with the Guidelines for Treasury Operations issued by CDP and approved by the board of directors of Fintecna. Fintecna's re-

maining cash and cash equivalents are deposited on a short-term basis with banks meeting the requirements set out in the Guidelines.

### ***Credit and counterparty risk***

Aside from intragroup loans and receivables owed to the parent company Fintecna by the companies dedicated to liquidation activities that are managed by special purpose entities, credit risk also relates to the impairment of existing trade receivables. These receivables mainly comprise positions dating back years, are often subject to litigation, and have been almost entirely written down.

Banking counterparty risk also exists in relation to short-term uses of liquidity. In this regard, it is noted that the parent company Fintecna follows the Guidelines for Treasury Operations issued by CDP, which among other things set the minimum ratings criteria that banking counterparties must meet.

### ***Other financial risks***

As regards the other types of financial risk, it is worth noting that during 2014 the parent company implemented a derivative strategy, albeit of limited extent, for the purpose of obtaining the best value from a non-strategic asset. In any case, at the end of 2014 there were no hedging or speculative derivatives in place.

A further operational risk faced by the parent company relates to the management of investments. In this context, it is worth noting that during the course of the year Fintecna S.p.A. relinquished the management and coordination of Fincantieri S.p.A.; regarding management of the risks associated with Fincantieri, the following is noted.

### **Risks specific to the Group's markets and maintaining levels of competitiveness**

The performance of the Fincantieri Group is strongly dependent on changes in its clients' workloads and good relations with some of them constitute one of the Group's strengths. The shipbuilding industry has historically been characterised by cyclical performance, responding to trends in its reference markets. In order to mitigate the impact of the cyclical performance of the shipbuilding industry, in recent years the Group has pursued a strategy of the diversification, expanding its business both at product level and at geographical level.

In addition, aggressive commercial policies, the development of new products or an increase in production capacity by its competitors could lead to competition on price, with a corresponding reduction in profit margins. The company seeks to maintain its competitive positioning in its business areas by ensuring high standards of product quality and innovation, alongside the pursuit of cost optimisation solutions and flexible use of technical and financial solutions to remaining competitive in the industry in terms of its commercial offer.

In its pursuit of business opportunities in emerging markets, the Group seeks to mitigate country and/or corruption risk by focusing on commercial actions that are supported by intergovernmental agreements or other forms of cooperation between states.



### **Risks connected to operational complexity, managing orders and outsourcing production**

Given the operational complexity deriving from the intrinsic characteristics of building ships, as well as geographical and product diversification and the Group's inorganic growth strategy, the Group is exposed to the risk deriving from the inability to adequately manage this operational complexity or the process of organisational integration. To this end, the Group implements procedures and programmes designed to manage and monitor the implementation of each project throughout its life-cycle and has adopted a flexible production structure.

In addition, in order to protect against the greatest risks connected to managing orders (unexpected cost increases, late deliveries, the inability to finance the working capital requirements for ships in the construction, the unavailability of financing for clients) the Group has adopted all the appropriate mechanisms (a process for determining the quoted price which takes account of expected cost increases, dedicated structures for monitoring all phases of work on the order, credit lines that guarantee the coverage of requirements, support for the process of finalising export financing).

The Fincantieri Group carefully selects its "key suppliers", which must provide top-quality standards of service, in order to protect against the risks connected with outsourcing some company activities due to strategic requirements.

### **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 addition, because it operates in the defence and security sector, the Group is exposed to the risk that the trend in the sector could lead, in the near future, to a reduction in the cases in which the competition rules established by current laws and regulations do not apply, with a consequent limitation in the use of direct procurement, in order to ensure greater competition in the market. Accordingly, the Group monitors possible changes in Italian and EU law that could also open up the possibility of competing in the defence and security sector in other countries.

### **Risks connected to exchange rate changes**

Exposure to exchange rate risk is associated with shipbuilding or supply contracts denominated in foreign currencies. The risk also manifests itself in the preparation of the consolidated financial statements as a result of the conversion of assets and liabilities pertaining to subsidiaries that prepare their accounts using a functional currency other than the euro. The Group has adopted a policy for managing these risks, which sets out reporting mechanisms, responsibilities and procedures.

### Risks connected to existing debt

Some of the Fincantieri Group's loan contracts include commitments and requirements for the Group (such as cross default clauses and covenants), which could lead to the early repayment of loans. Accordingly, the Group constantly monitors its capital structure and financial position in order to ensure compliance with the covenants. In addition, it is possible to prevent the cross default clauses being triggered by promptly providing additional guarantees to the bank.

### Legal disputes

The management of Fintecna legal disputes in the year 2014 continued to be aimed at reducing the number of disputes in which the company is involved for various reasons, despite being aware of the critical issues that affect both labour disputes and the civil/administrative/tax disputes.

With regard to labour disputes, the upward trend was confirmed in terms of number of petitions filed by former employees of companies related to Fintecna and their successors, claiming damages for illnesses allegedly contracted due to the not healthy conditions of the workplaces.

In view of the objective of minimising costs, settlement solutions continued to be pursued, where financial and legal conditions were satisfied and on the basis of the specific characteristics of each individual case; satisfactory results were thus achieved, especially when compared to the risk of incurring significant costs in the event of adverse judicial outcome.

Conversely, judicial proceedings were actively pursued where a favourable outcome was considered likely. With reference to the management of civil/administrative/tax disputes, the complexity of which previously precluded the possibility of an out-of-court settlement, it should be noted that the conclusion of judicial proceedings is inevitably affected by the long delays in the judicial system, which makes the length of litigation extremely unpredictable.

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

	31/12/2013	Settled 2014	New 2014	31/12/2014
Civil/Administrative/Tax	238	66	20	192
Labour	555	338	439	656
<b>Total</b>	<b>793</b>	<b>404</b>	<b>459</b>	<b>848</b>

With regard to Fincantieri,

- in May a landmark framework agreement was signed with the Iraqi government which sets the basis for the resolution of a dispute between the parties that has been going on for over twenty years. The agreement provides that, against closure of all pending legal disputes, there is an agreement on the refurbishment of the two corvettes "Musa Bin Nasir" and "Tariq Bin Ziyad", the delivery of which had been suspended due to the embargo on defence supplies to Iraq.
- the award in the Serene arbitration was issued at the end of July 2014. This unexpectedly found that, by virtue of a claimed "indisputable external similarity", the MY Victory is a sister ship to the MY

Serene, in infringement of the owner's intellectual property, for which the latter was awarded the sum of €13.2 million in compensation; furthermore, on the basis of an interpretation contrary to the wording of the contract, the award considered late delivery penalties to be applicable in the amount of €7.7 million (plus interest). The subsidiary considered this decision to be absolutely unfair and illegitimate, as it was flawed with multiple errors, and swiftly filed an appeal with the High Court in London. Since the arbitration is a ruling with only one instance, the appeal lodged by Fincantieri needed to obtain a preliminary "clearance" from said High Court, which failed to grant it. Fincantieri has therefore reserved the right to take all necessary action against the payment of the compensation and/or enforcement of the arbitration awards. In this regard, proceedings have been initiated in Italy for a negative declaration against the owner of the MY Serene aimed at demonstrating, on one hand, that the latter is not the holder of any intellectual property on the yacht's design and, on the other hand, that the MY Victory does not infringe any potential intellectual property of the owner of the MY Serene. The legal advisers that are assisting the subsidiary have provided favourable opinions on the outcome of the dispute.

## **SIMEST**

SIMEST's financial risk management policy is primarily focused on its equity investment activity.

In order to manage this risk, before investment proposals are brought before the Board of Directors for definitive approval and as part of first level controls through its Financing and Investment Evaluation department, SIMEST conducts a thorough assessment of these proposals, both with regard to the proposing company and the investment itself, with a view to reducing its exposure to the mentioned financial/credit risk (further operational details are set out in the section on risk management in the report on operations).

Following the risk assessment and approval of the proposal by the SIMEST Board of Directors, the specification and completion of the agreement with the partner may proceed, in accordance with the guidelines and instructions set out by the Board of Directors.

At the acquisition stage, all related information and Board instructions are verified and any guarantees obtained.

As regards the direct commitments of the Italian partners to repurchase SIMEST's stake in the equity investments abroad and of third-party guarantors, at 31 December 2014 such direct commitments of Italian partners not backed by bank or insurance guarantees or collateral totalled €357.0 million. Of the total, €198.1 million regarded commitments not secured by third-party guarantees, €152.9 million regarded commitments secured by corporate sureties and €6.0 million regarded commitments secured by signed undertakings assimilable to corporate sureties.

Repurchase commitments secured by bank and/or insurance guarantees amounted to €91.6 million, while those secured by collateral amounted to €15.9 million.

Taking into account actual exposure (shares paid up), the partners repurchase commitments are broken down as follows:

(%; millions of euros)

	31/12/2014		31/12/2013	
Commitments not secured by guarantees	42.6%	198.1	46.9%	204.2
Commitments secured by corporate sureties	32.9%	152.9	27.5%	119.9
Other unsecured guarantees	1.3%	6		
<b>Subtotal</b>	<b>76.8%</b>	<b>357</b>	<b>74.4%</b>	<b>324.1</b>
Commitments secured by:				
- bank guarantees	19.6%	90.9	24.3%	105.9
- insurance guarantees				0.2
- loan consortium guarantees	0.2%	0.7	0.2%	0.9
<b>Subtotal</b>	<b>19.8%</b>	<b>91.6</b>	<b>24.5%</b>	<b>107.0</b>
Commitments secured by collateral guarantees	3.4%	15.9	1.1%	4.8
<b>Subtotal</b>	<b>3.4%</b>	<b>15.9</b>	<b>1.1%</b>	<b>4.8</b>
<b>Total general</b>	<b>100.0%</b>	<b>464.5</b>	<b>100.0%</b>	<b>435.9</b>

### *Legal disputes*

The transactions in dispute, namely those where SIMEST has initiated legal action for the recovery of the related credit claim (principal plus income for loans in equity investments), outstanding, at 31 December 2014, totalled 75.

Specifically, the claim amount for the proceedings relating to Law 100/1990 totals about €17.9 million, of which about 95% secured by bank guarantees or already written down in the balance sheet at 31 December 2014.

Finally, as regards labour disputes, at 31 December 2014 one suit was pending involving a total potential claim not exceeding €19 thousand (a corresponding provision has already been set aside).

### *CDP Immobiliare Group*

Following the move to direct control by Cassa depositi e prestiti, the new risk monitoring procedures for companies belonging to the CDP Immobiliare Group – including operational ones – and the action plan for subsequent implementation are currently being shared with the new shareholder.

Against this backdrop, in 2014 the CPD Immobiliare Group performed risk monitoring and management activities in line with the methods already applied in previous financial years.

The description of risks and relevant monitoring and minimisation activities is provided below.

## *Market risks*

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

The risk relating to property values is linked to fluctuations in the market value of the properties in the portfolio, which suffer from the critical issues experienced by the sector, which have been further exacerbated in recent years.

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. As a matter of fact, the CPD Immobiliare Group finds itself dealing with a portfolio of property development projects during a downturn in the market that has recently deteriorated and shows no signs of recovery in the near future.

The Group's policy is aimed at minimising the effects of such risk, operationally, by managing the development of real estate complexes in the most critical market conditions through the selection of the best development options, taking account of the state of urbanisation and construction and of the market absorption rate; administratively, by constantly monitoring the value of property assets in the portfolio through the independent valuation of properties by third-party industry experts, whose results are recognised in the preparation of the financial statements. Such valuations are requested for all properties on at least an annual basis, during the preparation of the financial statements of the parent company CDP Immobiliare, its subsidiaries and partnerships whose administrative management is directly controlled by CDP Immobiliare, with updates for the preparation of any interim financial statements in June each year.

Operational risk is also monitored through the preparation of annual financial statements for the CDP Immobiliare Group, approved by the Board of Directors of the parent company and submitted to the shareholder for assessment. In this respect, see also liquidity risk later in the text.

### **Risk linked with interest rate trend**

Exposure to interest rate risk is mainly linked to medium to long-term financial liabilities of some investee companies relating to mortgages and variable-rate loans taken out for business development needs, and whose repayment is influenced by money market trends.

The policy for managing such risk for investee companies aims at mitigating the possible impact on economic and financial performance of changes in key interest rates. To this end, the appropriateness of concluding non-speculative derivative contracts of Interest Rate Swaps - IRSs, whose parameters, in terms of notional value and maturities, correspond to those of the financial liabilities hedged, is assessed from time to time, depending on market prices. Based on recent analysis, entering into such contracts was not considered advantageous and, therefore, no derivative financial instruments were in existence at the end of the financial year.

As to the parent company, exposure to interest rate risk is also linked to medium to long-term, variable-rate financial debt towards banks, to which the same management policies described above for investee companies apply. In this respect, it should be noted that only financial debt for the parent company, which matured on 31 December 2014, was repaid for €108 million.

### **Exchange rate risk**

The Group operates exclusively in Italy, and, therefore, is not exposed to exchange rate risk.

### ***Liquidity risk***

The CDP Immobiliare Group did not make specific investments for the management of its liquidity, since such liquidity is limited and intended to fund short-term needs. Therefore, the risk linked to recovering capital invested in investment instruments or cash deposits is remote.

On the other hand, the liquidity risk linked to the ability of fulfilling obligations arising from financial liabilities is particularly relevant within the Group in view of its activities and the issues described in the section pertaining to market risk.

For joint control companies, the liquidity risk is heightened due to the critical issues detected in recent years in the capital structure of many of the partnerships' shareholders, for whom difficulties in meeting the companies' financial requirements have emerged, in some cases coupled with the intention to decommit resources from property initiatives. For partnership companies, moreover, loans payable for a total of €559.9 million had expired or were expiring by end of 2014, whilst the loan for CDP Immobiliare inherited from Valcomp Due and maturing in 2014, for a total of €108 million, was fully repaid.

As a result of the aforementioned relevant facts, intervention measures – including corporate ones – aimed at solving the various critical issues that had arisen in special purpose vehicles were shared with the shareholder.

With reference to the aforementioned financial commitments and maturities for loans payable, discussions are being held with lenders to both refinance the expired financial debt and obtain further facilities needed to complete initiatives under way, which, in the light of the status of negotiations with lenders and the best information available, we believe shall be reasonably and substantially defined in the next few months. As to CDP Immobiliare's short and medium-term financial needs, they were detailed the shareholder Cassa depositi e prestiti, which confirmed its availability to provide CDP Immobiliare – from time to time and following a review of the activities to which the aforementioned needs are linked – resources sufficient to cover the parent company's requirements for the financial year 2015, up to a set ceiling, as specified in the approved Business Plan.

As at 31 December 2014, the Group has cash on hand and in banks of €22 million.

### ***Credit risk***

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the Group.

Considering business management operating methods, credit risk is (i) for the parent company, mainly the risk linked to trade receivables from partnerships, whose collectability is assessed on a regular basis and (ii) for investee companies, almost reduced to zero, given that commercial transactions effected are settled simultaneously.

The risks in question are adequately considered during the regular assessment of receivables and, therefore, when determining any relevant devaluation.

Moreover, with respect to bank deposits, it should be noted that the Group fundamentally works with bank counterparties on an ongoing basis, thus mitigating the potential credit risk.

### *Legal disputes*

As at 31 December 2014, the disputes of CDP Immobiliare totalled 97 and were mostly related to the management of real estate assets (clearing of buildings occupied without title, purchases and sales, debt recovery, environment, etc). In the second half of 2014, 5 pending suits were closed, of which 4 with favourable ruling and one by settlement. At 31 December 2014 there were 31 pending disputes with reference to the investee companies. In the second half of 2014, only 1 pending suit was closed with a favourable ruling.

The activities conducted mainly involved the monitoring and management of disputes with the aid and support of external lawyers, in order to guide the procedural strategy based on the needs and motivations of the companies and in order to achieve the best settlement for those disputes.

To that end, at the same time, also considering the duration of judicial proceedings, which can even reach periods of more than 10 years, the company continued to seek settlement solutions, where the suitable legal and financial conditions were identified.

# 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 2014, 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

#### Business combinations

(millions of euros)

Name	Date of transaction	(1)	(2)	(3)	(4)
Residenziale Immobiliare 2004 S.p.A. (5)	07/04/2014	11.5	15%	6.0	(8.0)
Tamini Trasformatori S.r.l. (5)	20/05/2014	60.6	100%	16.4	1.5
A.E.S. Torino S.p.A.	01/07/2014	-	51%	101.0	40.1

#### Key

(1) = Cost of transaction.

(2) = Percentage of voting rights in Ordinary Shareholders' Meeting.

(3) = Total Group revenues.

(4) = Net Group profit (loss).

(5) = Revenue and net profit figures refer to the closing date.

#### Acquisition of Residenziale Immobiliare 2004 S.p.A.

Following the agreement reached with the partner Finprema S.p.A. and with the Maire Group (a partner of Finprema), and the modification of the shareholders' agreements, on 7 April 2014 the subsidiary CDP Immobiliare acquired control of Residenziale Immobiliare 2004 S.p.A., in which it already held a 50% interest. The company was included in the scope of consolidation as from 1 April 2014.

Control was acquired through the purchase of an additional stake in the share capital equivalent to 15%, for a price of €11,483 thousand, which was basically equal to the pro-quota value of the book equity of the subsidiary at 31 March 2014. Following this transaction and up to 31 December 2014, there were four separate capital increases, which were not subscribed by the non-controlling partner and hence resulted in an increase in the interest to 74.47%.

Pursuant to IFRS 3, the acquisition method was applied by which:

- the fair value of the interest already held was re-measured (equivalent to 50% and previously accounted for using the equity method) and estimated to amount to €37.1 million, with the recognition of a gain of €46.4 million;
- the fair value of the assets and liabilities acquired was measured. Specifically, the carrying amounts of the assets and liabilities already recognised in the company's financial statements were maintained, as these were deemed indicative of the related fair values.

### A.E.S. acquisition

On 25 June 2014, following the occurrence of the conditions precedent on which the execution of the demerger project approved by A.E.S. Torino Shareholders' Meeting of 18 April 2014 was contingent, the Deed of Demerger of the Company's District Heating Business Unit, effective from 1 July 2014, was signed.

Starting from such date, Italgas gained 100% ownership of the share capital of A.E.S., a company operating exclusively in the natural gas distribution sector. Through A.E.S., Italgas directly manages the natural gas distribution system for the city of Turin through a network of 1,336 km of pipelines, 465,784 active re-delivery points and 326 million cubic meters hosted as at 30 September 2014.

Therefore, starting from 1 July 2014, Italgas's interest in A.E.S., classified as a joint venture up to 30 June 2014 and accounted for using the equity method, was fully consolidated in accordance with accounting principle IFRS 10 "Consolidated Financial Statements". The acquisition of a controlling stake in A.E.S. is a "Business combination" transaction, recognised in compliance with IFRS 3 "Business combinations". To this end, on the date of control acquisition:

- (i) the value of the previously held equity investment (equal to 49%) was adjusted at the relevant fair value, recognising the difference with respect to the value previously registered in the income statement (€51 million);
- (ii) individual receivables and liabilities acquired were recognised at the relevant fair value.

The accounting effects of the business combination, in compliance with the provisions of IFRS 3 "Business Combinations" are summarised as follows:

### Values after allocation of fair value

*(millions of euros)*

Description	Values after allocation of fair value
Fair value of net purchased assets	162
Value of purchased assets	341
Value of purchased liabilities	179

*(millions of euros)*

<b>Main assets and liabilities of A.E.S. Torino S.p.A.</b>	<b>Values after allocation of fair value</b>
Intangible assets	261
Current assets	38
Property, plant and equipment	29
Deferred tax assets	13
<b>Purchased assets</b>	<b>341</b>
Current liabilities	148
Deferred tax liabilities	26
Employee benefits provision	4
Provisions	1
<b>Purchased liabilities</b>	<b>179</b>
<b>Equity</b>	<b>162</b>

### Acquisition of the Tamini Trasformatori Group

On 20 May 2014, in implementation of the preliminary business unit transfer agreement signed on 25 February 2014, the Terna Group finalised the acquisition by Terna Plus S.r.l., a company 100% controlled by the parent company, of the entire share capital of Tamini Trasformatori S.r.l. and its subsidiaries ("Tamini Group").

In addition to Tamini Trasformatori S.r.l., on the acquisition date, the Tamini Group included the subsidiaries V.T.D. Trasformatori S.r.l., Verbano Trasformatori S.r.l. and Tamini Transformers USA L.L.C. and operates in the production and marketing of power transformers. It has 4 production sites, all located in Italy: in Legnano, Melegnano, Novara and Valdarno.

The acquisition of the Tamini Group is an opportunity to leverage a historical Italian company, whose excellence in the electricity industry is acknowledged in Italy and abroad.

The price was preliminarily set at €23.9 million, plus the value of current assets and the net financial position, and subsequently defined in line with contractual terms on the basis of the actual accounting situation on the closing date (as described in further detail below).

Assets and liabilities were entered at their fair value on the acquisition date; specifically, with respect to intangible assets, brand, trademarks and technological know-how were valued using the relief from royalty method. Potential liabilities linked to the transaction that were not recognised by the Tamini Group as they had been deemed not probable pursuant to IAS 37 "Provisions, contingent liabilities and assets", were also identified. Such contingent liabilities relate to disputes and the adjustment of provisions of contractual penalties towards clients.

It should also be noted that ancillary costs for the merger transaction, on the date of this report, amounted to €0.5 million, recognised in operating costs for the financial year.

The table below details the price paid for the acquisition of Tamini Trasformatori S.r.l. and the value of assets and liabilities acquired on the purchase date:

### Amount of assets purchased and liabilities assumed at 20 May 2014

(millions of euros)

<b>Assets</b>	
<b>Fixed assets</b>	
Property, plant and equipment	1.7
Intangible assets	28.9
Non-current financial assets	0.2
<b>Total fixed assets</b>	<b>30.8</b>
Net deferred taxes	5.0
<b>Current assets</b>	
Inventories	11.2
Trade receivables	53.2
Other loans and other assets	14
Cash and cash equivalents	12.2
<b>Total current assets</b>	<b>90.6</b>
<b>Total assets</b>	<b>126.4</b>

(millions of euros)

<b>Liabilities</b>	
<b>Non-current liabilities</b>	
Provisions	20.7
Provision for severance pay	2.8
<b>Total non-current liabilities</b>	<b>23.5</b>
<b>Current liabilities</b>	
Payables	35
Other liabilities	7.2
<b>Total current liabilities</b>	<b>42.2</b>
<b>Total liabilities</b>	<b>65.7</b>

(millions of euros)

<b>Net acquired assets</b>	<b>60.7</b>
----------------------------	-------------

The amount paid at 31 December 2014 was equal to approx. €60.6 million, of which €54.1 million had already been settled, whilst the additional share of the currently estimated deferred price amounts to approx. €6.5 million. The amount of the anticipated final price is essentially in line with the value at the date of acquisition of purchased net assets (resulting in a €0.1 bargain gain). The price shall be defined, based on contractual agreements, within a year from conclusion of the transaction.

The revenues and the profit (loss) for the financial year 2014 for the Tamini Group amount to, respectively, €106.7 million and approx. -€6.9 million.

## **SECTION 2 - BUSINESS COMBINATIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR**

No business combinations were effected after the end of 2014.

## SECTION 3 - RETROSPECTIVE ADJUSTMENTS

During the year, the Purchase Price Allocation (also "PPA") was completed in relation to the assets and liabilities, including contingent liabilities, resulting from the purchase at the end of last year of the entire controlling stake in Ansaldo Energia S.p.A. through the subsidiary Fondo Strategico Italiano. The PPA was completed within twelve months of the acquisition date, as permitted by IFRS 3 § 45 *et seq.*

The activity was completed by restating the identifiable assets acquired and the identifiable liabilities assumed from the company at the fair value as at the acquisition date (31 December of last year).

The purchase price allocation that led to the restatement of the 2013 figures affected by the PPA process resulted in the recognition of the effects described below.

The table below summarises the significant amounts for the purposes of the acquisition process:

*(millions of euros)*

Price paid		816.6
Equity at purchase date (*)		528.7
<b>Negative difference at purchase date</b>	<b>A</b>	<b>287.9</b>
<b>Allocation of difference (CDP)</b>		
Reversal of goodwill		(777.1)
Intangible assets		41.8
Other assets		182.7
Other liabilities		(14.1)
<b>Total allocated</b>	<b>B</b>	<b>(566.7)</b>
<b>Goodwill</b>	<b>C = A - B</b>	<b>854.6</b>

(\*) Equal to 99.55% of Ansaldo Energia equity.

The application of the acquisition method, regarding the stake owned by the CDP Group, led to:

- the adjustment of the revaluations recorded by the acquired company as a result of a previous business combination, with particular regard to the reversal:
  - of pre-existing goodwill of €777 million;
  - of the valuation of intangibles (backlog, customer contracts, technology) of €279.3 million;
  - of the deferred tax relating to the adjustments illustrated above totalling €86.7 million;

- the restatement at fair value of the following assets and liabilities:
  - the backlog of contracts referring both to technical maintenance services on installed turbines (€165.6 million) and the portfolio of orders relating to the production of new turbines or parts (€82.1 million);
  - customer contracts of €48.5 million;
  - technological knowledge of €24.9 million;
  - receivables, worth €182.7 million, for contractual payments due to CDP Group under agreements signed while acquiring the controlling stake;
  - deferred tax liabilities of €100.8 million on revaluations.

# PART H - TRANSACTIONS WITH RELATED PARTIES

## 1. Information on the compensation of key management personnel

The following table reports the compensation paid in 2014 to members 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	10,506	1,767	13,708
b) post-employment benefits	159		
c) other long-term benefits	1,295		1,469
d) severance benefits			3,700
e) share-based payments			
<b>Total</b>	<b>11,960</b>	<b>1,767</b>	<b>18,877</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 transactions in 2014 with the Ministry for the Economy and Finance, Poste Italiane S.p.A. and associates and joint ventures.



## Information on transactions with related parties

*(thousands of euros)*

Company name	Assets	Liabilities	Off balance sheet	Economic relationships
ACAM GAS S.p.A.	48	28	46,530	(1,149)
Alfiere S.p.A.	27,906			2,139
ANAS S.p.A.	137,496	5,591		2,586
Bonafous S.p.A.	4,436			134
Brevik Technology AS	40			
Bridge Eiendom AS	476			
Cagliari 89 Scarl in liquidazione	1,165	1,045		
Castor Drilling Solution AS	116			
CESI S.p.A.	16,594	9,753		(1,771)
Cinque Cerchi S.p.A.	12,788			1,270
COEDAM Scarl in liquidazione	19			(1,762)
Consorzio Aerest in liquidazione	6,841	4,498		24
Consorzio Codelsa in liquidazione	141	220		4
Consorzio Condif in liquidazione		11		
Consorzio Edinca in liquidazione	1,049	94		15
Consorzio Edinsud in liquidazione	464	70		10
Consorzio G1	217	191		(177)
Consorzio IMAFID in liquidazione		28		
Consorzio Incomir	45			
Consorzio Italtecnasud in liquidazione	3,968	60		8
Consorzio MED.IN. in liquidazione	281	53		13
CORESO S.A.		134		(1,489)
CSS Design Limited	972			
DOF Iceman AS	5,852			227
Edilmagliana '89 Scarl in liquidazione	178			(828)
ENAV S.p.A.	58			
Enel S.p.A.	372,978	74,729	613,800	1,767,837
Eni S.p.A.	474,103	129,750	7,793	1,707,588
ETIHAD SHIP BUILDING LLC	7,331	610		(1,400)
Europrogetti & Finanza S.p.A. in liquidazione	8,010	151	151	
Expo 2015 S.p.A.	8	2,334		3,109
Finmeccanica S.p.A.	7	23,415		12,928
FS - Ferrovie dello Stato Italiane S.p.A.	181,957	5,725	22,000	(49)
GasBridge 1 B.V.		6,437		(32)
GasBridge 2 B.V.		6,502		(14)
Poste Italiane Group	20,422	901,251	432,170	(1,630,163)
GSE - Gestore dei Servizi Energetici S.p.A.	7,392	2,594		39,966

## Information on transactions with related parties

(thousands of euros)

Company name	Assets	Liabilities	Off balance sheet	Economic relationships
IQ Made in Italy Investment Company S.p.A.	53	136,120		(2,812)
Italia Turismo S.p.A.	32,033	23		770
Kedrion S.p.A.	519,826		1,936	42
Ligestra Due S.r.l.	156,281			976
Ligestra Quattro S.r.l.	20			11
Ligestra S.r.l.	80,324			(674)
Ligestra Tre S.r.l.	229,093			3,824
M.T. Manifattura Tabacchi S.p.A.	6,354			424
Manifatture Milano S.p.A.	4,165	3		885
Metano Arcore S.p.A.	144			281
Metano S. Angelo Lodigiano S.p.A.	139			295
Metroweb Italia S.p.A.				70
Ministry for the Economy and Finance	212,895,130	44,146,676	6,953,911	6,574
Olimpic Green Energy KS	1,356			66
OMSAV S.p.A. in fallimento		81		
Orizzonte Sistemi Navali S.p.A.	53,684	3,938		523,138
Pentagramma Perugia S.p.A.	625			119
Pentagramma Piemonte S.p.A.	8,403			738
Pentagramma Romagna S.p.A.	3,301	6		409
Quadrifoglio Brescia S.p.A.	369			291
Quadrifoglio Genova S.p.A.	50			214
Quadrifoglio Piacenza S.p.A.				131
Quadrifoglio Verona S.p.A.				183
Quadrifoglio Modena S.p.A.	3,557			511
Rem Supply AS	590			42
Residenziale Immobiliare 2004 S.p.A.	100,017			3
Rete Autostrade Mediterranee S.p.A.	-		356	-
Servizi Territori Aree e Penisola S.p.A.	5,170			338
SIA S.p.A.				18
SO.G.I.N. - Società Gestione Impianti Nucleari S.p.A.	173			199
SOGEL - Società Generale di Informatica S.p.A.	40,146			
TIGF Holding S.A.S.	163	99		120
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria	10,760			
Toscana Energia S.p.A.	1,396	117		1,874
Trans Austria Gasleitung GmbH	3,432	3,626		245
Trevi Finanziaria Industriale S.p.A.		1		2
Umbria Distribuzione GAS S.p.A.	848			552
Valvitalia Finanziaria S.p.A.				125

## PART I - SHARE-BASED PAYMENTS

No share-based payment agreements were entered into in 2014 nor are any plans from previous years outstanding.

## PART L - OPERATING SEGMENTS

This section of the notes to the consolidated financial statements has been drafted in compliance with IFRS 8 "Operating Segments".

Operating segment disclosures are presented by separating the contribution of the two Group's operations: "Business and Finance Areas of the Parent Company" and "Group companies, other equity investments and other".

For the "Business and Finance Areas of the Parent Company", which coincides with the respective Area of the Parent Company (shown here, with reference to the income statement data, net of consolidation eliminations and adjustments), reference is made to the separate segment disclosure.

With respect to the "Group companies, other equity investments and other" Area, it includes the balances attributable to "Equity Investments and other" of the Parent Company, as shown in the separate segment disclosure, as well as the contribution of all the other companies of the CDP Group, with the aim of representing all costs and revenues associated with CDP's investment portfolio as a single aggregate.

As a result, the reclassified balance sheet and income statement at 31 December 2014 have been constructed on the basis of the respective separate financial statements (for CDP, CDPI SGR, SIMEST, FSI, FSI Investimenti, FSIA, CDP Reti, Quadrante, CDP GAS and FIV) or consolidated financial statements (Terna Group, SACE Group, Fintecna Group, CDP Immobiliare Group and SNAM 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)

Balance sheet at 31 December 2014	Parent Company Business and Finance Areas	Group companies, other equity investments and other	Elimination/ adjustment	Total CDP Group
Cash and cash equivalents and other treasury investments	180,889,803	10,541,345	(7,681,928)	183,749,220
Loans to customers and banks	102,439,974	4,735,739	(1,347,887)	105,827,826
Debt securities	27,764,300	2,744,102	(134,656)	30,373,746
Equity investments and shares	-	40,703,926	(19,882,836)	20,821,089
Funding	295,535,600	57,641,636	(9,131,493)	344,045,743
- of which: postal funding	222,946,291	29,091,500	(2,037)	252,035,754
- of which: funding from banks	12,080,432	8,512,003	-	20,592,436
- of which: funding from customers	51,756,863	2,468,153	(9,013,662)	45,211,355
- of which: funding from bonds	8,752,013	17,569,980	(115,794)	26,206,199

## Reclassified income statement

(thousands of euros)

Income statement at 31 December 2014	Parent Company Business and Finance Areas	Group companies, other equity investments and other	Total CDP Group
<b>Net interest income</b>	<b>1,893,265</b>	<b>(968,122)</b>	<b>925,143</b>
Dividends and gains (losses) on equity investments	-	632,244	632,244
Net commission income	(1,394,639)	(237,981)	(1,632,621)
Other net revenues	275,657	280,255	555,911
<b>Gross income</b>	<b>774,281</b>	<b>(293,604)</b>	<b>480,677</b>
Profit (loss) on insurance operations	-	503,066	503,066
<b>Profit (loss) on banking and insurance operations</b>	<b>774,281</b>	<b>209,462</b>	<b>983,743</b>
Net writedowns	(130,745)	(34,973)	(165,718)
Overheads	(20,297)	(7,566,870)	(7,587,167)
- of which: administrative expenses	(20,297)	(5,891,790)	(5,912,088)
<b>Operating income</b>	<b>623,885</b>	<b>4,381,444</b>	<b>5,005,329</b>
<b>Net income</b>			<b>2,658,967</b>
Net income (loss) for the year pertaining to non-controlling interests			1,500,660
<b>Net income (loss) for the year pertaining to shareholders of the Parent Company</b>			<b>1,158,307</b>





Cassa  
depositi  
e prestiti

## ANNUAL REPORT 2014

### Annexes



Annex 1  
Scope of consolidation

Annex 2  
Statements of reconciliation of accounting  
and operating figures

# Annex 1

## PARENT COMPANY

Company name	Registered office
Cassa depositi e prestiti S.p.A	Rome

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Consolidation method
Aakre Eigendom AS	Alesund (Norway)	Vard Group AS	100.00%	Line-by-line
ACAM GAS S.p.A.	La Spezia	SNAM S.p.A.	49.00%	Equity
ACE Marine LLC	Green Bay - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
African Trade Insurance Company	Nairobi (Kenya)	SACE S.p.A.	6.76%	Equity
Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM-I)	Fintecna S.p.A.	68.85%	Unconsolidated subsidiary
Ansaldo Energia	Genoa	FSI Investimenti S.p.A.	44.55%	Equity
		Fondo Strategico Italiano S.p.A.	0.29%	Equity
Azienda Energia e Servizi Torino S.p.A.	Turin	SNAM S.p.A.	100.00%	Line-by-line
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Brevik Elektro AS	Brevik (Norway)	Multifag AS	100.00%	Line-by-line
Brevik Philadelphia	Philadelfia (USA)	Vard Electro AS	100.00%	Line-by-line
Brevik Technology AS	Brevik (Norway)	Vard Brevik Holding AS	34.00%	Equity
Bridge Eiendom AS	Brevik (Norway)	Vard Brevik Holding AS	50.00%	Equity
Cagliari 89 Scarl in liquidazione	Monastir (CA-I)	Fintecna S.p.A.	51.00%	Unconsolidated subsidiary
Castor Drilling Solution AS	Kristiansand (Norway)	Seonics AS	34.00%	Equity
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Immobiliare 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.p.A.	Rome	CDP S.p.A.	59.10%	Line-by-line
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genova	Fincantieri S.p.A.	71.10%	Line-by-line
		Seaf S.p.A.	15.00%	Line-by-line
CESI S.p.A.	Milan	Terno S.p.A.	42.70%	Equity
CGES A.D.	Podgorica (Montenegro)	Terno S.p.A.	22.09%	Equity
Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
COEDAM Scarl in liquidazione	Rome	Fintecna S.p.A.	60.00%	Unconsolidated subsidiary
Consorzio Aerest in liquidazione	Rome	Fintecna S.p.A.	97.38%	Unconsolidated subsidiary
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	Unconsolidated subsidiary
Consorzio GI	Rome	CDP Immobiliare S.r.l.	99.90%	Unconsolidated subsidiary
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	Unconsolidated subsidiary
Consorzio INCOMIR in liquidazione	Mercogliano (AV-I)	Fintecna S.p.A.	45.46%	Equity
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	Unconsolidated subsidiary
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	Unconsolidated subsidiary
CORESO S.A.	Bruxelles (Belgium)	Terno S.p.A.	22.49%	Equity
CSS Design Limited	Isle of Man	Vard Marine Inc.	31.00%	Equity



**CONSOLIDATED COMPANIES**

Company name	Registered office	Investor	% holding	Consolidation method
Dameco AS	Skien (Norway)	Vard Offshore Brevik AS	34.00%	Equity
Delfi S.r.l.	Follo (SP-I)	Fincantieri S.p.A.	100.00%	Line-by-line
DOF Iceman AS	Norvegia	Vard Group AS	50.00%	Equity
ELMED Etudes S.a.r.l.	Tunisi (Tunisia)	Terno S.p.A.	50.00%	Equity
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Estoleiro Quissamã Ltda	Rio de Janeiro (Brazil)	Vard Group AS	50.50%	Line-by-line
ETHAD SHIP BUILDING LLC	Abu Dhabi	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 Participacoes S.A.	Rio de Janeiro (Brazil)	Fincantieri Holding B.V.	20.00%	Line-by-line
		Fincantieri S.p.A.	80.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam (Netherlands)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri India Private Limited	New Delhi (India)	Fincantieri Holding B.V.	99.00%	Line-by-line
		Fincantieri S.p.A.	1.00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Fincantieri USA Inc.	87.44%	Line-by-line
Fincantieri Marine Group LLC	Washington, DC (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.	72.51%	Line-by-line
Fincantieri USA Inc.	Washington, DC (USA)	Fincantieri S.p.A.	86.02%	Line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Comparto Extra	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Comparto Plus	Rome	CDP S.p.A.	100.00%	Line-by-line
FMSNA YK	Nagasaki (Japan)	Fincantieri Marine Systems North America Inc.	100.00%	Line-by-line
Fondo Strategico Italiano S.p.A.	Milan	CDP S.p.A.	77.70%	Line-by-line
FSI Investimenti S.p.A.	Milan	Fondo Strategico Italiano S.p.A.	77.12%	Line-by-line
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	100.00%	Line-by-line
Galaxy S.à.r.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	Equity
GasBridge 1 B.V.	Rotterdam (NL)	SNAM S.p.A.	50.00%	Equity
GasBridge 2 B.V.	Rotterdam (NL)	SNAM S.p.A.	50.00%	Equity
Gasrule Insurance Ltd	Dublin (IE)	SNAM S.p.A.	100.00%	Line-by-line
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MH)	SNAM S.p.A.	100.00%	Line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Turin	SNAM S.p.A.	100.00%	Line-by-line
Italia Turismo S.p.A.	Rome	CDP Immobiliare S.r.l.	42.00%	Equity
Kedrion S.p.A.	Castelvecchio Pascoli (LU-I)	FSI Investimenti S.p.A.	25.06%	Equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra Quattro S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
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
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marine Interiors S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Marinette Marine Corporation	Marinette - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
Metano Arcore S.p.A.	Arcore (MH)	SNAM S.p.A.	100.00%	Equity
Metano Casalpusterlengo S.p.A. in liquidazione	Casalpusterlengo (LO-I)	SNAM S.p.A.	50.00%	Equity

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Consolidation method
Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO-I)	SNAM S.p.A.	50.00%	Equity
Metroweb Italia S.p.A.	Milan	FSI Investimenti S.p.A.	46.17%	Equity
Makster Supply AS	Stavanger (Norway)	Vard Group AS	40.00%	Equity
Makster Supply KS	Stavanger (Norway)	Vard Group AS	36.00%	Equity
Multifag AS	Skien (Norway)	Vard Brevik Holding AS	100.00%	Line-by-line
Napoletanagas S.p.A.	Naples	Italgas S.p.A.	99.69%	Line-by-line
Olympic Green Energy KS	Fosnavag (Norway)	Vard Group AS	30.00%	Equity
Olympic Subsea KS	Fosnavag (Norway)	Vard Group AS	35.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romagna S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrante S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Quadrifoglio Brescia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Genova S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Piacenza S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Verona S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Quadrifoglio Modena S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Rem Supply AS	Fosnavag (Norway)	Vard Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
Sace do Brasil	San Paolo (Brazil)	SACE S.p.A.	100.00%	Line-by-line
SACE FCT	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 Servizi	Rome	SACE BT	100.00%	Line-by-line
Seaonics AS	Alesund (Norway)	Vard Group AS	51.00%	Line-by-line
Seaonics Polska SPZ O.O.	Gdansk (Poland)	Seaonics AS	100.00%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
Servizi Territori Aree e Penisola S.p.A.	Naples	SNAM S.p.A.	100.00%	Equity
SIA S.p.A.	Milan	FSIA INVESTIMENTI S.r.l.	48.97%	Equity
Simest S.p.A.	Rome	CDP S.p.A.	76.01%	Line-by-line
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	CDP RETI S.p.A.	28.98%	Line-by-line
Società per l'Esercizio di Attività Finanziarie SEAF S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
Takliff AS	Skien (Norway)	Vard Brevik Holding AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago (USA)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI)	Terna Plus S.r.l.	100.00%	Line-by-line
Terna Crna Gora d.o.o.	Podgorica (Montenegro)	Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	Terna Rete Italia S.p.A.	5.00%	Line-by-line
		Terna S.p.A.	95.00%	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. (formerly TELAT)	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna S.p.A.	Rome	CDP RETI S.p.A.	29.85%	Line-by-line
Terna Storage S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
TIGF Holding S.A.S.	Pau (FR)	SNAM S.p.A.	45.00%	Equity

## CONSOLIDATED COMPANIES

Company name	Registered office	Investor	% holding	Consolidation method
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	Naples	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Toscana Energia S.p.A.	Florence	SNAM S.p.A.	48.08%	Equity
Trans Austria Gasleitung GmbH	Vienna (Austria)	SNAM S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A.	Cesena	FSI Investimenti S.p.A.	8.43%	Equity
		Fondo Strategico Italiano S.p.A.	8.43%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	SNAM S.p.A.	45.00%	Equity
V.T.D. Trasformatori S.r.l.	Valdagno (VH)	Tamini Trasformatori S.r.l.	98.00%	Line-by-line
		Verbano Trasformatori S.r.l.	2.00%	Line-by-line
Valcomp Tre S.p.A.	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Valcomp Uno S.r.l.	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	0.50%	Equity
Vard Accommodation AS	Tennfjord (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Accommodation Tulcea SRL	Tulcea (Romania)	Vard Accommodation AS	98.18%	Line-by-line
		Vard Electro Tulcea S.r.l.	1.82%	Line-by-line
Vard Braila SA	Braila (Romania)	Vard Group AS	5.88%	Line-by-line
		Vard RO Holding S.r.l.	94.12%	Line-by-line
Vard Brevik Holding AS	Brevik (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Design Liburno Ltd.	Rijeka (Croatia)	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engine	New Delhi (India)	Vard Tulcea SA	1.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (India)	Vard Electro AS	99.00%	Line-by-line
Vard Electro AS	Sovik (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila SRL	Braila (Romania)	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi (Brazil)	Vard Electro AS	99.00%	Line-by-line
		Vard Group AS	1.00%	Line-by-line
Vard Electro Tulcea SRL	Tulcea (Romania)	Vard Electro AS	99.96%	Line-by-line
Vard Engineering Constanta SRL	Costanza (Romania)	Vard Braila SA	30.00%	Line-by-line
		Vard RO Holding S.r.l.	70.00%	Line-by-line
Vard Engineering Brevik AS	Brevik (Norway)	Vard Brevik Holding AS	70.00%	Line-by-line
Vard Engineering Gdansk sp. Z o. o.	Poland	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund (Norway)	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincontieri OIL & GAS S.p.A.	55.63%	Line-by-line
Vard Marine Inc.	Vancouver (Canada)	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	USA	Vard Marine Inc.	100.00%	Line-by-line
Vard Niteroi SA	Rio de Janeiro (Brazil)	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0.00%	Line-by-line
		Vard Group AS	100.00%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn (Norway)	Vard Brevik Holding AS	100.00%	Line-by-line
Vard Piping AS	Tennfjord (Norway)	Vard Group AS	100.00%	Line-by-line
Vard Promar SA	Recife (Brazil)	Vard Group AS	50.50%	Line-by-line
Vard RO Holding SRL	Tulcea (Romania)	Vard Group AS	100.00%	Line-by-line
Vard Ship Repair Braila SA	Braila (Romania)	Vard Braila SA	68.58%	Line-by-line
		Vard Brevik Holding AS	31.42%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea (Romania)	Vard RO Holding S.r.l.	99.44%	Line-by-line
Vard Vung Tau Ltd	Vung Tau (Vietnam)	Vard Singapore Pte. Ltd.	100.00%	Line-by-line
Verbano Trasformatori S.r.l.	Novara	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
WPG Ltd in liquidazione	Bangkok (Thailandia)	Fintecna S.p.A.	99.45%	Unconsolidated subsidiary
XXI APRILE S.r.l.	Rome	Fintecna S.p.A.	100.00%	Line-by-line

## Annex 2

### CDP GROUP STATEMENT OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliations are shown below.

The 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, both in relation to products and to business lines.

Consolidated balance sheet - Assets

(millions of euros)

	2014	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	Accrued income, prepaid expenses and other non-interest bearing assets	Other assets
<b>ASSETS</b>										
10. Cash and cash equivalents	0.7	1								
20. Financial assets held for trading	984	598		86			300			
30. Financial assets at fair value	156			154					3	
40. Financial assets available for sale	6,956		1	5,579	1,349				27	
50. Financial assets held to maturity	22,913			22,646	-				267	
60. Loans to banks	28,775	15,947	12,529						300	
70. Loans to customers	267,427	167,204	93,298	1,909					5,016	-
80. Hedging derivatives	1,569						1,519		50	
100. Equity investments	19,472				19,472					
110. Reinsurers' share of technical provisions	85					85				
120. Property, plant and equipment	33,444							33,444		
130. Intangible assets	7,886							7,886		
140. Tax assets	2,382									2,382
150. Non current assets and disposal groups held for sale	24									24
160. Other assets	9,607								227	9,380
<b>Total assets</b>	<b>401,680</b>	<b>183,749</b>	<b>105,828</b>	<b>30,374</b>	<b>20,821</b>	<b>85</b>	<b>1,818</b>	<b>41,330</b>	<b>5,889</b>	<b>11,786</b>

## Consolidated balance sheet - Liabilities and equity

(millions of euros)

	2014	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	Insurance provisions	Provisions for contingencies taxes and staff severance pay	Equity
<b>LIABILITIES AND EQUITY</b>								
10. Due to banks	21,809	21,661		147				
20. Due to customers	296,257	296,178		46	33			
30. Securities issued	26,915	26,206		709				
40. Financial liabilities held for trading	399		399					
60. Hedging derivatives	2,639		2,620	19				
70. Adjustment of financial liabilities hedged generically	48		48					
80. Tax liabilities	4,604				-		4,604	
90. Liabilities associated with disposal groups held for sale	7				7			
100. Other liabilities	8,289		27	363	7,899			
110. Staff severance pay	262						262	
120. Provisions	2,999						2,999	
130. Technical provisions	2,294					2,294		
140. Valuation reserves	1,232							1,232
165. Interim dividends								
170. Reserves	15,538							15,538
180. Share premium reserve								
190. Share capital	3,500							3,500
200. Treasury shares (-)	(57)							(57)
210. Non-controlling interests (+/-)	13,786							13,786
220. Net income (loss) for the period	1,158							1,158
<b>Total liabilities and equity</b>	<b>401,680</b>	<b>344,046</b>	<b>3,094</b>	<b>1,283</b>	<b>7,940</b>	<b>2,294</b>	<b>7,865</b>	<b>35,157</b>

Consolidated income statement

(millions of euros)

	CONSOLIDATED INCOME STATEMENT - RECLASSIFIED SCHEDULES															
	2014	Net interest income	Dividends and gains (losses) on equity investments	Net commission income	Other net revenues	Gross income	Profit (loss) on insurance operations	Profit (loss) on banking and insurance operations	Net writedowns	Overheads of which administrative expenses	Other operating income (costs)	Operating income	Other items and taxes	Net income pertaining to non-controlling interests	Net income pertaining to the shareholders of the Parent Company	
<b>INCOME STATEMENT</b>																
10. Interest income and similar revenues	7,189	7,189			7,189	7,189	7,189				7,189			7,189	7,189	
20. Interest expense and similar charges	(6,264)	(6,264)			(6,264)	(6,264)	(6,264)				(6,264)			(6,264)	(6,264)	
40. Commission income	93		93		93	93	93				93			93	93	
50. Commission expense	(1,725)		(1,725)		(1,725)	(1,725)	(1,725)				(1,725)			(1,725)	(1,725)	
70. Dividends and similar revenues	38		38		38	38	38				38			38	38	
80. Net gain (loss) on trading activities	95			95	95	95	95				95			95	95	
90. Net gain (loss) on hedging activities	(38)			(38)	(38)	(38)	(38)				(38)			(38)	(38)	
100. Gains (losses) on disposal or repurchase	495			495	495	495	495				495			495	495	
110. Net gain (loss) on financial assets and liabilities at fair value	3			3	3	3	3				3			3	3	
130. Write-down for impairment	(166)							(166)			(166)			(166)	(166)	
150. Net insurance premiums	379					379	379				379			379	379	
160. Other insurance income (expense)	124					124	124				124			124	124	
180. Administrative expenses	(5,913)								(5,913)		(5,913)			(5,913)	(5,913)	
190. Net provisions	(165)										(165)			(165)	(165)	
200. Net adjustments of property, plant and equipment	(1,235)										(1,235)			(1,235)	(1,235)	
210. Net adjustments of intangible assets	(440)										(440)			(440)	(440)	
220. Other operating income (costs)	10,100								1	10,099	10,100			10,100	10,100	
240. Gains (losses) on equity investments	594		594		594	594	594				594			594	594	
270. Gains (losses) on disposal of investments	3												3	3	3	
290. Income tax for the period on continuing operations	(671)												(671)	(671)	(671)	
310. Income (loss) after tax on disposal groups held for sale	162												162	162	162	
330. Net income (loss) for the year pertaining to non-controlling interests	(1,501)													(1,501)	(1,501)	
<b>Total income statement</b>	<b>1,158</b>	<b>925</b>	<b>632</b>	<b>(1,633)</b>	<b>556</b>	<b>481</b>	<b>503</b>	<b>984</b>	<b>(166)</b>	<b>(5,912)</b>	<b>10,099</b>	<b>5,005</b>	<b>(2,346)</b>	<b>2,659</b>	<b>(1,501)</b>	<b>1,158</b>







Cassa  
depositi  
e prestiti

## ANNUAL REPORT 2014



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 2014 which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flows statement 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 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.

The financial statements present, for comparative purposes, the prior year data. As set out in the notes to the financial statements, the directors have restated certain prior year comparative data with respect to those previously presented that we audited and on which we issued our audit report dated 29 April 2014. We have examined the restatement methods of the comparative data and the related disclosures in the notes for the purpose of expressing our opinion on the consolidated financial statements for the year ended 31 December 2014.

- 3 In our opinion, the consolidated financial statements of the Cassa Depositi e Prestiti Group as of 31 December 2014 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.

**PricewaterhouseCoopers SpA**

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- 4 The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required 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 2014.

Rome, 30 April 2015

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*





Cassa  
depositi  
e prestiti

## ANNUAL REPORT 2014



Certification of the consolidated financial statements  
pursuant to Article 154-*bis* of  
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 Fabrizio Palermo, 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 2014.

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 2014 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 2014 the Financial Reporting Manager 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) 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, 30 April 2015

Chief Executive Officer  
*/signature/Giovanni Gorno Tempini*

Financial Reporting Manager  
*/signature/Fabrizio Palermo*





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