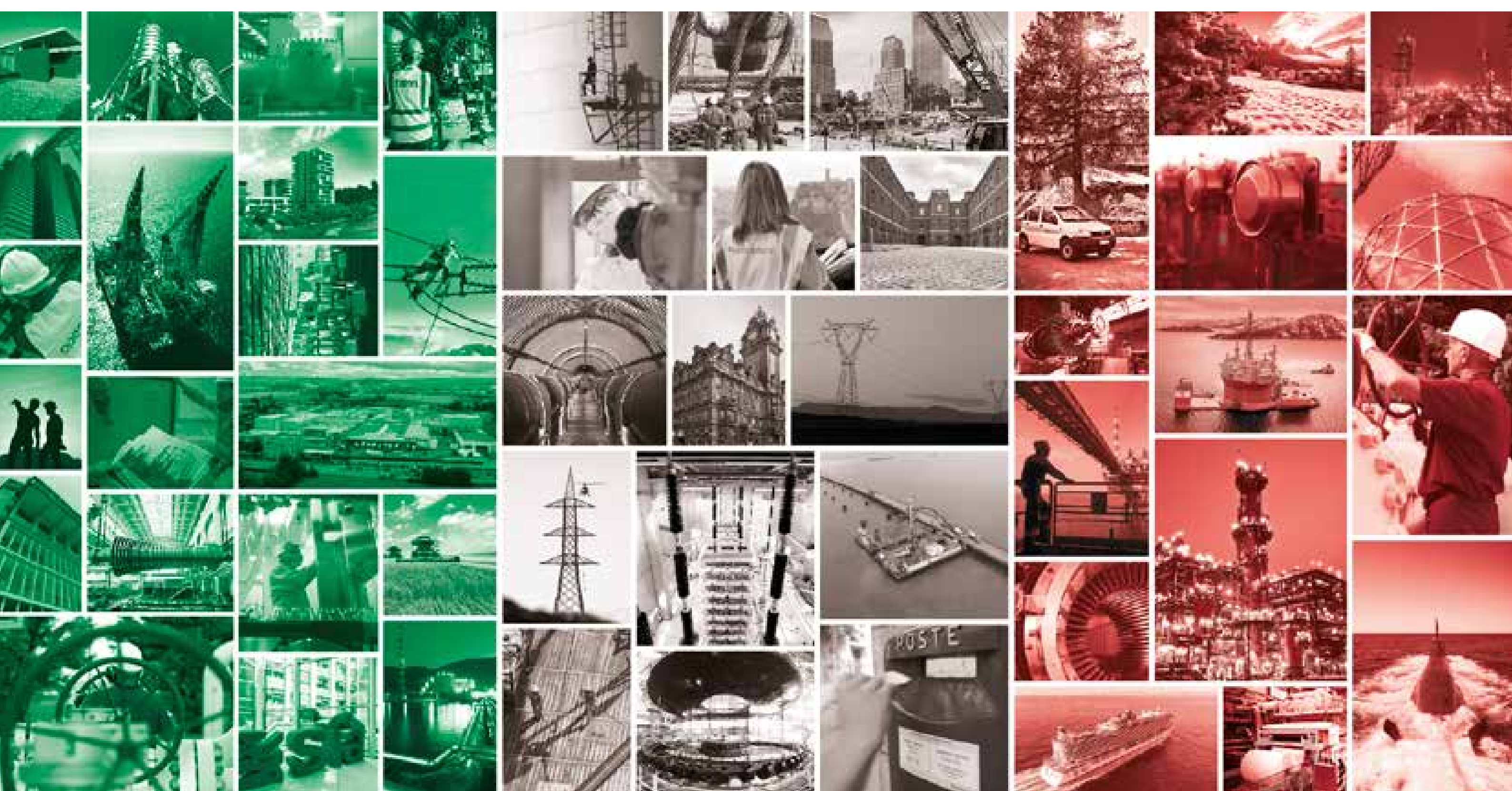
Annual Report

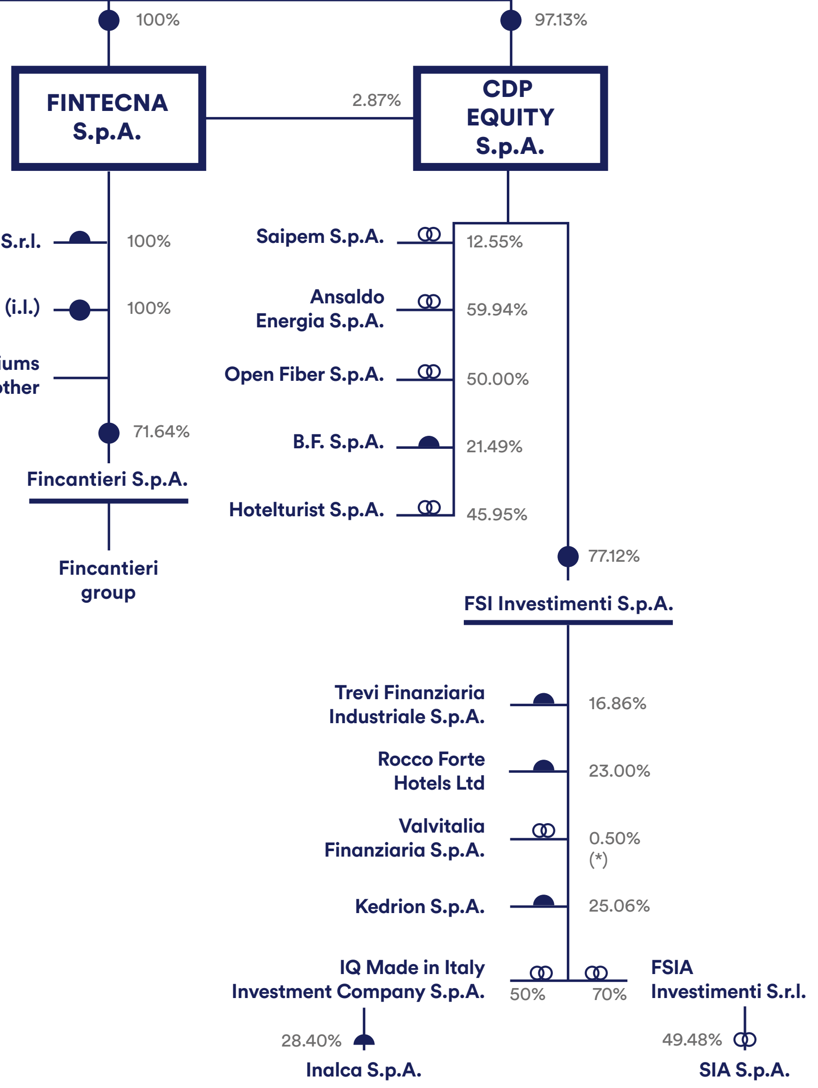
2018

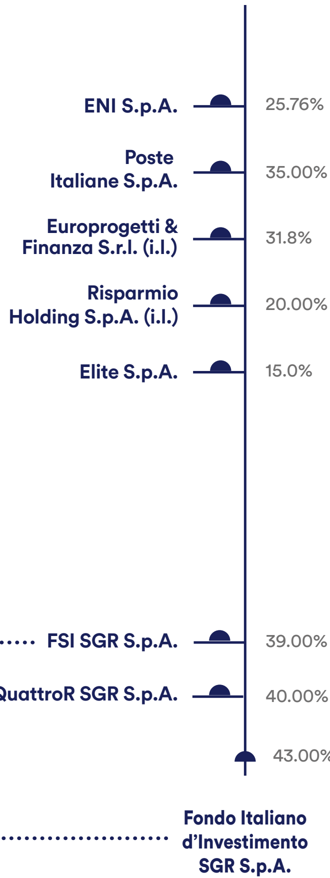


cdp

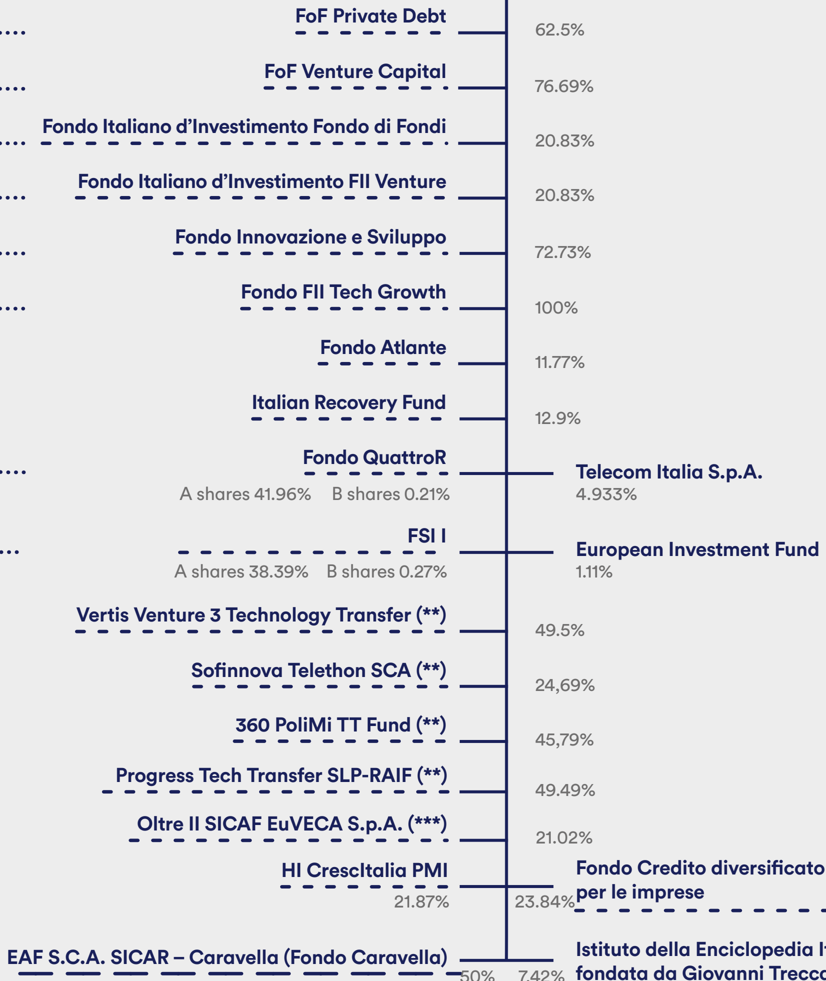
cassa depositi e prestiti

since 1850





OTHER EQUITY INVESTMENTS



LEGEND

Business sectors

- ENTERPRISES
- REAL ESTATE
- INTERNATIONAL EXPANSION
- INFRASTRUCTURE

Type of control/influence

- CONTROL
- DE FACTO CONTROL
- SIGNIFICANT INFLUENCE
- JOINT CONTROL
- INVESTMENT FUNDS
- INVESTMENT VEHICLES
- FUNDS MANAGEMENT RELATIONSHIP

i.l.: in liquidazione

(*) 49.5% pro forma post convertible bond conversion.
(**) Fund launched under the ITAtech investment platform; management and co-investment agreement signed by CDP and EIF focused on technology transfer funds.
(***) Fund launched under the Social Impact Italia platform; management and co-investment agreement signed by CDP and EIF focused on social impact investing.

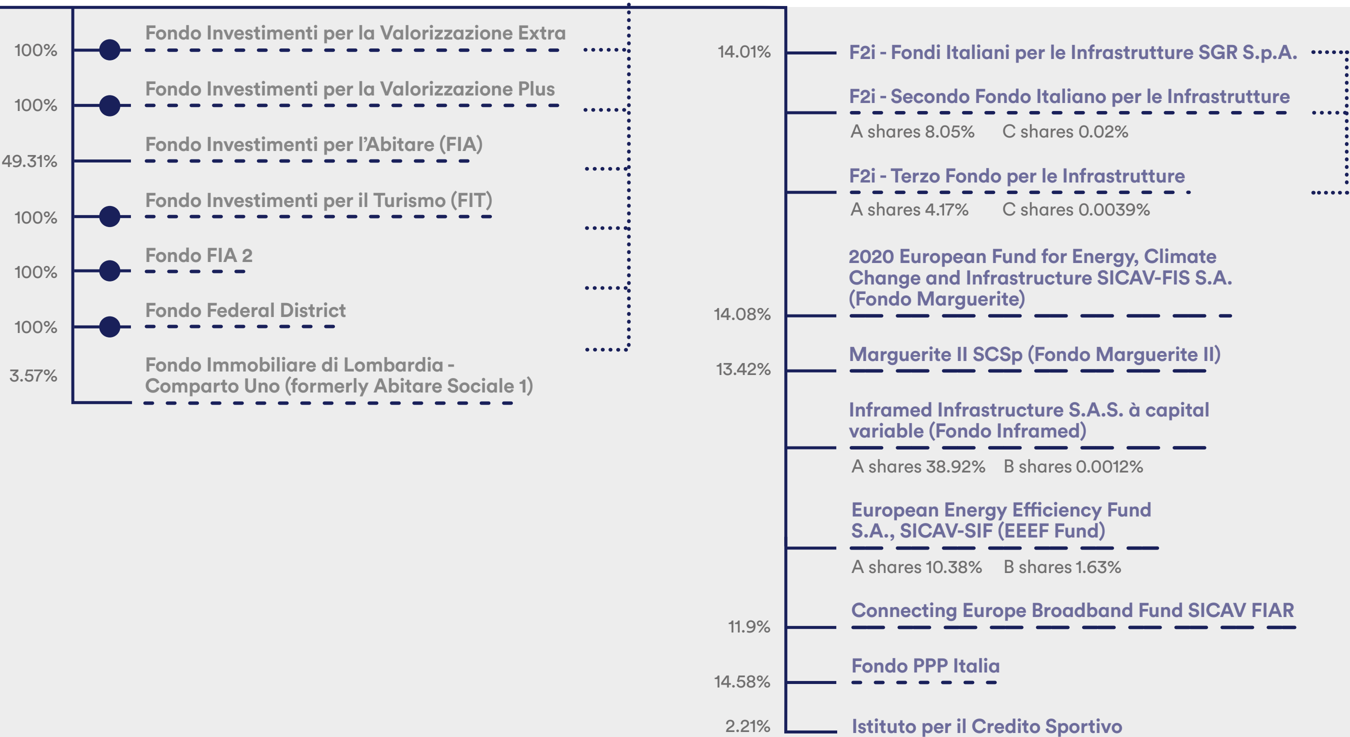
Group structure
at 31 december 2018

100% SACE S.p.A.
- 76.01% SIMEST S.p.A.
- 100% SACE FCT S.p.A.
- 100% SACE do Brasil
- 4.95% African Trade Insurance Company
- 100% SACE BT S.p.A.
  - 100% SACE Srv S.r.l.
- 100% Fondo Sviluppo Export

100% CDP IMMOBILIARE S.r.l.
- 50% Alfiere S.p.A.
- 100% Bonafous S.p.A. (i.l.)
- 100% Cinque Cerchi S.p.A. (i.l.)
- 62.5% M.T. Manifattura Tabacchi S.p.A.
- 50% Manifatture Milano S.p.A.
- 100% Pentagramma Perugia S.p.A.
- 50% Pentagramma Piemonte S.p.A.
- 74.47% Residenziale Immobiliare 2004 S.p.A.
- 100% Pentagramma Romagna S.p.A. (i.l.)
- Consortiums and other

59.10% CDP RETI S.p.A.
- 29.85% Terna S.p.A.
  - Terna group
- 30.37% SNAM S.p.A.
  - SNAM group
  - 13.50% Italgas S.p.A.
- 26.04% Italgas S.p.A.
  - Italgas group

70% CDP INVESTIMENTI SGR S.p.A.



We promote Italy’s
future by contributing
to economic development
and investing
in competitiveness

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Letter to Shareholders

Shareholders,

In 2018, the CDP Group confirmed its key role in supporting the Italian economy in a domestic and international context featuring a progressive economic slowdown.

The new Board of Directors taking office during the second half of the year and the approval of the 2019-2021 Business Plan laid the foundations for a significant change of pace, with ambitious growth targets set also in view of the main economic, social and environmental challenges facing Italy.

This scenario did not prevent the CDP Group from achieving its forecast results: during the year, new lending and investments amounted to 36 billion euro, which resulted in an additional activation of 27 billion euro of loans from private investors and other local, national and supranational institutions, for a total of 63 billion euro. More than 30 billion euro, 84% of the total, was provided to enterprises, through loans, investments and guarantees; 5.5 billion euro was provided to support the Public Administration and infrastructure, and about 300 million euro was invested in real estate. The Parent Company CDP alone lent and invested 17 billion euro, 66% of which was in favour of enterprises, and the remaining 34% to support other business areas.

The Group closed the year 2018 with significant financial results and improved capital strength. More than 367 billion euro in funding, of which 258 billion originated from postal savings instruments; assets for 425 billion; equity of 36.7 billion and a net profit of 4.3 billion euro (2.5 billion euro for the Parent Company) are the key consolidated balance sheet and income statement figures for the financial year.

Considerable commitment to achieving balance sheet and income statement targets was combined with increasing focus on the social and environmental impact of the Group's activities. The Group reinforced its engagement in communities and territories, by investing in important urban transformation, social housing and school building projects. At environmental level, financial support was confirmed for spreading renewable energy, energy efficiency projects, developing water networks and the switch to sustainable urban mobility systems. Finally, the new Green, Social and Sustainability Bond Framework was introduced, resulting in the issuing of the first Sustainability "Hydro" Bond, which aims to promote the development and modernisation of Italy's water sector.

The Business Plan approved last December seeks to provide more incisive, sustainable and inclusive support to the national economy, by combining significant innovation factors with the historic role of enhancing the savings of Italians. Over the next three years, the Plan aims to lend and invest 111 billion euro to support enterprises, infrastructure and the country, while at the same time activating another 92 billion euro for institutions and third-party investors, totalling 203 billion euro available at national level.

To reach these particularly challenging targets, the business will be reorganised into four main lines. The first concerns enterprises, to which 83 billion euro will be lent, based on an integrated offering of instruments to support innovation, growth and international expansion, and a greater presence at the local level, thanks to the opening of new Group offices and the enhancement of digital channels. The second business line relates to infrastructure, the Public Administration and the local areas, with 25 billion euro of resources intended for the promotion, realisation and financing of infrastructure works and to relaunch the partnership with Municipalities, Provinces and Regions and other Public Administration entities. The third business line refers to International Cooperation, where the Group intends to lend and invest 3 billion euro to support aid projects in developing countries. Finally, the fourth business line will be strategic equity investments, which will involve long-term management of the equity investment portfolio, marked not only by a financial but also a business approach.

With the 2019-2021 Business Plan, the CDP Group has decided, for the first time, to direct its strategic and operational approach towards the principles of sustainable development, an unavoidable horizon not only for institutions, but also for enterprises, the general public and the financial sector. Over the next three years, the CDP Group intends to lay the foundations for a new challenge: becoming a leading player in the economic, social and environmental development of Italy, focusing on a growth model that incorporates

investment profitability, social and territorial inclusion and environmental protection. The Group will channel its operations in a more cognisant and effective way, following a structured process to measure the social-environmental impact of its activities. For us, sustainability is the "bridge" that unites our historic role with the most innovative challenges of the present and future of our country.

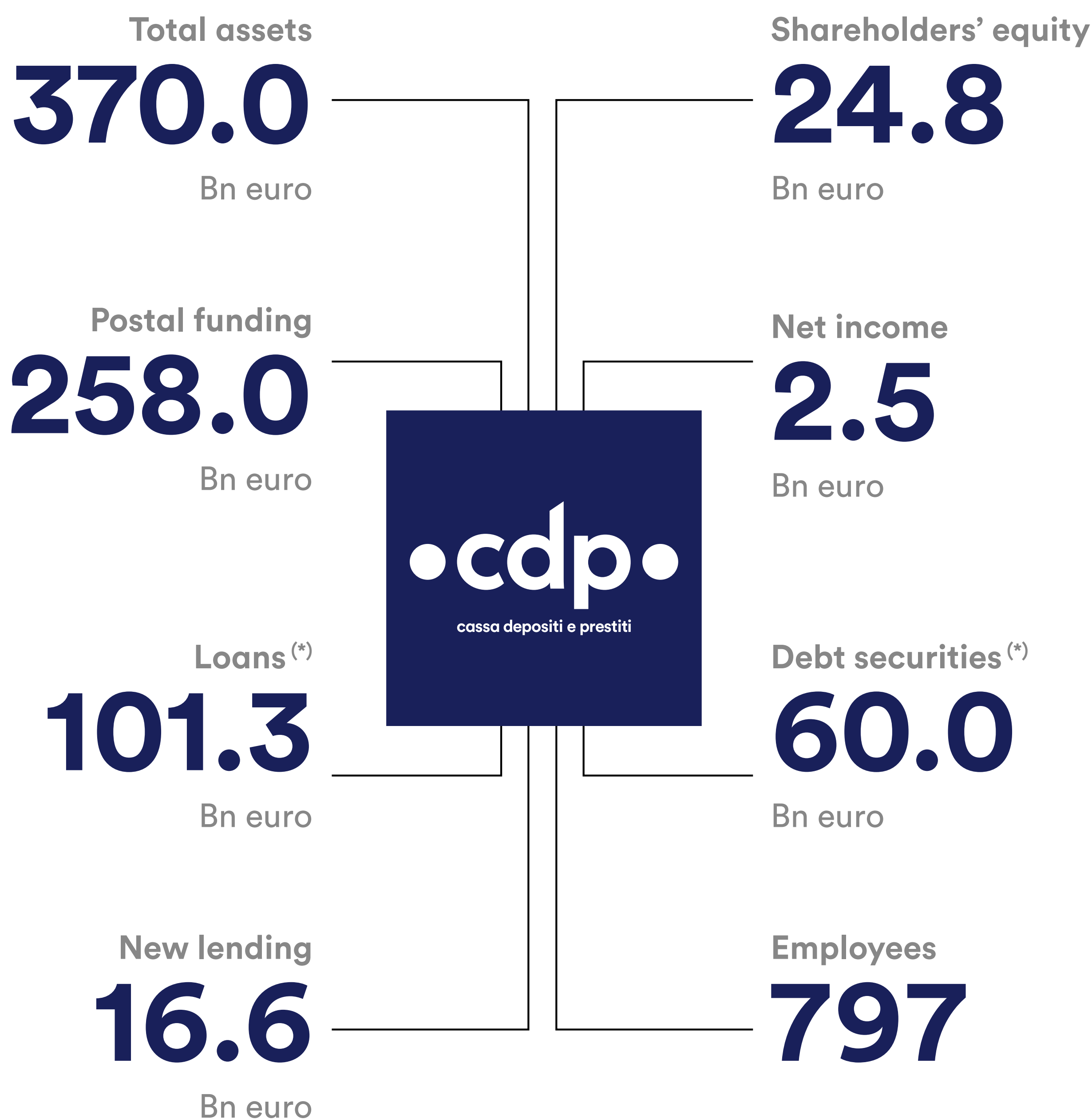
To ensure the Plan is rapidly implemented, changes have been introduced to the business model in various areas: strengthening of human capital, our primary asset, through the attraction and development of talented individuals; streamlining in the organisation and in the operational and decision-making processes; creation of customer-oriented solutions, through investments in the digitisation of products and services intended for enterprises and the Public Administration.

The path we have chosen to take with the new Business Plan is ambitious. We nonetheless believe that CDP's mission and role can rise to the significant challenges we are about to face, bolstered by the support of our Shareholders, the Ministry of the Economy and Finance and Bank Foundations, to whom we extend our thanks. These are challenges that the men and women in our Group, to whom we are grateful for their constant efforts, will respond to with courage, enthusiasm and dedication, motivated by a shared goal: to support the growth of Italy.

Fabrizio Palermo
Chief Executive Officer
and General Manager

Massimo Tononi
Chairman

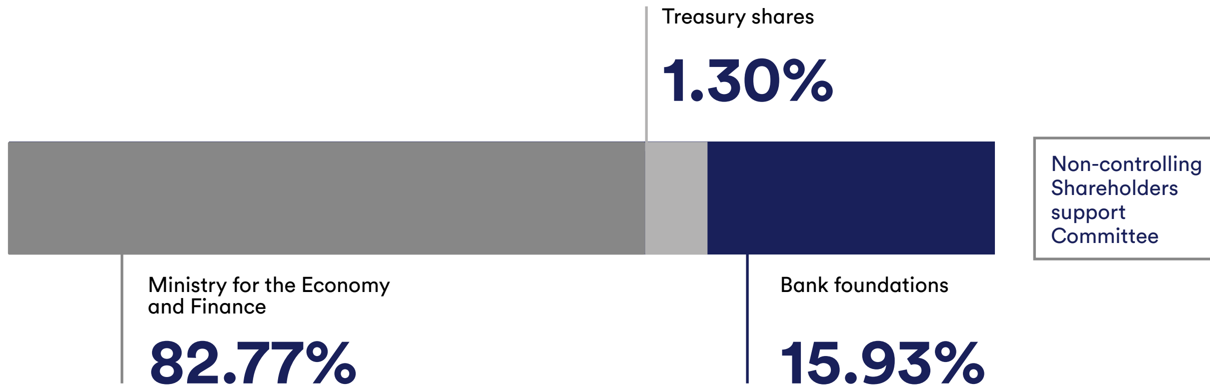
2018 main indicators



(*) Restated figures. Re. § 4.2.1.2

CDP Group

Company bodies, officers and governance



Corporate bodies at 30 June 2018

Company bodies		
Board of Directors	Chairman Vice Chairman CEO and General Manager Directors	Claudio Costamagna Mario Nuzzo Fabio Gallia Maria Cannata Carla Patrizia Ferrari Alessandro Rivera Alessandra Ruzzu
Supplementary Members for Administration of Separate Account *(Article 5, para. 8, Decree Law 269/2003, ratified with amendments by Law 326/03)*		Director General of the Treasury (1) State Accountant General (2) Antonio Decaro (3) Davide Carlo Caparini (4) Achille Variati
Board of Statutory Auditors (5)	Chairman Auditors Alternate Auditors	Carlo Corradini Ines Russo Luciano Barsotti Giusella Finocchiaro Alessandra dal Verme Giandomenico Genta Angela Salvini
Manager in charge with preparing the Company's financial reports		Fabrizio Palermo
Non-Controlling Shareholders Support Committee	Chairman Members	Matteo Melley Ezio Falco Sandro Fioravanti Anna Chiara Invernizzi Michele Iori Luca Iozzelli Arturo Lattanzi Roberto Pinza Umberto Tombari
Parliamentary Supervisory Committee (6)	Chairman Members	(Senator) Anna Cinzia Bonfrisco (Senator) Bruno Astorre Stefano Fantini (Council of State) Pancrazio Savasta (Council of State)
Judge of the State Audit Court *(Article 5, para. 17, D.L. 269/2003)*	Ordinary Alternate	Angelo Buscema Giovanni Comite
Independent Auditors		PricewaterhouseCoopers S.p.A.

(1) Giuseppe Maresca, Deputy Director General of the Treasury.
(2) Roberto Ferranti, delegate of the State Accountant General.
(3) Appointed Director of CDP Separate Account by Decree of the Ministry for the Economy and Finance of 11 May 2018.
(4) Appointed Director of CDP Separate Account by Decree of the Ministry for the Economy and Finance of 11 May 2018.
(5) On 25 January 2017, the Board of Directors assigned to the Board of Statutory Auditors the duties of the Supervisory Body (pursuant to Legislative Decree 231 of 8 June 2001) starting from 27 February 2017.
(6) The Parliamentary Supervisory Commission for oversight of the Separate Account of Cassa depositi e prestiti in the 18th Parliamentary Term has yet to be established. The Commission appointed for the 17th Parliamentary Term will remain in office for the reference period, pursuant to the combined provisions of Art. 14 of Legislative Order No. 1058 of 23 March 1919 and Art. 3 of Royal Decree No. 453 of 2 January 1913.
(7) Art. 5, para. 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.

Corporate bodies at 31 December 2018

Company bodies		
Board of Directors	Chairman Vice Chairman CEO and General manager Directors	Massimo Tononi Luigi Paganetto Fabrizio Palermo Francesco Floro Flores Valentino Grant Fabrizia Lapecorella Fabiana Massa Felsani Matteo Melley Alessandra Ruzzu
Supplementary Members for Administration of Separate Account *(Article 5, para. 8, Decree Law 269/2003, ratified with amendments by Law 326/03)*		Director General of the Treasury [1] State Accountant General [2] Antonio Decaro Davide Carlo Caparini Achille Variati
Board of Auditors [3]	Chairman Auditors Alternate Auditors	Carlo Corradini Ines Russo Luciano Barsotti Giusella Finocchiaro Alessandra dal Verme Giandomenico Genta Angela Salvini
Manager in charge with preparing the Company's financial reports		Paolo Calcagnini
Non-Controlling Shareholders Support Committee	Chairman Members	Quaglia Giovanni Bergmeister Konrad Bertocchini Marcello Brunello Giampietro Cavicchioli Paolo Delfino Federico Profumo Francesco Salvatore Enrica Zinni Sergio G.G.E.W.
Parliamentary Supervisory Committee [4]	Chairman Members	(Senator) Anna Cinzia Bonfrisco (Senator) Bruno Astorre Stefano Fantini (Council of State) Pancrazio Savasta (Council of State)
Judge of the State Audit Court [5] *(Article 5, para. 17, D.L. 269/2003)*	Ordinary Alternate	Angelo Buscema Giovanni Comite
Independent Auditors		PricewaterhouseCoopers S.p.A.

(1) Alessandro Rivera.
(2) Pier Paolo Italia, delegate of the State Accountant General.
(3) On 25 January 2017, the Board of Directors assigned to the Board of Statutory Auditors the duties of the Supervisory Body (pursuant to Legislative Decree No. 231 of 8 June 2001) starting from 27 February 2017.
(4) The Parliamentary Supervisory Commission for oversight of the Separate Account of Cassa depositi e prestiti in the 18th Parliamentary Term has yet to be established. The Commission appointed for the 17th Parliamentary Term will remain in office for the reference period, pursuant to the combined provisions of Art. 14 of Legislative Order No. 1058 of 23 March 1919 and Art. 3 of Royal Decree No. 453 of 2 January 1913.
(5) Art. 5, para. 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.

1.
Report on operations

1. Composition of the CDP Group

1.1 Parent Company

Cassa depositi e prestiti ("CDP") was established over 165 years ago (Law 1097 of 18 November 1850) as an agency for the protection and management of postal savings, investment in works of public utility and the financing of government and public entities.

CDP has always played a fundamental institutional role in supporting household savings and promoting economic growth in Italy in a sustainable way and in the public interest.

Over the years, CDP's sphere of action has widened significantly, shifting from an exclusive focus on local authorities and postal savings (1850-2003) to the development of infrastructure (2003-2009), businesses, exports, international expansion and equity instruments (2009-2016).

The year 2003 (when it was privatised) marked the start of a rapid transformation for CDP. Today, the CDP Group has the capacity to finance, through debt and equity capital, infrastructure, the growth and international expansion of enterprises and the acquisition of equity investments in Italian companies of national and international importance.

In particular:
- in 2003, with its transformation into a joint-stock company, bank foundations became shareholders of CDP. The Ministry of the Economy and Finance ("MEF"), however, remains the main shareholder of CDP, with an equity interest of 80.1% of the share capital;
- in 2006, CDP became subject to a minimum reserve requirement by the Bank of Italy;
- from 2009, CDP was authorised to finance initiatives of public interest, also in partnership with private-sector entities, without drawing on public finances, and to provide support for SMEs in the form of targeted funding through the banking industry;
- in 2011, CDP's operations were broadened with the establishment of Fondo Strategico Italiano - FSI (now CDP Equity), of which CDP is the pivotal investor;
- in 2012, the structure of the CDP Group was expanded with the entry of Snam, SACE, Fintecna and SIMEST;
- in 2014, CDP's remit was extended again to encompass international cooperation, infrastructure financing and investments in research, drawing on both government-backed funding and unsecured funding (Decree Law 133/2014 – the "Sblocca Italia" decree – and Law 125/2014). In particular, since 2014 CDP has been authorised to:
  - finance international development cooperation projects designed for public or private-sector entities;
  - draw on government-backed funding (postal savings funds) also to finance initiatives in favour of private entities in sectors of "general interest", as identified by decree of the Minister of the Economy and Finance;
  - draw on non-government-backed funding to finance works, facilities, networks and equipment not only for the provision of public services and reclamation works, but as part of wider initiatives of public utility;
  - draw on non-government-backed funding to finance investments in research, development, innovation, the protection and development of cultural heritage assets, the promotion of tourism, the environment, energy efficiency and the green economy;
- in 2015, with the approval of the 2016 Stability Law, CDP was assigned the role of "national promotional institution" (article 1, paragraph 826, of Law 208 of 28 December 2015). CDP's designation as national promotional institution for the intents and purposes of the EU regulation concerning strategic investments and as an eligible implementer of the financial instruments receiving structural funds, authorises it to engage in the activities contemplated by the regulation, also by drawing on Separate Account funds. As such, CDP has become:
  - the entry point for funding under the Juncker Plan for Italy;

  – financial advisor to the Public Administration for a more efficient and effective use of domestic and European funds;
- in 2016, the CDP Group's "Italian Centre for Export and International Expansion" was expanded with the transfer of CDP's equity interest in SIMEST to SACE. The transaction has created a system to support the growth and international competitiveness of Italian industry. The objective is to offer Italian businesses "one-door" access to all they need to meet their export and international expansion requirements. In this way, CDP's core role of medium/long-term investor has been expanded to include the active promotion of growth initiatives. On 20 October 2016, CDP increased its share capital through a rights issue, plus share premium, reserved to the MEF, which was subscribed by the MEF through the contribution of a 35% equity interest in Poste Italiane S.p.A. As a result of the transaction, the MEF's equity interest in CDP increased from 80.1% to 82.8%;
- in 2017, CDP and Poste Italiane signed an agreement referring to the postal savings service for the three-year period 2018-2020. This new agreement consolidates the century-old alliance under which the savings of Italians act as a catalyst for growth and development, contributing to strategic investments and to improving the country's competitiveness. In fact, CDP and Poste Italiane intend to re-launch postal savings with the repositioning of Bonds and Passbook Accounts, with increased investment in technology, communications, promotion and training, in order to reach an increasingly wide range of investors, for whom these products represent an opportunity for savings and investment. Additionally, to renew its commitment to sustainable growth, CDP successfully issued a 500-million euro "Social Bond" during the year. This will support SMEs located in economically deprived areas or in areas affected by natural disasters;
- the new 2019-2021 Business Plan was approved in December 2018. The Plan represents an innovative step forward, in that it aligns CDP's strategy to major global trends and the Sustainable Development Goals set in the UN's 2030 Agenda. This will be a far-reaching transformation that will release resources for businesses and local development, increasing the number and the effectiveness of the actions launched to support the country's growth and confirming, at the same time, CDP's deep bond with its historical values. To address the challenges the country faces and to achieve the objectives of the Plan, a new business model will be defined and further actions will be put in place to ensure capital strength and to protect savings, placing, for the first time, a strong focus on the promotion of sustainable and inclusive development.

All CDP's operations are carried on within a framework that ensures the separation of the organisational and accounting activities of the organisational units and thus the distinction between Separate Account and Ordinary Account assets, thereby ensuring long-term economic and financial equilibrium whilst also ensuring returns for shareholders.

In terms of supervision, in accordance with article 5, paragraph 6 of Decree Law 269/2003, the provisions of Title 5 of the Consolidated Law on Banking concerning the supervision of non-banking financial intermediaries apply to CDP, taking into account the characteristics of the supervised entity and the special regulations applicable to the Separate Account.

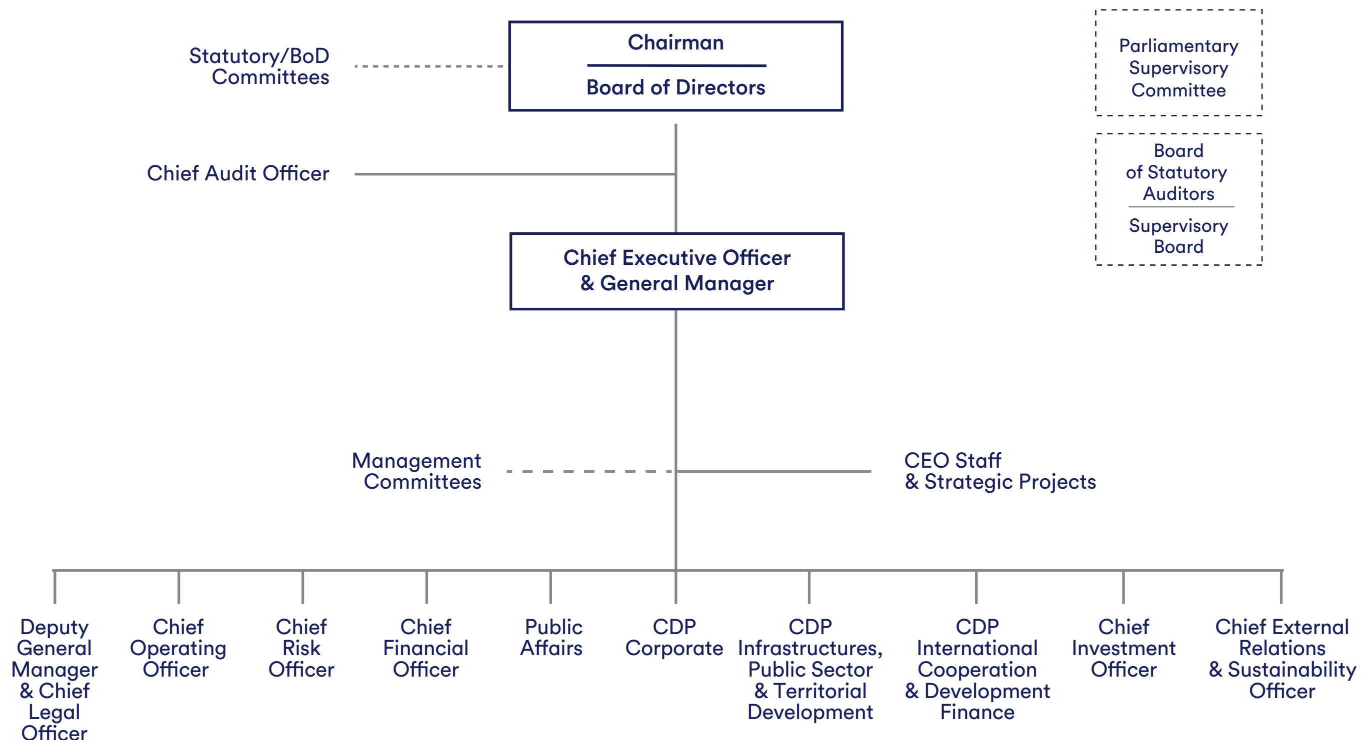
CDP is also subject to oversight by a Parliamentary Supervisory Committee and the Court of Auditors.

At the date of this report, CDP is structured as follows.

The following structures report to the Board of Directors:
- Chief Executive Officer and General Manager;
- Chief Audit Officer.

The following structures report to the Chief Executive Officer and General Manager:
- Deputy General Manager & Chief Legal Officer;
- Chief Operating Officer;
- Chief Risk Officer;
- Chief Financial Officer;
- Public Affairs;
- CDP Corporate;
- CDP Infrastructures, Public Sector & Territorial Development;
- CDP International Cooperation & Development Finance;
- Chief Investment Officer;
- Chief External Relations & Sustainability Officer;
- CEO Staff & Strategic Projects.

CDP organisational chart, as of 31 December 2018, is the following:



As of 31st December 2018, CDP employed 797 people, including 82 senior managers, 373 middle managers, 324 office workers and 18 employees seconded from other organisations.

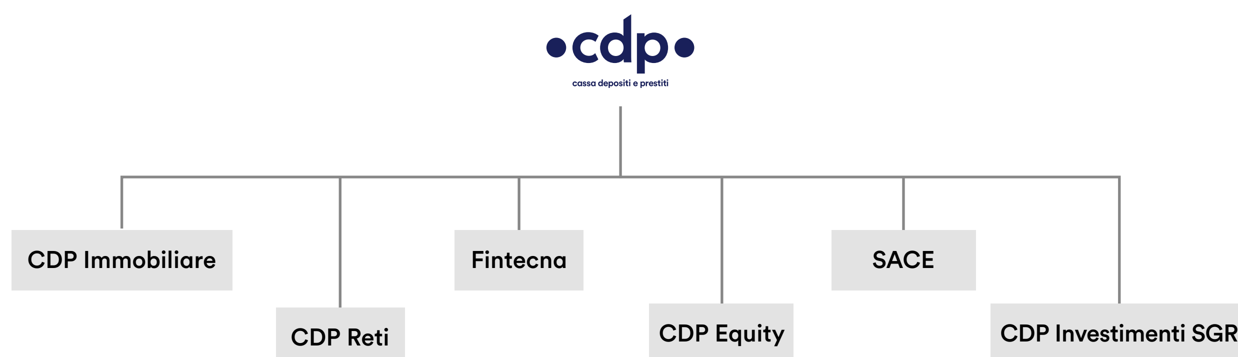
In 2018, CDP employees grew both in terms of number and quality, with 103 new hires against 42 people leaving the organisation.

Compared to last year, the average age of employees remained basically unchanged, around 44 years, and the percentage of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) remained stable at 73%.

As of 31st December 2018, the number of persons employed by the companies subject to management and coordination of CDP, including the Parent Company CDP, is 2,102, increasing by 6% (+118 people[1]) compared to the same perimeter at 31 December 2017.

1 The calculation of resources has been pro-forma for the whole Group according to the following method: (i) resources included: all the resources in force, the detachments in the company with a percentage greater than 50%, the resources in maternity and parental leave, the detachments out of the company with a percentage less than 50%; (ii) resources excluded: the detachments out of the company with a percentage greater than 50%, the detachments in the company with a percentage less than 50%, interns, collaborators, workers employed, expectations and social bodies.

1.2 Companies subject to management and coordination



SACE Group

Brief description and shareholding structure

SACE was established in 1977 as a public entity under the supervision of the Ministry of the Economy and Finance (MEF). In 2004, it was transformed into a joint-stock company, wholly owned by the MEF. On 9 November 2012, CDP acquired the entire share capital of SACE S.p.A. from the MEF.

The SACE Group is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring.

Specifically, the business purpose of SACE S.p.A. includes insurance, reinsurance, co-insurance and the provision of guarantees against risks linked to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other related risks to which companies are exposed in their business dealings with foreign countries. SACE S.p.A. also provides guarantees and insurance cover to foreign companies in transactions that are of strategic importance to the Italian economy in terms of international expansion and economic security.

The SACE Group consists of SACE S.p.A. and the following companies:

a) SIMEST S.p.A. (76% stake), specialised in acquiring equity investments, financing operations of Italian enterprises abroad and providing technical assistance and advisory services to Italian enterprises that choose to expand their operations abroad;
b) SACE BT S.p.A., established in 2004, engaged in the insurance of short-term credit;
c) SACE Fct S.p.A., established in 2009, engaged in trade receivables financing;
d) SACE Srv S.r.l., established in 2007, a subsidiary of SACE BT, specialised in business information solutions, application management and debt recovery;
e) SACE do Brasil, established in 2012.

Organisation and personnel

At 31 December 2018, the SACE Group employed 975 people, including 57 senior managers, 458 officials and 460 office workers. Compared to 31 December 2017, the headcount increased by 57 employees.

CDP Equity S.p.A.

Brief description and shareholding structure

CDP Equity is the name adopted, as of March 2016, by Fondo Strategico Italiano, a company established in August 2011, whose share capital is held, to date, by CDP with a 97.1% stake, whilst the remainder is held by Fintecna.

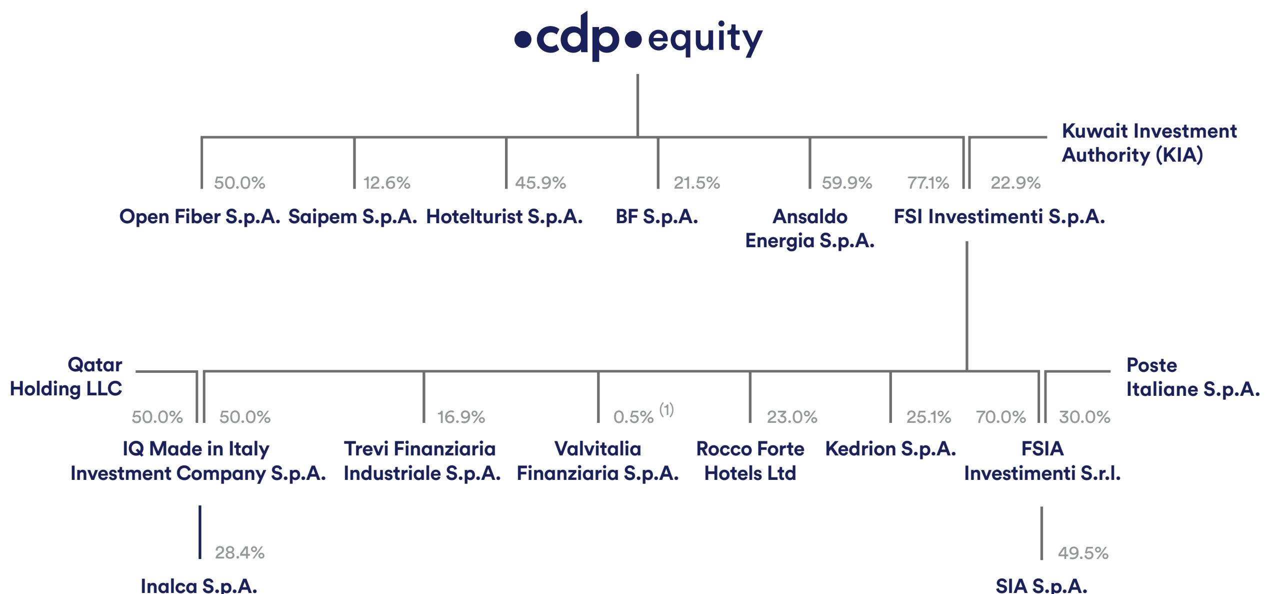
CDP Equity operates by acquiring equity investments, usually non-controlling interests, in companies of major national interest that have a stable economic and financial position and are capable of generating value for investors.

As part of the fund-raising campaigns, in 2013 IQ Made in Italy Investment Company (IQMIIC) was established as a joint venture with Qatar Holding LLC for investments in the "Made in Italy" sectors, and in 2014 FSI Investimenti was established, in which CDP Equity holds an interest of around 77%, while the remaining 23% circa is held by the Kuwait Investment Authority.

Moreover, in July 2014, the MEF broadened the investment scope of CDP Equity via Ministerial Decree, identifying: (i) the tourism, hotel, agri-food, distribution, cultural and artistic heritage asset management segments among its "strategic segments"; and (ii) companies which – though not incorporated in Italy – operate in some of the aforementioned segments and have subsidiaries (or permanent establishments) in Italy with a total turnover of no less than 50 million euro and an average number of employees of no less than 250 in the last financial year among the companies of "major national interest".

In 2016, an overall rationalisation of the company's equity portfolio took place, whereby CDP Equity was identified as a business destined to pursue, in closer coordination with CDP, investments that can be defined as "stable", i.e. in companies of "systemic" interest for the national economy and with a long-term investment horizon.

At 31 December 2018, the CDP Equity Group's corporate structure is as follows:



(1) 49.5% pro forma post convertible bond conversion.

Organisation and personnel

At 31 December 2018, CDP Equity employed 29 people, compared to 25 at the end of 2017.

Fintecna S.p.A.

Brief description and shareholding structure

Fintecna was established in 1993 for the specific purpose of restructuring recoverable businesses and performing transitional management activities linked to the liquidation of Iritecna to pave the way for its privatisation. In December 2002, IRI (in liquidation) was incorporated into Fintecna together with its residual assets.

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

The Fintecna Group's operations are presently focused on the following lines of business:
- management of equity investments through steering, coordination and control activities;
- management of liquidation procedures;
- management of litigation, mainly arising from the incorporated companies;
- other operations, including support initiatives for the communities affected by the earthquakes in Emilia in 2012 and in central Italy in 2016.

Pursuant to Law No. 205 of 27 December 2017 (2018 Stability Law), Fintecna's operating scope has been expanded to include the management of assets of state-owned companies and entities under liquidation, assigned on an annual basis by decree of the Ministry of the Economy and Finance.

It should be noted that Fintecna holds, *inter alia*, a controlling interest in Fincantieri (71.64%) and does not exercise management and coordination powers over the company following its listing on the stock exchange.

Organisation and personnel

At 31 December 2018, Fintecna employed 126 people (including 17 senior managers), 9 less than at the end of 2017. In detail, in 2018, 12 employees left the company and 3 new employees were hired.

CDP Immobiliare S.r.l.

Brief description and shareholding structure

CDP Immobiliare (formerly Fintecna Immobiliare) was established in 2007 by the Fintecna Group as part of the restructuring plan for the Construction & Civil and System Engineering division of the former IRI Group. In November 2013, following the demerger of Fintecna's real estate assets, all equity investments held by Fintecna in CDP Immobiliare and Quadrante (the latter subsequently merged by incorporation into CDP Immobiliare) were transferred to CDP.

Over the years, CDP Immobiliare has acquired specific expertise in the field of urban transformation and development, which it has transferred to the broader real estate sector through its property management, construction and selling businesses. The mission of the company today is to leverage its real estate assets through local urban growth and redevelopment projects.

In detail, at 31 December 2018, the company's real estate assets totalled approximately 1,050 million euro, including directly owned assets valued at 242 million euro and assets held through 14 investment vehicles worth 808 million euro.

Organisation and personnel

At 31 December 2018, CDP Immobiliare employed 116 people, including 20 senior managers, 44 middle managers and 52 office workers, 1 more than at the end of 2017.

CDP Investimenti SGR S.p.A.

Brief description and shareholding structure

CDP Investimenti SGR (CDPI SGR) was established on 24 February 2009 by CDP together with Associazione delle Fondazioni Bancarie e Casse di Risparmio (ACRI) and the Italian Banking Association (ABI). The company is registered in Rome and has share capital of 2 million euro, 70% of which is subscribed by CDP.

CDPI SGR operates in the real estate investment sector, specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in specific real estate market segments. At 31 December 2018, CDPI SGR managed five real estate funds:

- Fondo Investimenti per l'Abitare ("FIA"), which invests in a network of local real estate funds active in the private social building sector (social housing projects, mid-range between public housing and the private property market);
- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund set up to acquire real estate with unexpressed potential value that can be leveraged through change in use, upgrading or rental;
- Fondo Investimenti per il Turismo ("FIT"), focused on real estate investments in the tourism, hotel, hospitality and recreational sectors;
- Fondo Turismo 1 ("FT1"), focused on aggregating a diversified portfolio by acquiring real estate assets and renting these out to hotel operators;
- FIA 2, focused on real estate investments in housing and private services of public utility in the smart housing and smart working sectors.

In addition, there is Fondo Federal District ("FFD"), which invests in real estate property intended mainly or exclusively for use as offices/services facilities, already leased or to be leased to General Government entities (or their investees). Although the fund began operations in June, to date there have been no calls.

Organisation and personnel

At 31 December 2018, the company employed 56 people (5 senior managers, 30 middle managers and 21 office workers). The headcount increased by 5 employees compared with the end of 2017, as a combined result of the exit of 4 full-time employees and the entry of 9 new staff members, 6 of whom under secondment contracts.

CDP RETI S.p.A.

Brief description and shareholding structure

CDP RETI was set up as an investment vehicle in October 2012 to support the development of the infrastructure of natural gas transportation, dispatching, regasification, storage and distribution and of electricity transmission. It achieves this purpose by acquiring equity investments of systemic importance.

After the share capital was opened to outside investors in November 2014, the company's present shareholders are: CDP (59.1%), State Grid Europe Limited (35.0%) and other institutional Italian investors (with a collective interest of 5.9%).

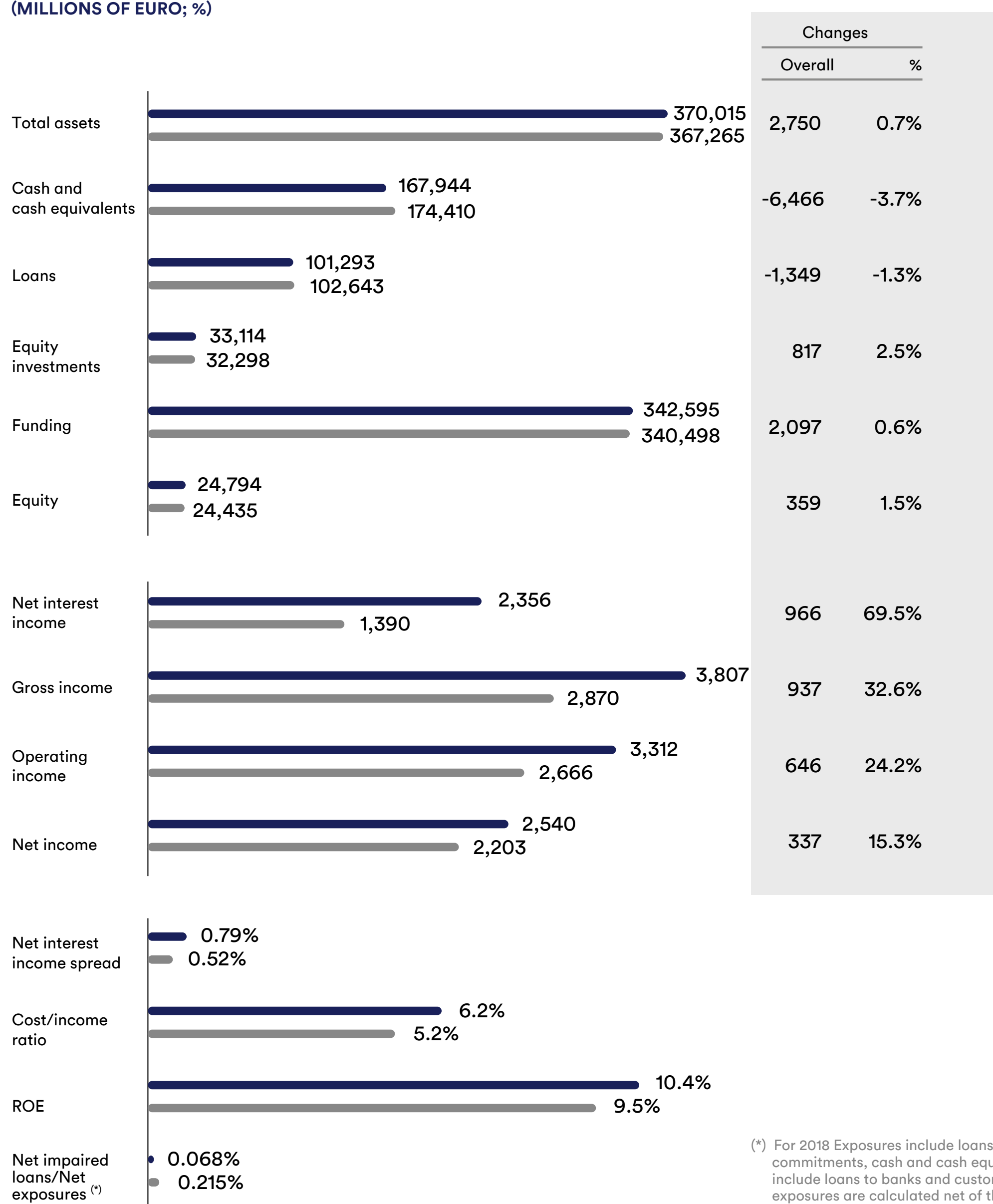
At 31 December 2018, the company owned equity investments in Snam (30.37%), Terna (29.85%) and Italgas (26.04%).

Organisation and personnel

At 31 December 2018, CDP RETI employed 3 people, plus 1 person under part-time secondment from the Parent Company. To conduct its business, the company also relies on the operational support of the Parent Company CDP, which is provided under contractual arrangements made at arm's length.

2. Financial aggregates and performance indicators

CDP S.P.A. - FINANCIAL AGGREGATES[2 3] AND PERFORMANCE INDICATORS (MILLIONS OF EURO; %)

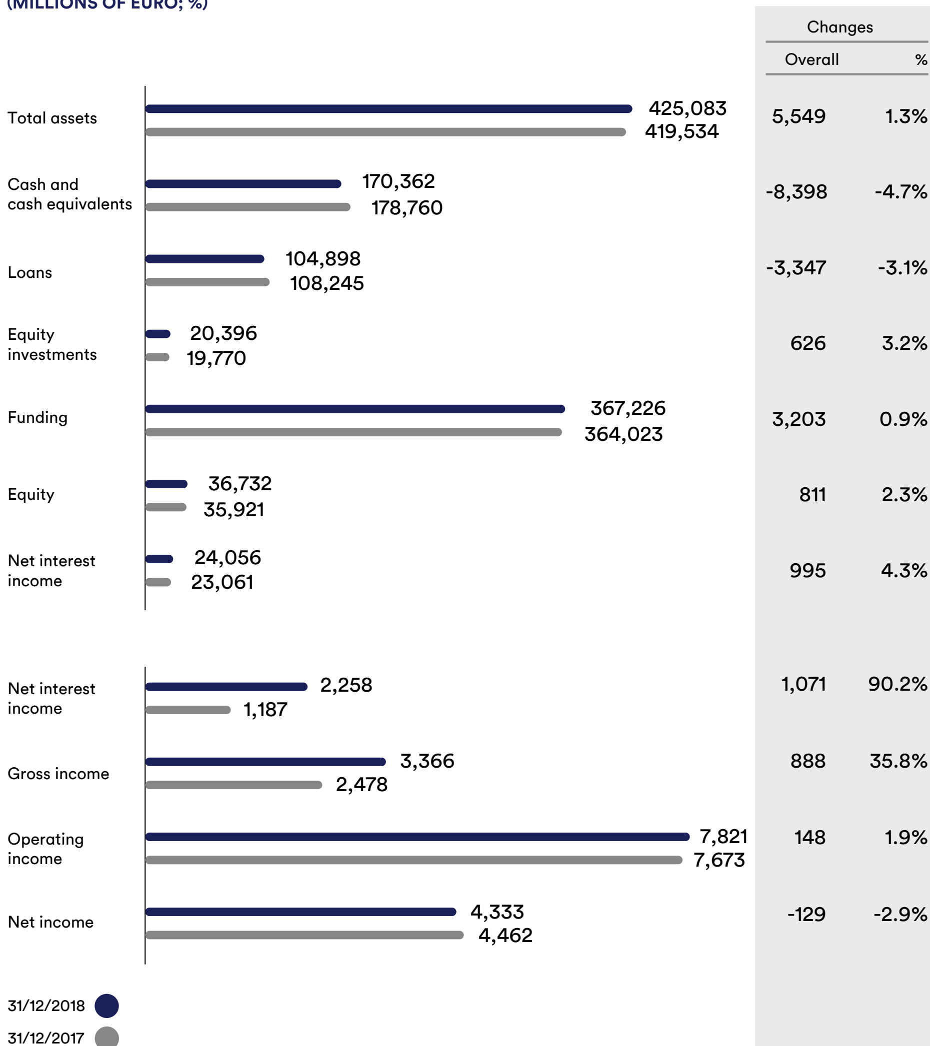


(*) For 2018 Exposures include loans to banks and customers, disbursement commitments, cash and cash equivalents and bonds. For 2017 Exposures include loans to banks and customers, and disbursement commitments. Net exposures are calculated net of the provision for impaired loans.

2 Reclassified (see par. 4.4.1).

3 As from the 2018 financial statements, the reclassified income statement aggregate "Net interest income" includes postal commission, "Operating income" includes the items "180 Net adjustments to property, plant and equipment" and "190 Net adjustments to intangible assets", the operating item "Gains (losses) on equity investments" is included in the item "Cost of risk", and the operating item "Net commission income (expense)" is included in "Other net revenues". In the reclassified balance sheet, a short-term credit line is recognised under "Loans" instead of "Cash and cash equivalents". The 2017 figures have been restated to reflect the current presentation of operations.

CDP GROUP - FINANCIAL AGGREGATES[4] AND PERFORMANCE INDICATORS
(MILLIONS OF EURO; %)



4 Reclassified (see par. 4.4.2).

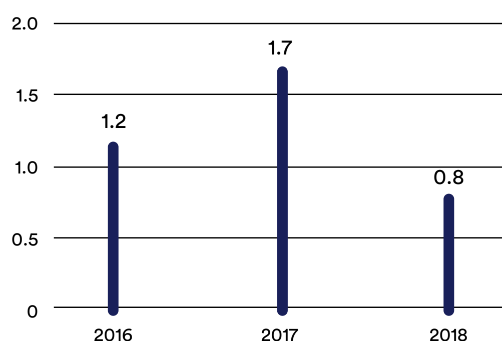
3. Macroeconomic scenario and market context

3.1 Macroeconomic scenario

According to recent estimates of the International Monetary Fund (IMF)[5], in 2018 the world economy grew year-on-year at a rate of 3.7% (-0.1 percentage points compared to 2017). This slightly weaker trend is affected by the slowdown of both advanced economies (+2.3%, -0.1 percentage points) and emerging economies (+4.6%, -0.1 percentage points). In particular, in the second half of the year some signs of cyclical deterioration were seen, fed by several risk factors: the impact of a negative outcome of the trade negotiations between the United States and China, the reignition of the financial tensions in emerging countries, the methods with which the process of the United Kingdom leaving the European Union (Brexit) will be completed. As regards the Eurozone, the economic activity slowed down significantly and growth is estimated at 1.8%, down 0.5 percentage points compared to the rate recorded in 2017. By contrast, the growth of US GDP strengthened and is estimated at 2.9% (+0.7 percentage points).

In this context, the downtrend of the Italian economy proved even more marked. The IMF estimates a GDP growth rate of 1.0% in 2018, in line with the latest estimate disclosed by Istat and based on annual raw data (0.9%).[6] When looking at the data adjusted for the calendar effects, the growth in Italian GDP is half the rate recorded in 2017, decreasing from 1.7% to 0.8%. Growth is weakened by lower household consumption (from +1.5% to +0.6%) and especially by exports, which dropped sharply to +1.4% year-on-year compared to the peaks of 2017 (+6.4%)[7].

REAL GDP GROWTH RATE - ITALY
(% ANNUAL CHANGE)



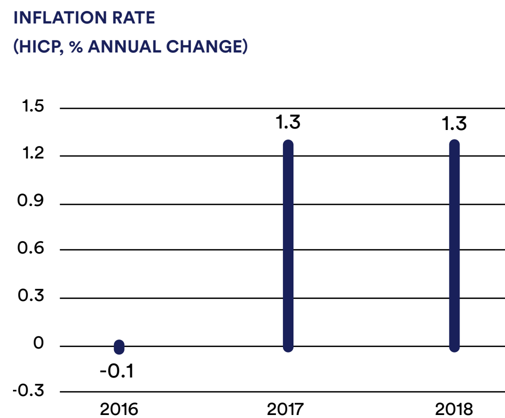
Data source: Istat. The annual change is estimated on the quarterly GDP figures seasonally adjusted and corrected for calendar effects.

Despite the slowdown in economic activity, particularly in the last few months, the Italian labour market continued to show signs of improvement. Indeed, the employment rate rose to 58.5% (+0.6 percentage points compared to the previous year), corresponding to a rise in the number of people employed equal to 0.9% year-on-year. At the same time, the unemployment

5 IMF, World Economic Outlook, January 2019.
6 GDP and General Government's borrowing, 1 March 2019.
7 Istat, quarterly national accounts, 5 March 2019.

rate fell to 10.6% (-0.7 percentage points compared to 2017), though remaining at historically high values. The youth unemployment rate in particular remains one of the highest in the Eurozone, at above 32%[8].

On average, in 2018 the overall increase in the harmonised consumer price index was 1.3%, in line with the level recorded in 2017, and slightly above the inflation rate calculated on the consumer price index for the entire community (NIC), which equals 1.2%.



Data source: Istat.

3.2 The credit sector

3.2.1 Monetary policies and interest rates

Following the monetary policy meeting of the Governing Council in June, the European Central Bank (ECB) announced the conclusion of the Asset Purchase Programme (APP) at the end of December 2018 compared to the deadline previously set for September. In light of the end of quantitative easing, in line with the recovery in bank loans, the monthly pace of net asset purchases was halved, down to 15 billion euro in the last quarter of the year. By fully reinvesting the capital repaid on maturing securities within the framework of the APP programme, the ECB confirmed it will continue to be very accommodating in monetary terms for a long period of time after the first rise in the reference interest rates. It also strengthened the forward guidance on the policy rates, indicating that these would remain unchanged at least until the summer of 2019.

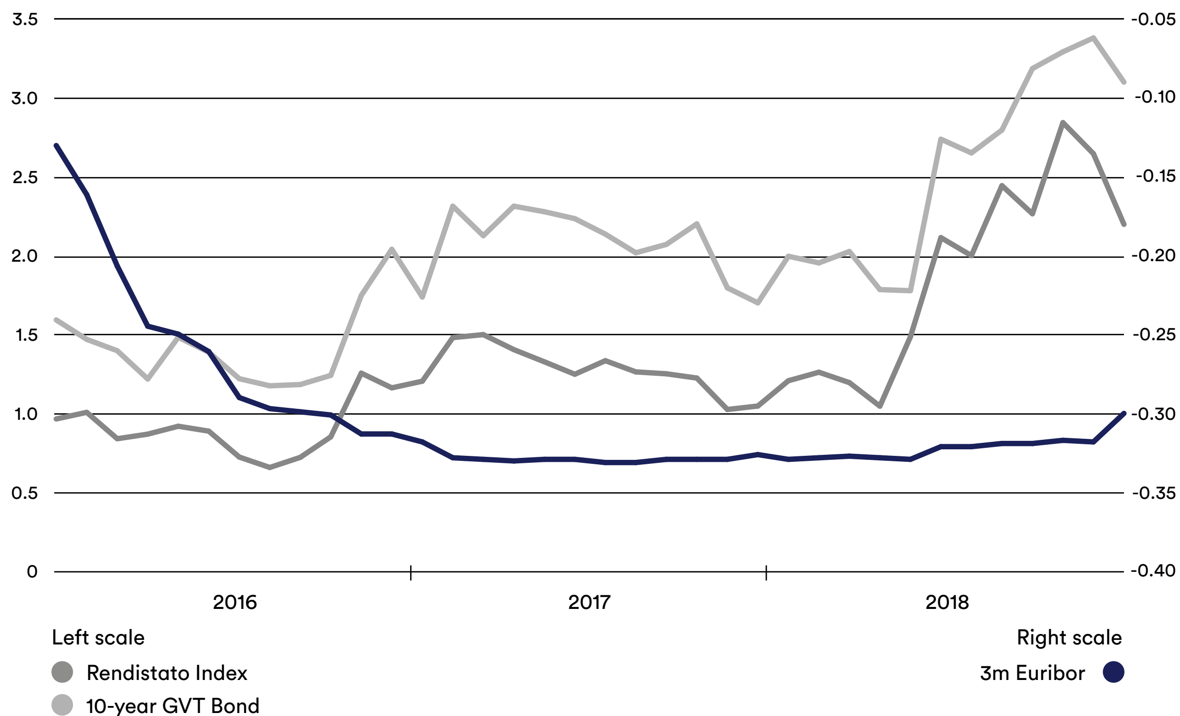
In this context, the interest rates of the money markets remained at very low levels. As an average in 2018, the 3-month Euribor remained rather stable at -0.32%, while the Eonia rate stood at -0.36%.

On the other hand, the Italian government securities market was impacted by the climate of political instability that characterised the first and the second part of the year. In the first six months, the uncertain outcome of the elections and the subsequent difficulties encountered in forming the new Government translated into a rise in the spread between the yield of the benchmark 10-year Italian government bond and the corresponding German one, which reached 238 bps at the end of June (up about 81 points compared to the spread at the beginning of the year). After a partial recovery in the summer months, in the last part of the year the tension on the sovereign debt securities market rekindled, at the time of the negotiations between the Italian authorities and the European Commission to settle the public finance balances for 2019 (particularly with reference to the public debt/GDP ratio). The agreement reached in December contributed to easing the tension and, at the end of the year, the yield of the benchmark 10-year Italian government bond stood at 2.8% (more than 250 bps compared to the German equivalent).

8 Istat, January 2019.

At the same time, the Rendistato general index grew progressively to reach 2.2% at the end of 2018, approximately twice that of the same period of the previous year.[9]

MAIN INTEREST RATES
(MONTHLY VALUES, %)



Source: Based on Thomson Reuters figures. For 3-month Euribor and 10-year GVT Bonds, the data refers to the average value in the month.

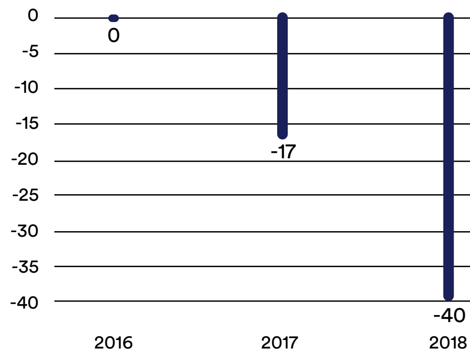
With regard to the main bank interest rates, in 2018 the average rate on bond funding fell steadily in the period to reach 2.4% at the end of December (-21 basis points compared to the same month of last year). By contrast, the average rate on household and business deposits remained practically unchanged at 0.4% at the end of December (-2.4 basis points compared to the same month of last year). Interest rates on new loans to non-financial companies and to households for house purchase did not post significant changes, standing at 1.5% and 1.9% at the end of December respectively (-4.2 and -0.3 basis points compared to the same month the previous year).[10]

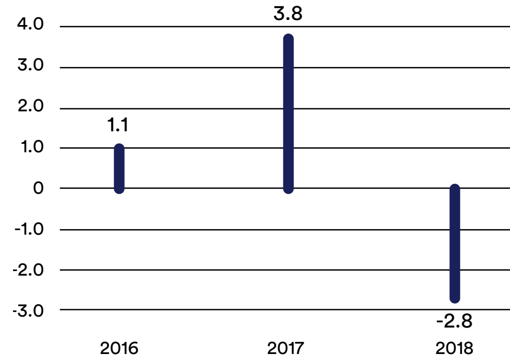
3.2.2 Lending and funding in CDP's reference market

With reference to lending trends, in 2018 the decline in bank loans to the private sector and the Public Administration continued[11], both gross and net of the transactions with central counterparties (equal to -2.5% and -2.4% year-on-year, respectively). Focusing on the analysis of the private sector, the trend was relatively more favourable: the rate of change — adjusted for securitisations — was positive and equal to 2.0% year-on-year, driven by both the resilience of loans to households (+2.7%) and the recovery in bank loans to non-financial companies (+1.3%).

During 2018, the decline in gross bad debts (-40% year-on-year) continued, which had started in 2017, the turning point for the Italian market of non-performing loans. At the end of the year, bad debts stood at around 100 billion euro (about -67 billion euro compared to the value at the end of 2017).

9 Based on Thomson Reuters figures.
10 Based on Bank of Italy figures via Thomson Reuters.
11 Not adjusted to take into account securitisations and other receivables transferred and derecognised from the banks' financial statements.





Source: Based on Bank of Italy and Oxford Economics figures.

Regarding liabilities, in 2018 the funding of Italian banks returned to a path of positive growth, consequently to the good performance of deposits, which more than offset the drop in bonds. In particular, deposits[12] recorded changes on an annual basis equal to +3.1% (when including also the deposits of the central administration) and +2.6% (if only the deposits of the private sector are considered), respectively. By contrast, bond funding continued to decline, recording negative growth rates on an annual basis equal to -12.3% (total bonds) and -16% (if only resident customers are considered), respectively.

The recovery in bank funding was reflected in the lower use of financing from the European Central Bank. In December 2018, funding requested from the ECB totalled around 244 billion euro, dropping by approximately 8 billion euro on the same month of the previous year. In particular, Long Term Refinancing Operations (LTRO) declined by around 12 billion euro, amounting to 239 billion euro, while funding requested via Main Refinancing Operations (MRO) increased from 1 to around 5 billion euro.

With reference to CDP's reference market segments, in 2018 the stock of financial assets held by Italian households is estimated to fall by 2.8% year-on-year, compared to the excellent performance recorded in 2017 (+3.8%). At the end of 2018, the volume is expected to amount to about 4.2 thousand billion euro.[13]

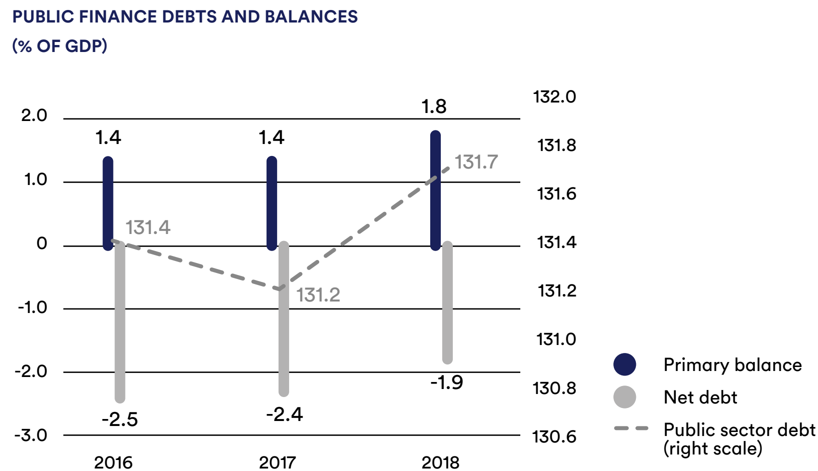
3.3 Public finance

Key public finance figures improved in 2018 compared to last year. According to the Updated macroeconomic and public finance framework of the MEF,[14] in 2018 General Government net borrowing is estimated to be equal to 1.9% of GDP, 0.5 p.p. lower than in 2017, though rising by 0.1 p.p. from the policy framework presented as part of the Note updating the Economy and Finance Document of 2018.[15] The upward adjustment is attributable to the slowdown of the economy recorded in the second half of the year, which also resulted in an increase in the public debt/GDP ratio to 131.7%, 0.5 p.p. higher than in 2017 and 0.8 p.p. higher than the level stated in the policy framework. The General Government's primary balance (borrowing net of interest expense) is estimated to be equal to 1.8% of GDP (+0.4 p.p. compared to 2017). The tax burden was 41.9%, down by 0.3 percentage points on the same period of the previous year.

12 Net of the deposits connected to securitisations and the repurchase agreements with central counterparties.
13 Based on Bank of Italy figures via Thomson Reuters. Values at the end of December. For the financial assets of Italian households, the 2018 estimate is by Oxford Economics.
14 December 2018.
15 September 2018.

After long negotiations between the Italian Government and the European Commission on the Budget Law, an agreement was reached in December 2018 on the public debt/GDP ratio for 2019 at 2.04%, compared to the 2.4% initially stated by the Italian authorities in the policy framework. In this context, according to the latest MEF forecasts, the public debt/GDP ratio should decrease slightly to 130.7% in 2019.

PUBLIC FINANCE DEBTS AND BALANCES (% OF GDP)



Data source: AMECO and MEF estimate for 2018

3.4 The real estate sector

The slowdown in economic growth, combined with the uncertain political and financial situation, has had an impact on the Italian real estate sector: the trust boost that has fuelled the segment since 2015, though remaining positively orientated, has been weakened considerably.

Factors like the modest growth prospects and the limited inflationary pressure penalise the ability of the real estate values to rise, also in those markets where growth appears to have consolidated by now. However, such weakening must be mainly attributed to the greater caution of the banking industry when granting loans.

For 2018 as a whole, after the +4.9% annual change recorded at the end of 2017, the real estate sector is estimated to grow by around +5.6% (with around 258,000 real estate transactions in the third quarter of 2018), deriving from the increasing trends of the residential segment (+6.7%), though slowed down by those of the commercial segment (-0.3%), with the market about 32.2% smaller with respect to 2006.

Looking at the trends of the residential market in the different macro regions, we see the growth in transaction volume led mainly by the North (+8.6%), followed by the central regions (+7.2%). Transactions in the South are slowing down compared to the same period of 2017 (+3.2%).

In Milan, transaction volumes fell by 2.4%; Bologna was the only city reporting double-digit growth (+23.7%) while Naples and Turin show a more modest increase compared to Genoa, Florence and Palermo. In Rome, the city with the highest volume of sales recorded, housing negotiations have returned to grow in the third quarter (+3.4%).

Despite the gradual recovery of transaction volumes, real estate prices continue to show a limited decline (-0.9% against -0.8% in the previous year). Behind the divergent trends in the last few years, in addition to factors such as income weakness undermining demand and the persisting oversupply, there is the delay with which prices have started to adjust to the changed

market conditions. In this context, factors like the modest growth prospects and the limited inflationary pressure penalise the ability of the values to rise, also in those markets where growth is a consolidated phenomenon.

As regards the transactions in the commercial sector, the North slowed with respect to the previous quarter (North-West -0.8%, North-East -1.8%), together with the central regions (-5.2%), while the South experienced a slight increase (+0.3%). Transactions on the Islands closed the quarter with a positive 13.4% rise, mostly due to the increasing sales in smaller municipalities (+18.4% year-on-year).

The mortgage loans market highlighted a limited growth in the third quarter of 2018. This increase, which partly offsets the negative performance of the previous year, appears to have been driven by fixed-rate mortgage loans, which are preferred to those with a floating rate because of the limited spread. Regardless of the seasonal fluctuations, the readjustment should ease in the first half of 2019 to then make space for a new negative performance for mortgage granting.

In the first nine months of 2018, the stock of mortgage loans granted to consumer households grew by 2.1% (320.2 billion euro) and disbursements of mortgages to them performed in line with the trend of the stock. In detail, disbursements amounted to 36.6 billion euro, in line with the same period of 2017.

The financial tensions deriving from the rising spread on government bonds, together with the first rise in interest rates by the summer of 2019 announced by the European Central Bank, risk absorbing the banks' capital and result in less credit made available to households and enterprises. These elements may negatively impact the evolution of the Italian real estate market, which is increasingly dependent on credit, particularly with regard to housing demand. Indeed, stricter credit access conditions adopted by the banks with reference to selection criteria and the financial terms and conditions proposed, could hinder the growth in transactions compared to the recent past.

3.5 The private equity sector

In an economic system like Italy's, characterised by small-sized family-run businesses under-capitalised compared to the main European competitors, the professional expertise of institutional investors can be fundamental in managing generational transition processes, by supporting business owners with active governance monitoring and new management expertise.

In Italy the stock market is still rather limited, though showing interesting signs of growth in the last two years. At the end of December 2018, according to Borsa Italiana there were 452 companies officially listed in Italy, up by about 7% with respect to the previous year (421 companies). Of these companies, 242 are listed on the MTA - Italian Equities Market (74 in the STAR segment), 2 on the MIV - Mercato degli Investment Vehicles, 95 on the GEM - Global Equity Market and 113 on the AIM Italia (source: Borsa Italiana). In France, instead, there were about 1,000 listed companies in total (source: Bourse de Paris, Euronext).

However, there are encouraging signs relating to listings in excess of 100 million euro: in 2017 and 2018, there were 11 IPOs on the MTA at the Milan Stock Exchange. This figure does not mark any change at an aggregate level compared to the previous two-year period, which counted 8 listings in 2015 and 3 in 2016, against 7 listings in 2017 and 4 in 2018. The total amount raised in IPOs in 2018 was 2.0 billion euro, down compared to 2017 (5.4 billion euro), though higher than the 2016 figure (1.4 billion euro) (source: Borsa Italiana).

The market penetration of private equity continues to be limited in Italy. In 2017 the private equity market represented 0.22% of GDP (0.35% in 2016 and 0.16% in 2015), compared to 0.77% in the UK (0,36% in 2016 and 0.48% in 2015), 0.59% in France (0.56% in 2016 and 0.38% in 2015), 0.36% in Germany (0.22% in 2016 and in 2015) and against a European average of 0.44% (0.34% in 2016 and 0.30% in 2015) (source: Invest Europe).

Finally, in 2017 private equity funds invested 4.9 billion euro in Italy in 311 transactions, recording an average annual growth rate of 10% since 2010. In the first half of 2018, instead, private equity funds invested 2.9 billion euro (1.9 billion euro in the first half of 2017) in Italy in 160 transactions, recording a considerable 49% increase compared to the 1.9 billion euro in 139 transactions recorded in the first half of 2017 (source: AIFI).

3.6 The export support and credit insurance sectors

In 2018, international trade grew in volume by 4%,[16] a lower rate than that of the previous year (+5.3%). Trade was affected by the slowdown in the global economy, especially in the last part of the year, and by the protectionist tensions. Such tensions, in addition to having direct effects on the transactions (due to the introduction of new tariff and non-tariff measures), had a negative impact on operators' trust and, as a consequence, on the choices related to consumption and investment, with inevitable repercussions on the trade performance.

In this context, Italian exports grew in value by 3.5% in the first eleven months of 2018, at a slower pace than in the entire 2017 (+7.6%). In the same period, the trade surplus reached 36.1 billion euro, down about 15% compared to the same period of the previous year, following a more robust increase in imports compared to exports.

The sales of Italian goods abroad were mainly driven by demand in the markets of the European Union (+4.4%). The best performance was seen in some geographic areas in Eastern Europe, such as Poland and the Czech Republic, thanks to increases above 7%; exports continued to rise also in Germany and France at rates above 4%.

On the other hand, the trend was more moderate in markets outside the EU (+2.4%), with a rather mixed trend in the various areas. The sales of Italian goods rose in North America, Sub-Saharan Africa and, at a more moderate pace, in Latin America and Asia. Exports to Middle Eastern countries decreased instead. In terms of individual countries, the best target markets are India, Switzerland and the United States. A significant decline was recorded in Turkey and Russia. Lastly, the drop recorded in China and Japan was more moderate.

From a sector-based standpoint, exports were supported by refined products (benefiting the from the price of crude oil), pharmaceuticals, electronic equipment and transport equipment (excluding motor vehicles). Lastly, exports of mechanical machinery goods (the main sector for the demand of insurance cover against the risks of failed medium-long term payment) recorded an increase of about 2%.

The outlook for international trade remains favourable. Trade should grow by around 4% also in the two-year period 2019-20, except in case of heightened protectionist tensions and a more marked than expected slowdown in the USA, China and in the countries of the Eurozone.

16 IMF, World Economic Outlook Update, January 2019. Figure referring to the trade of goods and services.

4. Group operations[17] in 2018

4.1 Business performance

the CDP Group works to support Italy's growth and deploys its resources, mainly funded through Postal Savings, for local development throughout Italy, for strategic infrastructure for the country and for domestic companies to promote their growth and international expansion.

Over time, CDP has taken on a key 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 also uses risk sharing instruments to facilitate access to credit for SMEs, as well as equity instruments, through which it has made both direct and indirect investments (via investment funds and investment vehicles) mainly in the energy, transport networks and real estate sectors, also with a view to supporting the growth and international development of SMEs and enterprises of strategic importance. These instruments are in addition to third-party fund management and subsidised instruments to promote research and the international expansion of companies.

CDP also acts as a "financial institution for international development cooperation". Jointly with the other cooperation institutions, CDP's activities focus primarily on the management of the "Law 277/77 Revolving Fund" for development loans to the governments of partner developing countries and for loans to Italian companies that set up joint ventures in such countries.

Lastly, as a National Promotional Institution, CDP plays a key role in the implementation of the Investment Plan for Europe (also known as the "Junker Plan") as it contributes to the structuring of the investment platforms identified as forms of cooperation between the EIB Group and National Promotional Institutions.

In order to measure the overall size of its actions within the system, CDP uses new lending and investments and activated resources as parameters. In particular, new lending and investments represent the financial resources made available directly (e.g. loans and securities, guarantees, equity) or through third-party resource management (e.g. public funds management). Activated resources represent the sum of new lending and investments and resources invested, thanks to the participation of the CDP Group, by private parties, local/supranational institutions and international investors.

In 2018, new lending, investment and resources managed by the CDP Group totalled around 36 billion euro, posting an increase compared to 2017. Resources were allocated to each of the key driver areas in the following proportions: 60% of the total to "International Expansion", 24% to "Enterprises", 15% to "Government & PA and Infrastructure", and approximately 1% to "Real Estate".

Overall, through its operations the CDP Group channelled over 63 billion euro into the economy.

17 Group means the Group consisting of the Parent Company CDP S.p.A. together with the subsidiaries and companies subject to management and coordination, as specified in the previous paragraph 1.2 Companies subject to management and coordination.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES BROKEN DOWN BY BUSINESS LINE – CDP GROUP

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Government & P.A. and Infrastructure	5,518	6,347	(829)	-13.1%
International expansion	21,427	15,852	5,575	35.2%
Enterprises	8,775	11,245	(2,469)	-22.0%
Real Estate	299	262	37	14.3%
Total new lending, investments and managed resources	**36,019**	**33,705**	**2,314**	**6.9%**

4.1.1 CDP S.p.A.

4.1.1.1 Lending

In 2018, CDP provided 16.6 billion euro in new lending, investments and managed resources, mainly consisting of loans to enterprises to support growth and exports and loans to the infrastructure sector.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES BROKEN DOWN BY BUSINESS LINE – CDP

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Government & P.A. and Infrastructure	**5,518**	**6,347**	**(829)**	**-13.1%**
Public Entities	2,361	2,183	179	8.2%
International cooperation	112	443	(331)	-74.8%
Infrastructure	3,012	3,710	(698)	-18.8%
Equity Investments and funds	33	11	22	n/s
International Expansion	**4,489**	**3,373**	**1,117**	**33.1%**
International Financing	4,489	3,373	1,117	33.1%
Enterprises	**6,487**	**9,004**	**(2,517)**	**-28.0%**
Enterprises and Financial Institutions	5,408	8,601	(3,193)	-37.1%
Equity Investments and funds	1,079	403	676	n/s
Real Estate	**110**	**151**	**(42)**	**-27.6%**
Equity Investments and funds	110	151	(42)	-27.6%
Total new lending, investments and managed resources	**16,604**	**18,875**	**(2,271)**	**-12.0%**

Specifically, the volume of new lending, investments and managed resources in 2018 is mainly related to:
i) lending mainly for investments by Regions in local development and projects in the transport sector (5.5 billion euro, or 33% of the total);
ii) lending to support the international expansion of Italian enterprises (4.5 billion euro, or 27% of the total);
iii) initiatives to support areas affected by natural disasters and transactions in favour of enterprises, including through new forms of facilities such as risk sharing/capital relief (6.5 billion euro, or 39% of the total);
iv) investments in the real estate sector, targeting in particular social housing and tourism projects (0.1 billion euro, or 1% of the total).

Public Entities

The Parent Company's support for public entities and public-law bodies is primarily offered through the "Public Entities" Business Area, which is responsible for lending to such entities by means of products offered in accordance with the principles of accessibility, equality of treatment, pre-specification of terms and non-discrimination.

Initiatives promoted during 2018 included:
- promotion, in line with the achievements made in the preceding years, of a new loan renegotiation programme for provinces and metropolitan cities, which was joined by 26 entities for a total outstanding debt of approximately 1.8 billion euro;

- renegotiation of 380 fixed-rate ordinary loans managed by the Government's Extraordinary Commissioner for the monitoring of the economic and financial position of the City of Rome, for a total outstanding debt of approximately 1 billion euro;
- promotion of a new renegotiation programme of loans to regions, which involved 24 fixed-rate loans, for a total debt of approximately 6.5 billion euro, and allowed, through the rescheduling of the repayment profile, to allocate the released resources, as a priority, to early discharge of the existing derivative contracts;
- ongoing support to the local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, by deferring the payment of loan instalments falling due and/or payable in 2018, through half-yearly instalments of equal amount over a period of 10 years, starting in 2019, with no additional interest charges;
- aid to local authorities in the Abruzzo, Lazio, Marche and Umbria Regions, affected by earthquakes in 2016, as well as the 3 municipalities of the Island of Ischia affected by the earthquake in August 2017, by postponing payment of loan instalments falling due in 2018 and in 2019, to after the repayment due date of each loan, with no additional interest charges;
- aid to the Municipality of Genoa, following the collapse of the Polcevera viaduct, by deferring the payment of the instalments falling due in the second half of 2018 and in 2019 to the six-month periods immediately following the repayment due date, with no additional interest charges;
- launch of the new Ordinary Loan to finance investments aimed at meeting the objectives of the "2017-2019 Three-year Plan for ICT in the Public Administration", which was drawn up by the Agenzia per l'Italia Digitale (Agency for Digital Italy) pursuant to Law no. 208 of 28 December 2015;
- launch of the new Cash Advances product, for small Municipalities (resident population of up to 5,000 inhabitants) that entrust their treasury service to Poste Italiane S.p.A. (Poste). For the structuring and launch of the new funding facility, authorised under Article 1, paragraph 878, letter a), of Law no. 205 of 27 December 2017, CDP signed an Agreement and a Working Protocol with Poste, respectively on 31 May 2018 and 17 September 2018;
- management and finalisation of contracts relating to subsidised loans for energy efficiency measures in school and university buildings to draw on the Kyoto Fund, established at CDP under Article 1, paragraphs from 1110 to 1115, of Law no. 296 of 27 December 2006, and ensure these activities are ongoing. In particular, through the signing of a new Agreement with the Ministry of the Environment and Protection of the Land and Sea, on 27 December 2018, the following were defined: i) the methods of managing the residual assets relating to subsidised loan agreements granted while the previous agreements are in force, and ii) the general principles concerning the methods of managing subsidised loan agreements that will be signed in the framework of any new operations and/or aims of the Kyoto Fund that may be introduced and/or established in the future.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

PUBLIC ENTITIES – HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	74,199
Amounts to distribute	4,380
Commitments	4,124
Reclassified income statement	
Net Interest income	280
Gross income	282
Indicators	
Net non-performing loans/Net loans to customers and banks	0.03%
Net adjustments to loans/Net exposure	0.1%
Spread on interest-bearing assets and liabilities	0.4%

At 31 December 2018, the stock of loans totalled 74.2 billion euro, including IFRS adjustments, down by 3% on the year-end 2017 figure (76.3 billion euro). Over the year, the amount of repayments and early terminations exceeded the volume of disbursement of loans.

The total stock of loans and of commitments amounted to 78.3 billion euro, a 3% decrease from the end of 2017 (81.0 billion euro). The change was attributable to lower volumes of new lending compared to the principal repayments due in 2018.

PUBLIC ENTITIES – STOCK LOAN

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Local authorities	27,451	28,560	(1,110)	-3.9%
Regions and autonomous provinces	16,242	15,084	1,158	7.7%
Other public entities and public - law bodies	1,890	2,000	(110)	-5.5%
Government	28,014	29,652	(1,638)	-5.5%
Total amounts disbursed or in repayment	**73,597**	**75,296**	**(1,700)**	**-2.3%**
IFRS adjustments	603	1,013	(410)	-40.5%
Total loans	**74,199**	**76,309**	**(2,110)**	**-2.8%**
Commitments	4,124	4,714	(590)	-12.5%
Total loans (including commitments)	**78,323**	**81,023**	**(2,700)**	**-3.3%**

With regard to the amounts to be disbursed for loans, including commitments, the 9% decrease in the stock is due mainly to the lower volume of new loans compared to disbursements and adjustments to commitments recorded during the year.

PUBLIC ENTITIES – STOCK OF AMOUNTS TO BE DISBURSED

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Amounts to disburse	4,380	4,667	(287)	-6.2%
Commitments	4,124	4,714	(590)	-12.5%
Total amounts to disburse (including commitments)	**8,504**	**9,381**	**(878)**	**-9.4%**

In 2018, a total of 2.4 billion euro in new loans was granted, up compared to 2017 (+8.2%) mainly due to the higher volume of loans granted to local authorities and loans with repayment costs borne by the government.

PUBLIC ENTITIES – NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Local authorities	632	489	143	29.3%
Regions	1,189	1,318	(128)	-9.7%
Non-local Public Entities	95	14	81	n/s
Loans with repayment costs charged to the government budget	351	242	110	45.5%
Advances and contributions	71	83	(12)	-14.3%
Kyoto Fund	22	38	(16)	-42.2%
Total Public Entities	**2,361**	**2,183**	**179**	**8.2%**

Disbursements amounted to 2.8 billion euro, up from the 2017 figure (+7.5%), mainly thanks to higher loans to Regions (+0.5 billion euro).

PUBLIC ENTITIES – NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Local authorities	737	750	(13)	-1.7%
Regions	1,655	1,122	533	47.5%
Non-local Public Entities	59	84	(26)	-30.3%
Loans with repayment costs charged to the government budget	337	632	(296)	-46.8%
Advances and contributions	33	37	(5)	-12.7%
Kyoto Fund	13	10	4	36.1%
Total Public Entities	**2,834**	**2,636**	**198**	**7.5%**

Lending to Public Entities contributed 280 million euro in interest income to CDP's earnings for 2018, with a 0.4% spread between interest-bearing assets and liabilities. This contribution, plus commission income, increased gross income to 282 million euro.

In terms of credit quality, the portfolio of loans to Public Entities showed essentially no deteriorated exposures.

International cooperation

The “International Cooperation” Business Area supports international development cooperation initiatives, under the Separate Account, by managing financial products earmarked for partner developing countries and through both third-party fund management and lending of CDP funds, in accordance with the provisions of Law 125/2014.

During 2018, the implementation of the regulatory changes introduced by Law 125/2014 and by its subsequent amendments and additions, continued in close cooperation with the other Italian operators in the Cooperation area. Within this context, the activities reported below were carried out in line with the existing organisational set-up and the service agreements in place with the competent government authorities (MEF - Treasury Department, the Ministry of Foreign Affairs and International Cooperation, the Italian Agency for Cooperation and Development and the Ministry of the Environment and Protection of the Land and Sea).

With regard to the Fund established by the Ministry of the Environment and Protection of the Land and Sea (MATTM), which is dedicated to the financing of green cooperation projects, CDP continued to carry out the activities envisaged in the service agreement signed with the Ministry of the Environment and Protection of the Land and Sea for the management of the fund (totalling approximately 76 million euro).

In 2018, subsequent to the signing of specific intergovernmental agreements, CDP entered into 7 finance agreements with the beneficiary countries of the Italian government cooperation programme, totalling 106 million euro from the Official Development Assistance (ODA) loan.

INTERNATIONAL COOPERATION – NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Official Development Assistance (ODA) loan	106	434	(328)	-75.6%
Delegated Funds		5	(5)	n/s
Ministry of the Environment Fund management	5	4	2	47.0%
Total International cooperation	**112**	**443**	**(331)**	**-74.8%**

In 2018, CDP also managed all transactions connected with outstanding development loans (approximately 350), overseeing the disbursement of around 75 million euro. CDP also disbursed loans from the MATTM Fund for around 5 million euro to the Ministries of the Environment and Energy of various countries, as well as to local offices of the United Nations Development Programme (UNDP).

INTERNATIONAL COOPERATION – NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Official Development Assistance (ODA) loan	75	175	(100)	-57.1%
Ministry of the Environment Fund management	5	4	2	47.0%
Total International cooperation	**80**	**178**	**(98)**	**-55.0%**

In the same period, in implementation of bilateral debt restructuring agreements between the Italian government and the governments of beneficiary partner developing countries, CDP finalised:
- the conversion of over 4.4 million euro of existing debt in new development cooperation projects through debt swaps;
- the cancellation of around 1 million euro of outstanding debt payable by partner developing countries to Italy, via debt cancelling operations.

It also provided:
- technical assistance to the Ministry of the Economy and Finance and ensured its ongoing participation in Paris Club meetings;
- the collaboration and technical assistance envisaged in the Agreement signed by CDP, the Ministry of Foreign Affairs and International Cooperation and the Italian Agency for Cooperation and Development.

Concerning the management of resources obtained through the European Union’s Blending Facilities, CDP continued to support the relevant Administrations in the identification and formulation of project initiatives to be submitted to the European

Commission with a view to mobilising additional financial resources on top of those available to the Italian cooperation system. Notably, the first Delegation Agreement was signed with the European Commission and the Italian Agency for Cooperation and Development drawing on the PASPED Senegal project for 0.7 million euro to be used for technical assistance. CDP also entered into an Inter-administrative Cooperation Agreement with the Ministry of the Environment and Protection of the Land and Sea for 10 million euro to be used in transactions of mutual interest between MATTM and CDP.

In the context of the new External Investment Plan ("EIP") launched by the European Union at the end of 2017, CDP, together with the other partners involved - including the European Investment Bank, the African Development Bank, the Agence Française de Développement, the Agencia Española de Cooperación Internacional para el Desarrollo and the International Fund for Agricultural Development - submitted the documentation to the Commission about initiatives dedicated to micro, small and medium enterprises, sustainable energy and connectivity, sustainable agriculture, agro-industrial and rural entrepreneurs and sustainable cities. CDP obtained approval for three of the initiatives submitted, for a total of 75 million euro of EU guarantee allocated to CDP and about 18 million euro of Technical Assistance funds managed jointly with the other partner IFIs.

After receiving accreditation as an observer at the Green Climate Fund ("GCF") in 2017 (a preparatory step to obtaining financial resources for projects aimed at countering and managing climate change, to be implemented in partner developing countries), in 2018 CDP officially entered the GCF accreditation process to gain access to the funding.

On 4 May 2018, CDP also signed a bilateral cooperation agreement with the MATTM, which will create the basis for the launch of the "Climate and Sustainable Development Italian Platform" - dedicated to funding the climate change mitigation and adaptation projects and programmes promoted jointly by the MATTM and CDP.

Infrastructure

The "Infrastructure" Business Area is responsible for: i) granting loans to counterparties (public or private) operating in the domestic territory in the construction, water, waste, social infrastructure, transport, energy/utilities and telecommunications sectors; ii) managing relations with corporate clients, public-law bodies and debt and equity infrastructure funds operating in their respective areas of competence; and iii) promoting the implementation and financing of infrastructure projects by providing assistance and advice to the Public Administration, also in accordance with the company's role of National Promotional Institution.

In 2018, lending agreements were concluded mainly to finance: i) the renewable energy sector, to build new plants and to consolidate and improve the efficiency of the industry players, ii) investments in sustainable mobility, to purchase new trains, mainly for use by commuters, iii) the telecommunications sector, to implement investments to ensure high coverage for both fixed and mobile ultra-wideband, iv) implementation and completion of investments in the railway and motorway networks.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

INFRASTRUCTURE - HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	6,522
Commitments	5,682
Reclassified income statement	
Net Interest income	67
Gross income	103
Indicators	
Net non-performing loans/Net loans to customers and banks	0.4%
Net adjustments to loans/Net exposure	0.2%
Spread on interest-bearing assets and liabilities	1.0%

At 31 December 2018, the stock of loans, including IFRS adjustments, totalled 6.5 billion euro, decreasing on the year-end 2017 figure due to a higher volume of principal repayments and terminations of outstanding loans than the new disbursements for the year. As at the same date, loans, including commitments to lend, totalled 12.2 billion euro, down by approximately 9% from the end of 2017.

INFRASTRUCTURE - STOCK LOAN

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Corporate/project finance	5,369	5,956	(586)	-9.8%
Securities	1,553	1,381	173	12.5%
Total amounts disbursed or in repayment	**6,923**	**7,336**	**(414)**	**-5.6%**
IFRS adjustments	(400)	(215)	(186)	86.3%
Total loans	**6,522**	**7,121**	**(599)**	**-8.4%**
Commitments	5,682	6,276	(594)	-9.5%
Total loans (including commitments)	**12,204**	**13,397**	**(1,193)**	**-8.9%**

In 2018, 14 new loan agreements were signed for a total of 3.0 billion euro, marking a decrease of approximately 19% on 2017 volumes, a year which featured transactions for significant amounts in the motorway transport sector. Lending mainly targeted the railway transport, telecommunications and renewable energy generation sectors.

INFRASTRUCTURE - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Corporate/project finance	2,481	3,051	(570)	-18.7%
Guarantees	332	68	263	n/s
Securities	200	591	(391)	-66.2%
Total Infrastructure	**3,012**	**3,710**	**(698)**	**-18.8%**

Disbursements in 2018 totalled 0.9 billion euro, down on the previous financial year due to a lower volume of bond subscriptions and greater use of unsecured lines of credit. Disbursements in 2018 primarily referred to loans granted to the renewable energy, transport (motorways, railways) and telecommunications sectors.

INFRASTRUCTURE - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Corporate/project finance	740	682	58	8.5%
Securities	200	591	(391)	-66.2%
Total Infrastructure	**940**	**1,273**	**(333)**	**-26.2%**

The Area contributed 67 million euro in net interest income to CDP's earnings in 2018, with a 1.0% spread between interest-bearing assets and liabilities. This contribution, plus commission income, generated primarily by the high number of commitments to lend and unsecured commitments granted, brought gross income to approximately 103 million euro.

International Financing

The "International Financing" Business Area finances initiatives in support of the international expansion and export activities of Italian enterprises, through financial support from CDP, as well as SACE insurance instruments and SIMEST interest subsidies, where applicable.

These transactions are traditionally carried out in a complementary role to the banking system, through the joint structuring of financing transactions.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

INTERNATIONAL FINANCING – HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	4,892
Commitments	10,513
Reclassified income statement	
Net Interest income	2
Gross income	48
Indicators	
Net non-performing loans/Net loans to customers and banks	0.1%
Net adjustments to loans/Net exposure	0.01%
Spread on interest-bearing assets and liabilities	0.1%

The stock of loans as at 31 December 2018, including IFRS adjustments, amounted to 4.9 billion euro, increasing significantly on the figure recorded at the end of 2017 thanks to disbursements in the year, which more than offset principal repayments and early loan terminations.

The total stock of loans and commitments amounted to 15.4 billion euro, showing an increase on the figure recorded at the end of 2017, due to higher volumes of new loan agreements compared to principal repayments over the year.

INTERNATIONAL FINANCING – STOCK LOAN

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Loans	4,897	2,370	2,527	n/s
Total amounts disbursed or in repayment	**4,897**	**2,370**	**2,527**	**n/s**
IFRS adjustments	(4)	(0.3)	(4)	n/s
Total loans	**4,892**	**2,370**	**2,523**	**n/s**
Commitments	10,513	8,807	1,706	19.4%
Total loans (including commitments)	**15,405**	**11,176**	**4,229**	**37.8%**

New lending, investments and managed resources supporting the international expansion and the exports of Italian enterprises amounted to approximately 4.5 billion euro in 2018, increasing on the previous year chiefly due to the expansion in volumes relating to the cruise and transport sector, in part offset by a reduction in the defence sector.

INTERNATIONAL FINANCING – LOANS BY SECTOR

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Transport sector	1,714	500	1,214	n/s
Cruise sector	1,358	233	1,126	n/s
Defence sector	600	2,460	(1,860)	-75.6%
Oil & Gas sector	517		517	n/s
Energy sector	250	113	137	n/s
Other sectors	50	66	(16)	-24.7%
Total International Financing	**4,489**	**3,373**	**1,117**	**33.1%**

Disbursements in 2018 amounted to approximately 3.6 billion euro, showing a sharp increase on the figure recorded at the end of 2017 mainly due to major disbursements made to the shipbuilding and defence sectors.

INTERNATIONAL FINANCING – NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Loans	3,580	1,093	2,487	n/s
Total International Financing	**3,580**	**1,093**	**2,487**	**n/s**

The Area contributed 2 million euro in net interest income to CDP's earnings for 2018, with a 0.1% spread between interest-bearing assets and liabilities. This contribution, plus commission income connected with new loan agreements and the high number of commitments to disburse, increased gross income to approximately 48 million euro.

Enterprises and Financial Institutions

The "Enterprises and Financial Institutions" Business Area focuses mainly on granting different forms of credit to enterprises, either with the intermediation of financial institutions or directly (in the latter case, excluding enterprises operating in infrastructure sectors).

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

ENTERPRISES AND FINANCIAL INSTITUTIONS – HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	15,341
Amounts to distribute	28
Commitments	2,093
Reclassified income statement	
Net Interest income	73
Gross income	78
Indicators	
Net non-performing loans/Net loans to customers and banks	0.9%
Net adjustments to loans/Net exposure	-0.1%
Spread on interest-bearing assets and liabilities	0.5%

At 31 December 2018, the stock of loans totalled 15.3 billion euro, including IFRS adjustments. Additionally, amounts to be disbursed totalled 0.03 billion euro and commitments amounted to 2.1 billion euro.

The Area contributed 73 million euro in net interest income to CDP's earnings for 2018, with a 0.5% spread between interest-bearing assets and liabilities. Commission income brought gross income to 78 million euro.

Enterprises

The "Enterprises" Business Area mission is to ensure financing directly and in any technical form - under ordinary account or separate account based on the applicable provisions - for initiatives promoted by enterprises operating in the following sectors: industrial, agri-food, automotive, chemical and pharmaceutical, biochemical, publishing, manufacturing, mechanical and instrumental, IT, electronics, commerce, mass distribution, logistics, defence and aerospace, services, construction, real estate, media, shipping, iron and steel, metallurgy and metalworking, concrete, paper, glass, wood, plastic and rubber, raw materials and by-products, culture, tourism, fashion and luxury.

In 2018, the Business Area also continued the origination activities in the key sectors managed achieving increased diversification of the loans portfolio, both in terms of sector and segments of firms served. Lending activities were carried out in cooperation with the banking channel, mainly via financing transactions.

In the same period, the first three transactions of the EFSI Thematic Investment Platform concerning Corporate Projects were subscribed, for a total of 95 million euro. The initiative, which was developed within the framework of the "Juncker Plan", involves supporting, together with the EIB, the investment plans of Italian companies (mainly domestic Mid-caps).

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

ENTERPRISES – HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	1,955
Commitments	465
Reclassified income statement	
Net Interest income	21
Gross income	23
Indicators	
Net non-performing loans/Net loans to customers and banks	0.3%
Net adjustments to loans/Net exposure	0.1%
Spread on interest-bearing assets and liabilities	1.2%

At 31 December 2018, the stock of loans totalled 2.0 billion euro, including IFRS adjustments, recording an increase of 18% on the stock at the end of 2017 (1.7 billion euro). Growth in the stock of loans was driven by the new subscriptions of securities and the disbursements over the year.

The stock of loans and commitments amounted to 2.4 billion euro, posting an increase of 32% compared to 31 December 2017 (1.8 billion euro). The change was attributable to higher volumes of new loan agreements compared to principal repayments falling due.

ENTERPRISES – STOCK LOAN

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Corporate/project finance	1,044	855	189	22.1%
Securities	934	817	117	14.4%
Total amounts disbursement or in repayment	**1,978**	**1,672**	**306**	**18.3%**
IFRS adjustments	(23)	(21)	(2)	10.7%
Total loans	**1,955**	**1,651**	**304**	**18.4%**
Commitments	465	179	286	n/s
Total loans (including commitments)	**2,421**	**1,830**	**590**	**32.2%**

18 transactions were concluded in 2018 (in line with the 17 in the previous year) for a total value of 0.8 billion euro, marking a slight decrease on the figure recorded in 2017.

Loan agreements showed a reduction in average volumes per transaction, also due to increased support to the mid-corporate segment, characterised by smaller dimensions.

Moreover, in terms of technical forms, there was less recourse to the capital market by issuers due to greater market depletion and volatility. New loan agreements signed in 2018 referred mainly to lending to businesses operating in the manufacturing, mechanical, agri-food, automotive, defence, health and shipbuilding sectors.

ENTERPRISES – NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Loans	678	516	162	31.3%
Guarantees	21		21	n/s
Securities	111	375	(264)	-70.5%
Total Industrial	**809**	**891**	**(82)**	**-9.2%**

Disbursements in 2018 amounted to 0.4 billion euro, down significantly on the previous year (-0.5 billion euro), also due to the lower volume of transactions carried out on the capital market requiring an immediate disbursement.

ENTERPRISES – NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Loans	257	460	(203)	-44.2%
Securities	111	375	(264)	-70.5%
Total Industrial	**367**	**835**	**(468)**	**-56.0%**

Net interest income contributed 21 million euro to CDP's earnings for 2018, with a 1.2% spread between interest-bearing assets and liabilities. Commission income brought gross income to 23 million euro.

Financial institutions

The "Financial Institutions" Business Area acts in support of the country's economy and small and medium enterprises, in synergy with the financial system predominantly indirectly.

The main operations are: i) the management of subsidised credit instruments introduced by specific laws and regulations, ii) liquidity instruments for banks, primarily to facilitate access to credit for enterprises and support reconstruction in the wake of natural disasters, iii) tools designed to help financial institutions optimise their use of capital in order to encourage new lending to enterprises, and iv) initiatives aimed at supporting access to forms of Alternative Financing instruments.

The granting of subsidised loans primarily draws on CDP funds with state interest subsidies (the Revolving Fund supporting enterprises and investment in research - FRI and the Capital Goods Fund), while also taking advantage, to a residual extent, of Central Government funding in the form of capital grants (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund) or other subsidised financing (Kyoto Fund).

With particular regard to the FRI, activities continued in relation to the following initiatives:
- Sustainable Growth Fund (Sustainable Industry and Digital Agenda measures) - in addition to the re-opening of the scheme as of 8 January 2018 — pursuant to the decree issued by the Ministry of Economic Development on 18 October 2017 — multiple agreements were also finalised for a total of around 306 million euro of subsidised loans granted by CDP. The measure is significant since it supports the financing of investments in RDI characterised by high discontinuity;
- "Social Enterprise" measures — launched at the end of 2017, in relation to which contracting activities by the participating banks continued in 2018 and the first subsidised loans of the measures were approved by CDP;
- "Supply Chain and Cluster Contracts" measures — for which the tender procedure was opened on 29 January 2018 and in relation to which CDP followed the contracting activities of the participating banks in 2018.

Liquidity funds for financial institutions, launched since 2009, continues with the aim of i) disbursing loans to Enterprises (SME, MIDCAP, and Networks & Supply Chain funds), ii) assisting in the reconstruction and economic recovery of areas hit by natural disasters (2012 Earthquake, Natural Disasters, Central Italy Earthquake and Central Italy Earthquake Tax Moratorium funds), and iii) supporting the residential real estate market (Housing fund).

On 4 December 2018, an addendum to the CDP-ABI Agreement of 17 December 2012, which governs actions in favour of the areas hit by the 2012 earthquakes, was signed to allow agricultural and agro-industrial enterprises to benefit, through the disbursement of over 250 million euro, from government funding in favour of post-earthquake reconstruction activities. The initiative, developed in full coordination with the main institutional stakeholders, has allowed enterprises to avoid losing the funding, whose deadline was set at 31 December 2018.

The range of funding instruments for financial institutions has grown over time with respect to traditional products based on credit limit, including new technical forms of financing such as, for instance, the granting of direct loans, also in form of bond subscription, in favour of specialised banks or non-banking financial intermediaries, or the purchase of securities for SME loan securitisation.

As regards this latter aspect, securities subscriptions amounting to 380 million euro were performed in 2018. In line with company policy, financial institutions involved in the transaction committed to grant new loans to SMEs for an amount at least equal to that of the purchases made by CDP.

With regard to the capital relief guarantee transactions, within the framework of the EFSI Thematic Investment Platform for Italian SMEs, in 2018 CDP signed three risk-sharing agreements, including two with the SME Guarantee Fund referred to in Law no. 662/96 and one with Finlombarda S.p.A. The first two agreements concern, in order of execution, i) the issue by CDP of an 80% counter-guarantee on a portfolio of new guarantees issued in favour of enterprises operating in the creative-cultural sectors, for a maximum amount of 200 million euro, with a cap on losses of 10% of the guaranteed amount; ii) the issue by CDP of an 80% counter-guarantee on a portfolio of new guarantees issued in favour of SMEs, for a maximum amount of 110 million euro, with a 9% cap. The agreement with Finlombarda S.p.A., on the other hand, envisages the issue by CDP of an 80% guarantee on a portfolio of new loans disbursed to SMEs, for a maximum amount of 15 million euro, with the same 9% cap. In the first transaction, CDP benefits from a free 70% counter-guarantee provided by the EIF, via funds of the European Commission's "Creative Europe" programme; in the other two, the percentage is 50% and draws on the funds of the European COSME programme (Programme for the Competitiveness of Enterprises and Small and Medium Enterprises), also granted free of charge.

As regards measures to optimise the capital of financial institutions - and in line with the provisions of the 2016 Stability Law which, in Article 1, paragraph 829, authorises CDP to perform the tasks to implement the "financial instruments" receiving the ESI (European Structural and Investment) Funds, referred to in (EU, EURATOM) Regulation no. 966/2012 and (EU) Regulation no. 1303/2013 - on 15 March 2018, a loan agreement was signed with the Emilia-Romagna Region for the allocation of resources to CDP, aimed at issuing 80% counter-guarantees, with a 10% cap on losses, on portfolios of new guarantees issued by Confidi (credit guarantee consortia) pursuant to Article 106 of the Consolidated law on banking (supervised Confidi) operating in the region, for a total maximum value of approximately 121 million euro. In this way, the Confidi that benefit from CDP's measure can increase the volume of guarantees issued in favour of enterprises, facilitating their access to bank loans. Through the resources allocated by the Region to CDP, CDP's risk exposure is covered free of charge for a share of 70%. The initiative, being aimed at achieving two specific actions (supporting investments and strengthening the public guarantee system) of Emilia-Romagna's 2014-2020 ROP (Regional Operational Programme) ERDF (European Regional Development Fund), allows the Region to use its share of ESI Funds.

With the same aim as above, and with a view to contributing towards the achievement of the objectives of the olive-growing and oil-producing sector Plan, on 19 June 2018, CDP signed a financing agreement with the Ministry for Agricultural, Food and Forestry Policies, for the allocation of resources aimed at issuing guarantees, by CDP, on portfolios of new exposures issued by banks and/or supervised Confidi, for a maximum total value of approximately 140 million euro, to facilitate credit access for the associations of olive oil producers. The guarantees issued by CDP amount to 80%, within the limits of a pre-set cap on losses (7%). Through the resources allocated by the Ministry, CDP is able to fully cover its own risk exposure.

Finally, in relation to the Alternative Financing business line, in the first few months of 2018, an investment of 20 million euro was concluded in the alternative fund "Hedge Invest CrescItalia PMI Fund", specialised in providing medium-/long-term loans to small and medium Italian enterprises - also by subscribing mini bonds - using resources of the SME Guarantee Fund.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2018, reclassified by business, are shown in the table below, together with key performance indicators.

FINANCIAL INSTITUTIONS – HIGHLIGHTS

(millions of euro; %)	31/12/2018
Balance sheet	
Loans	13,386
Amounts to distribute	28
Commitments	1,628
Reclassified income statement	
Net Interest income	53
Gross income	55
Indicators	
Net non-performing loans/Net loans to customers and banks	1.0%
Net adjustments to loans/Net exposure	-0.1%
Spread on interest-bearing assets and liabilities	0.4%

As regards the loan portfolio of the Business Area, the stock of loans at 31 December 2018, including IFRS adjustments, amounted to 13.4 billion euro, down by 10% from the end of 2017 due to lower disbursements during the year compared to loan repayments plus loans extinguished on the basis of the figures reported by financial institutions (mainly in relation to the SME Fund). Specifically, the breakdown of the stock of loans, excluding IFRS adjustments, is as follows:

i) 42% related to reconstruction loans following natural disasters, amounting to 5.6 billion euro;
ii) 27% related to loans under Enterprises funds, amounting to 3.6 billion euro;
iii) 18% related to transactions in favour of financial institutions, amounting to 2.5 billion euro;
iv) the remaining 13% related to other products, including loans to support the residential sector and loans drawing on the FRI;

The total stock of loans and commitments amounted to 15.0 billion euro, marking a decrease on the figure recorded at the end of 2017.

FINANCIAL INSTITUTIONS – STOCK LOAN

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Enterprises	**3,578**	**5,561**	**(1,983)**	**-35.7%**
SME Fund	2,002	3,238	(1,235)	-38.2%
Capital Goods Fund	1,215	1,758	(543)	-30.9%
MIDCAP Fund	347	550	(203)	-36.9%
Networks and Supply Chains Fund	13	14	(1)	-8.1%
Export Fund		1	(1)	n/s
Residential Real Estate	**922**	**1,038**	**(116)**	**-11.2%**
Natural disasters	**5,632**	**4,746**	**886**	**18.7%**
Post - earthquakes reconstruction - Emilia	3,491	2,608	884	33.9%
Post - earthquakes reconstruction - Abruzzo	1,490	1,571	(81)	-5.1%
Tax moratorium - Earthquake Central Italy	294	206	88	42.6%
Tax moratorium	190	323	(133)	-41.1%
Disasters	95	34	61	n/s
Earthquake - Central Italy	72	5	67	n/s
Financial institution loans/securities	**2,477**	**2,594**	**(117)**	**-4.5%**
Financial institution loans/securities	1,499	1,638	(139)	-8.5%
Financial institution loans (shareholders)	978	956	22	2.3%
Other products	**860**	**1,019**	**(159)**	**-15.6%**
FRI loans	840	991	(151)	-15.2%
Intermodal system loans (Article 38, paragraph 6, Law 166/02)	21	28	(8)	-27.1%
Total amounts disbursed or in repayment	**13,469**	**14,958**	**(1,489)**	**-10.0%**
IFRS adjustments	(83)	(105)	22	-21.1%
Total loans	**13,386**	**14,853**	**(1,467)**	**-9.9%**
Commitments	1,628	1,304	324	24.8%
Total loans (including commitments)	**15,014**	**16,157**	**(1,143)**	**-7.1%**

Note:
The value of stock loan as at 31 December 2017 was adjusted including treasury lines to financial institutions in the balance sheet.

Total volumes of new lending, investments and managed resources in 2018 amounted to approximately 4.6 billion euro, decreasing by around 40% on 2017. This was mainly due to the reporting in 2017 of the guarantee transaction with the SME Guarantee Fund for a value of 2.4 billion euro, and to a decline in agreements signed in relation to funding products for financial institutions (in particular, liquidity funds and loans for financial institutions), mainly because of the continuation of the expansionary measures adopted by the ECB, which have increased the liquidity available to the banking sector.

Support continues for the populations affected by natural disasters, with the granting of loans for approximately 1.2 billion euro, an increase compared to 2017 mainly thanks to the operations of the 2012 Earthquake Reconstruction Fund, Natural Disasters Fund and Central Italy Earthquake Fund.

The marked increase in the volume of agreements recorded on the Revolving Fund supporting enterprises and investment in research (FRI) in 2018 (+0.2 billion euro compared to 2017) was due to the conclusion of the admission procedure for programmes submitted to benefit from the new facilitations (Digital Agenda and Sustainable Industry) activated on the same fund.

FINANCIAL INSTITUTIONS - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Enterprises	**746**	**908**	**(162)**	**-17.8%**
Acquisition of receivables/ABS	380	283	97	34.3%
Capital Goods Fund	177	231	(54)	-23.3%
SME Fund	173	372	(199)	-53.5%
MIDCAP Fund	15	20	(5)	-26.0%
Networks and Supply Chains Fund	1	1		-40.0%
Residential Real Estate	**3**	**241**	**(238)**	**-98.8%**
Housing Fund	3	241	(238)	-98.8%
Natural disasters	**1,219**	**1,008**	**212**	**21.0%**
Post-earthquake 2012 reconstruction	986	763	223	29.3%
Tax Moratorium Earthquake - Central Italy	101	206	(105)	-51.0%
Earthquake - Central Italy	68	5	63	n/s
Disasters	64	34	30	87.7%
Financial institution loans/securities	**1,800**	**3,032**	**(1,232)**	**-40.6%**
Financial institution loans (shareholders)	1,700	1,600	100	6.3%
Financial institution loans/securities	100	1,432	(1,332)	-93.0%
Capital optimisation tools	**469**	**2,400**	**(1,931)**	**-80.5%**
Alternative Financing	**4**		**4**	**n/s**
Other products	**357**	**121**	**236**	**n/s**
FRI loans	306	63	243	n/s
Disbursements/agreements third party funds	52	56	(4)	-7.5%
Kyoto Fund		3	(3)	n/s
Total Financial Institutions	**4,598**	**7,709**	**(3,111)**	**-40.4%**

Based on these agreements, in 2018 a total of 2.4 billion euro was disbursed, largely related to the operations of the funds dedicated to enterprises and natural disasters (over 80% of the total).

Disbursements were down by 47% on the previous year due to the lower volumes recorded on direct loans to financial institutions and to the residential sector, only partially offset by higher disbursements to support populations affected by natural disasters.

FINANCIAL INSTITUTIONS – NEW DISBURSEMENTS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Enterprises	**746**	**908**	**(162)**	**-17.8%**
Acquisition of receivables/ABS	380	283	97	34.3%
Capital Goods Fund	177	231	(54)	-23.3%
SME Fund	173	372	(199)	-53.5%
MIDCAP Fund	15	20	(5)	-26.0%
Networks and Supply Chains Fund	1	1		-40.0%
Residential Real Estate	**3**	**241**	**(238)**	**-98.8%**
Housing Fund	3	241	(238)	-98.8%
Natural disasters	**1,219**	**1,008**	**212**	**21.0%**
Post-earthquake 2012 reconstruction	986	763	223	29.3%
Tax Moratorium - Central Italy	101	206	(105)	-51.0%
Earthquake - Central Italy	68	5	63	n/s
Disasters	64	34	30	87.7%
Financial institution loans/securities	**285**	**2,117**	**(1,832)**	**-86.5%**
Financial institution loans/securities	255	1,177	(922)	-78.3%
Financial institution loans (shareholders)	30	940	(910)	-96.8%
Alternative Financing	**4**		**4**	**n/s**
Other products	**119**	**196**	**(77)**	**-39.3%**
FRI loans	66	138	(72)	-52.2%
Disbursements/agreements third party funds	52	56	(4)	-7.5%
Kyoto Fund	1	2	(1)	-43.5%
Total Financial Institutions	**2,376**	**4,469**	**(2,093)**	**-46.8%**

The "Financial Institutions" area contributed 53 million euro in net interest income to CDP's earnings in 2018, with a 0.4% spread between interest-bearing assets and liabilities. This contribution, plus commission income, increased gross income to 55 million euro.

4.1.1.2 Management of the equity investment portfolio and other investments

At 31 December 2018, the carrying amount of the equity investment portfolio and other investments totalled 33,114 million euro, up by around 817 million euro compared to 31 December 2017. In detail, the balance included equity investments (30,316 million euro), financial assets mandatorily measured at fair value through profit or loss (FVTPL), including investment funds and investment vehicles (2,384 million euro), and financial assets measured at fair value through other comprehensive income (FVOCI), which amounted to 414 million euro[18].

18 The portfolio also included equity instruments consisting of non-controlling interests acquired as part of the broader series of reorganisation transactions involving Groups that operate in the energy sector. These financial instruments are recognised at fair value equal to zero.

EQUITY INVESTMENT PORTFOLIO AND OTHER INVESTMENTS

(thousands of euro)	31/12/2018	31/12/2017
Equity investments		
Equity investments in subsidiaries	12,089,283	12,179,947
Equity investments in companies subject to joint control		
Equity investments in companies subject to significant influence	18,227,000	18,231,191
Total equity investments	**30,316,282**	**30,411,138**
Financial assets designated at fair value through profit or loss (FVTPL)		
Investment fund	2,159,119	1,651,395
Investment vehicle	225,330	202,432
Total FVTPL	**2,384,449**	**1,853,827**
Financial assets at fair value through other comprehensive income (FVOCI)		
Investee companies	51,133	32,295
Equity instruments		400
Listed Securities	362,475	
Total FVOCI	**413,608**	**32,695**
Total equity investments and other investments	**33,114,340**	**32,297,660**

Equity investments

At 31 December 2018, the carrying amount of the equity investment portfolio showed a decrease of approximately 95 million euro compared to 31 December 2017.

EQUITY INVESTMENTS

	31/12/2017		Changes			31/12/2018	
(thousands of euro)	% holding	Carrying amount	Transfers	From inv./ disinv.	From measurement	% holding	Carrying amount
A. Listed companies							
Equity investments in companies subject to significant influence		**18,211,890**					**18,211,890**
1. Eni S.p.A.	25.76%	15,281,632				25.76%	15,281,632
2. Poste Italiane S.p.A.	35.00%	2,930,258				35.00%	2,930,258
B. Unlisted companies							
Equity investments in subsidiaries		**12,179,947**		**80,400**	**(171,064)**		**12,089,283**
3. SACE S.p.A.	100.00%	4,584,074			(332,900)	100.00%	4,251,174
4. CDP RETI S.p.A.	59.10%	2,017,339				59.10%	2,017,339
5. CDP Equity S.p.A.	97.13%	3,419,512				97.13%	3,419,512
6. Fintecna S.p.A.	100.00%	1,864,000			161,836	100.00%	2,025,836
7. CDP Immobiliare S.r.l.	100.00%	293,621		80,400		100.00%	374,021
8. CDP Investimenti SGR S.p.A.	70.00%	1,400				70.00%	1,400
Equity investments in companies subject to significant influence		**19,301**	**400**	**(3,622)**	**(969)**		**15,110**
9. QuattroR SGR S.p.A.	40.00%	400	400			40.00%	800
10. Fondo Italiano d'Investimento SGR S.p.A.	43.00%	5,848				43.00%	5,848
11. Galaxy S.à r.l. SICAR	40.00%	3,665		(4,049)	384	0.00%	
12. Europrogetti & Finanza S.r.l. in liquidazione	31.80%					31.80%	
13. FSI SGR S.p.A.	39.00%	1,170				39.00%	1,170
14. Elite S.p.A.	15.00%	8,000		427	(1,502)	15.00%	6,924
15. Risparmio Holding S.p.A. in liquidazione	20.00%	218			150	20.00%	368
Total		**30,411,138**	**400**	**76,778**	**(172,033)**		**30,316,282**

Amongst the main transactions carried out in 2018 that had an impact on the portfolio's carrying amount, were:
- the conversion of the equity instruments of QuattroR SGR into shares carried out on 26 March 2018;
- the completion of the liquidation of Galaxy S.à r.l. SICAR (placed in liquidation on 26 February 2018), approved by the Shareholders' Meeting on 25 June 2018, with distribution of approximately 4 million euro;
- CDP's injection of 80.4 million euro of new capital in CDP Immobiliare, to cover the financial needs of the company and its investees;
- the impairment reversal on the equity investment in Fintecna for approximately 162 million euro and the value adjustment on SACE for approximately 333 million euro.

Dividends received for 2018, including income from investment funds, totalled 1,362 million euro and were mainly connected with the equity investments in Eni (768 million euro), CDP RETI (234 million euro), Poste Italiane (192 million euro), SACE (150 million euro), and Fintecna (11 million euro).

Other investments: investment funds and investment vehicles

CDP is a subscriber to investment funds and investment vehicles with the aim of facilitating:
- the development, international expansion, and growth in size of Italian SMEs and start-ups;
- investments in the sustainable living sector, in the development of public real estate assets, in tourism-hospitality real estate, in the residential rental sector with next generation services, in supporting innovation and training and in property rental to the Public Administration;
- investments in physical and social infrastructures:
  - at the local level, in partnership with local authorities and with shareholder foundations. In this context, CDP also promotes public-private partnership (PPP) projects;
  - at the national level, focusing on major works in partnership 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 foreign counterpart organisations (such as CDC, KfW and the EIB).

At 31 December 2018, the investment portfolio in investment funds and investment vehicles totalled around 2,384 million euro, up by around 531 million euro (+28.6%) compared to 31 December 2017.

INVESTMENT FUNDS AND INVESTMENT VEHICLES

(thousands of euro)	Investment sector	31/12/2017 % holding	31/12/2017 Carrying amount	Changes From inv./disinv.	Changes From measurement	Changes Transfers	31/12/2018 % holding	31/12/2018 Carrying amount	31/12/2018 Residual commitment
A. Investment vehicles			**202,432**	**9,253**	**13,645**			**225,330**	**197,812**
1. Inframed Infrastructure societè par actions simplifièe à capital variable (Fondo Inframed)	Infrastructure								
- A units		38.92%	131,200		(4,915)		38.92%	126,285	26,611
- B units				4			0.0012%	4	1
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Fondo Marguerite)	Infrastructure	14.08%	54,336	(18,142)	16,951		14.08%	53,145	5,587
3. European Energy Efficiency Fund SA, SICAV - SIF (Fondo EEEF)	Energy								
- A units		10.63%	14,602				10.38%	14,602	37,312
- B units		1.67%	2,294				1.63%	2,294	5,693
4. Marguerite II SCSp (Fondo Marguerite II)	Infrastructure	14.18%		26,931	1,779		13.42%	28,710	73,069
5. Connecting Europe Broadband Fund, SICAV-FIAR	Broadband Infrastructures			461	(171)		11.90%	290	49,539
B. Investment funds			**1,651,395**	**550,350**	**(42,626)**			**2,159,119**	**2,603,681**
1. FIV Extra	Public sector construction	100.00%	612,094	(30,635)	(30,355)		100.00%	551,104	331,100
2. F2i - Terzo Fondo per le Infrastrutture	Infrastructure								
- A units		4.77%	97,582	9,474	593		4.17%	107,650	41,665
- C units				100	1		0.0039%	101	39
3. Fondo Investimenti per l'Abitare	Social Housing	49.31%	338,952	114,118	(14,142)		49.31%	438,928	456,198
4. Fondo Italiano d'Investimento - Fondo di Fondi	SMEs and export finance	20.83%	28,061	(5,851)	3,708		20.83%	25,919	17,168
5. Fondo Italiano d'Investimento - FII Venture	Venture Capital	20.83%	7,588	302	523		20.83%	8,413	6,178
6. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure								
- A units		8.05%	68,272	15,455	2,223		8.05%	85,950	30,858
- C units		0.02%	178	44	7		0.02%	228	82
7. FIV Plus	Public sector construction	100.00%	99,633	(19,981)	(2,680)		100.00%	76,972	161,400
8. Fondo PPP Italia	Infrastructure and PPP project	14.58%	10,537	(1,415)	1,147		14.58%	10,269	2,054
9. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social Housing	3.83%	9,537	1,164	2,166		3.57%	12,867	7,000
10. FoF Private Debt	SMEs and export finance	62.50%	59,327	39,271	(9,818)		62.50%	88,780	135,747
11. FoF Venture Capital	Venture Capital	76.69%	7,856	19,357	(4,595)		76.69%	22,618	91,754
12. Fondo Atlante	Banks and NPLs	11.77%	61,527	38,254	3,770		11.77%	103,552	905
13. Italian Recovery Fund	Banks and NPLs	12.90%	162,358	134,024	12,554		12.90%	308,937	16,384
14. Fondo Investimenti per il Turismo (FIT)	Tourism sector construction	100.00%	59,317	29,200	5,283		100.00%	93,800	157,415
15. Fondo QuattroR	Enterprises								
- A units		42.17%	12,413	22,616	(4,150)		41.96%	30,879	259,789
- B units		0.21%	63	95	(2)		0.21%	156	1,352
16. Fondo FIA 2	Smart Housing, smart working	100.00%	10,275	750	(583)		100.00%	10,442	88,350
17. FSI Mid Market Growth Equity Fund	Enterprises								
- A units		42.73%	1,790	120,905	(2,588)		38.39%	120,108	370,812
- B units		0.31%	13	870	(117)		0.27%	766	2,605
18. Fondo Innovazione e Sviluppo	Enterprises	78.95%	590	28,733	(3,303)		72.73%	26,020	170,000
19. Fondo FII Tech Growth	Enterprises	100.00%	3,433	18,798	(943)		100.00%	21,288	27,375
20. Vertis Venture 3 Technology Transfer	Enterprises	49.50%		1,350	(413)		49.50%	937	18,459
21. HI CrescItalia PMI	Enterprises			5,461	(10)		21.87%	5,451	14,383
22. Oltre II SICAF EuVECA S.p.A.	Social			3,725	(479)		21.02%	3,246	3,774
23. Fondo Federal District	Public sector construction						100.00%		70,000
24. Fondo Sofinnova Telethon	Enterprises			1,000	(378)		24.69%	622	19,000
25. Fondo Credito diversificato per le imprese	Enterprises			2,165	(48)		23.84%	2,117	47,835
26. Fondo 360 PoliMI	Enterprises			1,000			45.79%	1,000	19,000
27. Fondo Progress Tech Transfer	Enterprises						49.49%		20,000
28. Fondo Caravella	Enterprises						50.00%		15,000
Total			**1,853,827**	**559,604**	**(28,981)**			**2,384,449**	**2,801,492**

The increase in the carrying amount of the portfolio, totalling approximately 531 million euro, is essentially due to the movements in draw-downs and distributions to CDP (about 560 million euro), net of the negative balance deriving from the valuation adjustments (approximately 29 million euro).

In detail, the main changes included the draw-downs of Fondo Investimenti per l'Abitare, for about 114 million euro, the Italian Recovery Fund for about 134 million euro and FSI I, for about 122 million euro.

With reference to commitments, at 31 December 2018, there were residual commitments to investment funds and investment vehicles, amounting to around euro 2,801 million euro. Amongst the main subscriptions during the course of the year, were those relating to:
- Fondo Investimenti per il Turismo, for a further 150 million euro;
- Fondo Federal District, for 70 million euro;
- Sofinnova Telethon, 360 PoliMI and Progress Tech Transfer Funds, through the ITAtech Platform, for a total of 60 million euro;
- Fondo Innovazione e Sviluppo, for a further 50 million euro;
- Connecting Europe Broadband Fund SICAV-FIAR, for 50 million euro;
- Diversified Lending Fund for Businesses, for 50 million euro;
- HI PMI CrescItalia fund, for about 20 million euro;
- Caravella fund, for 15 million euro;
- Oltre II SICAF EuVECA S.p.A. fund, through the Social Impact Italia Platform, for 7.5 million euro.

Other investee companies

At 31 December 2018, the carrying amount of other investee companies measured at FVOCI amounted to approximately 414 million euro, up by approximately 381 million euro on 31 December 2017.

OTHER INVESTEE COMPANIES

(thousands of euro)	Investment sector	31/12/2018 % holding	31/12/2018 Carrying amount	31/12/2017 % holding	31/12/2017 Carrying amount
A. Equity Instruments					**400**
1. QuattroR SGR S.p.A.	Enterprises			40.00%	400
B. Investees			**413,608**		**32,295**
1. F2i SGR S.p.A.	Infrastructure	14.01%	4,253	14.01%	3,619
2. Istituto per il Credito Sportivo	Infrastructure	2.21%	19,904	2.21%	2,066
3. Istituto della Enciclopedia Italiana fondata da Giovanni Treccani S.p.A.	Culture	7.42%	5,000	7.42%	5,000
4. European Investment Fund	Enterprises	1.11%	21,977	1.11%	21,610
5. Accialtalia S.p.A. in liquidazione	Industry			27.50%	
6. Telecom Italia S.p.A.	Telecommunication	4.93%	362,475		
Total			**413,608**		**32,695**

Besides the cancellation of AcciaItalia S.p.A. from the Companies' Register, among the main events occurred during 2018, we note:
- in April 2018, the purchase of 750,000,000 ordinary shares of Telecom Italia S.p.A. — Italy's largest telecommunications provider — corresponding to 4.933% of the company's ordinary shares. This investment falls under CDP's institutional mission to support strategic national infrastructure and is aimed at supporting the process of growth and value creation launched by the company in a sector of primary interest for the country. The investment meets the economic-financial sustainability requirements that apply to all CDP's operations.
  At 31 December 2018, the estimated fair value of the investment, based on the share price at 28 December 2018, was 362 million euro, corresponding to a value of 0.48 euro per share;
- the revaluation of the investment in Istituto per il Credito Sportivo amounting to approximately 18 million euro, following the approval by the Bank of Italy of the extraordinary administration financial statements for the period 1 January 2012-28 February 2018, which certified the company's equity.

4.1.1.3 Investment of the financial resources of the Parent Company

With regard to the investment of financial resources, the following table shows the aggregates for cash and cash equivalents, along with an indication of the other forms of investments of financial resources in debt securities.

STOCK OF INVESTMENTS OF FINANCIAL RESOURCES

(millions of euro; %)	31/12/2018	31/12/2017	% change
Cash and cash equivalents and other treasury investments	**167,944**	**174,410**	**-3.7%**
State Treasury current account	156,453	147,897	5.8%
Reserve requirement	7,714	23,998	-67.9%
Other treasury investments Separate account	1,603	1,881	-14.8%
Reverse purchase agreements	1,126		n/s
Deposits (assets) Ordinary account	367	413	-11.3%
Deposits (assets) on CSA/GMRA	682	221	n/s
Debt securities	**60,004**	**48,031**	**24.9%**
Separate Account	*58,624*	*46,895*	*25.0%*
Ordinary Account	*1,379*	*1,136*	*21.4%*
Total	**227,948**	**222,441**	**2.5%**

At 31 December 2018, the balance on the current account held with the Central State Treasury, which CDP uses to deposit funding in excess of investments made in the Separate Account, stood at around 156 billion euro, increasing by approximately 8.5 billion euro on the figures recorded at the end of 2017.

Cash and cash equivalents deposited for the reserve requirement amounted to about 7.7 billion euro at 31 December 2018, with respect to a minimum reserve requirement of 2.7 billion euro, with a maintenance period ending on 29 January 2019. Cash and cash equivalents deposited for the reserve requirement resulted from the short-term funding on the collateralised money market (repurchase agreements). 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 between the Separate Account and the Ordinary Account.

Investments of cash and cash equivalents in repurchase agreements with collateral consisting of Italian government securities amounted to approximately 1.1 billion euro at 31 December 2018, raised almost entirely through transactions with Group companies.

With regard to short-term treasury management operations under the Ordinary Account, CDP uses money-market funding instruments such as deposits and repurchase agreements in order to harmonise the timing and margins of the instruments with those of medium and long-term funding items. Temporary surplus liquidity is invested by CDP in deposits held with banks with highly senior credit ratings and in short-term Italian government securities.

As regards collateral deposits, established under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with transactions in derivative instruments and repurchase agreements, at 31 December 2018 there was a net debit balance of 164 million euro, showing an increase on the figure recorded at the end of 2017, when it stood at -488 million euro. The increase was mainly driven by changes in market conditions during the financial year, primarily driven by interest rates. These deposits are also managed in a manner that ensures accounting separation between the two Accounts.

NET DEPOSITS ON CSA/GMRA TRANSACTIONS

(millions of euro; %)	31/12/2018	31/12/2017	% change
Total net deposits	164	(488)	n/s
of which:			
- *deposits (assets)*	*682*	*221*	*n/s*
- *deposits (liabilities)*	*518*	*710*	*-27.0%*

At 31 December 2018, the securities portfolio showed a balance of approximately 60 billion euro, marking an increase on the figure at year-end 2017 (about 48 billion euro). The overall duration of the portfolio has essentially remained unchanged. With regard to Held to Collect and Sell ("HTCS") securities, new positions in European government securities and corporate securities were purchased with a view to diversifying the portfolio and optimising returns. Overall, the securities portfolio mainly consists of Italian government securities and is held for asset & liability management purposes, investment purposes, and to stabilise CDP's net interest income.

4.1.1.4 Funding activities by the Parent Company

Funding from banks

The table below shows CDP's overall position in terms of funding from banks at 31 December 2018, compared with 31 December 2017.

STOCK OF FUNDING FROM BANKS

(millions of euro; %)	31/12/2018	31/12/2017	% change
ECB refinancing	**2,475**	**2,475**	**n/s**
of which:			
- *Separate Account*	*1,175*	*1,175*	*n/s*
- *Ordinary Account*	*1,300*	*1,300*	*n/s*
Deposits, Repurchase agreements and other	**45,596**	**27,978**	**63.0%**
of which:			
- *Separate Account*	*45,395*	*27,687*	*64.0%*
- *Ordinary Account*	*200*	*291*	*-31.0%*
Deposits (liabilities) for CSA/GMRA	**518**	**710**	**-27.0%**
EIB/CEB credit facilities	4,351	5,063	-14.1%
of which:			
- *Separate Account*	*2,437*	*3,019*	*-19.3%*
- *Ordinary Account*	*1,914*	*2,045*	*-6.4%*
Total	**52,939**	**36,225**	**46.1%**

With regard to the end of 2018, funding through the European Central Bank (ECB), represented by the TLTRO II programme, was stable at around 2.5 billion euro.

Short-term funding on the money market through deposits and repurchase agreements increased sharply in 2018 thanks to the particularly low market interest rates and the variability of other short-term funding sources, such as OPTES. The stock of funding for the Separate Account amounted to approximately 45.4 billion euro at 31 December 2018, raised almost entirely through repurchase agreements.

At 31 December 2018, the stock of credit facilities granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) amounted to approximately 4.4 billion euro, of which around 4.2 billion euro referred to the EIB and around 0.2 billion euro referred to the CEB.

As regards the credit facilities granted by the EIB, during 2018 two new loan agreements were signed for a total of 680 million euro and new disbursements were obtained for a total of 173 million euro.

In particular, a new loan agreement was signed during the first half of 2018 for a total of 650 million euro (Ordinary Account) to finance Ferrovienord S.p.A. — the holder of a concession to manage railway infrastructure in the Lombardy region. In the second half of 2018, a new loan agreement was signed in favour of GAIA S.p.A., the Tuscan water service provider for a total amount of 30 million euro (Separate Account).

In 2018, CDP also requested and obtained six new disbursements totalling around 173 million euro (Separate Account), as funding for school building projects.

In the second half of 2018, CDP had also repaid in advance the credit facility provided by the EIB in 2014 in the Separate Account for a total amount of 700 million euro.

Furthermore, in the first half of 2018, CDP also signed two new loan agreements with the CEB (Separate Account). The first, totalling 350 million euro, to finance the Central Italy Earthquake Fund, and the second, amounting to 290 million euro, to finance the Capital Goods Fund. Drawing on the latter, in May 2018 CDP requested and obtained a disbursement of 130 million euro.

EIB/CEB FUNDING IN 2018

(millions of euro)	Date of issue/ Funding	Nominal value
EIB Draw-down (maturity date 30/06/2018)	26/03/2018	13
EIB Draw-down (maturity date 31/12/2044)	26/03/2018	52
CEB Draw-down (maturity date 16/05/2023)	16/05/2018	130
EIB Draw-down (maturity date 31/12/2018)	25/07/2018	17
EIB Draw-down (maturity date 31/12/2044)	25/07/2018	31
EIB Draw-down (maturity date 31/12/2018)	25/10/2018	11
EIB Draw-down (maturity date 31/12/2044)	25/10/2018	48
Total		**303**
of which:		
- *under the Separate Account*		*303*
- *under the Ordinary Account*		

Funding from customers

The table below shows CDP's overall position in terms of funding from customers at 31 December 2018, compared with 31 December 2017.

STOCK OF FUNDING FROM CUSTOMERS

(millions of euro; %)	31/12/2018	31/12/2017	% change
OPTES deposits (liabilities)	3,000	22,500	-86.7%
Deposits of Group companies	5,001	6,834	-26.8%
Amounts to be disbursed	4,502	4,715	-4.5%
Government securities amortisation fund	87	2	n/s
Total	**12,590**	**34,052**	**-63.0%**

Regarding OPTES deposits, CDP being authorised to conduct liquidity management transactions on behalf of the MEF, the liquidity balance at 31 December 2018 was 3 billion euro, well down on the 22.5 billion euro at 31 December 2017. This short-term funding was mainly used to meet reserve requirements and to invest in Italian government securities.

With regard to companies subject to management and coordination, cash pooling with the Parent Company's centralised treasury continued, involving irregular deposit arrangements between CDP and its subsidiaries. Centralised treasury deposits at 31 December 2018 decreased compared to the previous year, and specifically from 6.8 billion euro at 31 December 2017 to about 5 billion euro.

Amounts to be disbursed constitute the part of loans granted by CDP that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. The amounts to disburse at 31 December 2018 totalled approximately 4.5 billion euro, a slight decrease on the year-end 2017 figure of about 4.7 billion euro.

Finally, the Government securities amortisation fund deposited by the MEF with CDP amounted to approximately 87 million euro at 31 December 2018.

Bond funding

The table below shows CDP's overall position in terms of bond funding at 31 December 2018, compared with the figures at 31 December 2017.

STOCK OF BOND FUNDING

(millions of euro; %)	31/12/2018	31/12/2017	% change
EMTN/DIP programme	**11,270**	**10,734**	**5.0%**
Securities issued	11,290	10,753	5.0%
of which:			
- *Separate Account*	*7,462*	*6,965*	*7.1%*
- *Ordinary Account*	*3,828*	*3,788*	*1.1%*
IFRS adjustment	(20)	(19)	8.6%
Retail bond	**1,466**	**1,461**	**0.3%**
Securities issued	1,500	1,500	n/s
IFRS adjustment	(34)	(39)	-12.4%
"Stand-alone" issues guaranteed by the State	**4,500**	**2,500**	**80.0%**
Securities issued	4,500	2,500	80.0%
IFRS adjustment			n/s
Commercial paper	**1,790**	**2,772**	**-35.4%**
of which:			
- *Separate Account*	*1,225*	*2,417*	*-49.3%*
- *Ordinary Account*	*565*	*355*	*59.2%*
Total stock of bond funding	**19,025**	**17,467**	**8.9%**

With reference to medium/long-term funding, in 2018 new bond issues in euro and foreign currency were completed under the "Debt Issuance Programme" (DIP) for a total nominal value of 1,627 million euro equivalent, including: i) 140 million euro to support the Ordinary Account; and ii) 1,487 million euro equivalent to support the Separate Account, with this amount including the issue of 500 million euro for the CDP Sustainability Bond, whose proceeds were allocated to support investments for the construction and modernisation of water infrastructure in Italy, and two foreign currency issues, the first for an amount of 100 million US dollars, the second for an amount of 7.5 billion yen.

Moreover, in March 2018, CDP issued two bonds within the Separate Account, guaranteed by the Italian government and entirely subscribed by Poste Italiane S.p.A. (BancoPosta assets) for a total amount of 2 billion euro.

With reference to short-term funding, managed with the objective of optimising the mix of funding and investments, the stock under the "Multi-Currency Commercial Paper Programme" at 31 December 2018 totalled approximately 1.8 billion euro, showing a decrease on the figure at 31 December 2017 of approximately 2.8 billion euro.

MEDIUM-/LONG-TERM BOND FUNDING IN 2018 – DIP

(millions of euro) DIP programme	ISIN code	Date of issue	Nominal value
CDP feb-2026	IT0005323438	07/02/2018	750
CDP USD feb-2023	IT0005324113	16/02/2018	80
CDP feb-2030	IT0005325300	27/02/2018	100
CDP JPY mar-2038	IT0005328684	28/03/2018	57
CDP sep-2023	IT0005346579	27/09/2018	500
CDP dec-2024	IT0005355224	04/12/2018	140
Total			**1,627**
of which:			
- *under the Separate Account*			*1,487*
- *under the Ordinary Account*			*140*

MEDIUM-/LONG-TERM BOND FUNDING IN 2018 – STATE-GUARANTEED ISSUES

(millions of euro) BancoPosta Issues State-guaranteed	ISIN code	Date of issue	Nominal value
CDP mar-2033	IT0005329682	29/03/2018	1,000
CDP mar-2028	IT0005329690	29/03/2018	1,000
Total			**2,000**
of which:			
- *under the Separate Account*			*2,000*
- *under the Ordinary Account*			

Postal funding

Postal savings constitute a major component of household savings. In detail, the percentage impact of postal savings (including bonds pertaining to the MEF) in respect of total Italian household financial assets was substantially stable at 8% at the end of the third quarter of 2018.

At 31 December 2018, postal funding, consisting of passbook savings accounts and postal savings bonds pertaining to CDP, totalled 258,040 million euro, marking an improvement on 31 December 2017 (252,754 million euro).

Specifically, the carrying amount of passbook savings accounts was 105,774 million euro, while the carrying amount of postal savings bonds, measured at amortised cost, was 152,266 million euro.

STOCK OF POSTAL SAVINGS

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Passbook savings accounts	105,774	108,566	(2,792)	-2.57%
Postal savings bonds	152,266	144,187	8,079	5.60%
Total	**258,040**	**252,754**	**5,287**	**2.09%**

Total stock increased as a result of CDP's net inflows and interest accrued on Bonds, which more than offset outflows from passbook accounts.

In terms of net funding, passbook savings accounts recorded a net outflow of -2,823 million euro in 2018, marking a sharp improvement on 2017 (-10,392 million euro). This result was mainly due to the improvement in net funding from SMART passbook accounts (34% of total passbook accounts), which went from -5,839 million euro in 2017 to +737 million euro in 2018, also thanks to the commercial offers available ("Supersmart offers"). Net funding from ordinary registered passbooks (63% of total passbook accounts) also improved on 2017 (from -4,306 million euro in 2017 to -3,344 million euro in 2018).

The following table shows a breakdown of net funding from passbook accounts by product type.

PASSBOOK SAVINGS ACCOUNTS – NET FUNDING

(millions of euro)	Deposits	Withdrawals	Net funding 2018	Net funding 2017
Registered passbook accounts	96,800	(99,612)	(2,812)	(10,385)
- *Ordinary*	*62,388*	*(65,732)*	*(3,344)*	*(4,306)*
- *Ordinary SMART*	*33,629*	*(32,892)*	*737*	*(5,839)*
- *Time deposits*		*(0.03)*	*(0.03)*	*0.01*
- *for Minors*	*438*	*(637)*	*(200)*	*(196)*
- *Judicial*	*346*	*(351)*	*(5)*	*(45)*
Bearer passbook accounts	0.4	(11)	(10)	(7)
- *Ordinary*	*0.4*	*(11)*	*(10)*	*(7)*
- *Time deposits*		*(0.02)*	*(0.02)*	*(0.01)*
Total	**96,801**	**(99,623)**	**(2,823)**	**(10,392)**

Note: The net funding figures include transfers between passbook accounts.

PASSBOOK SAVINGS ACCOUNTS

(millions of euro)	31/12/2017	Net funding	Reclassifications and adjustments	Interest 01/01/2018-31/12/2018	Withholding tax	31/12/2018
Registered passbook accounts	108,534	(2,812)		39	(9)	105,752
- *Ordinary*	*69,578*	*(2,531)*	*(813)*	*7*	*(1.8)*	*66,239*
- *Ordinary Smart*	*35,521*	*(265)*	*1,002*	*32*	*(7)*	*36,283*
- *Time deposits*	*0.2*	*(0.03)*				*0.2*
- *for Minors*	*2,922*	*(11)*	*(189)*	*0.3*	*(0.1)*	*2,723*
- *Judicial*	*513*	*(5)*		*0.05*		*508*
Bearer passbook accounts	33	(10)				22
- *Ordinary*	*33*	*(10)*				*22*
- *Time deposits*	*0.03*	*(0.02)*				*0.01*
Total	**108,566**	**(2,823)**		**39**	**(9)**	**105,774**

Net funding from CDP postal savings bonds saw positive inflows amounting to 4,619 million euro in 2018. This result was mainly due to the good performance of funding from the new range of postal savings bonds offered to savers from 22 January (+5,525 million euro from 3X2 bonds and +3,212 million euro from 3X4 bonds) and from the 3-year Plus Bonds (+4,288 million euro), notwithstanding the decline in the latter compared to 2017.

Bond subscriptions totalled 19,561 million euro in 2018, with the following breakdown by key product: 3-year Plus Bonds, 6,296 million euro (32% of the total); 3X2 bonds, 5,900 million euro (30% of the total); 3X4 bonds, 4,369 million euro (22% of the total); Ordinary Bonds, 2,622 million euro (13% of the total); Bonds for minors, 341 million euro (2% of the total).

POSTAL SAVINGS BONDS – CDP NET FUNDING

(millions of euro)	Subscriptions	Redemptions	Net funding 2018	Net funding 2017	Change (+/-)
Ordinary bonds	2,622	(4,695)	(2,073)	(18)	(2,055)
3x4 bonds	4,369	(1,157)	3,212	(907)	4,119
3-year bonds	6,296	(2,007)	4,288	13,881	(9,592)
Italian inflation indexed bonds		(2,636)	(2,636)	(2,093)	(543)
Bonds for minors	341	(379)	(39)	(84)	46
Europa/Premia bonds		(1,926)	(1,926)	(1,625)	(300)
3x2 bonds	5,900	(375)	5,525		5,525
4-year bonds	34	(2.1)	32		32
Other bonds		(1,765)	(1,765)	(810)	(956)
Total	**19,561**	**(14,942)**	**4,619**	**8,343**	**(3,725)**

Note: "3x4 bonds" includes: 3x4 bonds, 3x4 Fedeltà bonds and 3x4 RisparmiNuovi bonds. "Other Bonds" includes: 7Insieme bonds, Fixed-term bonds, indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Fedeltà bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.

In relation to postal savings bonds pertaining to the MEF, redemptions came to -6,576 million euro, increasing on 2017 (-5,834 million euro), and with a higher volume of redemptions on bonds prior to maturity.

Total net funding from postal savings bonds (CDP + MEF) totalled -1,957 million euro in 2018.

POSTAL SAVINGS BONDS – TOTAL NET FUNDING (CDP + MEF)

(millions of euro)	CDP net funding	MEF redemptions	Net funding 2018	Net funding 2017	Change (+/-)
Ordinary bonds	(2,073)	(6,501)	(8,575)	(5,748)	(2,827)
3x4 bonds	3,212		3,212	(907)	4,119
3-year bonds	4,288		4,288	13,881	(9,592)
Italian inflation indexed bonds	(2,636)		(2,636)	(2,093)	(543)
Bonds for minors	(39)		(39)	(84)	46
Europa/Premia bonds	(1,926)		(1,926)	(1,625)	(300)
3x2 bonds	5,525		5,525		5,525
4-year bonds	32		32		32
Other bonds	(1,765)	(75)	(1,840)	(914)	(926)
Total	**4,619**	**(6,576)**	**(1,957)**	**2,509**	**(4,466)**

Note: "3x4 bonds" includes: 3x4 bonds, 3x4 Fedeltà bonds and 3x4 RisparmiNuovi bonds. "Other Bonds" includes: 7Insieme bonds, Fixed-term bonds, indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Fedeltà bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.

The stock of Postal savings bonds pertaining to CDP totalled 152,266 million euro at 31 December 2018, increasing from 144,187 million euro at the end of 2017, mainly as a result of positive net funding amounting to 4,619 million euro and interest accrued on Bonds in 2018.

For bonds, the stock figure includes transaction costs recognised in application of the IFRS, consisting of distribution fees paid to Poste Italiane on subscriptions of 3X4 bonds, 3X2 bonds, 3-year Plus Bonds and 4-year Risparmio Semplice bonds and of deferred distribution fee adjustments applicable to all types of bonds issued between 2007 and 2010. The item "Premiums accrued on postal bonds" includes the separate value of embedded options in bonds indexed to baskets of shares.

POSTAL SAVINGS BONDS - CDP STOCK

(millions of euro)	31/12/2017	Net funding	Interests	Withholding tax	Transaction costs	Premiums accrued on postal bonds	31/12/2018
Ordinary bonds	75,936	(2,073)	2,445	(86)	7		76,229
3x4 bonds	24,532	3,212	813	(7)	(85)		28,464
3-year bonds	14,002	4,288	124	(0.3)	(91)		18,323
Italian inflation indexed bonds	13,164	(2,636)	195	(41)			10,682
Bonds for minors	5,583	(39)	187	(10)			5,722
Europa/Premia bonds	5,173	(1,926)	28	(23)		15	3,267
3x2 bonds		5,525	34		(115)		5,444
4-year bonds		32	0.12		(0.7)		31
Other bonds	5,796	(1,765)	76	(4)			4,103
Total	**144,187**	**4,619**	**3,901**	**(171)**	**(286)**	**15**	**152,266**

Note: The item “3x4 bonds” includes: 3x4 bonds, 3x4 Fedeltà bonds and 3x4 RisparmiNuovi bonds. The item “Other Bonds” includes: 7Insieme bonds, Fixed-term bonds, indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Fedeltà bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.
“Transaction costs” includes distribution fees relating to subscriptions of 3x4 bonds, 3x2 bonds, 3-year bonds and 4-year bonds and deferred fees relating to the years 2007-2010.

In 2018, total net funding (CDP + MEF) from savings bonds and passbook savings accounts was negative by -4,780 million euro, marking an improvement on 2017 (-7,883 million euro) owing to the decrease in outflows from passbook accounts.

TOTAL NET POSTAL SAVINGS FUNDING (CDP + MEF)

(millions of euro)	Net funding 2018	Net funding 2017	Change (+/-)
Postal savings bonds	**(1,957)**	**2,509**	**(4,466)**
of which:			
- *pertaining to CDP*	*4,619*	*8,343*	*(3,724)*
- *pertaining to the MEF*	*(6,576)*	*(5,834)*	*(742)*
Passbook savings accounts	**(2,823)**	**(10,392)**	**7,570**
CDP net funding	1,796	(2,049)	3,845
MEF net funding	(6,576)	(5,834)	(742)
Total	**(4,780)**	**(7,883)**	**3,103**

4.1.2 Group companies

4.1.2.1 Performance of companies subject to management and coordination

SACE Group

In 2018, the SACE Group focused on exports and on the international expansion of its companies in sectors that are strategic for the Italian economy.

In line with the initiatives envisaged in the Business plan, activities to bring the companies closer continued during the year and included: (i) a new service model for customers, which provides for higher commercial focus on the sales network and the presence of a single Customer Care service for the SACE SIMEST hub, (ii) expansion of the international network with the inauguration of the new offices in Shanghai in June and the authorisation to open a representative office in North Africa to support the many Italian companies working there, (iii) availability of two new online products on the My Export Gate platform, which saw increased website traffic thanks to new campaigns launched by the SACE SIMEST hub, (iv) full implementation of the export push strategy launched to promote supplies and the inclusion of Italian enterprises in global value chains, which received very positive feedback from exporters in relation to the match making events, (v) the Education to Export platform, which aims to channel development and growth opportunities, particularly for SMEs, by offering specialist content on exports and international expansion, online and offline.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES – SACE GROUP

Business lines (millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
SACE	19,423	17,738	1,686	9.5%
Export	13,997	15,114	(1,116)	-7.4%
- *Purchaser loans*	*12,650*	*13,343*	*(694)*	*-5.2%*
- *Supplier loans*	*1,056*	*1,692*	*(637)*	*-37.6%*
- *Letters of credit*	*292*	*78*	*214*	*n/s*
International expansion	5,426	2,624	2,802	n/s
- *Financial guarantees*	*2,100*	*1,125*	*975*	*86.6%*
- *Financial guarantees for SMEs*	*147*	*134*	*13*	*9.7%*
- *Bonds/sureties*	*484*	*610*	*(126)*	*-20.6%*
- *Political Risk Insurance policies*	*1,547*	*53*	*1,494*	*n/s*
- *Push Strategy*	*1,107*	*570*	*537*	*94.2%*
- *Fondo Sviluppo Export*	*41*	*131*	*(91)*	*-69.1%*
SACE Fct	4,221	4,616	(395)	-8.6%
Factoring with/without recourse	3,660	3,708	(48)	-1.3%
Trade finance	561	908	(347)	-38.2%
SIMEST	9,697	11,834	(2,138)	-18.1%
Export	9,216	11,433	(2,217)	-19.4%
- *Interest grants (Fondo 295) -Purchaser loans*	*8,950*	*11,174*	*(2,223)*	*-19.9%*
- *Interest grants (Fondo 295) -Supplier loans*	*265*	*260*	*6*	*2.2%*
International expansion	481	401	80	19.9%
- *Direct equity investments and Venture Capital Fund*	*152*	*116*	*36*	*30.7%*
- *Subsidised loans (Fondo 394)*	*248*	*147*	*101*	*68.4%*
- *Equity investment grants (Law 100/90 and Law 19/91)*	*81*	*138*	*(57)*	*-41.0%*
Eliminations	(9,512)	(12,082)	2,570	-21.3%
Total new lending, investments and managed resources	**23,830**	**22,106**	**1,724**	**7.8%**

The SACE Group invested net resources totalling 23,830 million euro, mainly to support the cruise, defence, infrastructure and construction sectors. These volumes were driven by exports (14,263 million euro, 60% of the total) and international expansion (5,907 million euro, 25% of the total). The remaining amount refers to factoring (3,660 million euro, 15% of the total).

PERFORMANCE HIGHLIGHTS – SACE GROUP (*)

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
SACE				
Outstanding guarantees	60,480	49,928	10,551	21.1%
of which:				
- *principal*	*53,579*	*43,790*	*9,789*	*22.4%*
- *interest*	*6,901*	*6,140*	*761*	*12.4%*
Loans	531	632	(101)	-15.9%
SACE BT				
Short-term loans	9,703	9,696	7	0.1%
Sureties Italy	6,299	6,235	64	1.0%
Other property damage	35,935	25,353	10,582	41.7%
SACE Fct				
Outstanding receivables	1,521	1,921	(401)	-20.9%
SIMEST				
Equity investment portfolio	601	572	29	5.0%

(*) Amounts refer to stock at the date indicated.

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at 61.0 billion euro (of which 99.1% referring to the guarantees portfolio), marking a significant increase on the year-end 2017 figure (+20.7%).

SACE BT's exposures, amounting to around 51.9 billion euro, increased on 2017 (+25.8%) mainly due to the "Other property damage" segment, while exposures in the Credit Insurance and Surety segments were stable.

Outstanding receivables of SACE Fct (approx. 1.5 billion euro) decreased by 20.9%, mainly as a result of the contraction in Formal Without Recourse (-38%) and With Recourse (-51%).

Finally, the SIMEST equity investment portfolio totalled 601 million euro, up 5.0% on the year-end 2017 figure.

TREASURY AND FUNDING ACTIVITIES – SACE GROUP

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**8,386**	**7,325**	**1,061**	**14.5%**
Cash and cash equivalents at CDP	3,181	4,913	(1,732)	-35.3%
Cash and cash equivalents held at banking institutions	185	93	92	98.9%
Other treasury investments	5,020	2,319	2,701	n/s
Debt securities and other forms of funding	**3,034**	**2,304**	**730**	**31.7%**
Financial payables	2,519	1,789	730	40.8%
Other debt securities	515	515		0.0%

Cash and cash equivalents and other treasury investments of the SACE Group increased by 1,061 million euro on the previous year, against an increase of 730 million euro in financial payables.

The increase in cash and cash equivalents and other treasury investments is mainly due to repurchase agreements signed during the year by SACE with the Parent Company CDP, for a total of approximately 1,072 million euro, and to cash flows from operating activities in the same period.

The increase in financial payables is linked to the foregoing repurchase agreements, net of the decrease in financial payables of the subsidiary SACE Fct (289 million euro).

The decrease in cash and cash equivalents held with CDP is due to the investment in bonds issued by CDP for a total of 1,644 million euro, with a corresponding increase in other treasury investments.

CDP Equity S.p.A.

In 2018, CDP Equity continued its activity of managing and enhancing its equity investments portfolio, as well as searching for and evaluating new investment opportunities.

In detail, CDP Equity has: (i) completed a capital increase in Ansaldo Energia, maintaining unchanged its own equity investment in the company by contributing 48 million euro, (ii) invested 250 million euro in Open Fiber, of which 125 million euro to increase the share capital and 125 million euro as a shareholder's loan, (iii) made a *pro-rata* contribution of 29.9 million euro to the capital increase of BF S.p.A., thus increasing its equity investment from 20% to 21.5%, (iv) renewed the shareholders' agreements with the other shareholders of Kedrion and Valvitalia, and (iii) settled, via FSIA Investmenti, part of the earn out related to the acquisition of non-controlling interests in SIA.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES – CDP EQUITY

(millions of euro; %) Business lines	31/12/2018	31/12/2017	Change (+/-)	% change
Investments	328	217	111	51.2%
Total new lending, investments and managed resources	**328**	**217**	**111**	**51.2%**

In 2018, CDP Equity invested a total of 328 million euro, referring entirely to the companies already included in its portfolio, namely, Ansaldo Energia (48 million euro), Open Fiber (250 million euro), BF (29.9 million euro) and SIA (0.1 million euro, in payment of a variable price component).

In 2017, CDP Equity had invested 217 million euro, of which 144.8 million euro in Ansaldo Energia to acquire an additional 15%, 50 million euro on the investment in Bonifiche Ferraresi, 20.4 million euro on the investment in TH Resorts and 1.8 million euro for the deferred payment of the non-controlling interests acquired in SIA.

PERFORMANCE HIGHLIGHTS – CDP EQUITY (*)

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Realised gains from equity investments		211	(211)	n/s
Dividends	32	23	8	35.5%

(*) Including dividends and gains realised through the investment vehicles FSI Investimenti, FSIA Investimenti and IQMIIC.

In 2018, CDP Equity and its investment vehicles reported dividends totalling 31.7 million euro, of which 29.7 million euro from SIA, 1.2 million euro from Kedrion and 0.8 million euro from Rocco Forte Hotels.

In 2017, CDP Equity and its investment vehicles had i) reported dividends totalling 23.3 million euro, of which 22 million euro from SIA, 0.8 million euro from Kedrion and 0.5 million euro from Rocco Forte Hotels, and ii) realised gains from equity investments of approximately 211 million euro, resulting entirely from the sale of the 30% stake in FSIA Investimenti to Poste Italiane, via FSI Investimenti.

TREASURY AND FUNDING ACTIVITIES – CDP EQUITY (*)

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**685**	**1,397**	**(712)**	**-51.0%**
Cash and cash equivalents at CDP	439	500	(61)	-12.2%
Cash and cash equivalents held at banking institutions	246	897	(651)	-72.6%
Debt securities and other forms of funding	**54**	**58**	**(5)**	**-8.3%**
Financial payables	54	58	(5)	-8.3%

(*) Including cash and cash equivalents and financial payables relating to the investment vehicles FSI Investimenti, FSIA Investimenti and IQMIIC.

At 31 December 2018, cash and cash equivalents held by CDP Equity and its investment vehicles amounted to approximately 685 million euro, down by approximately 712 million euro on the figure as at 31 December 2017. The decrease is due to outflows amounting to 864 million euro and inflows amounting to 152 million euro. Outflows mainly referred to: (i) 500 million euro of investment in BTPs, (ii) 328 million euro of investment in companies already included in portfolio, as detailed in the previous section, (iii) 20 million euro of dividends paid to the non-controlling shareholders KIA (from FSI Investimenti) and Poste Italiane (from FSIA Investimenti), (iv) 9 million euro paid on the FSIA Investimenti loan, of which 7.6 million as a principal repayment and 1.4 million euro as interest, and (v) 7 million euro for operating expenses. Inflows mainly referred to: (i) dividends collected amounting to 31.7 million euro (of which 29.7 million euro from SIA), (ii) 56 million euro received from Poste Italiane in connection with the sale of the 30% stake in FSIA Investimenti, (iii) income from tax consolidation amounting to 42 million euro, (iv) financial income of 19 million euro and (v) 3 million euro of interest on the Valvitalia convertible bond.

Financial payables as at 31 December 2018 consisted of the vendor loan payable by FSIA Investimenti. The decrease compared to 31 December 2017 is due to the combined effects of the early repayment and simultaneous re-financing of the debt for a higher amount.

Fintecna S.p.A.

In 2018, Fintecna continued to manage its litigation cases, with efforts focused on optimising its defence strategy by constantly monitoring developments in court cases to assess critical aspects specifically.

PERFORMANCE HIGHLIGHTS – FINTECNA

(number of disputes; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Labour law disputes	431	492	(61)	-12.4%
Civil/administrative/tax law disputes	101	113	(12)	-10.6%

Regarding labour law disputes (i.e. claims for compensation for health damage arising from occupational illnesses), the reduction in the number compared to year-end 2017 is due to the decrease in the number of new appeals and to the final settlement of a number of disputes, in line with budget forecasts.

With regard to other types of disputes (civil, administrative and tax-related), while the number of pending proceedings has decreased slightly, settlement difficulties continued due to significant differences in valuations with respect to the counterparties.

TREASURY AND FUNDING ACTIVITIES – FINTECNA

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**1,140**	**1,134**	**6**	**0.5%**
Cash and cash equivalents at CDP	1,096	1,066	30	2.8%
Cash and cash equivalents held at banking institutions	44	68	(24)	-35.6%

In accordance with CDP Group guidelines, investment activities during the year continued to focus on cash pooling arrangements with the Parent Company.

Specifically, at 31 December 2018, cash held at banks and at CDP amounted to 1,140 million euro compared to 1,134 million euro in 2017.

The corporate and organisational streamlining activities launched in 2017 with the merger by incorporation of Ligestra and Ligestra Tre into Ligestra Due continued also in 2018 with the merger of Ligestra Quattro into Ligestra Due (both wholly owned).

In line with the company's institutional purpose, Fintecna continued to exercise its steering and control over companies subject to management and coordination, with a view to progressively fulfilling the tasks assigned to each of the companies under specific legislative provisions.

With reference to the operations carried out through special purpose vehicles, efforts continued in relation to the sale of the "separate assets" of the dissolved entities E.F.I.M., Iged and "Comitato per l'intervento nella SIR e nei settori ad alta tecnologia" (through Ligestra Due S.r.l.), and in relation to the liquidation of the residual assets of Cinecittà Luce (through Ligestra Quattro, which was incorporated into Ligestra Due during the year).

In detail, with regard to the separate assets of the dissolved entity E.F.I.M., a settlement was reached in relation to a significant dispute, which was one of the main reasons for the delays in previous years in the remediation work on the Portovesme industrial site in Sardinia.

With regard to the separate assets of the dissolved entity I.G.E.D., the property at Via Alessandria in Rome was sold to CDP Immobiliare as part of the redevelopment/sale plan being implemented by the company, also through forms of collaboration with primary real estate companies.

Lastly, Fintecna continued the activities carried out on behalf of the regional reconstruction Agency following the earthquake in Emilia-Romagna in 2012 and continued to provide support to the Offices of the Extraordinary Commissioner for reconstruction in relation to the central Italy regions affected by the 2016 earthquake.

CDP Immobiliare S.r.l.

In 2018, the company continued to focus on the sale and development of directly and indirectly owned real estate assets. Urban and building redevelopment focused primarily on large-scale properties, with a view to launching direct development initiatives for the territory, and involved complex town planning procedures and redevelopment works with a high social impact.

An extensive programme of maintenance and safety works on real estate assets continued, also at environmental level, as part of framework agreements signed with key operators of the sector for the planning and execution of the related works.

With regard to initiatives indirectly managed through vehicles, the strategy already launched by CDP Immobiliare included the continued rationalisation of the initiatives by (i) confirming support for the investment plans of those partnerships for which an autonomous enhancement strategy is deemed to be pursuable or (ii) supporting financial restructuring initiatives for those partnerships in which real estate development is negatively affected by high levels of debt and lack of commitment on part of the partners.

PERFORMANCE HIGHLIGHTS – CDP IMMOBILIARE (*)

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Sales	31	99	(68)	-68.7%
Investments in development initiative	16	13	3	21.6%

(*) Figures refer to real estate assets held directly or in partnership.

In 2018, a total of approximately 31 million euro in real estate assets were sold, both directly and through partnerships (of the total, around 12 million euro referred to CDP Immobiliare's direct portfolio and around 19 million euro to real estate assets of partnerships). The disposal activities referred mainly to residential units built in previous years in Milan and Turin.

With regard to real estate development and enhancement operations, investments for around 16 million euro were made, of which 3 million euro referring to CDP Immobiliare's direct portfolio. In addition, a property located in Rome, Via Alessandria, was purchased from Ligestra Due (investee of Fintecna) for 31 million euro, to be used as offices.

At 31 December 2018, total real estate assets managed, amounting to approximately 1,050 million euro, fell by -3%, mainly due to disposals in the period, net of development work.

TREASURY AND FUNDING ACTIVITIES – CDP IMMOBILIARE (*)

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**40**	**54**	**(14)**	**-26.4%**
Cash and cash equivalents held at banking institutions	40	54	(14)	-26.4%
Debt securities and other forms of funding	**568**	**689**	**(120)**	**-17.5%**
Financial payables	568	689	(120)	-17.5%

(*) Including cash and cash equivalents and financial payables relating to partnerships.

At 31 December 2018, cash and cash equivalents, totalling 40 million euro, were mainly earmarked to support lending to partnerships and the management and development of the company's real estate assets.

Financial payables, amounting to approximately 568 million euro, included approximately 11 million euro in payables referring to CDP Immobiliare (payables allocated to a number of real estate assets in the direct portfolio) and approximately 558 million euro referring to partnerships (of which 302 million euro in relation to Residenziale Immobiliare partnership).

CDPI SGR S.p.A.

In 2018, CDPI SGR continued to invest in the FIA fund, in support of social housing, and in the FIV fund, in support of the enhancement of the real estate assets already included in portfolio. Additionally, the subscription period of the FIT fund was re-opened with the subscription, by CDP, of a further 150 million euro, bringing the total commitment to 250 million euro.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES – CDPI SGR

Business lines (millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Social housing	241	139	102	73.5%
- FIA	241	139	102	73.5%
Development	12	37	(25)	-67.5%
- FIV (Extra sub-fund)	10	35	(25)	-70.8%
- FIV (Plus sub-fund)	2	1	0	33.6%
Tourism	30	64	(34)	-53.8%
- FIT	30	64	(34)	-53.8%
Smart Housing		10	(10)	n/s
- FIA2		10	(10)	n/s
Total new lending, investments and managed resources	**283**	**250**	**33**	**13.1%**

In 2018, CDPI SGR invested around 283 million euro, marking an increase on 2017 (+13%), thanks mainly to the positive contribution of the FIA fund. In particular:

- FIA invested a total of approximately 241 million euro, primarily in the following funds: Immobiliare di Lombardia, Housing Sociale FVG, Esperia, Cives and Ferrara;
- FIT invested 30 million euro, mainly related to the purchase of the hotel complexes Blu Salento in Nardò and Baia degli Achei in Cassano allo Ionio;
- FIV invested a total of approximately 12 million euro on the redevelopment of the Ospedali Riuniti di Bergamo complex to adapt the buildings for a Guardia di Finanza Academy and on the demolition and remediation works at former Magazzini Taliedo (Milan) and former Caserma Colleoni (Bergamo).

PERFORMANCE HIGHLIGHTS – CDPI SGR

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Real estate assets managed (*) (FIV)	626	664 (***)	(38)	-5.7%
Real estate assets managed (*) (FT1)	89	59	30	50.8%
Residual commitment (**) (FIA)	925	1,171	(246)	-21.0%

(*) Value referring to direct real estate funds, showing the value of the real estate assets held by each fund.
(**) Value referring to fund subscriptions, net of amounts called-up.
(***) The Via Cassia property is subject to a condition precedent and is therefore recognised for financial reporting purposes under "other assets".

At 31 December 2018, real estate assets managed by the company on behalf of FIV consisted of 84 assets with a value of approximately 626 million euro, of which around 552 million euro referred to the Extra sub-fund (67 assets) and around 75 million euro referred to the Plus sub-fund (17 assets).

The asset pool decreased by -6% compared to 2017, mainly due to sales in the year for a value of around 35 million euro.

The real estate assets of the FT1 fund increased by +51% on 2017 as a result of investments finalised.

With reference to the FIA fund, the total residual commitment towards the target real estate funds was approximately 925 million euro. The lower commitment compared to 2017 (-21%) was primarily due to investments made in target funds that support the availability of social housing.

TREASURY AND FUNDING ACTIVITIES – CDPI SGR

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**16**	**17**	**(1)**	**-4.8%**
Cash and cash equivalents held at banking institutions	16	14	2	15.6%
Other treasury investments		3	(3)	n/s

At 31 December 2018, cash and cash equivalents held by CDPI SGR amounted to approximately 16 million euro, down slightly from year-end 2017. The zeroing of other treasury investments is due to securities held at year-end 2017 having reached maturity.

As in 2017, the company had no financial debt.

CDP RETI S.p.A.

On 27 March 2018, the Board of Directors of CDP RETI approved the Model of Organisation, Management and Control pursuant to Legislative Decree 231/2001 (General and Special Part) and concomitantly appointed the Supervisory Body, entrusting the related functions to the Board of Statutory Auditors.

PERFORMANCE HIGHLIGHTS – CDP RETI

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Equity investments and other investments	5,023	5,023		0.0%
Dividends received	406	388	17	4.4%

Equity investments, totalling 5,023 million euro and showing no change on the comparison period, consisted of investments in Snam (3,087 million euro), Terna (1,315 million euro) and Italgas (621 million euro).

Dividends received from subsidiaries in 2018 included approximately 228 million euro from Snam, approx. 44 million euro from Italgas and approximately 135 million euro from Terna.

Furthermore, on 6 November 2018 the Board of Directors of Snam approved the distribution of an advance dividend on the 2018 net profit, of which 95 million euro[19] was paid to CDP RETI (in January 2019).

With regard to dividends paid to shareholders, amounting to 396 million euro (425 million euro in 2017), the following amounts were distributed during the year:

- the 2017 net profit balance for a total of 140 million euro[20], of which around 83 million euro paid to CDP and 49 million euro to State Grid Europe Limited;
- an advance on the 2018 dividend, equal to 256 million euro[21], of which around 151 million euro paid to CDP and 90 million euro to State Grid Europe Limited.

TREASURY AND FUNDING ACTIVITIES – CDP RETI

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	% change
Cash and cash equivalents and other treasury investments	**66**	**44**	**22**	**51.2%**
Cash and cash equivalents held at banking institutions	66	44	22	51.2%
Cash and cash equivalents at CDP				n/s
Debt securities and other forms of funding	**1,695**	**1,694**	**1**	**0.0%**
Financial payables	938	937	0	0.0%
Other debt securities	757	757	0	0.0%

19 Based on the results of the first nine months and the forecasts for the entire 2018, the Board of Directors resolved on the distribution to the shareholders of an advance dividend, equal to 0.0905 euro per share, with payment starting from 23 January 2019.
20 A part (324 million euro) of the 2017 net income was distributed in November 2017 as an advance on the 2017 dividend.
21 The advance of 1,584.62 per each of the 161,514 shares was approved by the Board of Directors on 15 November 2018 on the basis of the Company's accounting situation at 30 June 2018, prepared in accordance with IFRS. The Company ended the period with a net income of approximately 256 million and available reserves of approximately 3,369 million.

At 31 December 2018, total cash and cash equivalents and other treasury investments amounted to 66 million euro, increasing by +22 million euro on year-end 2017 mainly as a result of dividends received from subsidiaries in the period (+406 million euro) and the collection of the tax consolidation scheme credit (+42 million euro), only partly offset by dividends distributed to shareholders in the period (-396 million euro), bond coupons paid (-14 million euro) and interest expense on the term loans (-14 million euro).

At 31 December 2018, debt securities and other forms of funding totalled 1,695 million euro and referred mainly to: (i) the term loan for a total amount of approximately 938 million euro (around 422 million euro to CDP), substantially in line with year-end 2017, and (ii) the bond issue for a total nominal amount of 750 million euro and the related accrued interest, which was originally subscribed by institutional investors for around 412 million euro (55%) and by CDP for approximately 338 million euro (45%).

4.1.2.2 Performance of other companies not subject to management and coordination

Some brief information is provided below about each of the companies in which CDP holds an equity investment but that are not subject to management and coordination.

Elite S.p.A. (“Elite”)

Elite was established in May 2016 following the transformation into a joint-stock company of the business unit of Borsa Italiana S.p.A. (focused on the programme of the same name), aimed at supporting high-growth potential SMEs in their process of development and international expansion. In addition, Elite provides services of licensing of its brand and business model to other stock exchanges around the world and offers support to enterprises in accessing alternative sources of funding, also through advanced technological solutions.

On 31 October 2017, CDP acquired a 15% minority stake in Elite as part of a dedicated capital increase.

In 2018, the Company exceeded the target of 1,000 affiliates from over 30 countries worldwide. During the year Elite, in collaboration with Electra Ventures, also launched the SPAC in CLOUD project, thanks to which Digital Value was successfully listed in November.

Eni S.p.A. (“Eni”)

In 2018, Eni confirmed the strong growth of profitability, which almost doubled compared to 2017, mainly due to the performance of the E&P business. Cash generation also improved in the period driven by the increase in the price of Brent and the higher production of barrels.

As regards operating segments, the E&P and the G&P businesses saw considerable growth. In detail, E&P hit a daily production record of 1.85 million barrels per day and the replacement of proven reserves was above 100%. G&P benefited from greater integration between the LNG business and upstream activities and from a major reorganisation implemented in recent years. The Refining and Chemical segment, although down and in a counter-cyclical trend compared to Brent, still provided a positive contribution to the Group’s operating profitability.

At the level of income figures, Eni reported an adjusted consolidated operating profit of 11.2 billion euro, almost doubling the 2017 result (5.8 billion euro) and a consolidated net income of 4.6 billion euro, again almost double the 2.4 billion euro achieved in the previous year.

In terms of balance sheet figures at 31 December 2018, net debt continued to decrease, now standing at 8.3 billion euro (10.9 billion euro at the end of 2017) and equity increased by 3.1 billion euro to 51.2 billion euro (48.1 billion euro at the end of 2017).

Europrogetti & Finanza S.r.l. in liquidazione ("EPF")

EPF is a company that was established in 1995 by leading Italian financial institutions to handle applications for subsidised lending provided by the Italian government. The company's shareholders are: UniCredit S.p.A. (39.8%), CDP (31.8%), Intesa Sanpaolo S.p.A. (16.0%), Banca Monte dei Paschi di Siena S.p.A. (10.1%) and Banco BPM S.p.A. (2.3%).

EPF currently provides services, exclusively for the Ministry of Economic Development, of submission and preparation of final reports relating to investments already made by the beneficiaries of the subsidised lending initiatives.

The liquidation of EPF continued in 2018, with the goal of completing all the subsidised lending related activities still in place as expeditiously as possible. On 18 June 2018, with a view to reducing liquidation costs, the Shareholders' Meeting resolved to convert EPF from a joint stock company (*società per azioni*) to a limited liability company (*società a responsabilità limitata*).

F2i - Fondi Italiani per le infrastrutture SGR S.p.A. ("F2i SGR")

F2i SGR conducts asset management activities through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure.

Established in 2007 with the sponsorship of CDP and major Italian financial institutions, F2i SGR S.p.A. has over 4.8 billion euro of assets under management and manages two funds specialised in investing in brownfield infrastructure in Italy: (i) F2i - Secondo Fondo Italiano per le Infrastrutture, launched in 2012, which closed its fundraising in July 2015 at 1.2 billion euro, and (ii) F2i - Terzo Fondo per le infrastrutture, to which the assets of Primo Fondo F2i were transferred (through merger by incorporation), in addition to the signing of new commitments, with a total size of 3.6 billion euro.

In 2018, the company continued to manage the equity investments of Secondo Fondo F2i and Terzo Fondo F2i, successfully pursuing investment opportunities in new sectors, as well as in those in which F2i is already present.

Fincantieri S.p.A. ("Fincantieri")

Fincantieri, an investee company of CDP through Fintecna, is one of the largest shipbuilders in the world, capable of building highly-complex vessels from naval to offshore vessels and from special vessels and ferries to mega-yachts. It is also engaged in ship repairs and conversions, systems and components production, and the provision of after-sales services. The company is listed on the Italian stock market.

In 2018, the Fincantieri Group confirmed the growth areas identified in the 2018-2022 business plan, with revenues standing at approximately 5.5 billion euro (+9% on 31 December 2017), EBITDA at 414 million euro (equivalent to an EBITDA margin of 7.6%, increasing by 21% on 31 December 2017), a positive net income for the year of 69 million euro (+30% on 31 December 2017) and a net income pertaining to the Group amounting to 72 million euro (+26% compared to the previous year).

- At 31 December 2018, the Fincantieri Group had a backlog of approximately 25.5 billion euro, with 98 ships in the portfolio[22], and a soft backlog of approximately 8.3 billion euro, resulting in a total workload of approximately 33 billion euro (around 6 years of business).

Key events in the year included the signing of the agreement to acquire a 50% stake in Chantiers de l'Atlantique, the launch of discussions to define the terms and conditions of an equal-share joint venture with Naval Group in the military sector, the strengthening of Fincantieri's presence in the infrastructure sector through the acquisition of important contracts in Romania and Italy, and the completion of the delisting of the Vard Group.

22 Ships of a length exceeding 40 metres.

Fondo Italiano d’Investimento SGR S.p.A. (“FII SGR”)

Fondo Italiano d’Investimento SGR S.p.A. was established in March 2010, sponsored by the Ministry of the Economy and Finance (MEF) together with CDP, ABI, Confindustria and major Italian banks. The company promotes and manages investment funds to support the growth of small and medium Italian enterprises, facilitating their consolidation and international expansion, and supporting the development of the Italian venture capital, private equity and private debt market.

At 31 December 2018, CDP held a share of 43.0% of FII SGR. The remaining shares are held by UniCredit (12.5%); Intesa Sanpaolo (12.5%); Monte dei Paschi di Siena (12.5%); DepoBank (12.5%); ABI (3.5%); and Confindustria (3.5%).

In 2018, FII SGR continued to manage the following funds: (i) Fondo Italiano d’Investimento - FII Venture; (ii) Fondo Italiano d’Investimento - Fondo di Fondi; (iii) FoF Venture Capital; (iv) FoF Private Debt; (v) Fondo Innovazione e Sviluppo, and (vi) FII Tech Growth.

The company is continuing the fundraising phase for the Innovazione e Sviluppo and Tech Growth funds with the aim of attracting other investors and reaching the target size.

FSI SGR S.p.A. (“FSI SGR”)

FSI SGR S.p.A. was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of the companies (“growth capital”). On 6 December 2016, the Bank of Italy, subject to Consob’s favourable opinion, granted FSI SGR the authorisation to carry out asset management activities.

At 31 December 2018, CDP held a share of 39% of FSI SGR. The remaining shares are held by Magenta 71 S.r.l. — a vehicle owned by the managers chosen to manage the initiative (51.1%), and Poste Vita S.p.A. (9.9%).

The first closing of the “FSI I” fund (formerly “FSI Mid-Market Growth Equity Fund”) was completed on 29 June 2017, with the goal of investing in Italian companies with significant potential for development, with a focus on organic growth and/or growth by acquisitions, on sector/chain consolidation, and on facilitating the IPO process. Alongside CDP - the anchor investor of the initiative - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers.

At 31 December 2018, FSI I had received subscriptions for capital commitments of around 1.3 billion euro.

Galaxy S.à r.l. SICAR (“Galaxy”)

On 25 June 2018, the Shareholders’ Meeting of Galaxy S.àr.l. approved the closure of the company’s liquidation with a distribution of around 0.4 million euro pertaining to CDP. This is in addition to the distribution to CDP approved on 26 February 2018, equivalent to around 3.7 million euro.

Therefore, Galaxy distributed a total of around 4 million to CDP in 2018.

Istituto della Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A. (“Treccani”)

Treccani was established in 1933 through a legislative act, with the aim of continuing the publication of the Italian encyclopaedia initiated by the Istituto Giovanni Treccani in 1925. Treccani’s activities mainly consist of the editorial, scientific or premium production of encyclopaedias and valuable works such as such as art books and history books.

On 18 October 2017, CDP acquired a 7.4% equity investment in Treccani, through a specific capital increase for new shareholders.

The commercial division of Treccani was transferred to Editalia in 2018 and its name was changed to Treccani Reti.

Istituto per il Credito Sportivo (“ICS”)

ICS is the only state-owned bank to focus on financing sport and culture.

It should be recalled, with regard to the equity investment in ICS, that in 2013 the Prime Minister rescinded the 2005 Articles of Association, in implementation of the Directive issued to ICS in accordance with the Law dated 24 December 2003. Accordingly, in 2014 new Articles of Association were adopted, resulting in an increase in capital from approximately 9.6 million euro to 835 million euro, through the conversion of the endowment fund. The equity interests held by private investors in ICS were diluted as a result of the increased stake held by the government, and in particular CDP’s interest fell from 21.62% to 2.21%.

From 1 March 2018, ICS is no longer under extraordinary administration and in October 2018 the Bank of Italy approved the financial statements referring to the extraordinary administration phase - from 1 January 2012 to 28 February 2018 - which posted a total net income of 105.8 million euro.

Following the approval of the financial statements of the extraordinary administration phase, ICS distributed 47.6 million euro in dividends to its shareholders, of which 1.1 million euro pertaining to Cassa depositi e prestiti.

Italgas S.p.A. (“Italgas”)

Italgas is the main natural gas distribution operator in Italy and the third largest in Europe. The company is listed on the Italian stock market, in the FTSE MIB Index of Borsa Italiana.

Total revenues in 2018 (1,176.2 million euro, net of the effects of IFRIC 12), increased by 52.0 million euro (+4.6%) on 2017, and operating profit (453.5 million euro) increased by 35.6 million euro (+8.5%) on the corresponding period of 2017. This increase is the outcome of the aforesaid increase in revenues and the decrease in operating costs, and is partly offset by the increase in depreciation/amortisation and impairments.

At 31 December 2018, Italgas reported a net income of 313.7 million euro, increasing by 20.9 million euro (+7.1%) on 2017, mainly due to the above mentioned increase in operating profit, partially offset by higher net financial charges, lower net income from equity investments and higher income taxes.

Having regard to key events in 2018, Italgas confirmed its commitments in respect of investments on the network, digitisation processes and acquisitions.

In 2018, more than a third of investments referred to the replacement of traditional meters with smart meters (including investees, 1.8 million new smart meters were installed in 2018, bringing the total to 5 million - equal to around 59.1% of total meters installed).

Italgas completed a number of acquisitions in 2018, which have enabled it to achieve the Group’s growth target and consolidate its presence in the sector identified in the 2018-2024 Business Plan.

Poste Italiane S.p.A. (“Poste Italiane”)

The Poste Italiane Group is the largest service provider network in Italy with over 12,800 post offices, 134,000 employees and 34 million customers. Its activities include mail and parcel delivery, financial and insurance services, payment systems and mobile phone services.

At the level of the main consolidated income statement figures, total revenues amounted to 10.9 billion euro at 31 December 2018, increasing by 2.2% on 2017. In detail, the “Mail, packages and distribution” sector posted revenues of 3.6 billion euro, down -1.4% on the previous year. In the “Mobile and Digital Payments” sector, revenues increased to 0.6 billion euro (+11.4% on the previous year). Performance was positive in the “Financial Services” sector (+4.2% on the previous year), which generated revenues amounting to 5.2 billion euro. Lastly, the “Insurance Services” sector contributed 1.5 billion euro of revenues, up 1% on 2017.

The 2018 operating profit was 1.5 billion euro, up sharply on 2017 (+33.5%) thanks to the higher contribution from all sectors: performance of the “Mobile and Digital Payments” sector was positive for 0.2 billion euro (+4.7%), led by the increase in cards and transactions and in mobile and landline users. The “Insurance Services” sector contributed 0.9 billion euro to the operating profit (+8.4%), driven by the Life Insurance segment and the rebalancing of operations towards low capital absorption activities. The “Financial Services” sector reported an operating profit of 0.9 billion euro (+33.1%), mainly due to the effects of the broader product range. The operating result of the “Mail, Packages and Distribution” sector improved significantly (+16.7%) driven by the increase in B2C parcel deliveries and the better than expected performance of mail delivery, which is still however in negative territory (-0.4 billion euro).

The higher contribution of all business segments generated a net income of 1.4 billion euro in 2018, more than doubling the 2017 figure (0.7 billion euro).

QuattroR SGR S.p.A. (“QuattroR SGR”)

QuattroR SGR was incorporated on 4 August 2016 and was authorised by the Bank of Italy on 30 December 2016, with Consob’s favourable opinion, to carry out asset management activities. The company was established to promote and implement, through one or more funds, operations for the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects.

At 31 December 2018, CDP held a 40% stake in QuattroR SGR and the remainder (60%) was held by QR Partners S.r.l., the company incorporated by the managers chosen to manage the initiative.

In 2018, QuattroR SGR continued to manage the Fondo QuattroR investment fund, which completed the final closing on 4 October 2018, attracting subscriptions in excess of 700 million euro.

Risparmio Holding S.p.A. in liquidazione (“Risparmio Holding”)

Risparmio Holding S.p.A., owned by Poste Italiane S.p.A. (80%) and CDP (20%), was incorporated in October 2016. The company was set up to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A.

In July 2017, UniCredit announced the closing of the transaction relating to the sale of Pioneer’s business activities to Amundi.

In October 2018, the extraordinary shareholders’ meeting approved the liquidation of the company.

Snam S.p.A. (“Snam”)

Snam is the leading operator in Europe in the construction and integrated management of natural gas infrastructures and in the sector of transportation, despatching and storage or natural gas and the regasification of liquefied natural gas. In Italy, it manages regulated activities in the gas sector. The company is listed on the Italian stock market, in the FTSE MIB Index of Borsa Italiana.

Total revenues in 2018 (2,528 million euro - net of pass-through items) increased by 87 million euro (+3.6%) on 2017, and operating profit (1,384 million euro) increased by 36 million euro (+2.7%) on the previous year. The increase is mainly due to higher revenues in the gas transportation segment, partly offset by the increase in amortisation/depreciation and impairments and higher operating costs.

Net income amounted to 960 million euro in 2018, increasing by euro 63 million (+7.0%) on the previous year due to the above mentioned increase in operating profit and the lower net financial charges, partly offset by lower net income from equity investments and higher income taxes.

Key events in 2018 included the acquisition of an 82% stake in TEP Energy Solutions (TEP) for around 21 million euro, a 70% stake in IES Biogas (active in the construction of biomethane plants) for around 4 million euro, a 100% stake in Enersi Sicilia S.r.l., and the business unit focused on technological solutions for natural gas filling stations of M.T.M. Additionally, a 66% stake was acquired in DESFA, through a special purpose vehicle held by Snam (60%), Enagás (20%) and Fluxys (20%), for a total amount of 535 million euro.

On 10 December 2018, a transaction was also concluded to repurchase bonds on the market for an overall nominal value of about 538 million euro.

To conclude, the company continued the share buyback programme, purchasing a total of 113,881,762 shares in 2018 (3.28% of the share capital) for a cost of 426 million euro.

Telecom Italia S.p.A. (“Tim”)

In 2018, Tim reported Group revenues of 19.1 billion euro (+0.1% on 2017 on an organic basis) as a result of the growth of the Brazil business unit (+5%) and the stable performance of the Domestic business unit (-0.6%).

EBITDA at Group level amounted to 8.1 billion euro, decreasing by 3% on 2017 owing to the negative impact of conditions in the domestic market, in part offset by significant growth in Brazil.

Net income of the Group, excluding the impairment of 2.6 billion euro attributable to the Core Domestic and International Wholesale segment and other non-recurring charges, amounted to 1.4 billion euro. Reported income (loss) for the period was instead equal to -1 billion euro (-1.3 billion pertaining to the shareholders of the parent), marking a deterioration on 2017 (1.3 billion euro, of which 1.1 billion euro pertaining to the shareholders of the parent).

The Group’s adjusted net financial debt amounted to 25.3 billion euro, essentially in line with year-end 2017.

TERNA S.p.A. (“Terna”)

Terna is an independent energy transmission grid operator and one of the largest in Europe in terms of kilometres of lines managed. The company is listed on the Italian stock market, in the FTSE MIB Index of Borsa Italiana.

Total revenues for 2018 amounted to 2,319 million euro, up by 71 million euro (+3.2%) on 2017. This improvement was mainly due to: (i) the increase in the fee received for the despatching and metering service, (ii) the increase in revenues from activities under concession and (iii) higher revenues from the non-regulated business.

Operating profit came to 1,097 million euro, up by 19 million euro (+1.8%) on 2017.

The Group’s net income amounted to 707 million euro in 2018, up by 18 million euro (+2.7%) on the previous year.

Key events in 2018 included: (i) in the regulated segment, works on the Venetian Lagoon (Laguna Veneta) electricity grid and the entry into operation of 5 new lines; (ii) in the non-regulated segment, the commencement of work on the laying of the cable for the Italy-France interconnection and the acquisition, through Terna Plus, of a 70% stake in Avvenia The Energy Innovator S.r.l. (a leading operator in the energy efficiency sector).

4.1.2.3 Performance of investment funds and investment vehicles

Some brief information about the activities in 2018 of each fund to which CDP has made commitments is provided below.

Inframed Infrastructure Sas à capital variable (“Fondo Inframed”)

The Fund was launched in 2010 by CDP, Caisse des Dépôts et Consignations (“CDC”), the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG- Hermes Holding SAE of Egypt.

The Fund has been operational since 1 January 2011 and had a total size of around 385 million euro at 31 December 2018, of which around 150 million euro subscribed by CDP.

At 31 December 2018, the Fund’s portfolio - for which the investment period ended on 31 December 2015 - included 5 investments. In 2018, the Fund did not issue capital calls or make follow-up investments in projects under development.

Since it commenced operations, the Fund has called up approximately 325 million euro, corresponding to 84% of the total commitments.

2020 European Fund For Energy, Climate Change And Infrastructure Sicav-Fis S.A. (“Marguerite Fund”)

The Marguerite Fund, which was established in 2009 by CDP and other European public financial institutions, has a total size of 638 million euro, of which approximately 89.9 million euro subscribed by CDP[23]. It reached the end of its investment period in December 2017. The Fund focuses on infrastructure investments, mainly greenfield investments. It has a pan-European approach with focus on the energy, transport, renewable energy and ICT sectors.

At 31 December 2018, the Marguerite Fund had invested in 10 companies in 8 member states, issuing total capital calls to its investors of 598.5 million euro (approximately 94% of total commitments), and has committed the total remaining amount and distributed 373 million euro to investors.

The Fund distributed around 129 million euro to investors in 2018 and did not make capital calls.

Connecting Europe Broadband Fund, Sicav-Fis (“CEBF”)

The Connecting Europe Broadband Fund completed its first closing on 27 June 2018 at a size of 420 million euro, of which: (i) 50 million euro underwritten by CDP, equal to the other National Promotional Institutions (CDC and KfW); (ii) 140 million euro underwritten by the EIB (100 million euro of which from EFSI resources); (iii) 100 million euro underwritten by the European Commission; (iv) 25 million euro underwritten by a private European investor and (v) 5 million euro underwritten by Cube. The initiative is aimed at financing “small-scale” ultra-broadband infrastructures in Europe - with focus on areas with partial market failure - through equity/quasi-equity instruments.

The Fund manager is Cube Infrastructure Managers (“Cube”), an international fund manager.

The CEBF Fund has issued various classes of shares with different risk-return profiles. In detail, CDP’s investment, equal to that of the other National Promotional Institutions, was completed in Class A units, which are more senior compared to the Class B units underwritten by the EIB (EFSI resources) and the European Commission (first loss).

At 31 December 2018, the Fund did not have any investments in its portfolio and had made capital calls to investors for approximately 4 million euro in connection with management fees and other fund costs.

23 In February 2018, an unused commitment of approximately 71.8 million euro was released (CDP’s share was approximately 10.1 million) in relation to the transfer of the so-called “seed assets” to Marguerite II.

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

EEEF is an investment vehicle sponsored together with other European public financial institutions under the form of a Luxembourg variable capital investment company established in 2011, with total commitments of 265 million euro[24], of which 59.9 million euro subscribed by CDP. The goal of EEEF is to develop energy efficiency projects sponsored by public entities and, in general, initiatives to combat climate change within the European Union.

At 31 December 2018, the Fund’s portfolio included 15 investments in 8 countries (2 in Germany, 1 in Holland, 3 in France, 3 in Italy, 1 in Romania, 2 in Spain, 1 in Great Britain and 2 in Portugal), and capital calls made to investors totalled around 137 million euro (around 52% of total commitments).

No capital calls were made to investors in 2018.

F2i - Secondo Fondo Italiano per le Infrastrutture

The Fund, which was established in 2012, completed the fundraising process in July 2015 with a total commitment of 1,242.5 million euro, of which around 100.3 million euro subscribed by CDP. The investment period ended in July 2018.

At 31 December 2018, the Fund’s portfolio included 8 companies in the following sectors: renewable energy (wind and biomass), airports, logic networks, gas networks, tlc and social infrastructure. Since it commenced operations, the Fund has issued total capital calls to investors of approximately 933 million euro (approximately 75% of total commitments) and has distributed 211 million euro to investors (principal and proceeds).

In 2018, the Fund made capital calls to investors for around 248 million euro and distributed around 77 million euro (principal and proceeds).

F2i - Terzo Fondo per le Infrastrutture

Terzo Fondo F2i completed its first closing in December 2017 through the merger by incorporation of Primo Fondo F2i, as well as the subscription of new commitments for a total of 3,142 million euro. In December 2018, the fund completed the final closing at an overall size of 3,600 million euro (of which 150.1 million euro subscribed by CDP).

At 31 December 2018, the portfolio of Terzo Fondo F2i included 13 companies in the following sectors: renewable energy (photovoltaic), water, airports, gas distribution, tlc and social infrastructure. Since it commenced operations, the fund has issued total capital calls to investors of around 2,600 million euro (approximately 72% of total commitments) and has distributed around 115 million euro (principal and proceeds).

Fondo PPP Italia

Launched in 2006 with a total size of 120 million euro, of which 17.5 million euro subscribed by CDP, Fondo PPP Italia has invested in the construction of health and university infrastructures, gas networks, transport, car parks and renewable energy production plants. The Fund ended the investment phase in December 2013 and is currently in the divestment stage - due to end in December 2019.

In 2018, the Fund continued the sale of its portfolio and made distributions to investors totalling 9.7 million euro.

At 31 December 2018, the Fund’s portfolio included 11 projects, of which 4 carried out in public-private partnership and 7 in the renewable energy sector. The Fund has issued total capital calls to investors of around 106 million euro (approximately 88% of total commitments) and has distributed approximately 56.3 million euro.

24 The commitment period relating to the “class C” units subscribed by the European Commission expired in March 2017, with a total capital call of around 97 million euro (compared to the original commitment of 125 million euro).

Marguerite II SCSp (“Marguerite Fund II”)

The Marguerite Fund II, the successor fund of the Marguerite Fund, completed its first closing on 30 November 2017, reaching an overall size of 705 million euro, of which 100 million euro subscribed by CDP. In December 2018, the fund completed the final closing, with subscriptions totalling approximately 745 million euro.

Marguerite II SCSp pursues an investment strategy similar to the Marguerite Fund (greenfield segment and pan-European approach) with focus on: reducing CO2 emissions through investments in energy efficiency and renewable energy; optimising transport networks and improving energy supply security; improving ICT infrastructures.

At 31 December 2018, the Fund’s portfolio included 10 investments in 7 countries. Marguerite II has issued total capital calls to investors of around 201 million euro (approximately 27% of total commitments).

Fondo Immobiliare di Lombardia (“FIL”) - Sub-fund One

The Sub-fund One of the FIL fund was launched in 2006 to implement “social housing” projects, specifically, apartment blocks and services structured in such a way as to help solve the housing problems of households and individuals.

In 2018, FIL called up 1.7 million euro and distributed around 0.5 million euro attributable to CDP.

At 31 December 2018, the Fund’s size was 561 million euro, of which around 3.6% subscribed by CDP. At 31 December 2018, the Fund had called up around 369 million euro (around 66% of subscribed commitments), of which 13 million euro attributable to CDP, and distributed around 23 million euro, of which around 1 million euro attributable to CDP as partial *pro-rata* capital repayments.

Fondo Investimenti per l’Abitare (“FIA”)

FIA 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. This Fund has been operational since 2010 and had a total size of 2,028 million euro at 31 December 2018, of which 1,000 million euro subscribed by CDP (49.3% of the total).

In 2018, FIA called up around 121 million euro and distributed 7 million euro attributable to CDP. It also made investments in target funds for a total of around 241 million euro.

At 31 December 2018, the Fund had called up a total of around 1,103 million euro, of which 544 million euro attributable to CDP, and had distributed around 29 million euro, of which 14 million euro attributable to CDP.

Fondo Investimenti per la Valorizzazione (“FIV”)

Extra Sub-fund

FIV is an alternative real estate umbrella fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A. The Extra Sub-fund of FIV has been operational since 2013 and had a total size of 1,130 million euro at 31 December 2018, entirely subscribed by CDP.

The FIV Extra Sub-fund did not issue capital calls in 2018 but made a partial repayment totalling around 31 million euro. It also made investments for a total amount of around 10 million euro.

At 31 December 2018, the Fund had called up a total of around 799 million euro (approximately 71% of subscribed commitments) and had distributed around 47 million euro as partial *pro-rata* capital repayments.

Plus Sub-fund

FIV is an alternative real estate umbrella fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A. The Plus Sub-fund of FIV has been operational since 2012 and had a total size of around 273 million euro at 31 December 2018, entirely subscribed by CDP.

The Plus Sub-fund did not issue capital calls in 2018 but made a partial repayment totalling around 20 million euro. It also made investments for a total amount of around 2 million euro.

At 31 December 2018, the Fund had called up a total of around 111 million euro (approximately 41% of subscribed commitments) and had distributed around 20 million euro as partial *pro-rata* capital repayments.

Fondo Investimenti per il Turismo ("FIT")

FIT is an alternative closed-end real estate fund reserved to qualified investors. The Fund is an investment platform aimed at activating investments in the hospitality real estate sector, through real estate investment vehicles owned by FIT and third-party investors.

FIT has been operational since 2016 and had a total size of 250 million euro at 31 December 2018, entirely subscribed by CDP.

At 31 December 2018, the Fund had issued total capital calls of approximately 93 million euro to CDP (around 37% of subscribed commitments), of which around 29 million euro in 2018. No distributions were made during the year.

At 31 December 2018, FIT had subscribed around 192 million euro in FT1 - the first fund operating through FIT's resources, which has 6 assets in its portfolio.

Fondo FIA2 ("FIA2")

FIA2 is a closed-end alternative real estate fund reserved to professional investors. FIA2 focuses on real estate investments in housing and private services of public utility in the following sectors: (i) smart housing; (ii) smart working; and (iii) support for research, innovation, technology, education and training.

FIA2 has been operational since 2017 and had a total size of 100 million euro at 31 December 2018, entirely subscribed by CDP.

At 31 December 2018, total capital calls of approximately 12 million euro had been issued to CDP (around 12% of subscribed commitments) and no distributions had been made. In detail, FIA2 issued capital calls for around 0.8 million euro in 2018.

At 31 December 2018, FIA2 had subscribed around 32 million euro of the Ca' Tron H-Campus fund, representing the first investment in the innovation and training sector.

European Investment Fund

The EIF is a public-private partnership under Luxembourg law held by the EIB (58.6%), the European Commission (29.7%) and 33 public and private financial institutions (11.6%).

On 19 September 2014, CDP purchased 50 units of EIF from the EIB for a total nominal value of 50 million euro, equal to a share of 1.11% at 31 December 2018. The Fund has called up 20% of the commitment and had a residual investment commitment of 40 million euro at 31 December 2018.

In April 2018, CDP received dividends for the year 2017 from the EIF for an amount of around 120 thousand euro.

Fondo FII Tech Growth

This Fund has been operational since 21 September 2017 and had a size of 50 million euro at 31 December 2018, entirely subscribed by CDP. The Fund is currently in the fundraising phase.

At 31 December 2018, the Fund had called up approximately 23 million euro (around 45% of the total commitment) and had made three investments in companies operating in the e-commerce, marketing technology and industrial sectors. The Fund's fourth investment was finalised in the first quarter of 2019.

Fondo Italiano di Investimento - Fund of Funds

The Fund was created with a size of 389 million euro through the demerger of Fondo Italiano di Investimento authorised by the Investors' Meeting on 5 April 2016.

At 31 December 2018, the Fund had subscribed commitments of approximately 360 million euro to 16 private-equity funds, with an average investment of around 20 million euro, of which approximately 306 million euro (79% of the total commitment) had been called up from investors. The Fund made partial early distributions, against disposals, amounting to approximately 192 million euro.
Overall, the funds in portfolio had invested in around 100 companies, with a combined turnover of approximately 5.5 billion euro and more than 22,000 employees.

Fondo Italiano di Investimento - FII Venture

The Fund was created with assets of 91.2 million euro through the demerger of Fondo Italiano di Investimento authorised by the Investors' Meeting on 5 April 2016.

At 31 December 2018, the Fund had subscribed for commitments of approximately 80 million euro in 5 investment funds, of which approximately 61.5 million euro (67% of the total commitment) called up from investors. The Fund made partial early distributions amounting to approximately 7 million euro.

Fondo di Fondi Private Debt

The Fund has been operational since 1 September 2014 and had a size of 400 million euro at 31 December 2018, of which 250 million euro subscribed by CDP. The fundraising period ended on 30 June 2017.

At 31 December 2018, the Fund had finalised the closing of 10 private debt funds for a total commitment of 355 million euro. The funds currently in the portfolio of Fondo di Fondi Private Debt have in turn reached a total size in excess of 1.4 billion euro, with a leverage effect on the market of over 4 times.
At 31 December 2018, the Fund had called up approximately 193 million euro (around 48% of the total commitment) and had made partial early distributions of around 22 million euro.

Fondo di Fondi Venture Capital

The Fund has been operational since 1 September 2014 and had a size of 163 million euro at 31 December 2018, of which 125 million euro subscribed by CDP. The fundraising period ended on 30 June 2017.
At 31 December 2018, the Fund had subscribed for commitments of approximately 147 million euro in 9 investment funds, of which approximately 44 million euro (around 27% of the total commitment) called up from investors. The Fund made partial early distributions, against disposals, amounting to approximately 4 million euro.

Fondo Innovazione e Sviluppo

The Fund has been operational since 21 September 2017 and had a size of 275 million euro at 31 December 2018, of which 200 million euro subscribed by CDP. The Fund is currently in the fundraising phase.

At 31 December 2018, the Fund had called up approximately 41 million euro from investors (around 15% of the total commitment) and had completed an investment in Marval S.r.l., a leading operator in the field of precision machining of cast iron and aluminium engine parts, mainly for agricultural and construction machinery.

Fondo QuattroR

Fondo QuattroR is managed by QuattroR SGR and completed the final closing on 4 October 2018, attracting subscriptions totalling 711.4 million euro. The anchor investors of the Fund include, in addition to CDP (with a total commitment of 300 million euro), other leading Italian institutional investors. The Fund's aim is to re-launch medium and large-sized Italian companies which are temporarily in crisis but have solid industrial fundamentals.

At 31 December 2018, Fondo QuattroR had called up around 92 million euro from investors (around 13% of the total commitment) and had made two investments: (i) Fagioli S.p.A., a certified engineering company specialised in heavy transport and lifting, systems and shipping on a global scale, and (ii) Ceramiche Richetti S.p.A., a manufacturer and seller of ceramic tiles and flooring used in architecture, interior design and construction, for indoor and outdoor use.

FSI I (formerly FSI Mid-Market Growth Equity Fund)

On 29 June 2017, the first closing of the "FSI I" fund (formerly "FSI Mid-Market Growth Equity Fund") was completed. The Fund is promoted and managed by FSI with the goal of investing in Italian companies with significant potential for development, with a focus on organic growth and/or growth by acquisitions, on sector/chain consolidation and on facilitating the IPO process. Alongside CDP - the anchor investor of the initiative - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers. At December 2018, FSI I had received subscriptions for capital commitments of around 1.3 billion euro.

At 31 December 2018, the Fund had called up approximately 311 million euro from investors (around 24% of the total commitment) and had made four investments: (i) in CEDACRI S.p.A. - the leading operator in IT outsourcing services for banks and financial institutions, (ii) in Adler Group S.p.A. - a global leader in the development and sale of thermal and acoustic insulation components for the automotive sector, (iii) in Missoni S.p.A., the luxury Italian fashion brand, and (iv) in Lumson S.p.A., Italian leader in the field of primary packaging for cosmetics.

Hi CrescItalia PMI

The Hi CrescItalia PMI Fund has been operational since 2015 and had a total size of 91.2 million euro at 31 December 2018, of which 19.9 million euro subscribed by CDP. The Fund's subscription period ended in May 2018.
At 31 December 2018, the Fund's portfolio included 12 investments, of which 4 completed in 2018.
At 31 December 2018, the Fund had issued capital calls to investors for a total of 29.2 million euro and had distributed 4.3 million euro.

EAF S.C.A. SICAR - Caravella Compartment ("Caravella")

Caravella is an investment fund aimed at supporting the "angel investing" segment in Italy. It is part of the broader European investment scheme/programme launched by the EIF in 2012 to support business angels in Europe.
The Fund has been operational since October 2018 and had a total size of 30 million euro at 31 December 2018, with equal shares of 15 million euro subscribed by CDP and the EIF.
At 31 December 2018, the Fund had not issued capital calls to investors.

Fondo Atlante

Established in 2016 with a commitment of 4,249 million euro, of which 500 million euro pertaining to CDP, Fondo Atlante was promoted by Quaestio Capital SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP[25], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; and (ii) transactions involving NPLs originating from Italian banks.

During the period ended on 31 December 2018, the Fund invested in Banca Popolare di Vicenza S.p.A. (99.33% of capital), Veneto Banca S.p.A. (97.64% of capital) and also invested, via the Italian Recovery Fund (former Fondo Atlante II), in the NPLs[26] of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A., Cassa di Risparmio di Cesena S.p.A. and Banca Monte dei Paschi di Siena S.p.A.

At 31 December 2018, the Fund had called up a total of around 4,241 million euro (equal to 99.8% of subscribed commitments). In detail, Atlante issued capital calls for 38 million euro in 2018.

Italian Recovery Fund (former Fondo Atlante II)

Established in 2016, the Fund was promoted by Quaestio Capital SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. The Fund's total commitment was equal to 2,480 million euro at 31 December 2018, of which 320 million subscribed by CDP.

During the period ended on 31 December 2018, the Fund invested in the NPLs of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A., Cassa di Risparmio di Cesena S.p.A. and Banca Monte dei Paschi di Siena S.p.A.

At 31 December 2018, the Fund had called up a total of around 2,353 million euro (equal to around 94.9% of subscribed commitments) and had distributed 50 million euro as partial capital repayments. In detail, in 2018, the Fund issued capital calls for around 1,089 million euro and made repayments totalling 50 million euro.

Diversified Lending Fund for Businesses

Established in 2017, the Diversified Lending Fund for Businesses was promoted by Springrowth SGR S.p.A. to invest in a highly diversified portfolio of financing instruments.

The Fund has been operational since October 2018 and had a size of 210 million euro at 31 December 2018, of which 50 million euro subscribed by CDP as the anchor investor together with the EIF.
The Diversified Lending Fund for Businesses is the first parallel lending vehicle to be launched in Italy. Its goal is to create a capital market where Italian SMEs can raise growth capital in addition to the loans received from the Italian banking system, with which the Fund will operate in parallel, at similar conditions.

At 31 December 2018, the Fund had issued capital calls to the investors for a total of 9.1 million euro (4.33% of subscribed commitments).

ITAtech Platform

On 16 December 2016, Cassa depositi e prestiti S.p.A. (CDP) and the European Investment Fund (EIF) entered into a co-investment agreement for the launch of the ITAtech Platform, an initiative for investments in technology transfer funds and the financing of Italian research in the public and private sectors.

25 Supervisory Review and Evaluation Process.
26 Non-Performing Loans.

ITAtech is the first pan-European equity platform to have received funding under the Juncker Plan and, in particular, under the European Fund for Strategic Investments (EFSI), which is tasked with implementing the Plan.
The co-investment agreement envisages a maximum commitment of 200 million euro, of which 100 million euro subscribed by CDP.

At 31 December 2018, the ITAtech Platform had invested in the following funds: Vertis Venture 3 Technology Transfer, Sofinnova Telethon SCA-RAIF, 360-PoliMI TT Fund and Progress Tech Transfer SLP-RAIF.

Vertis Venture 3 Technology Transfer ("VV3TT")

VV3TT is the first investment of the ITAtech Platform. The Fund invests primarily in projects and businesses linked to universities and research centres, particularly those concerned with technologies, products and/or services that relate to some of the target sectors identified in the Horizon 2020 Priorities (e.g. ICT, industry, energy).
The Fund has been operational since August 2017 and had a total size of around 40 million euro at 31 December 2018, of which 20 million euro subscribed by CDP.

At 31 December 2018, the Fund had called up a total of around 3 million euro from investors and had made three investments in businesses operating in the field of ICT, robotic medical devices, industrial measurement and sensing and control equipment.

Sofinnova-Telethon SCA-RAIF ("ST")

ST is the second investment of the ITAtech Platform. The Fund is specialised in life sciences, with particular focus on rare genetic diseases.
The Fund has been operational since September 2018 and had a total size of 81 million euro at 31 December 2018, of which 20 million euro subscribed by CDP.

At 31 December 2018, the Fund had issued capital calls to investors for a total of around 4 million euro.

360-PoliMI TT Fund

360-PoliMI TT Fund is the third investment of the ITAtech Platform. The Fund is specialised in advanced manufacturing (i.e. machinery, industrial IT & automation, infrastructure, energy, advanced materials).
The Fund has been operational since December 2018 and had a total size of around 43.7 million euro at 31 December 2018, of which 20 million euro subscribed by CDP.

At 31 December 2018, the Fund had issued capital calls to investors for a total of around 2 million euro.

Progress Tech Transfer SLP-RAIF ("ProgressTT")

The ProgressTT fund is the fourth investment of the ITAtech Platform. It specialises in investments in sustainability projects (i.e. energy, natural resources, food/agriculture).
The Fund has been operational since December 2018 and had a total size of around 40 million euro at 31 December 2018, of which 20 million euro subscribed by CDP.

At 31 December 2018, the Fund had not issued capital calls to investors.

Social Impact Italia Platform

On 29 November 2017, Cassa depositi e prestiti S.p.A. ("CDP") and the European Investment Fund ("EIF") signed a co-investment agreement for the launch of the Social Impact Italia ("SII") Platform, with the aim of promoting the development of the Italian inclusive finance market to support social enterprises.

The Social Impact Italia co-investment agreement envisages a total size of 100 million euro, equally committed by CDP and the EIF in the amount of 50 million euro each. Such resources will be committed to investments in the form of risk capital, aimed at achieving specific social and economic impact objectives, with focus on two main targets: (i) investment funds and vehicles specialising in impact investing, with focus on social enterprises, (ii) financial institutions active in social lending and microfinance.

At 31 December 2018, the platform had completed only one investment, subscribing a commitment for 17.5 million euro in the Oltre II SICAF EuVECA fund (of which 7.5 million euro through CDP funds).

Oltre II SICAF EuVECA S.p.A.

Oltre II is the first investment of the Social Impact Italia equity Platform - the platform launched by Cassa depositi e prestiti and the EIF to conduct Impact Investing activities in Italy.

The Fund completed the first investment in July 2016 and had a total size of around 35.7 million euro at 31 December 2018, of which 7.5 million euro subscribed by CDP.

At 31 December 2018, the Fund had issued capital calls to investors for around 18 million euro.
At 31 December 2018, the Fund's portfolio included 18 investments, of which 14 completed in 2018.

4.2 Income statement and balance sheet results

4.2.1 CDP S.p.A.

In keeping with its role of National Promotional Institution, during the year CDP continued to provide services in the interest of the country's growth and competitiveness by supporting enterprises, local authorities and local areas, as well as international expansion. In such a challenging macroeconomic context, with slower growth and higher market volatility, CDP's economic and financial performance was still strong in all areas.

4.2.1.1 Reclassified income statement

The economic performance of CDP was analysed using the income statement layout reclassified on the basis of management criteria.

A statement of reconciliation between management and accounting schedules (Annex 2.1 to the separate financial statements) has also been appended in the interest of completeness of information and forms an integral part of the report on operations.

RECLASSIFIED INCOME STATEMENT

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Net interest income	**2,356**	**1,390**	**966**	**69.5%**
Dividends	1,362	1,355	8	0.6%
Other net revenues (costs)	88	125	(37)	-29.3%
Gross income	**3,807**	**2,870**	**937**	**32.6%**
Write-downs	(277)	(57)	(220)	n/s
Operating costs	(217)	(147)	(71)	48.3%
Operating income	**3,312**	**2,666**	**646**	**24.2%**
Provisions for risks and charges	(34)	0.1	(34)	n/s
Income taxes	(738)	(463)	(275)	59.5%
Net income for the year	**2,540**	**2,203**	**337**	**15.3%**

Net interest income was 2,356 million euro, increasing sharply on 2017 due to: (i) the improved return on financial assets, also a result of the increase in the yield curve, and (ii) the actions implemented to reduce the cost of funding. Asset liability management actions continued during the year in relation to: (i) increasing hedges on assets with a view to reducing CDP's exposure to the interest rate risk, (ii) diversifying and reducing the residual maturity of the securities portfolio, (iii) increasing the stock of Postal Savings, for the second year in a row, and (iv) diversifying funding with new bond issues.

The slight increase in dividends (1,362 million euro in 2018, around +1% on 2017) was due to the higher contribution received from Eni and Poste Italiane, partly offset by the lower contribution received from Fintecna and CDP RETI.

The cost of risk increased to approximately -277 million euro (-57 million euro in 2017) as a result of the first-time adoption of the new accounting standard IFRS 9 and the outcome of the impairment testing of a number of equity investments included in the portfolio. In detail, the changes introduced with the new accounting standard have entailed: (i) the widening of the measurement scope and the adoption of the "lifetime" approach to Stage 2 exposures linked to receivables and financial assets and (ii) the measurement at fair value of the measurement component of investment funds classified under "Financial assets measured at fair value through profit or loss". With regard to the equity portfolio, the impairment on the equity investment in Fintecna was reversed for approximately 162 million euro and a value adjustment was made to the equity investment in SACE for approximately 333 million euro.

"Other net revenues" decreased to 88 million euro, from 125 million euro in 2017. This was mainly due to the lower profits on trading and hedging activities and net commission income.

"Operating costs" included staff costs, other administrative expenses, other operating income (costs) and impairment of property, plant and equipment and intangible assets, as shown in the table below.

BREAKDOWN OF OPERATING COSTS

(thousands of euro; %)	2018	2017	Change (+/-)	(%) change
Staff costs	**154,327**	**85,918**	**68,409**	**79.6%**
Other administrative expenses	**60,481**	**57,522**	**2,959**	**5.1%**
Professional and financial services	12,103	12,997	(894)	-6.9%
IT costs	26,214	24,536	1,678	6.8%
General services	10,490	9,072	1,418	15.6%
Publicity and marketing expenses	2,111	2,511	(399)	-15.9%
Information resources and databases	1,847	1,195	652	54.5%
Utilities, taxes and other expenses	7,398	6,912	486	7.0%
Corporate bodies	317	299	18	5.9%
Total administrative expenses	**214,808**	**143,440**	**71,368**	**49.8%**
Other operating expenses and income	(4,878)	(3,678)	(1,200)	32.6%
- *Expenses charged back to third parties*	*(4,778)*	*(1,728)*	*(3,049)*	*n/s*
Amortisation, depreciation and write-downs of property, plant and equipment and intangible assets	7,551	6,902	649	9.4%
Total operating costs	**217,480**	**146,663**	**70,817**	**48.3%**

Staff costs amounted to 154 million euro in 2018, marking an increase on 2017 mainly due to provisions allocated to the "Fondo di Solidarietà del Credito" (solidarity fund for the credit sector) for the launch of the voluntary early retirement scheme. Net of the foregoing provisions, staff costs increased by +16% compared to the previous year, in line with the plan to strengthen the headcount with a view to aligning skills with the increasingly broader operational areas, which continued also in 2018.

Other administrative expenses increased slightly on 2017, standing at over 60 million euro, mainly due to the ongoing modernisation of the IT architecture and the natural increase in general operational services linked to the increase in staff numbers.

Lastly, income tax for the year amounted to 738 million euro. This figure includes, among other things, (i) IRES, IRES surcharge and IRAP taxes for the year, and (ii) a decrease in deferred tax assets, mainly linked to amounts recognised on first-time adoption of IFRS 9.

As a result of the above, the net income for the year was 2,540 million euro, up by approximately 15% from 2,203 million euro in 2017.

4.2.1.2 Reclassified balance sheet

First-time adoption (FTA) of IFRS 9

As duly specified in the section of this Annual Report dedicated to the first-time adoption of IFRS 9 (see section "Other issues" of "CDP's Accounting Policies"), the financial statements have been appropriately amended with respect to those previously in use, in accordance with the requirements of Bank of Italy Circular no. 262 on banks' financial statements, updated to incorporate regulatory developments.

Consequently, the reclassified statements presented and commented below have also been appropriately amended with respect to those previously in use.

The first-time adoption of the new classification and measurement rules in relation to financial assets has entailed, in respect of liabilities recognised in the Balance Sheet of CDP, the reclassification of "Guarantees issued and commitments" under the item "Provisions for contingencies, taxes and staff severance pay", for an amount of 98 million euro.

In terms of measurement, the adoption of the new impairment rules ("expected credit losses") has resulted in:
- a negative impact of 421 million euro on the "Loans" item, mainly due to higher impairment losses recognised on performing positions in view of (i) the requirement to calculate lifetime expected credit losses, and (ii) the widening of the measurement scope;
- a negative impact of 23 million euro on the "Debt securities" item, mainly due to the inclusion of securities measured at amortised cost in the measurement scope;
- a negative impact of 26 million euro on the "Cash and cash equivalents" item, due to inclusion in the measurement scope;
- an increase of around 17 million euro in Provisions for contingencies, taxes and staff severance pay, due to: (i) higher accruals for Guarantees issued and commitments (13 million euro), again due to the requirement to adopt a forward-looking approach to expected credit losses, and (ii) the increase in provisions for deferred tax (around 4 million euro).

As a result of the new measurement and impairment rules applied on FTA of IFRS 9 on 1 January 2018, Equity has decreased by a total of around 322 million euro due to the above described impacts, net of the related tax effects amounting to approximately 162 million euro.

The reclassified balance sheet of CDP at 1 January 2018 is presented below.

RECLASSIFIED BALANCE SHEET

(millions of euro; %)	31/12/2017	Reclassifications	Effects of transition to IFRS 9	01/01/2018
Assets				
Cash and cash equivalents	174,410		(26)	174,384
Loans	102,643		(421)	102,221
Debt securities	48,031		(23)	48,008
Equity investments	32,298			32,298
Assets held for trading and hedging derivatives	895			895
Property, plant and equipment and intangible assets	317			317
Accrued income, prepaid expenses and other non-interest-bearing assets	7,829			7,829
Other assets	843		166	1,008
Total assets	**367,265**		**(306)**	**366,960**

(millions of euro; %)	31/12/2017	Reclassifications	Effects of transition to IFRS 9	01/01/2018
Liabilities and equity				
Funding	340,498			340,498
of which:				
- *postal funding*	*252,754*			*252,754*
- *funding from banks*	*36,225*			*36,225*
- *funding from customers*	*34,052*			*34,052*
- *bond funding*	*17,467*			*17,467*
Liabilities held for trading and hedging derivatives	747			747
Accrued expenses, deferred income and other non-interest-bearing liabilities	495			495
Other liabilities	835	(98)		737
Provisions for contingencies, taxes and staff severance pay	256	98	17	371
Equity	24,435		(322)	24,113
Total liabilities and equity	**367,265**		**(306)**	**366,960**

The reclassified balance sheet of CDP at 31 December 2018 is presented below.

Assets

Assets in CDP's reclassified balance sheet at 31 December 2018 included the following items:

RECLASSIFIED BALANCE SHEET

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Assets				
Cash and cash equivalents	167,944	174,410	(6,466)	-3.7%
Loans	101,293	102,643	(1,349)	-1.3%
Debt securities	60,004	48,031	11,973	24.9%
Equity investments	33,114	32,298	817	2.5%
Assets held for trading and hedging derivatives	882	895	(13)	-1.4%
Property, plant and equipment and intangible assets	344	317	26	8.2%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,642	7,829	(2,187)	-27.9%
Other assets	793	843	(50)	-5.9%
Total assets	**370,015**	**367,265**	**2,750**	**0.7%**

Total assets stood at approximately 370 billion euro, up by around 1% on the end of the previous year, when they stood at approximately 367 billion euro.

Cash and cash equivalents amounted to approximately 168 billion euro, decreasing by -4% compared to the figure recorded at the end of the previous year. The decrease is mainly due to lower short-term investments associated with the fall in funding from OPTES. This item includes the treasury account balance of around 156 billion euro, which increased by over 8 billion euro compared to the figure recorded at the end of 2017.

Loans to customers and banks, totalling around 101 billion euro, were slightly down by -1% compared to the end of 2017, mainly due to: (i) the decrease in loans to public entities, and (ii) the increase in the provision for impaired loans, arising from the first-time adoption of IFRS 9, in part offset by the increase in loans in support of international expansion.

Debt securities amounted to approximately 60 billion euro, up by 25% on the year-end 2017 figure, mainly due to securities purchased in the HTC portfolio.

At 31 December 2018, the carrying amount of equity investments, equity securities and funds was approximately 33 billion euro, up 3% compared to the end of 2017. The increase was due to net draw-downs of some investment funds and CDP's ac-

quisition of a stake in Telecom Italia S.p.A. (TIM); this investment falls under CDP's institutional mission to support strategic national infrastructure and is aimed at supporting the process of growth and value creation launched by the company in a sector of primary interest for the country.

Assets held for trading and hedging derivatives were slightly down compared to the end of 2017 (-1%). This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Total property, plant and equipment and intangible assets amounted to 344 million euro, of which approximately 323 million euro relating to property, plant and equipment and the remainder to intangible assets. Specifically, the increase in the item was due to considerable investments during the year, which exceeded the depreciation and amortisation of existing assets during the same period. Expenditures on investments continued during the year, primarily in connection with one-off renovations of owned properties.

Accrued income, prepaid expenses and other non-interest-bearing assets decreased compared to 2017, amounting to approximately 5.6 billion euro (7.8 billion euro at 31 December 2017). This was mainly due to a decrease in the amount of past-due loans.

Lastly, the item "Other assets", which includes current and deferred tax assets, payments on account for withholding tax on passbook savings accounts and other residual assets, equal to 793 million euro, was slightly down from 843 million euro recorded in 2017.

Liabilities

At 31 December 2018, the liabilities in CDP's reclassified balance sheet were as follows:

RECLASSIFIED BALANCE SHEET

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Liabilities and equity				
Funding	342,595	340,498	2,097	0.6%
of which:				
- *postal funding*	*258,040*	*252,754*	*5,287*	*2.1%*
- *funding from banks*	*52,939*	*36,225*	*16,714*	*46.1%*
- *funding from customers*	*12,590*	*34,052*	*(21,462)*	*-63.0%*
- *bond funding*	*19,025*	*17,467*	*1,558*	*8.9%*
Liabilities held for trading and hedging derivatives	753	747	7	0.9%
Accrued expenses, deferred income and other non-interest-bearing liabilities	474	495	(21)	-4.3%
Other liabilities	753	835	(81)	-9.7%
Provisions for contingencies, taxes and staff severance pay	646	256	389	n/s
Equity	24,794	24,435	359	1.5%
Total liabilities and equity	**370,015**	**367,265**	**2,750**	**0.7%**

Total funding at 31 December 2018 exceeded 342 billion euro (+1% compared to the end of 2017) thanks to the performance of Postal Funding and the continued diversification of funding sources.

Within this item, Postal Funding increased by +2% as a result of CDP's positive net funding (around 2 billion euro) and interest accrued. The balance of such funding, which includes the balances of postal passbook savings accounts and postal savings bonds, was around 258 billion euro.

Funding from banks increased to approximately 53 billion euro in December 2018, from about 36 billion euro in 2017, mainly due to the increase in repurchase agreements (around 46 billion euro at the end of 2018), up compared to the figure recorded at the end of 2017 (around 28 billion euro).

Funding from customers, which stood at around 13 billion euro, was down by 63% on the end of 2017. This decrease was chiefly attributable to reduced funding from OPTES transactions (down to 3 billion euro at the end of 2018, from around 23 billion euro at the end of 2017), and, to a lesser extent, to the decrease in balances held by Group companies.

Bond funding increased by approximately 9% on the year-end 2017 figure, exceeding 19 billion euro (around 17 billion euro at the end of 2017). This was mainly due to new issues totalling over 3.6 billion euro, partly offset by maturities reached during the year and the decrease in Commercial Papers.

Liabilities held for trading and hedging derivatives amounted to 753 million euro, compared to 747 million euro at the end of 2017. This item includes the fair value (where negative), of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Accrued expenses, deferred income and other non-interest-bearing liabilities stood at 474 million euro, down from 495 million euro in 2017.

With regard to other significant items, there was (i) a slight decline in other liabilities (753 million euro at the end of 2018, decreasing by around -10% on the end of 2017) and (ii) an increase in provisions for contingencies, taxes and staff severance pay (646 million euro at the end of 2018, against 256 million euro in 2017), mainly due to higher tax liabilities.

Lastly, equity amounted to around 25 billion euro at 31 December 2018, up by +1.5% on the end of 2017, as a result of net income for the year, which more than offset the payment of the 2017 dividends and the effects of the first-time adoption of IFRS 9.

4.2.1.3 Indicators

MAIN INDICATORS (RECLASSIFIED DATA)

	31/12/2018	31/12/2017
Structure ratios (%)		
Loans/Total assets	27.4%	27.9%
Loans/Postal Funding	39.3%	40.6%
Equity investments/Equity	133.6%	132.2%
Securities/Equity	242.0%	196.6%
Funding/Total liabilities	92.6%	92.7%
Equity/Total liabilities	6.7%	6.7%
Postal Savings/Total funding	75.3%	74.2%
Performance ratios (%)		
Net interest income/Gross income	61.9%	48.4%
Dividends/Gross income	35.8%	47.2%
Spread on interest-bearing assets and liabilities	0.79%	0.52%
Cost/income ratio	6.2%	5.2%
Net income/Opening equity (ROE)	10.4%	9.5%
Net income/Average equity (ROAE)	10.3%	9.3%
Risk ratios (%)		
Coverage of bad loans (*)	50.9%	62.0%
Net non-performing loans/Net loans to customers and banks (**) (***)	0.068%	0.215%
Net adjustments to loans/Net exposure (**) (***)	0.022%	0.003%
Productivity ratios (millions of euro)		
Loans/Employees	132.2	141.4
Funding/Employees	447.0	469.0
Operating income/Employees (*)	4.3	3.7

(*) Provision bad loans/Gross exposure to bad loans.
(**) For 2018 Exposures include loans and customers, disbursements commitments, cash and cash equivalents and bonds. For 2017 Exposures include loans to banks and customers, and disbursements commitments. Net exposures are calculated net of the provision for impaired loans.
(***) Net exposure is calculated net of the provision for non-performing loans.

Structure ratios related to liabilities were substantially in line with 2017, with postal funding weighing heavily on total funding by around 75%. With regard to the asset structure, the assets related to the core business (loans and equity investments) were basically unchanged, even if investments in government securities continue to have a large weight, which increased further in 2018.

An analysis of profitability indicators shows that there was an increase in the spread between lending and funding rates, from about 52 basis points in 2017 to about 79 basis points at 31 December 2018, due to the improved returns on assets and decreased funding costs.

The cost/income ratio (6.2%) is very low and falls well within the specified target range, notwithstanding the increase in overhead costs resulting from the aforementioned provision allocated to the “Fondo di Solidarietà del Credito” and the continuation of the headcount strengthening plan. Return on equity (ROE) was 10.4%, up compared to 2017 thanks to the increase in net income for the year.

The creditworthiness of the CDP loan portfolio remained very high, with a moderate risk profile, as highlighted by its excellent risk indicators.

Productivity ratios continue to be very high, with loans and receivables per employee equal to 132 million euro and funding per employee equal to 447 million euro. Due to the improvement in financial performance, operating income per employee was approximately 4.3 million euro.

4.2.1.4 Outlook of operations

To really support the country's economic, social and environmental growth, ensuring the full protection of household savings, CDP will arrange its operations along four main lines of action: Enterprises; Infrastructures, Public Sector and Local Development; Cooperation; Large Strategic Equity Investments.

In the current macroeconomic context, characterised by a slowdown in economic growth and a credit spread that is increasing in Italy, CDP intends to focus on ensuring an economic and financial balance and on further strengthening its capital structure, with the 2019 results expected to confirm the levels achieved in previous years.

4.2.2 Group companies

The accounting situation of the CDP Group companies as at 31 December 2018 is presented below from a management accounting standpoint: for detailed information concerning balance sheet and income statement performance, refer to the financial statements of the Group's companies, which contain full accounting information and analyses of their operating performances.

A statement of reconciliation between management and accounting schedules (Annex 2.1 to the consolidated financial statements) has also been appended in the interest of completeness of information.

4.2.2.1 Reclassified consolidated income statement

The Group's consolidated reclassified income statement, with a comparison to the previous year, is presented below.

RECLASSIFIED INCOME STATEMENT

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Net interest income	**2,258**	**1,187**	**1,071**	**90.2%**
Gains (losses) on equity investments	1,120	1,653	(533)	-32.2%
Net commission income (expense)	101	106	(5)	-4.7%
Other net revenues (costs)	(113)	(468)	355	-75.9%
Gross income	**3,366**	**2,478**	**888**	**35.8%**
Profit (loss) on insurance business	73	865	(792)	-91.6%
Profit (loss) on banking and insurance operations	**3,439**	**3,343**	**96**	**2.9%**
Net recoveries (impairment)	(126)	50	(176)	n/s
Administrative expenses	(7,412)	(6,842)	(570)	8.3%
Other net operating income (costs)	11,920	11,122	798	7.2%
Operating income	**7,821**	**7,673**	**148**	**1.9%**
Net provisions for risks and charges	(5)	(74)	69	-93.2%
Net adjustments to PPE and intangible assets	(2,042)	(1,937)	(105)	5.4%
Other	18	(3)	21	n/s
Income taxes	(1,459)	(1,197)	(262)	21.9%
Net income for the year	**4,333**	**4,462**	**(129)**	**-2.9%**
Net income (loss) for the year pertaining to non-controlling interests	1,442	1,519	(77)	-5.1%
Net income (loss) for the year pertaining to the Parent Company	**2,891**	**2,943**	**(52)**	**-1.8%**

The Group's net income for the year ended 31 December 2018 was equal to 4,333 million euro, slightly down compared to 2017. However, the item includes the non-recurring entry of the restatement at fair value of the remaining interest in FSIA following the loss of control of the subsidiary (for further information, please refer to the 2017 Annual Financial Report). The 2018 result benefits from the positive changes in net interest income and the good performance of the companies measured according to the equity method.

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Interest expense on payables to customers	(5,121)	(5,568)	447	-8.0%
Interest expense on payables to banks	(167)	(133)	(34)	25.6%
Interest expense on securities issued	(648)	(649)	1	-0.2%
Interest income on debt securities	1,406	1,302	104	8.0%
Interest income on financing	6,761	6,122	639	10.4%
Interest on hedging derivatives	(99)	(26)	(73)	n/s
Other net interest	126	139	(13)	-9.4%
Net interest income	**2,258**	**1,187**	**1,071**	**90.2%**

Net interest income was 2,258 million euro, up considerably on the previous year, and relates mainly to the Parent Company, whose contribution was partly offset by the expenses connected with the debt of Snam, Terna, Italgas and Fincantieri.

The result of the measurement according to the equity method of investees over which the Group has significant influence or which are subject to joint control, included under "Gains (losses) on equity investments", was 1,120 million euro, against 1,653 million euro reported in 2017. This value mainly reflects the result of the measurement with the equity method of:

- Eni (873 million euro, compared to 693 million euro in 2017);
- Poste Italiane (436 million euro, compared to 302 million euro in 2017);
- SAIPEM (-60 million euro, compared to -63 million euro in 2017);
- Ansaldo Energia (-239 million euro, compared to 6 million euro in 2017);
- unrealised gains on the equity portfolio of the Snam Group (114 million euro, against 121 million euro in 2017).

Net commission, amounting to 101 million euro, remained basically unchanged with respect to the previous financial year.

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Net gain (loss) on trading activities	20	(244)	264	n/s
Net gain (loss) on hedging activities	(43)	8	(51)	n/s
Gains (losses) on disposal or repurchase financial transactions	(28)	(36)	8	-22.2%
Net gain (loss) on financial assets and liabilities carried at fair value	(62)	(196)	134	-68.4%
Other net revenues (costs)	**(113)**	**(468)**	**355**	**-75.9%**

Other net revenues/costs were up by about 355 million euro, mainly as a result of:

- the higher contribution of profits (losses) on trading activities of the insurance group's companies, which amounted to 38 million euro compared to -227 million euro in the previous financial year. The change in the insurance group's result is due to the positive contribution of exchange rate differences, equal to 35 million euro (-138 million euro in 2017) and derivative transactions (-0.5 million euro, compared to -16 million euro in 2017), which have an operational hedging purpose and for which hedge accounting has not been adopted;
- the lower losses on the sale/repurchase of financial assets and liabilities, equal to -29 million euro, compared to -36 million euro in 2017.

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Gross Premiums	819	881	(62)	-7.0%
Change in premium reserve	(233)	130	(363)	n/s
Premiums paid in reinsurance	(275)	(171)	(104)	60.8%
Effect of consolidation	(108)	(33)	(75)	n/s
Net premiums for the year	**203**	**807**	**(604)**	**-74.8%**
Net other income (expense) from insurance operations	(139)	63	(202)	n/s
Effect of consolidation	9	(5)	14	n/s
Profit (loss) on insurance business	**73**	**865**	**(792)**	**-91.6%**

Net income from insurance operations of 73 million euro includes net premium income and other income and expense for the companies operating in the insurance sector. The decrease compared to 2017 is due to a sharp reduction in the provision for unearned premiums and the accruals made to the provision for outstanding claims, and to lower recoveries on the commercial risk in 2018 compared to 2017. The change in other net income (expense) from insurance operations compared to the previous

financial year is attributable to claims pertaining to the year for -147 million euro (against a positive balance of 79 million euro in 2017). The balance is mainly the result of the change in the provision for outstanding claims.

Overall, the banking and insurance components resulted in profit on banking and insurance operations of 3,439 million euro, up considerably on the previous financial year (96 million euro).

(millions of euro; %)	2018	2017	Change (+/-)	(%) change
Profit (loss) on banking and insurance operations	**3,439**	**3,343**	**96**	**2.9%**
Net recoveries (impairment)	(126)	50	(176)	n/s
Administrative expenses	(7,412)	(6,842)	(570)	8.3%
Other net operating income (costs)	11,920	11,122	798	7.2%
Operating income before adjustments to PPE and intangible assets	**7,821**	**7,673**	**148**	**1.9%**
Net adjustments to PPE, intangible assets and goodwill	(2,042)	(1,937)	(105)	5.4%
Operating income after adjustments to PPE and intangible assets	**5,779**	**5,736**	**43**	**0.7%**

Administrative expenses increased to 7,412 million euro. This was mainly due to:

- the Fincantieri Group (5,033 million euro, compared to 4,603 million euro in 2017), as a result of increased production volumes during the year;
- the companies operating in the gas transport, distribution, re-gasification and storage sector (1,285 million euro, compared to 1,265 million euro in 2017), partly as a result of business combinations carried out during the year;
- the companies of the Terna Group (646 million euro, compared to 607 million euro in the previous financial year).

Other net operating income (costs) of around 11.9 billion euro mainly include the revenues from the core business of the Snam, Italgas, Terna and Fincantieri groups. The 798 million euro increase in this item is mainly due to the higher turnover of the four companies, specifically, of Fincantieri for 465 million euro, Snam for 93 million euro, Italgas for 15 million euro and Terna for 66 million euro.

There was a slight increase in net adjustments to property, plant and equipment and intangible assets, mainly attributable to the Snam, Terna, Fincantieri and Italgas groups.

The CDP Group's effective tax rate for 2018 was 25.2% (21.2% in 2017).

4.2.2.2 Reclassified consolidated balance sheet

Consolidated assets

The asset side of the reclassified consolidated balance sheet at 31 December 2018 is presented below, in comparison with the restated figures as at 31 December 2017:

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	170,362	178,760	(8,398)	-4.7%
Loans	104,898	108,245	(3,347)	-3.1%
Debt securities, equity securities and units in collective investment undertakings	70,603	55,682	14,921	26.8%
Equity investments	20,396	19,770	626	3.2%
Trading and hedging derivatives	812	1,106	(294)	-26.6%
Property, plant and equipment and intangible assets	46,464	45,229	1,235	2.7%
Reinsurers' share of technical reserves	852	671	181	27.0%
Other assets	10,696	10,071	625	6.2%
Total assets	**425,083**	**419,534**	**5,549**	**1.3%**

Group assets totalled over 425 billion euro, up by 1.3% (6 billion euro) compared to the figure recorded at the end of the previous financial year.

The changes in financial assets represented by cash and cash equivalents, loans and securities were primarily attributable to the performance of the Parent Company's portfolios.

Securities, including debt securities, equity securities and units in collective investment undertakings (the latter primarily purchased as an investment) increased in value, mainly due to the effect of purchases of financial assets classified under the HTC portfolio.

The increase in equity investments was driven by opposing trends. The balance for 2017 was 19.8 billion euro. This balance had increased to 20.3 billion euro by 1 January 2018 (+483 million euro) following the adoption of IFRS 9 and IFRS 15 by Group companies subject to significant influence and by jointly controlled companies. The highest impacts of the adoption of IFRS 9 and IFRS 15 were seen by the Eni and Poste Italiane groups. These impacts also concerned the related equity investments, recognised and accounted for using the equity method. Both groups recognised a positive impact from the transition to the new financial reporting standard. The negative effect of the adoption of the new impairment rules is more than offset by the measurement at fair value of certain financial instruments.

In addition to these effects, the aforesaid equity investments produced the following impacts:
- Eni – the increase deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to 873 million euro, and the change in valuation reserves, equal to 432 million euro. These effects were partly offset by the reversal of the dividend and by other negative changes;
- Poste Italiane – the positive effect of 436 million euro (including the effect of consolidation entries) deriving from net income for the year, whose effects were offset by the change in valuation reserves, the reversal of the dividend and other changes, totalling -721 million euro;
- in addition to the increasing effect of the share capital increase (48 million euro), the measurement of Ansaldo Energia using the equity method has also produced a negative change of 251 million euro, of which 239 million euro deriving from the income result of the investee (including the effect of consolidation entries) and 12 million euro due to the decrease in valuation reserves and other equity reserves.

Assets held for trading and hedging derivatives decreased by 26.6% (equal to 0.3 billion euro) on the previous financial year, falling from 1.1 billion euro to 0.8 billion euro. This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Property, plant and equipment and intangible assets totalled 46 billion euro, recording a slight increase (1.2 billion euro) compared to the previous financial year. This change was primarily due to investments made by the Terna, Snam, Italgas and Fincantieri groups, offset by decreases associated with the related purchase price allocation processes.

At 31 December 2018, the reinsurers' share of technical provisions was 0.9 billion euro, marking a 27% increase compared to the previous financial year. This value is affected by the increased disposals carried out in 2018, to support the development of the business.

Other assets increased to 10.7 billion euro (+6.2% on 2017) and mainly include the contribution of Fincantieri (4.7 billion euro), Snam (2.3 billion euro), Terna (1.4 billion euro), and Italgas (1 billion euro).

Consolidated liabilities

The liability side of the reclassified consolidated balance sheet at 31 December 2018 is presented below, in comparison with the restated figures as at 31 December 2017:

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Liabilities and equity				
Funding	367,226	364,023	3,203	0.9%
of which:				
- *postal funding*	*258,040*	*252,755*	*5,285*	*2.1%*
- *funding from banks*	*63,859*	*45,746*	*18,113*	*39.6%*
- *funding from customers*	*7,795*	*27,765*	*(19,970)*	*-71.9%*
- *bond funding*	*37,532*	*37,757*	*(225)*	*-0.6%*
Liabilities held for trading and hedging derivatives	908	853	55	6.4%
Technical reserves	2,675	2,408	267	11.1%
Other liabilities	10,986	9,754	1,232	12.6%
Provisions for contingencies, taxes and staff severance pay	6,556	6,575	(19)	-0.3%
Total Equity	36,732	35,921	811	2.3%
Total liabilities and equity	**425,083**	**419,534**	**5,549**	**1.3%**

The CDP Group's total funding stood at 367 billion euro at 31 December 2018, up by 0.9% on the end of 2017.

Postal funding refers exclusively to the Parent Company. Please refer to the specific section for the related comments.

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Due to central banks	**2,487**	**2,499**	**(12)**	**-0.5%**
Due to banks	**61,372**	**43,247**	**18,125**	**41.9%**
Current accounts and demand deposits	36	1,498	(1,462)	-97.6%
Fixed-term deposits	953	1,107	(154)	-13.9%
Repurchase agreements	45,591	27,759	17,832	64.2%
Other loans	12,695	12,712	(17)	-0.1%
Other payables	2,097	171	1,926	n/s
Funding from banks	**63,859**	**45,746**	**18,113**	**39.6%**

The following components contributed to funding levels, albeit to a more moderate extent:

- funding from banks, the increase in which was primarily tied to the Parent Company's dealings in repurchase agreements;
- funding from customers, the decrease in which was mainly due to the decrease in the balance held by the Parent Company through OPTES transactions, equal to 3 billion euro (23 billion euro at the end of 2017);
- bond funding, mainly composed of bonds issued under the EMTN programme, retail bond issues, "Stand alone" issues by the Parent Company guaranteed by the Government and bonds issued by Snam, Terna and Italgas. The balance of this item, essentially in line with the previous year, reflects the following transactions carried out in the period:
  - the increase attributable to the Parent Company for bond issues guaranteed by BancoPosta and for the new EMTN/DIP lines, offset by maturities in 2018;
  - the bond issues of the subsidiary Snam decreased by 226 million euro compared to 31 December 2017, mainly due to: (i) the repayment of a fixed-rate bond due on 19 March 2018, of a nominal amount equal to 851 million euro; (ii) the repayment of a fixed-rate bond due on 10 September 2018, of a nominal amount equal to 70 million euro; (iii) the repurchase on the fixed-rate bond market for a nominal value totalling 538 million euro with coupon rate of around 2.6% and a residual maturity of around 3.7 years. These effects were partially offset by the issue of: (i) a floating-rate bond, on 22 January 2018, for a nominal value equal to 350 million euro; (ii) a fixed-rate bond, on 11 September 2018, for a nominal value equal to 600 million euro; (iii) a fixed-rate bond, on 27 November 2018, for a nominal value equal to 300 million euro;
  - with regard to Italgas, the bond originally issued on 18 September 2017 (500 million euro, with 18 January 2029 maturity and 1.625% coupon) was re-opened on 30 January 2018 for a nominal value of 250 million euro, in part offset by the repayment, with respect to the original maturity of October 2019, of a term loan for an amount equal to 200 million euro;

– with regard to Terna, a bond issued in 2012 for 750 million euro was repaid in February and a green bond issue was successfully launched on 23 July 2018 for 750 million euro.

Liabilities held for trading and hedging derivatives totalled 0.9 billion euro, in line with the previous financial year. This item includes the fair value (where negative), of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Technical provisions refer solely to the SACE group and include reserves intended to cover, as far as they can be reasonably foreseen, the commitments taken with reference to the Group's insurance business. At 31 December 2018, the item in question (including the effect of consolidation entries) was around 2.7 billion euro, up by 0.3 billion euro on the previous year, mainly as a result of the increase in the provision for unearned premiums.

Other liabilities, which totalled approximately 11 billion euro, include not only the other liabilities of the Parent Company, but also significant balances relating to other Group companies, such as total trade payables (5.4 billion euro) and contract work in progress (1.6 billion euro). The increase of 1.2 billion euro is mainly attributable to Fincantieri (0.3 billion euro), Italgas (0.5 billion euro), Snam (0.2 billion euro) and Terna (0.2 billion euro).

Provisions for contingencies, taxes and staff severance pay stood at approximately 6.6 billion euro at 31 December 2018, essentially in line with the 2017 figure.

Equity amounted to approximately 36.7 billion euro at 31 December 2018 and is presented below in comparison with the previous year. The first-time adoption of IFRS 9 and IFRS 15 has led to an increase of 191 million euro in equity pertaining to the Group and an increase of 0.2 million euro in equity pertaining to non-controlling interests.

Taking also in account the effects of the new financial reporting standards, equity pertaining to the Group and that pertaining to non-controlling interests was basically unchanged with respect to the previous financial year, because:
- there were no significant changes in terms of equity investments and the scope of consolidation;
- with reference to non-controlling interests, the decrease is mainly due to the payment of dividends and the impact of the purchase of treasury shares, whose effect was in part offset by net income for the year;
- with reference to equity pertaining to the Group, the increase is due to the income surplus for the year after the payment of dividends to shareholders.

(millions of euro; %)	31/12/2018	31/12/2017	Change (+/-)	(%) change
Group's Equity	24,056	23,061	995	4.3%
Non-controlling interests	12,676	12,860	(184)	-1.4%
Total equity	**36,732**	**35,921**	**811**	**2.3%**

4.2.2.3 Contribution of the business segments to the Group's results

The contribution of the business segments to the Group's financial performance at the level of the reclassified income statement and main items of the reclassified balance sheet is presented below:

RECLASSIFIED INCOME STATEMENT BY BUSINESS SEGMENT

(millions of euro)	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Net interest income	**2,373**	**222**	**(5)**	**2,590**	**(332)**	**2,258**
Dividends	1,363	8	482	10	2	12
Gains (losses) on equity investments			(9)	(9)	1,117	1,108
Net commission income (expense)	84	53	4	141	(40)	101
Other net revenues (costs)		2	(29)	(27)	(86)	(113)
Gross income	**3,820**	**285**	**443**	**2,705**	**661**	**3,366**
Profit (loss) on insurance business		73		73		73
Profit (loss) on banking and insurance operations	**3,820**	**358**	**443**	**2,778**	**661**	**3,439**
Net recoveries (impairment)	(76)	(46)	(4)	(126)		(126)
Administrative expenses	(219)	(150)	(99)	(468)	(6,944)	(7,412)
Other net operating income (costs)	3	3	19	25	11,895	11,920
Operating income	**3,528**	**165**	**359**	**2,209**	**5,612**	**7,821**
Net Provisions for risks and charges	(34)	13	92	71	(76)	(5)
Net adjustment to property, plant and equipment and intangible assets	(8)	(4)	(33)	(45)	(1,997)	(2,042)
Other		1	12	13	5	18
Income (loss) for the year before tax	**3,486**	**175**	**430**	**2,248**	**3,544**	**5,792**
Income taxes						(1,459)
Net income for the year						**4,333**

(*) Total of the segments "Support for the economy", "International expansion" and "Other segments", net of elimination of dividends.

KEY RECLASSIFIED BALANCE SHEET FIGURES BY SEGMENT

(millions of euro)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Loans and cash and cash equivalents	267,407	2,463	1,041	270,911	4,349	275,260
Equity investments		8	71	79	20,317	20,396
Debt and equity securities and units in collective investment undertakings	66,174	3,324	657	70,155	448	70,603
Property, plant and equipment/technical investments	323	74	1,426	1,823	35,837	37,660
Other assets (including Inventories)	258	150	105	513	8,419	8,932
Funding	336,601	1,050	1,245	338,896	28,330	367,226
- *of which: bonds*	*17,709*	*532*	*416*	*18,657*	*18,875*	*37,532*

The financial data reported above were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three segments "Support for the economy", "International expansion" and "Other sectors". The contribution of the three combined segments, which present a profit before tax of 4.1 billion euro, is collectively represented by the Parent Company and the companies subject to management and coordination, net of their investments, included in "Companies not subject to management and coordination". The latter had a profit before tax of 3.5 billion euro.

4.2.2.4 Consolidated statement of reconciliation

Finally, the statement of reconciliation between equity and net income for the year at the level of the Parent Company and at the consolidated level is provided below.

RECONCILIATION BETWEEN EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET INCOME

(millions of euro)	Net income for the year	Share capital and reserves	Total
Parent Company's financial data	**2,540**	**22,254**	**24,794**
- *of which: impacts at 1 January 2018 resulting from the adoption of IFRS 9 and 15*		*(322)*	*(322)*
Balance from financial statements of fully consolidated companies	2,416	26,937	29,353
- *of which: impacts at 1 January 2018 resulting from the adoption of IFRS 9 and 15*		*30*	*30*
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments		(20,176)	(20,176)
- Differences of purchase price allocation	(241)	6,862	6,621
- Dividends from fully consolidated companies	(853)	853	
- Measurement of equity investments accounted for with the equity method	1,228	7,123	8,351
- *of which impacts at 1 January 2018 resulting from the adoption of IFRS 9 and 15*		*483*	*483*
- Dividends of companies measured with the equity method	(988)	(9,770)	(10,758)
- Elimination of intercompany transactions	5	(190)	(185)
- Reversal of measurements in the separate financial statements	330	310	640
- Value adjustments	(161)	(173)	(334)
- Deferred tax assets and liabilities	67	(1,962)	(1,895)
- Other adjustments	(9)	330	321
- Non-controlling interests	(1,443)	(11,233)	(12,676)
Group's financial data	**2,891**	**21,165**	**24,056**

5. 2019-2021 Business Plan

The Plan defines the Group's objectives and strategic lines in light of Italy's main economic and social challenges, the major global trends (innovation and digitalization, energy transition and climate change, developing countries and international trade, social change) and the Sustainable Development Goals of the UN's 2030 Agenda.

The stimulus to business activities will be aided by an increasingly proactive business model, aimed at effectively accelerating the industrial and infrastructural development of the country in a sustainable way, and by the enhancement of the expertise and distinctive characteristics of CDP: protection of postal savings, long-term investment capacity, complementarity with the banking system, and economic and financial balance.

The ambition of the CDP Group is to activate a total of 203 billion euro between 2019 and 2021 to make a significant contribution to the sustainable growth of the country - committing 111 billion euro of its own funds and activating 92 billion euro of loans from private investors and other local, national and supranational institutions.

All the actions planned will be carried out by implementing a new business model, while ensuring an economic and financial balance and, therefore, the complete protection of savings that households entrust to CDP through postal savings bonds and passbook accounts, placing, for the first time, a strong focus on the promotion of sustainable and inclusive development.

To really support the country's economic, social and environmental growth, the CDP Group will arrange its operations along four main lines of action: Corporate; Public Sector and Infrastructures; International Cooperation; Large Strategic Equity Investments.

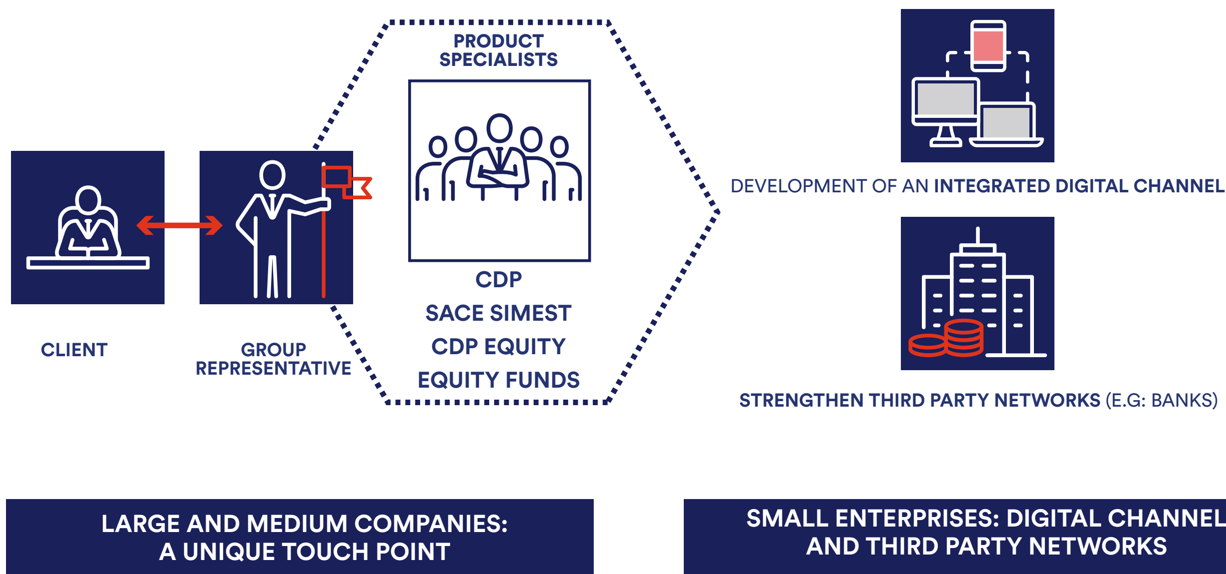
CDP Corporate

The Business Plan for the next three years provides for the investment of 83 billion euro in the innovation and growth of Italian enterprises, including their international expansion. This will be achieved by creating a single offering at Group level and by simplifying credit access channels. The aim is to increase the number of enterprises supported to the target number of 60,000 over the three-year term of the plan (directly and indirectly, for example through the banking channel), with an increasing focus on SMEs.

The Group will provide enterprises with tools dedicated to:

- innovation - medium/long term lending activities will be expanded (in a complementary role with the banking system), also using Italian and European resources, allowances and guarantees, and more incisive actions will be implemented in relation to venture capital, also through a dedicated asset management company (SGR) and through start-up incubator/accelerator funds;
- domestic and international growth - the scope of lending activities and direct guarantees for investments will be broadened; the SACE Group's operations will be strengthened in support of Italian exports (with the review of reinsurance and the introduction of new digital products and "education to export" initiatives); equity instruments will be reorganised and supply chain funds will be launched in sectors like mechanical engineering, agri-food and the white economy;
- helping SMEs obtain access to direct credit, also with the involvement of other investors using instruments like regional basket bonds, and access to indirect credit, in collaboration with the banking system and through national and European guarantees or funds.

A new multi-channel distribution model will be launched: enterprises will be able to access all of the Group's products through a single point of contact; the nationwide network will be expanded to include at least one contact point in every Italian region; the digital channel and collaborations with third-party networks will also be strengthened to support small and medium enterprises.



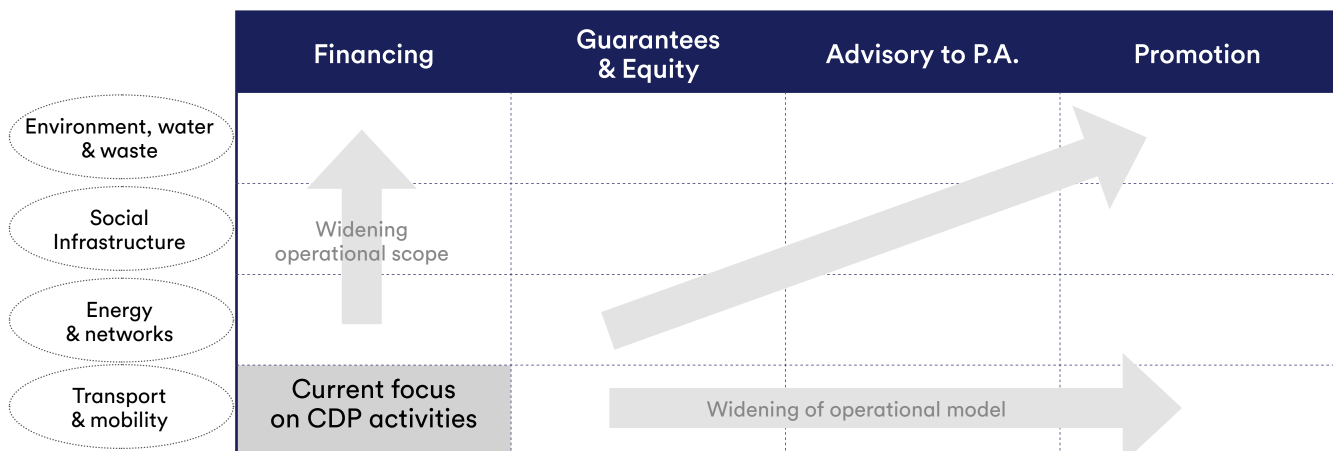
CDP Public Sector and Infrastructures

The Plan will release 25 billion euro to support local development and to help local authorities creating infrastructure and improving services of public utility, thus strengthening the partnership with the Public Sector and increasing the Group's territorial presence.

To accelerate the development of infrastructure, a dedicated unit - "CDP Infrastructures" - will be set up to support local authorities in the planning, development and funding of the related projects. In addition to its traditional role as a lender, CDP

will also take on the role of promoter of new strategic projects, involving industrial entities in public-private partnerships. The areas of intervention will be expanded, with a focus on mobility and transport, energy and networks, social initiatives and the environment.

Other aims include: strengthened collaboration with the Public Sector in order to re-launch investments and innovation, also through renegotiation and advances to facilitate access to national and European funds and the payment of debts to enterprises; increasing the number of direct actions throughout the territory, with the launch of City Plans to redevelop urban areas and initiatives to support art, culture and tourism (fund for the redevelopment of tourism facilities, especially in southern Italy); support for services of public utility, including health (innovation of health services and senior housing), housing (social housing) and education (student housing and student loans).



CDP International Cooperation

3 billion euro has been allocated to fund projects in developing countries and emerging markets. In this sector as well, the innovative aspect of the Plan is CDP's proactive approach in moving from being a manager of public funds to being a lender, with the ability to channel funding by identifying the relevant investment projects. Loans will be granted to governments, as well as to multilateral financial institutions, such as development banks. CDP will also support enterprises by participating in Italian investment funds or those of target countries, even with Italian industrial partners.

Large Strategic Equity Investments

The Group's portfolio will be reorganised on the basis of an industrial approach and by business sector, so as to support the development pathways over the long term. The objective is threefold: to support the creation of industrial expertise in the strategic supply chains of the production system; to support cooperation opportunities between investees; to support the growth of the different enterprises that come within the value generation chains.

Capital strength and protection of savings

The new Business Plan identifies ambitious growth objectives which place Cassa depositi e prestiti at the centre of the country's economic development - to be pursued whilst ensuring continued focus on economic, financial and capital equilibrium.

CDP will continue to expand and diversify its lending instruments and will continue to optimise its strategy to hedge risks linked to the evolution of its operations. The plan to renew and develop postal savings bonds and passbook accounts will be continued by expanding the range of digital products and services and increasing the forms of funding dedicated to activities with a social and environmental impact, such as social bonds and green bonds.

The new business model

In order to achieve the targets of the Plan and in the light of the new business lines, an evolution in the business model is already in progress so as to respond effectively to the challenges of the country. The new model involves various actions. One of these has already been launched and involves the strengthening of human capital, the Group's primary asset, with the attraction and development of talents, also through the creation of an internal Academy. There will also be a streamlining in the organisation and in the operational and decision-making processes, as well as the creation of customer-oriented solutions. Lastly, to this end, both CDP's offer and its communications with enterprises and the Public Administration will be digitalised.

CDP for the sustainable development of the country

Through its new Business Plan, CDP intends to make a proactive contribution to the achievement of the objectives set by the United Nations' 2030 Agenda, also signed by Italy. The integration of sustainability into CDP's choices will be initiated through a gradual shift of investments towards initiatives with clear and measurable social and environmental impacts. Based on this approach, new investment assessment criteria will be adopted for the first time to take into account social and environmental aspects together with the traditional economic-financial parameters, the aim being to minimise the Environmental, Social and Governance (ESG) risk and maximise the positive impacts for the community and the territory. Therefore, sustainability will no longer be viewed as a positive "side effect" of CDP's investments — which have generated positive externalities in the country for over 160 years — but as the founding element of its business strategy.

6. Corporate Governance

Communication, press office and sustainability

In 2018, the Group continued to pursue the strategy aimed at highlighting the key role played by CDP in promoting the country development, with internal and external communication initiatives to promote regular and one-off activities.

This strategy found additional momentum in the second half of the year, with the start of an important process to redefine the identity and the marketing and communication activities of the Group, in the light of the new objectives introduced by the 2019-2021 Business Plan. CDP intends to leverage its distinctive position as protagonist in the development of the Italian economy, to promote familiarity with the brand and its activities at the local level (with companies, public sector entities and other reference stakeholders) and to consolidate the central role of postal savings in the storytelling strategy.

The connection between postal savings and CDP initiatives to support the country was made clear in the very title of the Business Plan ("#CDP2021 from Italy for Italy. The savings of Italian people for the sustainable development of the Country") and strengthened through investments in technology, communication, promotion and training and special initiatives, such as contests open to the public, education of schoolchildren on investment issues and multimedia advertising campaigns.

To strengthen the sense of belonging to the Group and the commitment to common objectives, new internal communication activities were implemented or started. Some examples: the new intranet that, as a digital work place, combines with the publication of news on current issues a series of tools and services dedicated to the workforce, with simplified areas and impactful visual approaches; the first internal newsletter which, each week, provides all employees with news and service information; the convention attended, for the first time, by the two thousand employees of the CDP Group.

In 2018, the CDP Group published for the first time its Consolidated Non-financial Statement, with information on environmental, social, economic and governance issues.

The promotion of sustainable and inclusive growth is by now a key issue at the global level and the investment strategies of financial operators are increasingly focused on the promotion of sustainable development. CDP's new Business Plan, presented at the end of 2018, therefore spells out for the first time the Group's commitment to sustainable development, defining a new strategy meant to contribute to the achievement of the targets set by UN 2030 Agenda. As a proof of this commitment, a central function was set up, to monitor and coordinate sustainability and corporate responsibility issues.

Institutional Relations

In 2018, the institutional relations with: i) national institutions (Government, Parliament, Parliamentary Supervisory Committee on CDP's separate account, regulatory authority and other national administrations); ii) the reference stakeholders (trade associations, institutional investors, foundations, universities, think tanks); iii) local institutions were subject to coordinated management and development.

In particular, as part of the institutional activities carried out at local level, a series of initiatives was promoted in cooperation with bank foundations, trade associations, banks and credit institutions, universities and local public administrations, aiming to promote the actions of Cassa depositi e prestiti to support both local authorities and small and medium enterprises.

As part of the institutional activity to support fund raising activities, meetings were organised and managed with representatives from the pension and social security sectors and other institutional investors, in addition to guidance and information events held at bank foundations.

During the reporting period, support was also provided to the CDP Group's representatives by managing relations with the Parliamentary Supervisory Committee on postal savings and the various Parliamentary Committees. In particular, in 2018 the Parliamentary Supervisory Committee on postal savings published two surveys on Cassa depositi e prestiti's role in the country's infrastructure development ("*Cassa depositi e prestiti: the role for the country's infrastructure development*", January 2018) and on the sustainable development of the territories ("*Cassa depositi e prestiti: the role for the sustainable development of the territories*", March 2018).

In addition, the parliamentary audits involving the CDP Group were analysed, managing the related findings in cooperation with the competent organisational units of the Group companies. Legislative and institutional initiatives (including round tables, investigative surveys, and promotional initiatives) of interest to CDP and the Group companies were systematically monitored, with over 350 reports of regulatory and implementing measures in their areas of interest.

In the last government budget package, numerous regulations of interest to the CDP Group were approved, improving the existing instruments designed to support Italy's economy and development, in addition to creating new instruments, in line with the objectives of the new 2019-2021 Business Plan.

With reference to the actions to implement for infrastructure, public administration and territory stated in the new Business Plan, the regulations concerning the following are particularly important: the increase in the project funds managed by CDP that finance the project activities of the Public Administrations, in order to contribute to the design of sustainable infrastructural projects and accelerate public investments; the possibility of renegotiating the mortgage loans granted by CDP to municipalities, provinces and metropolitan cities and transferred to the Ministry for the Economy and Finance, in order to reduce their liabilities; the possibility for CDP to grant cash advances to regions and local authorities that are in a situation of temporary lack of liquidity.

With reference to the actions to implement for companies, particularly important are those regulations that require CDP's ordinary account to be extended to the initiatives aimed at promoting sustainable development, in line with the Goals of the UN 2030 Agenda for Sustainable Development, as well as growth, also by business combination, of Italian companies, both in Italy and abroad.

With reference to the actions to implement for international cooperation, of particular importance are those regulations concerning the strengthening of CDP's role as financial institution for development cooperation, in order to promote a significant increase in the volume of investments in the sector, among other things, by strengthening the operations of the Guarantee fund that assists CDP's actions in favour of public and private parties; the strengthening of CDP's role by providing for a guarantee of last resort of the State that assists CDP's exposure towards sovereign parties (States, central banks, public entities of States and international financial organisations).

In addition, various provisions were approved which encourage the real estate sector, such as the possibility for CDP to increase the resources of the Guarantee fund for starter homes, to the advantage of the end users; the relaunch of investments in the real estate sector, through measures that simplify the processes of development, transformation and disposal of public real estate assets.

Human Resource Management

During 2018, human resource management mainly focused on redefining internal processes and on the introduction of new roles to support the Business Plan. The performance assessment process was revised in line with the new leadership model, in order to identify distinctive traits and behaviour that can support the strategic company guidelines, values and organisational culture defined by CDP with a view to transparency towards people and awareness in terms of expected behaviour.

The year 2018 saw the start of a process with the other group companies for the sharing of transversal initiatives aimed at promoting the strengthening of a Group Culture. In particular, the new training model was designed, with the establishment of different areas of action. With regard to managerial training, a CDP course catalogue has been developed in support of the skills required by the new leadership model. In addition, in line with previous years, managers and professionals have been involved in initiatives dedicated to development matters. In the area of technical and specialist training, the participation of staff in external training courses in the financial, administrative, regulatory and IT fields was encouraged, and several internal seminars and workshops were held. In addition, language training was provided giving all employees the opportunity to take advantage of an online platform for learning English. Lastly, with regard to the training required by law, in accordance with the agreed training plans, training initiatives were implemented in the areas of Health and Safety, Anti-Money Laundering, Data Privacy and the Compliance Model.

Numerous new initiatives for employees were finalised in 2018. In the area of welfare, instruments to support parenting, contributions to education and new special company deals were introduced, as well as specific initiatives to promote the health and well-being of workers. For the first time, a company contribution for the use of public transport has also been introduced. As part of the work-life balance initiatives, in 2018 the pilot project for the introduction of smart working was launched, which is currently being tested on a selected sample of staff.

In the area of Employer Branding, numerous initiatives were implemented throughout Italy aimed at strengthening awareness of CDP, particularly where our Group is also present with its local offices.

Finally, with a view to leveraging existing professional expertise and increasing job rotation both within the Parent Company and across Group Companies, various mobility processes were organised and managed in 2018, aimed at sharing skills and experience, enabling the colleagues involved to further develop their professional profile and to spread their managerial values, culture and styles.

Industrial relations

The entire year passed smoothly, in a climate of cooperation and sharing of corporate policies in line with the intention of consolidating the positive relations with the Company Union Representative Bodies.

A number of particularly important agreements were reached during the year. The Smart Working trial was launched, involving around 40 employees who, on average, provided their work services from outside the company premises for one day a week. The physical trade union notice boards have been phased out (Article 25 of Law 300/1970 - Workers' Statute), with the right to display notices now guaranteed through the publication of trade union press releases on a specific area of the company intranet.

In November, an agreement was signed for the activation, from 1/1/2019, of the "Solidarity Fund for professional retraining and redeployment, to support employment and income for banking personnel" set up by the INPS (Italian national social security institute) (Ministerial Decree of 28 July 2014, no. 83486, as amended by Ministerial Decree of 23 September 2016, no. 97220).

In addition, during the year, the competent corporate function provided significant support to the subsidiaries in the definition of several company agreements and in liaising with national and local trade union bodies. In this regard, in December, a meeting was held for the presentation of the 2019-2021 Business Plan, which was attended by all the Group's trade union representatives and the national and local secretariats of the industry trade unions.

Assessment of remuneration of directors with specific responsibilities

On 24 July 2018, the Shareholders' Meeting of CDP appointed the new Board of Directors for the years 2018-2020 and designated Mr Massimo Tononi as Chairman of the Board of Directors. At its meeting of 27 July 2018, the Board of Directors appointed Mr Fabrizio Palermo as Chief Executive Officer of CDP.

Despite the appointment of the new Board, the policy adopted in compliance with the applicable legal requirements[27] for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer remained unchanged during 2018.

In fact, in its meeting of 2 August 2018, the Board of Directors approved the resolution proposal of the Remuneration Committee of 1 August 2018 - in line with the previous term - regarding the setting of the remuneration of the Chairman of the Board of Directors, in view of the duties assigned by the Articles of Association and by the Board of Directors in the meeting of 27 July 2018.

In addition, in its meeting of 5 December 2018, the Board of Directors approved the resolution proposal of the Remuneration Committee of 27 November 2018 — in line with the previous term and keeping the total annual emoluments set unchanged — regarding the setting of the remuneration due respectively to the Chief Executive Officer and the General Manager, in view of the duties assigned by the Articles of Association and by the Board of Directors in the meeting of 27 July 2018, as well as the appointment of the Chief Executive Officer as General Manager (Board of Directors meeting of 4 October 2018).

As a consequence, the following remuneration components were recognised:

CHAIRMAN OF THE BOARD OF DIRECTORS

(euro)	Annual remuneration for 2018-2020
Fixed remuneration: remuneration for the office – Article 2389, paragraph 1	70,000
Fixed remuneration: remuneration for specific responsibilities – Article 2389, paragraph 3	225,000

CHIEF EXECUTIVE OFFICER[28]

(euro)	Annual remuneration for 2018-2020
Fixed remuneration: remuneration for the office - Article 2389, paragraph 1	35,000
Fixed remuneration: remuneration for specific responsibilities - Article 2389, paragraph 3	132,700
Annual variable component	50,000
Three-year incentive component (annual share)	25,425

Annual variable component: according to the powers assigned, the annual variable component, set with reference to the target incentive level (100%), is paid to the extent of 80% on achieving the gross operating income stated in the budget for the year in question, CDP's lending and managed resources and CDP Group's lending and managed resources (quantitative objectives); the remaining 20% is decided by the Board of Directors, on the proposal of the Remuneration Committee, based on achieving qualitative objectives of particular importance for the Company and the Group, set by the Remuneration Committee. The variable remuneration is paid annually upon verification by the Board of Directors of the achievement of the assigned objectives.

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 objectives set for the year in question have been achieved.

Severance indemnity: in keeping with the best practices of reference markets and in continuity with the previous term, a severance indemnity is envisaged for the Chief Executive Officer, also paid in advance upon request or initiative of the Company (except for situations of just cause or voluntary resignation), 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 line with the previous term, the Chief Executive Officer receives benefits in the form of insurance cover.

27 In particular, in line with the previous term, the Company continued to comply with the provisions of the Directive of the Ministry of Economy and Finance of 24 June 2013 (which includes the recommendation for directors "*to adopt remuneration policies that adhere to international best practices, but take into account company performance, and in any case are based on criteria of transparency and moderation, in light of the general economic conditions of the country, also envisaging a correlation between the total remuneration of directors with specific responsibilities and the company average*").

28 In compliance with the above-mentioned Article 84-ter of Decree Law no. 69 of 21 June 2016, the total annual remuneration due to Mr Fabrizio Palermo, in his capacity as Chief Executive Officer and General Manager, is equal to 823,125.00 euro.

IT Systems and Internal Projects

In 2018, CDP's ICT department achieved a series of particularly challenging objectives, in a situation of significant expansion of CDP's business operations and continuous need to adapt its technological infrastructure to national and EU rules and regulations.

Most of the major projects were completed, the majority of which were connected to the company's Master Plan, while also seeking to provide significantly higher service levels than in the past, resulting in improvements in the performance of the entire company information system, which in some cases doubled.

This included the following:

- completion of the migration of CDP's Data Center to a new technological infrastructure with 2 "High Reliability" Data Centers, certified to the highest international standards and with high performance in terms of RPO and RTO;
- consolidation of the Enterprise Data Hub platform as the company's Data Warehouse based on Big Data architecture, with the progressive onboarding of the data from the various CDP IT domains and the integration of a Data Quality Management layer to ensure the consistency and guaranteed quality accessibility of the data to make it become the "Single Source of Truth". The production of strategic operational and real-time business reports on open source technology stacks has also been enabled and the foundations have been laid for the support for the Data Governance process;
- creation of an advanced system for the structural management of the Operational ALM and liquidity, which enables much more precise analysis of the lending/borrowing rate gap and the production of CDP's official ALM reports to the Bank of Italy, in accordance with the regulatory requirements;
- implementation and completion of the project for the transformation of the Finance Front Office system, adding new functions and modifying the delivery model (from on premise to SaaS) with benefits in terms of service availability and monitoring;
- activation of the reporting module for the automatic production of Finrep data in line with the Puma instructions, with the development of procedures for the income statement items, write offs and adjustments, as well as the new information related to the IFRS9 project;
- completion of all the IT work for the preparation of the AnaCredit report in accordance with the procedures, timing and granularity required by the applicable regulations;
- enhancements to all the procedures and systems to bring them into line with the requirements of IFRS 9, in force since 1 January 2018, through the implementation of systems for classification (SPPI test and benchmark test), for measurement of fair value vs amortised cost and for the new impairment model;
- development of the IT procedure enabling Poste Italiane to provide a "cash advance" service to small municipal authorities (with less than 5,000 inhabitants), with the aim of making up for temporary liquidity shortfalls, at the request of the authorities, in order for them to make payments, pending receipt of their ordinary income;
- launch of the new corporate Intranet, for the entire CDP Group, as a completely new Digital Workplace in terms of look and feel, developed on open source platforms, integrated with the company's processes/procedures and oriented towards digital technology;
- start up of the new group services for payroll management (in SaaS) and for the management of electronic invoicing.

The project to re-engineer the new loans system (Galileo) is also progressing with the aim of replacing the current legacy systems based on mainframes. The new system, developed on open source and innovative technology, aims to create a single End-to-End management system for CDP's loans, capable of digitising all the phases of the approval, signing and management of the loans, providing dynamic, navigable and user-friendly interfaces, optimising processes and reducing operating costs.

In the business products area, the major developments included the new support systems for the operations of the New Revolving Fund for Enterprises (FRI) "Social Enterprise" Grants, the "Shanghai" short-term interbank loans, the Junker platform (Creative and Cultural Sector), the renegotiations for Municipal, Provincial and Metropolitan city authorities, the EuReCa Fund in support of SMEs in the Emilia-Romagna Region and the Central Italy Earthquake Moratorium.

In terms of Compliance, the updates required by the regulations applicable to CDP have been completed as usual. In particular, in 2018, CDP's systems were brought into line with the provisions of EU Regulation 2016/679 (General Data Protection Regulation - GDPR).

On the IT security front, the implementation of a new security framework was launched with the aim of further strengthening technological and organisational controls for the protection of digital information and data.

In the Infrastructure area, numerous upgrades, technological migrations and consolidations were completed, aimed at updating and improving the efficiency of the ICT support infrastructure.

A new container application platform has been installed that enables creation, development and rapid and easy deployment in public or private infrastructures regardless of the application architecture used.

The technological infrastructure supporting the Enterprise Data Hub, based on Big Data technology, is being continuously enhanced through the installation of new environments and Open Source tools.

Lastly, a number of optimisations have been made in the provision of infrastructure services, including the expansion of the network services on a national scale and the strengthening of the e-mail service, guaranteeing the highest levels of security, accessibility and availability.

Report on corporate governance and ownership structure of CDP pursuant to Article 123-*bis*, paragraph 2, letter b) of the consolidated law on finance

Internal Control System

CDP has developed an internal control system consisting of a set of rules, procedures, and organisational structures aimed 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 carried out by business 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 methods and verify that the operational limits set for the various departments are respected, as well as verify that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, and ensuring that the risk governance polices are properly implemented and that the internal practices and rules comply with applicable regulations.

Lastly, third level controls are performed by the Internal Audit function. Internal Audit is a permanent, independent and objective function that pursues the continuous improvement of the effectiveness and efficiency of CDP Group's governance, risk management and control processes, by means of professional and systematic supervision.

The Board of Directors, in its role as the supervisory body, gives authority to the Internal Audit function, which reports to the Chief Audit Officer, ensuring its independence. The Internal Audit function reports hierarchically to the Board of Directors through its Chairman and regularly informs the Governing Bodies and Board of Statutory Auditors on the work carried out and the results achieved.

In particular, the Internal Audit function provides an independent and objective assessment of the completeness, adequacy,

functionality and reliability of the CDP Group's organisational structure and overall internal control system, assessing the proper functioning of the processes, the safeguard of assets, the reliability and integrity of the accounting and management information, as well as compliance with internal and external regulations and management guidelines.

For the performance of its activities, each year the Internal Audit function prepares and submits an audit plan to the Board of Directors for its approval. The audit plan is consistent with reference regulations, the risks associated with the activities carried out to achieve the corporate goals, as well as the guidelines provided by the corporate bodies and top management and defines the activities to be carried out and the objectives to be pursued.

Issues identified during each audit assignment are immediately reported to the relevant organisational unites so they can implement corrective actions. Based on the nature and intensity of the findings, the Internal Audit function notifies Top Management, the Risk Committee, the Board of Statutory Auditors, the Supervisory Body, and the Board of Directors about the improvements that can be made to the risk management policies, to the instruments used to measure risks, and to the organisational procedures.

The Internal Audit function reports to the Board of Directors and the Board of Statutory Auditors on a quarterly basis on the work carried out, the main issues identified and the progress of the corrective actions taken for CDP and the Group subsidiaries subject to management and coordination. Each year, an overall opinion on the reliability of the internal control system is also prepared and submitted to the Board of Directors.

The controls on the subsidiaries subject to management and coordination are carried out in close coordination with CDP, which in several cases also acts as an outsourcer on the basis of specific service agreements.

It also provides support to the work of the Supervisory Body, envisaged by Article 6, paragraph 1, of lett. B), of Italian Legislative Decree no.231/2001 and, where required, assists the Manager in charge with preparing the Company's financial reports.

Finally, the Internal Audit function may provide advisory services to other corporate functions in order to create added value and improve the risk management and efficiency of the organisation, without assuming management responsibilities to avoid any situation of potential conditioning of its independence and objectivity.

Financial and operational risk management systems

In 2018, CDP continued the process of strengthening and updating the risk management methods and systems.

To measure credit risk CDP uses a proprietary portfolio model, which takes into account, among others, exposures to public entities in the Separate Account. The model is a "default mode" model, i.e. it considers credit risk based on 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. Since it adopts a default-only approach, the model is multi-period and simulates the distribution of losses from defaults over the entire life of outstanding transactions. This allows to capture the effect of migrations between credit ratings, not limited to default. This credit model allows for the calculation of a variety of risk metrics (VaR, TCE[29]) both for the entire portfolio and for single borrowers or business lines. It is used for assessing the risk-adjusted performance in the Ordinary Account and for loans to private borrowers in the Separate Account, with the exclusion of the liquidity funds in support of the economy via the banking system.

CDP has access to a series of rating models developed by specialized external providers. Specifically, CDP uses rating models for the following classes of loans:
- public entities (shadow rating quantitative model);
- banks (shadow rating quantitative model);
- small and medium enterprises (quantitative model based on historical default data);
- large enterprises (shadow rating quantitative model);
- project finance (qualitative/quantitative scorecards calibrated on a shadow rating basis).

29 Value at Risk at a given confidence level (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 level (e.g. 1%). The Tail Conditional Expectation (TCE) at a given confidence level represents the expected value of the losses ("extreme") that exceed the VaR.

These models act as a benchmark against the internal rating assigned by the analyst. Specific rules have been set-up to reconcile and explain any discrepancies between the results obtained through the instrument used and the final internal rating. Alongside the external benchmark models, CDP has produced internal scoring models for certain classes of counterparties that allow an ordering in terms of relative creditworthiness, by using specific indicators drawn from their financial statement. Furthermore, the E-Rating Workflow (PER - Pratica Elettronica di Rating) system makes it possible to retrace and audit the process that resulted in the assignment of a certain value for each name, also accessing to the archived documentation used in the assessment, based on the nature of the counterparty (Public Entities, Bank Counterparties, Corporate and Project Finance). The E-Monitoring Workflow (PEM – Pratica Elettronica Monitoraggio) system timely identifies, via an early warning engine, any potential credit issues on the basis of which an exposure can be assigned to a Watch List class for managerial purposes. In 2018, some additional features have been developed regarding the proposals advanced automatically by the systems for regulatory classification. These two systems, which are integrated with CDP's IT and document systems, are based on business process management technologies already widely used in other areas, such as the E-Loan Workflow (PEF – Pratica Elettronica di Fido).

Internal ratings play an important role not only in the credit-granting and credit-monitoring process, but also in the decision-making process as a whole. In particular internal concentration limits are defined in terms of the internal rating and may lead to the need for an analysis of the loan operation by the CRO and/or the Internal risk committee, the need to submit the proposal to the Board of Directors to grant a specific exemption or, in some cases, the inadmissibility of the transaction. The internal rating is normally updated on a yearly basis, unless events or information cause the need for a prompt change to the assigned rating.

The process of assigning a Loss Given Default value to any single transaction, which is needed to calculate the expected loss, follows a standardised procedure, also tracked in the IT systems. The Loss Given Default is assigned on the basis of internal estimates which take into account the probable recovery time, the characteristics of the counterparty, the nature of the transaction and the relevant guarantees/security package.

Interest rate and inflation risk are measured using the AlgoOne suite by Algorithmics (IBM Risk Analytics), mainly adopted to analyse the possible changes in the value of balance sheet items from interest rate movements. The system can carry out sensitivity analyses and stress tests, in addition to calculating the VaR in the banking book. For Postal Funding products, CDP uses investor behaviour scenarios in its models.

To monitor liquidity risk, Risk Management regularly analyses the amount of liquid assets compared with the amount of demand liabilities and liabilities exposed to the risk of early repayment, verifying the compliance with the limits established under the Risk Policy. The AlgoOne suite is used to support this analysis, together with a number of proprietary tools that incorporate and process the inputs of the various front, middle and back office systems.

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

With regard to the risk profile of derivatives, of securities and of securities financing transactions, the Risk Management Area uses the front office application, Murex. This system allows for the specific monitoring of positions of the mark-to-market evaluation (also for the exchange of collateral margins). Furthermore the system provides several sensitivity and scenario analyses, which can be applied with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting. The recent migration to a more up-to-date version of the software has also allowed to overcome certain aspects related to the obsolescence of the previous system, particularly from the point of view of pricing and models used for certain types of products.

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 occurred in the company and recorded in the income statement, as well as operational risk events that do not generate a loss (near miss events). In 2018, the application 'OpRA' was also developed for performing Risk Self-Assessment and follow-up on the mitigation actions adopted to address the operational risks identified.

In light of the changes in primary and secondary level regulations, CDP has updated its guidelines for the internal control system geared to promptly detecting and managing the risk of money laundering and financing of terrorism, pursuing the objective of guaranteeing a coordinated approach within the Group as well as recourse to uniform risk assessment methods. A particularly important element is the creation of a common information database which allows all companies in the Group to assess customers in the same way.

Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01

CDP, in January 2006, has adopted an Organisation, Management and Control Model (hereinafter also "Model 231") pursuant to Italian Legislative Decree no. 231/2001, which identifies the Company areas and operations that are most exposed to the risk of criminal activities as defined in the Decree, the principles, rules and regulations for the Internal Control System introduced to supervise significant operating activities.

The current version of the Model 231 was approved by the Board of Directors in the meeting held on January 22, 2018. This version, which has been updated to reflect the organisational changes that have taken place in CDP and the new regulations of bodies' administrative liability, consists of a:

- General Section which, based on principles of the Decree, illustrates the essential components of the Model with particular reference to: *i)* Governance Model and Organisational Structure of CDP; *ii)* Supervisory Body; *iii)* measures to be taken in case of non-compliance with the provisions of the Model (disciplinary system); *iv)* staff training and dissemination of the Model within and outside the Company:
  - The Model also consists of the following Annexes to this General Section: List and description of the administrative crimes and offences set forth in Italian Legislative Decree no. 231/2001, which provides a brief description of the administrative crimes and offences whose commission determines, on the basis of the conditions laid down by the Decree, the onset of the administrative liability of the Entity pursuant to and for the purposes of the aforementioned regulations;
  - Information flows towards the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, which provides, for each relevant activity of the CDP Model 231, the information that must be transmitted to the Supervisory Body, with a given frequency;
- Special Section, which *i)* identifies the relevant activities, for the different types of crimes, during whose performance there is a theoretically potential risk of the commission of crimes; *ii)* describes, merely for educational purposes and by way of example and without limitation the methods of commission of the offences; and *iii)* indicates the safeguards and principles of the Internal Control System aimed at preventing the commission of offences.

In 2018, the revision activities of the General Section of Model 231 and the Annex to the General Section "List and description of the administrative crimes and offences set forth in Italian Legislative Decree no. 231/2001" has been started in order to:

- implement the regulatory innovations referred to in the Law no. 179/2017, in the field of whistleblowing, including the implementation of the IT platform for the management of whistleblowing reports;
- incorporate the regulatory innovations referred to in Italian Legislative Decree no. 231/2001.

These documents were submitted to the Board of Directors for approval in January 2019.

In compliance with the provisions of Article 6, paragraph 4-bis, the functions of the Supervisory Body (hereinafter also "SB") have been assigned to the Board of Statutory Auditors, a collective body composed of five standing members, and two alternates, appointed by the shareholders' meeting. The Chairman of the Board of Statutory Auditors performs the functions of the Chairman of the SB. The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations and Articles of Association apply to the members of the Supervisory Body.

The Supervisory Body is tasked with overseeing the functioning and observance of the Model 231 and with updating its content and assisting the competent corporate bodies in correctly and effectively implementing the Model 231. The functioning of the SB is established in the specific Regulation that it adopts.

For its secretarial and operational activities, the SB relies on the "Supervisory Body Support" Service, reporting to the Chief Audit Officer.

The "Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01" of CDP and the "Code of Ethics of Cassa depositi e prestiti S.p.A. and of the companies subject to its management and coordination" are published on the Company intranet in the "Rules and Functioning" section and the "Corporate Governance" section, respectively.

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 reporting is reliable[30], accurate[31], dependable[32] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

The information in question consists of sets of data and information contained in the periodic accounting documents required by law - annual financial report and half-yearly financial report, also consolidated - as well as any other document or external communication having an accounting content, such as press releases and prospectuses prepared for specific transactions, which constitute the subject of the certification required by article 154 bis of the consolidated law on finance (TUF).

The company's control system is structured to comply with the model adopted in the CoSO Report[33], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

- a suitable control environment, meaning the set of standards of conduct, processes and structures underlying the execution of the organisation's internal control process;
- appropriate risk assessment, requiring that risks be suitably identified, documented and classified based on relevance;
- the planning and performance of suitable control activities, such as policies and procedures adopted to mitigate (i.e. reduce to an acceptable level) the identified risks which may compromise the achievement of the business objectives;
- the presence of a suitable information system and adequate communication flows that guarantee the exchange of relevant information between senior executives and the operational functions (and vice versa);
- the planning of suitable monitoring activities to verify the effectiveness and correct operation of the internal control system.

In line with the adopted model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.

The internal control system for financial reporting has been structured and applied according to a risk-based approach, selecting the administrative and accounting procedures considered relevant for financial reporting purposes. 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.

In 2018, a Group Policy was issued that defines the methodological framework and operational instruments that the Parent Company, CDP, and the CDP Group companies are required to comply with for the application of Law 262/05, for the purposes of both individual and consolidated company reporting. 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 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.

30 Reliability (of reporting): correct reporting drafted in compliance with the generally accepted accounting standards, which meets the requirements of applicable laws and regulations.
31 Accuracy (of reporting): reporting with no errors.
32 Dependability (of reporting): correct and complete reporting based on which investors may make informed investment decisions.
33 Committee of Sponsoring Organizations of the Treadway Commission.

At the process level, the approach consists of an assessment phase to identify specific potential risks which, if the risk event were to occur, could 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 for the identification of the potential risks and the definition of the control objectives in order to mitigate those risks;
- the second phase involving the identification and assessment of the controls designed to mitigate potential risks (Test of Design – ToD);
- a third phase consisting of the identification of areas of improvement identified for the control.

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

The monitoring phase in CDP is structured as follows:

- sampling of the items to be tested;
- test execution (Test of Effectiveness – ToE);
- weighting of any anomalies detected and related assessment.

Based on the potential risk identified and taking into account the results of the overall assessment of the control (ToD+ToE), the "residual risk" is obtained, which represents the qualitative measurement of the risk that the company is exposed to in relation to the actual implementation of the controls identified.

The residual risk is measured based on the following formula:

RI – OA = RR

where:
RI = index of potential risk obtained from the combination of weight and frequency of the risk;
OA = overall assessment of the controls;
RR = residual risk index.

The assessment of the controls reduces the value of the potential risk index, based on predefined percentages.

If anomalies are found in the ToDs and ToEs, a plan of corrective actions is produced and the anomalies are reported to the process owners, providing:

- a detailed description of the anomaly detected;
- the corrective action proposals identified, specifying: the deadline for implementation, the priority and the offices responsible.

After the phase of consultation and agreement with the controls and process owners, the actual implementation of the measures established to resolve the anomaly is monitored.

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

To enable the Manager in charge with preparing the Company's financial reports and the management bodies delegated by the Parent Company to issue the certification pursuant to Article 154-*bis* of the Consolidated Law on Finance, specific information flows to the Manager in charge with preparing the financial reports of the Parent Company have been established, which, in addition to the operational flows for Law 262/2005 cycle, also envisage the sending of (i) the final report on the internal control system for financial reporting from the managers in charge with preparing the Group companies' financial reports to their respective boards of directors; and (ii) the intercompany "chain" certification system, regarding the data and information provided for the preparation of the consolidated financial statements of the Parent Company.

Independent Auditors

The financial statements of CDP are audited by the Independent Auditors PricewaterhouseCoopers S.p.A. ("PwC"), which are responsible for verifying, during the year, that the company accounts have been properly kept and that the accounting events have been recorded correctly in the accounting entries, and ascertaining that the financial statements for the year and the consolidated financial statements match the accounting books and the verifications made, and that said documents comply with supervisory provisions. The Independent Auditors issue an opinion on the parent company and consolidated financial statements, and on the half-yearly condensed consolidated financial statements.

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 in charge with preparing the Company's financial reports

Cassa depositi e prestiti S.p.A. is obliged to envisage the appointment of a Manager in charge with preparing the Company's financial reports in accordance with the law as it is a listed issuer having Italy as its Member State of origin. The Manager in charge with preparing the Company's financial reports was introduced by the legislator with Law no. 262 of 28 December 2005. In CDP this role performed by the Chief Financial Officer.

With reference to the experience requirements and methods for appointing and substituting the Manager in charge with preparing the Company's financial reports, the provisions of Article 24 of CDP's Articles of Association are reported below.

Article 24 CDP's Articles of Association

1. Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Manager in charge with preparing the Company's financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years, to perform the duties assigned to such manager under Article 154-bis of Legislative Decree no. 58 of 24 February 1998.
2. The Manager in charge with preparing the Company's financial reports must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15, paragraph 4 *quater*, of the Articles of Association.
3. The Manager in charge with preparing 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 in charge with preparing 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 Statutory Auditors.
5. The appointment of the Manager in charge with preparing the Company's financial reports shall lapse if that manager does not continue to meet the requirements for the office. The Board of Directors shall declare this disqualification within thirty days from the date on which the Board becomes aware of the failure to meet the requirements.

In order to ensure that the Manager in charge with preparing the Company's financial reports 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 bodies and functions of the Company, the Board of Directors has approved the "Internal Rules for the Function of the Manager in charge with preparing the Company's financial reports", which were updated in October 2018.

In short, the Manager in charge with preparing the Company's financial reports is required to certify, jointly with the Chief Executive Officer and through a specific report attached to the financial statements for the year, for the consolidated financial statements and the half-yearly report:

- the adequacy and the actual application of the administrative and accounting procedures for the preparation of the condensed half-yearly report, the Parent Company financial statements and the consolidated financial statements;

- the compliance of the documents with IAS/IFRS;
- the matching of the documents with the accounting books and records;
- that the documents are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer and the companies included in the scope of consolidation;
- the reliability of the content of the report on operations and the interim report on operations.

In addition to holding a senior management position reporting directly to top management, the Manager in charge with preparing the Company's financial reports may also:
- 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 included in the scope of consolidation and subject to management and coordination by the Parent Company, specific initiatives necessary or useful 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 (Organisation and Processes);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved budget.

In order to guarantee an effective, systematic and prompt flow of information, the Manager in charge with preparing the Company's financial reports periodically reports to the Board of Directors with regard to: (i) any critical issues arisen while performing his/her tasks; (ii) any plans and actions defined to overcome any issues found; (iii) the appropriateness of the means and methods for using the resources made available to the Manager in charge with preparing the Company's financial reports; (iv) the use of the assigned budget, and (v) the suitability of the administration and accounting internal control system.

The Manager in charge with preparing the Company's financial reports informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant. Moreover, upon request of the Board of Statutory Auditors, he/she provides information[34] and assistance by taking part in the meeting of the Board when invited.

Always upon request, he reports on the activity performed and on the relevant results to the Supervisory Body pursuant to Legislative Decree 231/01, in order to establish a fruitful exchange of information with said body and improve the control actions in the areas deemed to be under greater potential risk. The Manager in charge with preparing the Company's financial reports liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

Insider Register

Cassa depositi e prestiti S.p.A. (CDP) has adopted the "Register of persons with access to CDP inside information" (hereinafter the "Register") in compliance with the requirements of European Regulation no. 596/2014 (and the related implementing regulations), which includes the reference regulatory framework concerning market abuse.

The Register - which has been established by CDP since 2009 as an issuer of debt securities traded on regulated markets - is divided into separate sections, one for each piece of inside information. A new section is added to the Register every time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. There is also an additional section in the Register which contains the details of people who always have access to all inside information ("Permanent Access Holders").

The Register is computerised and password protected, and the notes pertaining to each section are in chronological order. Each note is tracked and cannot be changed.

34 This information can be summarised as follows:
- main changes, occurred in the reference period, to the methods adopted to carry out the activity of management and control of the process of preparation of the accounting documents;
- any critical issues found and the results of the testing activity.

Management of the Register is governed by internal CDP rules also establishing the regulations and procedures for keeping and updating the Register.

The Register is held by the Compliance Unit and the Keeper of the Register is the Head of the Compliance Unit, who can employ one or more replacements.

Code of Ethics

The Code of Ethics of CDP establishes a set of values that are recognised, accepted and shared, at all organisational levels, in the conduct of its business activities.

The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. Accordingly, in-house and external relations must be conducted in accordance with the principles of honesty, moral integrity, transparency, reliability and sense of responsibility.

The principles and provisions of the Code are disseminated primarily through publication on the corporate intranet and a copy of the Code is also given to all new employees. In addition, the individual employment contracts contain a clause stating that compliance with the Code is an essential part of the contractual obligations and is also governed by a disciplinary code.

Governance Structure

To ensure an efficient system of information and consultation and better assess the matters under its responsibility, the Board of Directors relies on **5 Statutory/Board Committees**, or provided for by the Articles of Association, or composed of one or more board directors.

The company's organisational structure also consists of **15 Managerial Committees of CDP and/or the Group**, tasked with providing advice on operational matters as support for the management of the company and/or the CDP Group companies subject to management and coordination.

1. Statutory/Board Committees of CDP

Support Committee for non-controlling shareholders

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

Composition and responsibilities

The Support Committee for the Non-Controlling Shareholders has 9 members, appointed by the non-controlling shareholders. The Committee is appointed with the quorum and voting majorities required by 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 forecast and actual accounting data, the independent auditors' reports and the internal auditing reports relating to the organisation and functioning of the Company;
- the minutes of the Board of Statutory Auditors' meetings.

The Committee held 10 meetings in 2018.

Board Risk Committee

The Board Risk Committee is a statutory and board committee tasked with the functions of control and providing guidance in relation to risk management and internal control system.

Composition and responsibilities

The Board Risk Committee is chaired by the Vice Chairman of the Board of Directors. The Committee is also composed of at least two and up to three members of the Board of Directors, in addition to the Chief Risk Officer and the Chief Audit Officer.

The Committee held 18 meetings in 2018.

Strategic Committee

The Strategic Committee is a statutory and board committee established to support the organisation and coordination of the Board and to support the strategic supervision of the Company's activities.

Composition and responsibilities

The Committee is composed of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors and the Chief Executive Officer and General Manager.

The Committee held 11 meetings in 2018.

Related Parties Committee

The Related Parties Committee is a board committee that is required, where envisaged, to provide 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 non-executive directors, and at least two of them are independent.

The preliminary, non-binding opinion of the Related Parties Committee must be provided to the body responsible for deciding on the transaction in good time for it to be able to adopt the decision.

The significant transactions for which the Related Parties Committee expressed a conditional or negative opinion or an opinion with reservations are specifically reported by the Board of Directors at the next Shareholders' Meeting.

The Committee held one meeting in 2018.

Remuneration Committee

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

Composition and responsibilities

The Remuneration Committee is composed of three members appointed 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 — on the remuneration of other bodies prescribed by law or by the Articles of Association or established by the Board (Committees).

The Committee's proposals are submitted to the Board of Directors for approval after obtaining the opinion of the Board of Statutory Auditors.

The Committee held 6 meetings in 2018.

2. Managerial Committees of CDP and/or the Group

The Managerial Committees of CDP and/or the Group are collective consulting bodies composed of the management of Cassa depositi e prestiti S.p.A. and of the CDP Group companies subject to management and coordination (where applicable).

There are 15 Managerial Committees and they are called upon to discuss and examine Company and/or Group operational matters for their specific areas of responsibility (e.g., risks, loans, sales, and financing).

7. 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 CDP SPA - Gestione Separata”, with the Central State Treasury on which it deposits most of its liquidity.

During 2018, the MEF, with decree dated 28 November 2018, pursuant to Article 17-*quater* of Decree Law no. 18 of 14 February 2016, converted by Law no. 49 of 8 April 2016, reviewed the method of remuneration of the treasury current account no. 29814, which since the second half of 2018 has equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

In the first half of 2018, the remuneration condition set out by the decree of 12 May 2016 applies, i.e. the yield on 6-month BOTs for 20% and the yield on 10-year BTPs for 80%.

The operating aspects relating to the methods of managing and reporting the cash flows concerning the Treasury current account no. 29814 are governed by the memorandum of understanding between the Ministry of the Economy and Finance – State General Accounting Department and Cassa depositi e prestiti S.p.A.

Agreements with the MEF

In accordance with the above-mentioned Ministerial 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 February 2018, with a three-year duration from 1 January 2018 until 31 December 2020, governs the methods by which CDP manages existing relations as at the transformation date, resulting from the Postal Savings Bonds transferred to the MEF (Article 3.4.c) under the above mentioned Ministerial Decree). 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 information and forecasts, on bond redemptions and stocks;
- monitoring and management of the Treasury accounts established for the purpose.

The second agreement, which was renewed on 10 April 2015 until 31 December 2019, concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4, a), b), e), g), h) and i) of the above mentioned Ministerial Decree. Here, too, guidelines were provided to help with the management activities by monitoring such activities. In line with Article 4.2 of the aforementioned Ministerial Decree, CDP’s role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, representing the MEF in legal and other matters, also in court, fulfilling obligations, and exercising powers and rights in the management of relations connected with the transferred activities. CDP also provides the MEF with the following services:
- drafting of 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 2.6 million euro in 2018 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 no. 35 of 8 April 2013, regarding the release of payments for Public Administration trade payables. As a result of the regulatory provisions introduced in Article 13, paragraphs 1, 2 and 3 of Decree Law no. 102 of 31 August 2013, on 11 September 2013 a supplementary deed to the Addendum already entered into between CDP and the MEF needed to be signed to establish the criteria and methods of access to the payment of the cash advances for 2014, which was then followed by 4 additional deeds in relation to the provisions under Article 13, paragraphs 8 and 9, of Decree Law no. 102 of 31 August 2013, Articles 31 and 32 of Decree Law no. 66 of 24 April 2014 and Article 8, paragraphs 6, 7 and 8, of Decree Law no. 78 of 19 June 2015.

In March 2012 CDP signed the Agreement between the Bank of Italy and the Counterparties permitted to participate in transactions on behalf of the Treasury (OPTES) and since then it is included stably between the counterparties permitted to take part in the above-mentioned transactions. CDP primarily participates in transactions performed by the Bank of Italy, with prior authorisation of the MEF, via bilateral negotiation.

CDP continued its management activity for the Government Securities Amortisation Fund, whose transfer from the Bank of Italy to CDP is governed by Article 1, par. 387, of Law no. 190 of 23 December 2014 (Stability Law 2015 - Provisions for the annual and multiannual state budget). The Fund's management methods are governed by the "Agreement for the management of the Government Securities Amortisation Fund" signed by CDP and the MEF on 30 December 2014, approved and made effective with decree of the Treasury Department no. 3513 of 19 January 2015. On 24 March 2016, CDP and the MEF signed the "Agreement amending the agreement for the management of the Government Securities Amortisation Fund" with which the mechanism for the calculation of the remuneration of the existing deposits on the Fund was reviewed.

On 23 December 2015, a new agreement was finalised for the financial, administrative and accounting management of the off-balance sheet Revolving Fund for Cooperation and Development through which the MEF assigned CDP:
- the financial, administrative and accounting management of the Revolving Fund, pursuant to Article 26 of Law no. 227/1977, relating to: (i) concessional loans pursuant to Article 8 of Law no. 125/2014, which can be granted to finance specific bilateral cooperation projects and programmes; and (ii) subsidised loans pursuant to Article 27, paragraph 3, of Law no. 125/2014;
- the financial, administrative and accounting management of the Guarantee Fund pursuant to Article 27, paragraph 3, of Law no. 125/2014 for subsidised loans granted to Italian enterprises to ensure the financing of their equity investments, for the establishment of joint enterprises in partner countries.

An annual lump sum expenditure reimbursement of 1 million euro has been established for the performance of the service.

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 4,242 million euro at 31 December 2018, compared with 5,295 million euro at the end of 2017. In addition, there are the cash advances granted for the payment of Public Administration trade payables (Decree Law no. 35 of 8 April 2013, Decree Law no. 66 of 24 April 2014, and Decree Law no. 78 of 19 June 2015), the residual debt of which came to 5,912 million euro at 31 December 2018, compared with 6,101 million euro at the end of 2017. The liabilities include the management of Postal Savings Bonds assigned to the MEF, which at 31 December 2018 totalled 65,281 million euro, compared with 68,243 million euro at 31 December 2017.

In accordance with the above mentioned Ministerial Decree, CDP continues to manage a number of programmes established under specific legislative provisions, financed primarily with state funds. The funds allocated to these programmes 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 2,656 million euro at 31 December 2018 on the dedicated current accounts; the natural gas infrastructure programme for the South, which was allocated resources totalling 120 million euro; and the territorial agreements and area contracts, which had funds amounting to 448 million euro.

8. Information on the Consolidated Non-Financial Statement of the CDP Group

For information regarding the consolidated non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016, see the specific separate document “2018 Consolidated Non-Financial Statement of the CDP Group”, approved by the Board of Directors and published together with this annual report.

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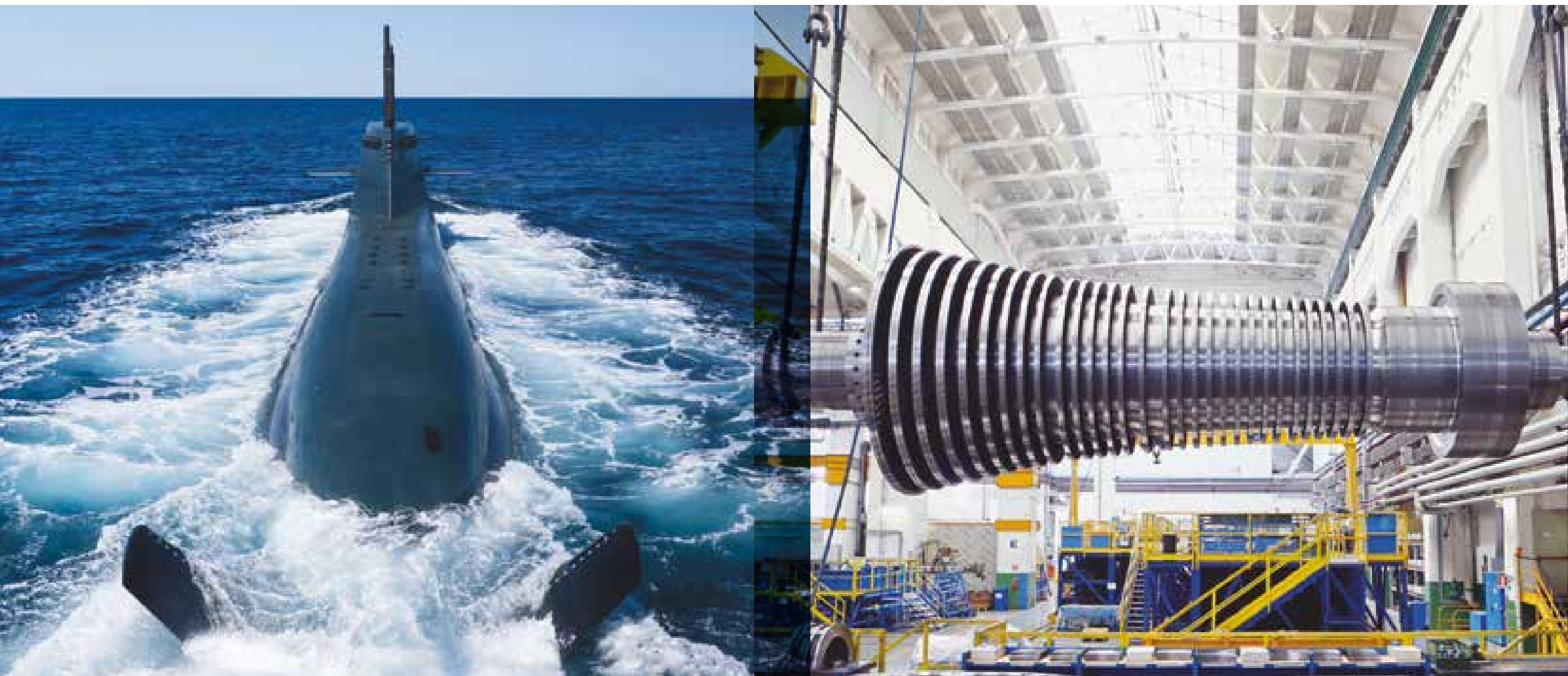

2.

Separate financial statements 2018

Form and content of the separate financial statements at 31 December 2018

The separate financial statements at 31 December 2018 have been prepared in accordance with applicable regulations and consist of:
- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to the Separate Financial Statements.

The Notes to the Separate Financial Statements consist 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 G - Business combinations;
- Part H - Transactions with related parties;
- Part I - Share-based payments;
- Part L - Operating segments.

The following are also included:
- Annexes;
- Report of the Board of Statutory Auditors;
- Independent Auditor's Report;
- Certification pursuant to article 154-*bis* of Legislative Decree no. 58/98.

In the section "Annexes", we added paragraph 1.1 "Accounting separation statements", which forms an integral part of the separate financial statements (Annex 1.1) and paragraph 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129" (Annex 1.2).

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Separate financial statements at 31 December 2018

BALANCE SHEET

Assets (euro)		31/12/2018	31/12/2017
10.	Cash and cash equivalents	4,968	6,741
20.	Financial assets measured at fair value through profit or loss:	2,764,648,580	2,301,185,709
	a) financial assets held for trading	71,025,547	93,568,293
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	2,693,623,033	2,207,617,416
30.	Financial assets measured at fair value through other comprehensive income	11,463,816,657	9,828,836,888
40.	Financial assets measured at amortised cost:	323,523,877,889	322,763,078,281
	a) loans to banks	20,179,064,614	38,599,568,670
	b) loans to customers	303,344,813,275	284,163,509,611
50.	Hedging derivatives	679,154,031	842,595,854
60.	Fair value change of financial assets in hedged portfolios (+/-)	131,580,898	(41,503,409)
70.	Equity investments	30,316,282,467	30,411,137,574
80.	Property, plant and equipment	322,660,563	305,538,163
90.	Intangible assets	20,946,199	11,882,566
	- *of which: goodwill*	-	-
100.	Tax assets:	480,439,453	630,739,071
	a) current tax assets	1,044,283	331,378,247
	b) deferred tax assets	479,395,170	299,360,824
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	312,075,968	211,771,045
	Total assets	**370,015,487,673**	**367,265,268,483**

The data as at 31 December 2017 have been reconcilied to the new schemes as described in the Accounting Policies, “Other issues” Section.

Liabilities and equity (euro)	31/12/2018	31/12/2017
10. Financial liabilities measured at amortised cost:	342,568,459,670	340,490,853,327
a) due to banks	30,429,338,747	16,626,997,896
b) due to customers	293,196,243,128	306,499,360,318
c) securities issued	18,942,877,795	17,364,495,113
20. Financial liabilities held for trading	70,980,902	127,596,066
30. Financial liabilities designated at fair value	500,023,869	501,551,155
40. Hedging derivatives	656,432,622	586,743,149
50. Adjustment of financial liabilities in hedged portfolios (+/-)	26,033,402	32,400,026
60. Tax liabilities:	394,012,110	213,992,947
a) current tax liabilities	284,550,223	56,735,458
b) deferred tax liabilities	109,461,887	157,257,489
70. Liabilities associated with non-current assets and disposal groups held for sale	-	-
80. Other liabilities	753,397,724	736,892,593
90. Staff severance pay	1,035,773	1,019,223
100. Provisions for risks and charges:	250,773,280	139,147,235
a) guarantees issued and commitments	120,441,569	97,783,581
b) pensions and other post-retirement benefit obligations	-	-
c) other provisions	130,331,711	41,363,654
110. Valuation reserves	539,854,697	950,928,999
120. Redeemable shares	-	-
130. Equity instruments	-	-
140. Reserves	15,341,579,796	14,908,258,103
150. Share premium reserve	2,378,517,244	2,378,517,244
160. Share capital	4,051,143,264	4,051,143,264
170. Treasury shares (-)	(57,220,116)	(57,220,116)
180. Net income (loss) for the year (+/-)	2,540,463,436	2,203,445,268
Total liabilities and equity	**370,015,487,673**	**367,265,268,483**

The data as at 31 December 2017 have been reconciled to the new schemes as described in the Accounting Policies, “Other issues” Section.

INCOME STATEMENT

Items (euro)	2018	2017
10. Interest income and similar income	7,849,429,210	7,275,809,784
- *of which: interest income calculated using the effective interest rate method*	*8,074,651,562*	*7,463,708,043*
20. Interest expense and similar expense	(4,266,256,100)	(4,311,124,029)
30. Net interest income	**3,583,173,110**	**2,964,685,755**
40. Commission income	396,384,656	108,116,186
50. Commission expense	(1,537,340,203)	(1,579,499,602)
60. Net commission income (expense)	**(1,140,955,547)**	**(1,471,383,416)**
70. Dividends and similar revenues	1,362,386,971	1,354,720,829
80. Profits (losses) on trading activities	2,852,174	(8,803,370)
90. Fair value adjustments in hedge accounting	(16,694,547)	13,170,610
100. Gains (losses) on disposal or repurchase of:	16,977,220	18,994,713
a) financial assets measured at amortised cost	53,948,941	21,035,155
b) financial assets measured at fair value through other comprehensive income	(36,952,465)	(2,040,442)
c) financial liabilities	(19,256)	-
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(30,007,376)	(161,972,799)
a) financial assets and liabilities designated at fair value	1,527,286	(1,551,155)
b) other financial assets mandatorily measured at fair value	(31,534,662)	(160,421,644)
120. Gross income	**3,777,732,005**	**2,709,412,322**
130. Net adjustments/recoveries for credit risk relating to:	(65,137,062)	(5,715,973)
a) financial assets measured at amortised cost	(64,114,115)	(5,715,973)
b) financial assets at fair value through other comprehensive income	(1,022,947)	-
140. Gains/losses from changes in contracts without derecognition	(2,199,115)	-
150. Financial income (expense), net	**3,710,395,828**	**2,703,696,349**
160. Administrative expenses:	(216,233,304)	(144,969,654)
a) staff costs	(153,068,946)	(85,135,767)
b) other administrative expenses	(63,164,358)	(59,833,887)
170. Net accruals to the provisions for risks and charges:	(42,286,102)	80,228,853
a) guarantees issued and commitments	(8,505,950)	80,145,632
b) other net accruals	(33,780,152)	83,221
180. Net adjustments to/recoveries on property, plant and equipment	(4,352,487)	(4,374,801)
190. Net adjustments to/recoveries on intangible assets	(3,198,155)	(2,526,902)
200. Other operating income (costs)	6,303,373	5,515,436
210. Operating costs	**(259,766,675)**	**(66,127,068)**
220. Gains (losses) on equity investments	(172,032,794)	28,631,108
230. Gains (losses) on tangible and intangible assets measured at fair value	-	-
240. Gains (losses) on equity investments	-	-
250. Gains (losses) on disposal of investments	(4,042)	(5,181)
260. Income (loss) before tax from continuing operations	**3,278,592,317**	**2,666,195,208**
270. Income tax for the year on continuing operations	(738,128,881)	(462,749,940)
280. Income (loss) after tax on continuing operations	**2,540,463,436**	**2,203,445,268**
290. Income (loss) after tax on discontinued operations		
300. Net income (loss) for the year	**2,540,463,436**	**2,203,445,268**

The data as at 31 December 2017 have been reconciled to the new schemes as described in the Accounting Policies, “Other issues” Section.

STATEMENT OF COMPREHENSIVE INCOME

Items (euro)		2018	2017
10.	**Net income (loss) for the year**	**2,540,463,436**	**2,203,445,268**
	Other comprehensive income net of tax not transferred to income statement	**(270,092,787)**	**(411,225)**
20.	Equity securities designated at fair value through other comprehensive income	(270,092,787)	(411,225)
	Other comprehensive income net of taxes transferred to income statement	**(243,914,971)**	**4,803,232**
120.	Cash flow hedges	(11,922,482)	(3,708,169)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(231,992,489)	8,511,401
170.	**Total other comprehensive income net of tax**	**(514,007,758)**	**4,392,007**
180.	**Comprehensive income (items 10 + 170)**	**2,026,455,678**	**2,207,837,275**

The data as at 31 December 2017 have been reconcilied to the new schemes as described in the Accounting Policies, “Other issues” Section.

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 31/12/2017	Changes in opening balance	Balance at 01/01/2018	Allocation of net income for previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	4,051,143,264		4,051,143,264		
b) preference shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	14,908,258,103	(424,964,162)	14,483,293,941	858,285,855	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	765,568,961	102,933,456	868,502,417		
b) cash flow hedge	17,788,036		17,788,036		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Net income (loss)	2,203,445,268		2,203,445,268	(858,285,855)	(1,345,159,413)
Equity	**24,435,072,762**	**(322,030,706)**	**24,113,042,056**		**(1,345,159,413)**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euro)	Balance at 31/12/2016	Changes in opening balance	Balance at 01/01/2017	Allocation of net income for previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	4,051,143,264		4,051,143,264		
b) preference shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	14,225,165,606		14,225,165,606	675,771,147	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	757,468,785		757,468,785		
b) cash flow hedge	21,496,205		21,496,205		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Net income (loss)	1,662,672,023		1,662,672,023	(675,771,147)	(986,900,876)
Equity	**23,206,815,013**		**23,206,815,013**		**(986,900,876)**

Changes for the period								Equity at 31/12/2018
Changes in reserves	Equity transactions						Comprehensive income for 31/12/2018	
	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		
								4,051,143,264
								2,378,517,244
								15,341,579,796
							(502,085,276)	366,417,141
							(11,922,482)	5,865,554
								167,572,002
								(57,220,116)
							2,540,463,436	2,540,463,436
							2,026,455,678	**24,794,338,321**

Changes for the period								Equity at 31/12/2017
Changes in reserves	Equity transactions						Comprehensive income for 31/12/2017	
	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		
								4,051,143,264
								2,378,517,244
7,321,350								14,908,258,103
							8,100,176	765,568,961
							(3,708,169)	17,788,036
								167,572,002
								(57,220,116)
							2,203,445,268	2,203,445,268
7,321,350							**2,207,837,275**	**24,435,072,762**

CASH FLOW STATEMENT (INDIRECT METHOD)

(euro)	2018	2017
A. OPERATING ACTIVITIES		
1. Operations	**6,860,800,960**	**6,604,956,335**
Net income for the year (+/-)	2,540,463,436	2,203,445,268
Gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	33,844,400	206,300,074
Gains (losses) on hedging activities (-/+)	16,694,547	(14,585,574)
Net impairment adjustments (+/-)	69,285,079	17,458,668
Net value adjustments to property, plant and equipment and intangible assets (+/-)	7,550,642	6,901,702
Net provisions and other costs/revenues (+/-)	104,328,200	(67,187,574)
Unpaid charges, taxes and tax credits (+/-)	565,421,893	462,749,940
Write-downs/writebacks of equity investments (+/-)	172,416,713	5,806
Other adjustments (+/-)	3,350,796,050	3,789,868,025
2. Cash generated by/used in financial assets	**4,412,153,725**	**(9,760,008,145)**
Financial assets held for trading	9,511,566	93,109,423
Financial assets designated at fair value		
Other financial assets mandatorily measured at fair value	(516,224,315)	
Financial assets measured at fair value through other comprehensive income	(2,320,597,677)	(2,307,954,981)
Financial assets measured at amortised cost	7,396,503,504	(7,803,717,376)
Other assets	(157,039,352)	258,554,789
3. Cash generated by/used in financial liabilities	**(635,322,549)**	**5,340,547,416**
Financial liabilities measured at amortised cost	(589,324,711)	5,315,864,804
Financial liabilities held for trading	(47,159,376)	(57,030,568)
Financial liabilities designated at fair value		500,000,000
Other liabilities	1,161,538	(418,286,820)
Cash generated by/used in operating activities	**10,637,632,136**	**2,185,495,606**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**3,664,987**	**235,882,786**
Sale of equity investments	3,664,987	235,882,786
Dividends from equity investments		
Sale of property plant and equipment		
Sale of intangibles		
Sales of subsidiaries and business units		
2. Cash used in	**(116,356,400)**	**(103,143,910)**
Purchase of equity investments	(80,826,593)	(59,726,533)
Purchase of property, plant and equipment	(22,785,012)	(37,345,787)
Purchase of intangible assets	(12,744,795)	(6,071,590)
Purchases of subsidiaries and business units		
Cash generated by/used in investing activities	**(112,691,413)**	**132,738,876**
C. FINANCING ACTIVITIES		
issue/purchase of treasury shares		
Issue/purchase of equity instruments		
Dividend distribution and other allocations	(1,345,159,412)	(986,900,876)
Cash generated by/used in financing activities	**(1,345,159,412)**	**(986,900,876)**
CASH GENERATED/USED DURING THE YEAR	**9,179,781,311**	**1,331,333,606**

The data as at 31 December 2017 have been reconciled to the new schemes as described in the Accounting Policies, “Other issues” Section.

Reconciliation

Items [*]	2018	2017
Cash and cash equivalents at beginning of the year	**149,540,205,198**	**148,208,871,592**
Total cash generated/used during the year	9,179,781,311	1,331,333,606
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at end of the year	**158,719,986,509**	**149,540,205,198**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 “Cash and cash equivalents”, the balance on the current account held with the Central State Treasury and the positive balance on the current accounts reported under item 40 “Financial assets measured at amortised cost”, net of current accounts with a negative balance reported under item 10 of Liabilities “Financial liabilities measured at amortised cost”.

Notes to the separate financial statements

Introduction

Form and content of the financial statements

As in previous years, CDP's separate financial statements have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the "Credit and Financial Supervision" circular issued on 22 December 2005, in the version updated on 22 December 2017, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IAS/IFRS 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 was then issued on 28 February 2005 in order to govern the application of:
- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the IASC (International Accounting Standards Committee), and the interpretation sources adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC - Standing Interpretations Committee).

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 statement of cash flows and these notes to the financial statements and related annexes, as well as the Board of Directors' report on operations.

The financial statements clearly present, and give a true and fair view of, the company's financial performance and results of operations for the year, 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 units of euro, whereas the tables in the notes to the financial statements are stated in thousands of euro, unless otherwise specified.

Items with zero balances for both the current and prior financial year have been excluded. In the income statement, income is indicated as positive numbers, while expenses are shown in brackets.

The figures of the items, sub-items, and the "of which" specifications in the other financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than 500 euro and raising fractions greater than 500 euro to the next highest thousand.

The rounded amounts for the various items are the sum of the rounded balances of sub-items.

The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury and the positive balance on the current accounts reported under item 40 "Financial assets measured at amortised cost", net of current accounts with a negative balance reported under item 10 of Liabilities "Financial liabilities measured at amortised cost".

Comparison and disclosure

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

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

In regard to the requirements by the afore-mentioned Circular 262/2005 in the section F – Capital, we note that, in line with the Italian and EU regulatory framework, the CDP Group is not subject to prudential supervision.

Pursuant to Art. 5, Decree Law no. 269, 30 September 2003, on the transformation of CDP into a joint-stock company, the provisions of Title V, Legislative Decree no. 385, 1 September 1993 ("Consolidated Law on Banking") for intermediaries in the list referred to in Art. 106 of the same legislative decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account [...]" shall apply to CDP.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

The separate financial statements show data for the previous financial year for comparison purposes, reclassified to the new items under Circular 262, 5th update, which incorporates the changes introduced by IFRS 9 and 15, without making any changes in measurement and impairment.

Tables with zero amounts both for the reporting period and for the comparison year were omitted.

Auditing of the financial statements

The separate financial statements of CDP are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes to the separate financial statements

The financial statements of CDP include annex 1.1 "Accounting separation statements" showing the contribution of the Separate Account and the Ordinary Account to CDP's results and annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129".

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with the International Financial Reporting Standards

These separate financial statements at 31 December 2018 have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2018 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale) L. 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005, as amended, which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

Notably, on 22 December 2017, the Bank of Italy published the 5th update to Circular no. 262/2005 (“Bank financial statements: presentation formats and rules”), containing the following main changes:

- incorporation of IFRS 9 “Financial instruments”, as well as the consequent amendments introduced in other international accounting and financial reporting standards, including IFRS 7 “Financial instruments: disclosures”;
- incorporation of the new IFRS 15 “Revenue from contracts with customers”;
- inclusion, within the notes to the financial statements, of the disclosure requirements established by Principle 8 “Disclosure”, contained in the EBA document “Guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses” (document EBA/GL/2017/06 of 20 September 2017).

This update to Circular no. 262/2005 is applied from 1 January 2018.

The IFRS applied for preparation of these financial statements are found in the list given in “Section 4 – Other issues”.

Section 2 - General preparation principles

The separate financial statements of CDP include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the “indirect method”), and these notes to the separate financial statements, as well as the directors’ report on operations.

The financial statements and tables in the notes to the separate financial statements present not only the net amounts for the current financial year, but also the corresponding comparative values for the previous financial year.

The balance sheet, the income statement and the statement of comprehensive income do not contain items having a zero amount in the reference financial year and the previous financial year.

In the income statement, the statement of comprehensive income, and the tables of the notes to the separate financial statements, revenues are indicated without sign, while costs are shown in brackets.

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

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);

- documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules.

Where the information required by the IFRS 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 provide supplemental information for such purpose.

These financial statements have been prepared in accordance with the provisions of IAS 1 - "Presentation of financial statements":
- Going concern basis: pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 concerning disclosures on the going concern basis and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of the company's 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 financial years, CDP feels that it is appropriate to prepare its financial statements on a going concern basis.
- Accruals basis: operations are recognised in the accounting records and in the financial statements of CDP (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are taken to profit or loss in accordance with the matching principle.
- Materiality and aggregation: all items containing assets, liabilities, revenues and expense of a similar nature and with similar characteristics are presented separately in the financial statements, unless they are immaterial.
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.
- Frequency of reporting: CDP prepares these financial statements and makes the related disclosures, on an annual basis. No changes occurred with respect to the reporting date, which remains at 31 December of each year.
- Comparative information: comparative information is disclosed in respect of the previous financial year. Comparative information, at the same reporting date, is provided for each document comprising the financial statements, including the notes thereto.

Use of estimates

The application of International Financial Reporting Standards in preparing the separate financial statements requires CDP to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, 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 reference financial year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the financial statement items and future earnings results.

The main areas in which management is required to make subjective assessments are:
- the calculation of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the calculation of provisions for employees and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The description of the accounting policies 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

The Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019, awarded the audit engagement for the period 2020-2028 to Deloitte & Touche S.p.A.

The Board of Directors of CDP, at the same meeting in which these separate financial statements were approved, resolved, in its capacity as beneficiary of the subsidiary Fintecna S.p.A., the project for the demerger of the 2.87% equity investment held by Fintecna in CDP Equity S.p.A.

During the period between the reporting date of these financial statements and their approval by the Board of Directors on 28 March 2019, no events occurred that would require an adjustment to the figures presented in the financial statements at 31 December 2018 nor did any significant events, in addition to those mentioned above, occur that would have required providing additional information.

Section 4 - Other issues

IFRSs endorsed at 31 December 2018 and in force since 2018

As required by IAS 8 - Accounting policies, changes in accounting estimates and errors, details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2018, are provided below:

- Commission Regulation (EU) no. 2018/519 of 28 March 2018, published in the Official Journal L 87 of 3 April 2018, adopting Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
- Commission Regulation (EU) no. 2018/498 of 22 March 2018, published in the Official Journal L 82 of 26 March 2018, adopting the Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation. The amendments are intended to clarify the classification of particular prepayable financial assets when applying IFRS 9[35].
- Commission Regulation (EU) 2018/400 of 14 March 2018, published in the Official Journal L 72 of 15 March 2018, adopting Amendments to IAS 40 Investment Property – Transfers of investment property. The amendments clarify when a company is allowed to reclassify a property to (or from) the “investment property” category.
- Commission Regulation (EU) 2018/289 of 26 February 2018, published in the Official Journal L 55 of 27 February 2018, adopting Amendments to IFRS 2 Share-based Payments, aimed at clarifying how companies should apply the standard in some specific instances.
- Commission Regulation (EU) 2018/182 of 7 February 2018, published in the Official Journal L 34 of 8 February 2018, adopting Annual Improvements to International Financial Reporting Standards 2014-2016 Cycle that lead to changes to IAS 28 – Investments in associates and joint ventures, IFRS 1 - First-time Adoption of International Financial Reporting Standards and IFRS 12 – Disclosure of Interests in Other Entities (the latter should already be applied for 2017). The objective of the annual improvements is to address non-urgent, but necessary, issues discussed by the IASB during the project cycle on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required.
- Commission Regulation (EU) no. 2017/1988 of 3 November 2017, published in the Official Journal L 291 of 9 November 2017, adopting the Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts replacing IFRS 4 (IFRS 17).
- Commission Regulation (EU) no. 2017/1987 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting the Clarifications to IFRS 15 – Revenue from contracts with customers. The amendments aim to clarify some requirements and provide additional transitional relief for companies that are implementing the Standard.
- Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in the Official Journal L 323 of 29 November 2016, adopting IFRS 9 – Financial Instruments, aimed at improving the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20’s call to move to a more forward-looking model for the recognition of expected losses on financial assets.
- Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in the Official Journal L 295 of 29 October 2016, adopting IFRS 15 –Revenue from contracts with customers, which aims to improve the financial reporting of revenue and to improve comparability of the top line in financial statements globally.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2019)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2018 (unless, where permitted, it is chosen to adopt them in advance):

- Commission Regulation (EU) 2019/412 of 14 March 2019, published in Official Journal L. 73 of 15 March 2019, amending Commission Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 12 and 23 and International Financial Reporting Standards (IFRS) 3 and 11. Companies should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019. The main amendments concerned:
  - IAS 12 “Income taxes”. Accounting for all income taxes consequences of dividend payments in the same way;
  - IAS 23 “Borrowing costs”. The company treats as part of general borrowings any borrowing originally made to develop an asset when

35 The Regulation establishes that the amendments it contains shall apply from the start of the first financial year that begins on or after 1 January 2019. The text, however, indicates that the Commission considers the following: “Since Commission Regulation (EU) 2016/2067 has become applicable for financial periods starting at the latest on or after 1 January 2018, companies should be able to use International Financial Reporting Standard (IFRS) 9 - Financial Instruments as amended in the Annex to this Regulation as from the date of application of Regulation (EU) 2016/2067. Therefore, companies should be able to apply the provisions of this Regulation for financial periods starting on or after 1 January 2018.”

the asset is ready for its intended use or sale;
- IFRS 3 "Business combinations". The company remeasures its previously held interest in a joint operation when it obtains control of the business;
- IFRS 11 "Joint arrangements". The company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- Commission Regulation (EU) 2019/402 of 13 March 2019, published in Official Journal L. 72 of 14 March 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 19. The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. The entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019.
- Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L. 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28. The amendments clarify that any entity that does not apply the equity method to financial instruments in associate companies or joint ventures should apply IFRS 9 to long-term equity interests without taking into account any adjustments made to their carrying amount. Entities apply these amendments retroactively, starting from financial periods that start on or after 1 January 2019. Early application is permitted.
- Commission Regulation (EU) 2018/1595 of 23 October 2018, published in the Official Journal L 265 of 24 October 2018, adopting IFRIC 23, which explains how to reflect uncertainty in accounting for income taxes.
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting IFRS 16 – Leases, which aims to improve financial reporting on lease contracts. Companies shall apply IFRS 16, at the latest, as from the commencement date of their first financial year starting on or after 1 January 2019.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

On the basis of the analyses carried out, leases identified as having CDP as lessee mainly refer to property leases.

As practical expedients envisaged by the transitional provisions of IFRS 16, CDP opted to apply the standard to leasing contracts previously classified as leasing contracts pursuant to IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease".

Moreover, with reference to leases previously classified as operating leases, it has opted to:
- adopt the standard retrospectively, by recognising the cumulative effect as at the date of initial application, without restating the comparative information, instead posting any cumulative effect as an adjustment to the opening balance of the retained earnings;
- assess the activity consisting in right of use for an amount equal to the initial lease liability net of any prepaid expenses posted in the statement of financial position immediately before the date of initial application;
- not recognize assets and liabilities relating to lease contracts with a duration ending within 12 months of the date of initial application (these contracts will be recognised as short term leases);
- exclude the initial direct costs of assessing the activity consisting in the right of use as at the date of initial application.

The analyses performed during finalisation do not envisage any significant impacts, for the 2019 financial year, on CDP's financial statements as a result of the application of the standard under consideration, limited essentially to the recognition of more assets (rights of use) and liabilities (lease payables).

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2018

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these financial statements:

- IFRS 17 Insurance Contracts (issued on 18 May 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017);
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018);
- Amendment to IFRS 3: Business Combinations (issued on 22 October 2018);
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018).

Bank of Italy Circular no. 262/2005 – 6th update of 30 November 2018

On 30 November 2018, the Bank of Italy published the 6th update to Circular no. 262/2005 ("Bank financial statements: presentation formats and rules"), which incorporates the changes introduced by IFRS 16 "Leases". The consequent changes in other international accounting standards, including IAS 40 regarding investment property, introduced to guarantee the overall consistency of the accounting framework, were also incorporated[36]. The opportunity was taken to also implement the amendment to IFRS 12 "Disclosure of Interests in Other Entities", which clarifies that the disclosure obligations envisaged for equity investments also apply to investments held for sale; the disclosure in the notes on credit risk was also updated with details referring to financial assets classified as "non-current assets and disposal groups held for sale" pursuant to IFRS 5. The changes took into account, on the one hand, the need to incorporate the minimum disclosure required by the new IFRS 16 and the amendments to IAS 40 and IFRS 12; and on the other, to maintain some information on leases currently present in the financial statements which, although not required by international accounting standards, is deemed relevant for correct assessment of intermediaries' operations by users of the financial statements[37].

This update to Circular no. 262/2005 is applicable as from the financial statements closed or in progress as at 31 December 2019.

Transition to IFRS 9 and IFRS 15

IFRS 9: Financial instruments

Regulatory provisions

From 1 January 2018, the new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, has replaced IAS 39, and governs the classification and measurement of financial instruments.

IFRS 9 is structured in three different areas: classification and measurement of financial instruments, impairment and hedge accounting.

As regards the first area, IFRS 9 envisages that the classification of the financial assets is guided, on the one hand, by the business model under which the assets are held and, on the other, by the characteristics of the contractual cash flows of these financial assets. In place of the four previous accounting categories, financial assets can be classified, according to IFRS 9 and in line with the two drivers mentioned above, into three categories: Financial assets measured at amortised cost, Financial assets measured at fair value through other comprehensive income (for debt instruments, the reserve is transferred to profit or loss if the instrument is sold) and, lastly, Financial assets measured at fair value through profit or loss. Financial assets can be recognised in the first two categories and, therefore, be measured at amortised cost or at fair value through other comprehensive income, only if the relevant business model is, respectively, HTC or HTCS, and if it is demonstrated that they pass the "SPPI test" i.e. "solely payment of principal and interest". Equity securities are always recognised in the third category and are measured at fair value through profit or loss, unless the entity chooses (irrevocably during initial recognition), as regards equities not held for trading, to present the changes in value through other comprehensive income, which will never be transferred to profit or loss, not even if the financial instruments are sold (Financial assets measured at fair value through other comprehensive income without "recycling").

36 The sphere of application of IAS 40 was extended, which now includes investment property leased amongst investment property. The rights of use acquired through leasing connected to investment properties are therefore governed by this standard, with the exception of some specific provisions, which refer to IFRS 16 (such as for example the rules on classification and initial recognition).

37 In particular, in relation to property investments, IFRS 16 does not require the user to provide some detailed information (see IFRS 16, paragraphs 48 and 56), such as for example presentation of the assets consisting in right of use separately to the other assets and depreciation expenses separated according to ownership title (owned or right of use acquired through lease).

As far as financial liabilities are concerned, no substantial changes have been introduced compared to IAS 39 as regards their classification and measurement. The only new aspect is the accounting for "own credit risk": as regards financial liabilities designated at fair value (known as "liabilities under fair value option"), the standard specifies that changes in fair value due to a change in own credit risk are recognised in other comprehensive income, unless this type of treatment creates or increases an accounting mismatch in profit or loss, whereas the residual amount of fair value changes of the liabilities must be recognised through profit or loss.

With reference to impairment, as regards instruments measured at amortised cost or at fair value through other comprehensive income (other than equity instruments), a model based on "expected loss" is introduced, instead of the "incurred loss" specified in IAS 39, so that any losses may be recognised with greater promptness. IFRS 9 requires companies to account for expected losses in the following 12 months (stage 1) from the initial recognition of the financial instrument. Conversely, the time horizon for calculating the expected loss becomes the remaining life of the asset being measured, when the credit quality of the financial instrument has incurred a "significant" deterioration compared to its initial measurement (stage 2) or when it is "impaired" (stage 3). More specifically, the introduction of the new impairment rules leads to:

- the allocation of performing financial assets into different credit risk stages ("staging"), which correspond to value adjustments based on expected losses over the following 12 months (known as "Stage 1"), or "lifetime", i.e. the remaining life of the instrument (known as "Stage 2"), in the event of a significant increase in credit risk ("SICR") calculated by comparing the Probabilities of Default on the date of initial recognition and on the reporting date;
- the allocation of non-performing financial assets to "Stage 3", also with value adjustments based on the expected "lifetime" losses;
- the inclusion in the calculation of Expected Credit Losses ("ECL") of forward looking information associated, among other things, with the trends in the macroeconomic scenario.

Lastly, with reference to hedge accounting, the new hedging model – which however does not concern the so-called "macro hedges" – aims to align the accounting presentation with the risk management activities and to strengthen the disclosure of risk management activities undertaken by the entity that prepares the financial statements.

CDP's choices

As regards the procedures for representing the effects of first-time adoption of the standard, CDP decided to take advantage of the option provided by paragraph 7.2.15 of IFRS 9 and paragraphs E1 and E2 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which allows entities not to restate comparable figures. According to the instructions contained in the document issuing the 5th update to Circular no. 262 of the Bank of Italy, dated 22 December 2017, banks that take advantage of the exemption in preparing comparative figures must include a statement of reconciliation in the first financial statements prepared in accordance with the update, highlighting the method used and providing reconciliation between the figures in the last approved financial statements and the first financial statements prepared in accordance with the new provisions. Therefore, the date of first-time adoption of the new standard for CDP is 1 January 2018.

The following paragraphs provide a brief analysis of the main effects on CDP arising from the application of IFRS 9, divided according to the three impact areas as defined above.

Classification and measurement

In order to implement the classification and measurement rules laid down by the new Standard and, therefore, to classify financial assets on the basis of the "Business Model" and the contractual cash flow characteristics, an analysis was conducted on the securities and loans portfolios to identify and define the related "Business Models", i.e. the methods of managing financial assets with regard to the generation of cash flows.

The process of defining the business models was therefore implemented by examining the existing management approaches (verifying whether the cash flows generated from financial assets arise from the collection of contractual cash flows or from the sale of the assets or from both), which substantially confirmed the portfolio management strategy conducted so far, in line with the objectives, general policies and risk policies, i.e. a management of the loan portfolio ascribable to a "Held to collect" (HTC) business model, and a management of the securities portfolio essentially ascribable to the "Held to collect" and "Held to collect and sell" (HTCS) business models.

As regards HTC portfolios, the thresholds under which sales may be permitted without affecting classification have been defined and, at the same time, parameters were established for identifying sales that are consistent with this business model as they are attributable to an increase in credit risk, a management of risk concentration or are executed close to maturity.

More specifically, within the scope of the "Held to collect" business model, sales are permitted:

- in the event of an increase in credit risk; the limits and/or the cases of admissibility have been defined in line with the impairment method;

- when they occur close to the maturity of the financial asset and the revenues from the sale are approximately the same as the collectable value of the remaining contractual financial flows. Specifically, the materiality threshold in terms of proximity to the maturity of the instrument has been established based on the residual duration of the financial asset;
- when they are not frequent and not significant, given the size, nature, experience and prospects of its portfolio.

The business models under which the financial assets are held have been approved by the Board of Directors.

The performance of the SPPI Test ("Solely Payments of Principal and Interest" Test), consisting of the analysis of the characteristics of the cash flows for all financial assets, on the other hand, required portfolios to be structured into uniform subcategories that would allow the systematic study of products with similar characteristics, compared to those with special characteristics.

For the loan portfolio, this consisted of identifying the types of "Standard Products" and "Non-Standard Products" for the purposes of IFRS 9, based on whether or not there are contractual clauses that can be attributed to a contractual standard or uniform contractual clauses that are relevant for IFRS 9 purposes. This classification enabled the conduct of a precise analysis, and thus of the SPPI Test, on all the loans held in CDP's portfolio as at 31 December 2017.

All potentially critical contractual clauses for the purposes of the SPPI Test were carefully and thoroughly analysed. Only one product of a subsidiary did not pass the test.

The method adopted to conduct the test was based on the use of a specific checklist and a related decision tree.

All the parameters and indexing rules of the loan portfolio were also fully mapped, together with the related frequency of interest payments. This enabled the identification of positions that have a modified time value of money remuneration, for which the significance of the modification needed to be measured (Benchmark Test).

For the securities classified in the HTC and HTCS portfolios, the SPPI Test was conducted with the support of an external provider and the result was subject to review and/or, where necessary, input from the competent areas (Risk Management area and Administration, Accounting and Reporting area).

For the loans segment, the analyses conducted did not result in changes in classification. Whereas, for the securities segment, a very small number of classification and measurement changes were required.

In addition, it should be noted that on the basis of the analyses conducted and clarifications provided by the IFRS Interpretation Committee, units in collective investment undertakings have been classified among the assets that are mandatorily measured at fair value through profit or loss.

The specified classification procedures have been applied as from 1 January 2018.

Impairment

The process of implementing the new accounting provisions necessitated definition of the policies and methods of Stage Allocation and calculation of expected losses so that they are compliant with IFRS 9, while taking into consideration the characteristics of CDP's portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has registered an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical time horizon of its assets and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are ascribed to a master scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the main available information, including information on trends, since the structure of the system is forward-looking and relates to the duration of the exposure. Stage allocation is, therefore, mainly based on the use of these methods that are considered appropriate for managing the CDP assets.

In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within Stage 3. Conversely, as regards performing assets, it is necessary to define criteria for assigning them to Stage 1 or Stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from Stage 1 to Stage 2 takes account, among other things, of the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings).

The decision to use ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in Stage 2 if they relate to counterparties for which the following conditions apply:
- they belong to specific monitoring classes (known as "watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible deterioration of creditworthiness;
- classification as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to Stage 3 without first passing through Stage 2.

In accordance with the Standard and in line with the Stage Allocation policy, when the conditions that led to a position being attributed to Stage 2 cease to exist, it may return to Stage 1 with the consequent reduction in the associated expected loss.

As regards debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in Stage 2, which require the calculation of the expected losses over a time horizon that corresponds to the remaining lifetime of the instrument, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE), even though this is permitted by IFRS 9. This possibility consists of classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. The decision not to adopt this exemption takes account of the Basel Committee recommendations, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:
- specific attributes of the debtor, and
- general economic conditions and the assessment of current and forecast conditions (*forward-looking information*).

As regards estimating expected loss, IFRS 9 requires the adoption of the Point – in – Time (PIT) PD instead of the Through – the – Cycle (TTC) PD which CDP uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD drawing on the TTC PD which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios: a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic aspects of each position (i.e. existence of collateral or a “security package”), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed by the Risk Management Area, in collaboration with the Administration, Accounting and Reporting Area. The adoption of key choices on the implementation of the Standard was discussed within the Internal Risk Committee and Board Risk Committee and was lastly approved by the Board of Directors.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

Hedge Accounting

As regards Hedge Accounting, IFRS 9 contains provisions relating to the “General Hedge Accounting Model” aimed at providing a greater alignment between the hedge accounting positions and the risk management strategies adopted by the management. The new standard does not envisage the accounting model for collective hedging relationships of loan portfolios (so-called Macro Hedging) which is still being analysed by the IASB research group.

While waiting for new regulatory provisions, CDP has decided to take advantage of the opt-out option in FTA: all hedging transactions will continue to be managed in line with the past according to the (carved out) provisions in IAS 39.

IFRS 15: Revenue from Contracts with Customers

Regulatory provisions

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:
1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

CDP’s choices

In line with the decisions taken with respect to IFRS 9 and in accordance with IFRS 15 Appendix C, CDP has opted to apply the new standard retrospectively, by recognising any cumulative effect of initially applying the standard as an adjustment to the retained earnings at the date of first-time adoption of the new standard.

First-time adoption of IFRS 15 did not have any effect on the opening equity at 1 January 2018.

Additional reclassifications made on 1 January 2018 in accordance with the 5th Update of Circular no. 262 of the Bank of Italy

The 5th Update of Circular no. 262 of the Bank of Italy clarified the fact that Property, plant and equipment that was recognised in accordance with IAS 2 "Inventories" must be reclassified to item 80 "Property, plant and equipment" and no longer recognised in item 120 "Other assets".

The same update also specified that the provisions made with respect to off-balance sheet exposures must be recognised in item 100 "Provisions for risks and charges" instead of item 80 "Other liabilities".

The following statements concerning the effects of first-time adoption of IFRS 9 and IFRS 15 also include the aforesaid reclassifications.

Transition statements

The reference regulatory framework for the separate financial statements of CDP saw the introduction, in 2018, of two new relevant standards - IFRS 9 "Financial instruments" (Commission Regulation (EU) 2016/2067 of 22 November 2016) and IFRS 15 "Revenue from contracts with customers" (Commission Regulation (EU) 2016/1905 of 22 September 2016) - and the consequent amendment to Circular no. 262 published by the Bank of Italy in an updated version in December 2017.

These standards incurred two additions such as the Clarifications to IFRS 15 published with Commission Regulation (EU) 2017/1987 of 31 October 2017 and the Amendments to IFRS 9 Financial instruments - Prepayment Features with Negative Compensation published with Commission Regulation (EU) 2018/498 of 22 March 2018, both adopted by CDP in this half-yearly financial report.

With reference to IFRS 9 and IFRS 15, CDP has decided to apply them retrospectively but without restating the comparative figures for the previous financial year as regards the end-of-period figures or for the previous period regarding the flow data.

Considering the requirements contained in the international financial reporting standards in terms of disclosure in such circumstances, and in particular in IFRS 7, as regards the adoption of IFRS 9 and also the changes made in the updated version of Circular no. 262, the following disclosure information has been prepared, represented by:

- the statements transferring the balance sheet items at 31 December 2017 from the accounting categories with names used in the 2017 separate financial statements to the new accounting categories introduced by the updated version of Circular 262. This statement transfers the carrying amounts to the new items without making any changes in measurement and impairment, keeping the overall closing totals of assets, liabilities and equity items exactly the same;
- the statement of reconciliation of equity at 31 December 2017 with the opening equity at 1 January 2018;
- the measurement statements concerning the accounting categories introduced to take account of the impacts arising from the adoption of IFRS 9 (measurement and impairment) and IFRS 15 (measurement) and of the related tax effects. This statement highlights the opening balance sheet balances at 1 January 2018 and the subsequent effects on equity at the same date;
- the breakdown of exposures at amortised cost that are subject to the impairment process.

The impacts resulting from the adoption of the new standards involve an adjustment to the opening balance of retained earnings. As specified in the updated version of Circular 262, the impacts on equity resulting from the adoption of IFRS 9 and 15 at 1 January 2018 are highlighted in the column entitled "Changes in opening balances" in the statement of changes in Equity for the year in those items that will incur these effects.

Statements transferring balance sheet figures

The following statements show the transfer of the balance sheet items at 31 December 2017 from the accounting categories with names used in the 2017 financial statements (and thus as required by the previous version of Circular 262), to the new accounting categories introduced by the updated version of Circular 262. These statements show the carrying values resulting from the published 2017 separate financial statements that have been transferred to the new items, without making any changes in measurement and impairment due to the adoption of IFRS 9 and IFRS 15, keeping the overall closing totals of assets, liabilities and equity items exactly the same.

RECONCILIATION BETWEEN THE BALANCE SHEET ASSETS DISCLOSED AT 31 DECEMBER 2017 AND THE BALANCE SHEET ASSETS AT 31 DECEMBER 2017 ACCORDING TO THE NEW VERSION OF CIRCULAR 262 IN FORCE AS OF 1 JANUARY 2018 (5TH UPDATE)

(euro) 31 December 2017 according IFRS 9 - Circ. 262 5th update / 31 December 2017 according IAS 39 - Circ. 262 4th update	Total assets	10. Cash and cash equivalents	20. Financial assets held for trading	40. Financial assets available for sale	50. Financial assets held to maturity	60. Loans to banks	60. Loans to customers
10. Cash and cash equivalents	6,741	6,741					
20. Financial assets measured at fair value through profit or loss:	2,301,185,709		93,568,293	1,853,827,200			353,790,216
a) financial assets held for trading	93,568,293		93,568,293				
b) financial assets designated at fair value	-						
c) other financial assets mandatorily measured at fair value	2,207,617,416			1,853,827,200			353,790,216
30. Financial assets measured at fair value through other comprehensive income	9,828,836,888			9,828,836,888			
40. Financial assets measured at amortised cost:	322,763,078,281				29,236,673,374	38,599,568,670	254,926,836,237
a) loans to banks	38,599,568,670					38,599,568,670	
b) loans to customers	284,163,509,611				29,236,673,374		254,926,836,237
50. Hedging derivatives	842,595,854						
60. Fair value change of financial assets in hedged portfolios (+/-)	(41,503,409)						
70. Equity investments	30,411,137,574						
80. Property, plant and equipment	305,538,163						
90. Intangible assets	11,882,566						
- *of which: goodwill*	-						
100. Tax assets:	630,739,071						
a) current tax assets	331,378,247						
b) deferred tax assets	299,360,824						
120. Other assets	211,771,045						
Total assets	**367,265,268,483**	**6,741**	**93,568,293**	**11,682,664,088**	**29,236,673,374**	**38,599,568,670**	**255,280,626,453**

The statement relating to the balance sheet asset items shows the following main changes:

- the financial assets available for sale, amounting to 11,683 million euro, were transferred to the item "Financial assets measured at fair value through other comprehensive income" whenever these were represented by debt instruments held in a HTCS business model and passed the SPPI test (9,796 million euro), along with equities which the holding company irrevocably decided to classify within that category, given their nature as a stable investment (33 million euro). The remaining financial assets amounting to 1,854 million euro, which relate to units in funds and investment vehicles held by CDP for long-term investment were transferred to "Financial assets mandatorily measured at fair value";
- loans to customers and banks (amounting to 293,880 million euro) held within a HTC business model and which passed the SPPI test were transferred as to 293,526 million euro to "Financial assets measured at amortised cost" whilst, as a result of a different test result, some securities (354 million euro) were classified in "Financial assets mandatorily measured at fair value".

80. Hedging derivatives	90. Fair value change of financial assets in hedged portfolios (+/-)	100. Equity investments	110. Property, plant and equipment	120. Intangible assets	- of which goodwill	130. Tax assets	a) current tax assets	b) deferred tax assets	150. Other assets
842,595,854									
	(41,503,409)								
		30,411,137,574							
			305,538,163						
				11,882,566					
						630,739,071	331,378,247	299,360,824	
						331,378,247	331,378,247		
						299,360,824		299,360,824	
									211,771,045
842,595,854	**(41,503,409)**	**30,411,137,574**	**305,538,163**	**11,882,566**	**-**	**630,739,071**	**331,378,247**	**299,360,824**	**211,771,045**

RECONCILIATION BETWEEN THE BALANCE SHEET LIABILITIES DISCLOSED AT 31 DECEMBER 2017 AND THE BALANCE SHEET LIABILITIES AT 31 DECEMBER 2017 ACCORDING TO THE NEW VERSION OF CIRCULAR 262 IN FORCE AS OF 1 JANUARY 2018 (5TH UPDATE)

(euro) 31 December 2017 according IFRS 9 - Circ. 262 5th update \ 31 December 2017 according IAS 39 - Circ. 262 4th update	Total liabilities	10. Due to banks	20. Due to customers	30. Securities issued	40. Financial liabilities held for trading	50. Financial liabilities designated at fair value
10. Financial liabilities measured at amortised cost:	340,490,853,327	16,626,997,896	306,499,360,318	17,364,495,113		
a) due to banks	16,626,997,896	16,626,997,896				
b) due to customers	306,499,360,318		306,499,360,318			
c) securities issued	17,364,495,113			17,364,495,113		
20. Financial liabilities held for trading	127,596,066				126,255,780	
30. Financial liabilities designated at fair value	501,551,155					501,551,155
40. Hedging derivatives	586,743,149					
50. Adjustment of financial liabilities in hedged portfolios (+/-)	32,400,026					
60. Tax liabilities:	213,992,947					
a) current tax liabilities	56,735,458					
b) deferred tax liabilities	157,257,489					
80. Other liabilities	736,892,593					
90. Staff severance pay	1,019,223					
100. Provisions for risks and charges:	139,147,235					
a) guarantees issued and commitments	97,783,581					
b) pensions and other post-retirement benefit obligations	-					
c) other provisions	41,363,654					
Total liabilities	**342,830,195,721**	**16,626,997,896**	**306,499,360,318**	**17,364,495,113**	**126,255,780**	**501,551,155**

The statement relating to the balance sheet liability items shows the following main changes:

- reclassification of derivatives (1.3 million euro) from “Hedging derivatives” to “Liabilities held for trading” due to the interruption of the hedging relationship as a result of a failed SPPI test by the previously hedged financial assets and their consequent recognition in “Financial assets mandatorily measured at fair value”;
- the transfer of the total provisions for credit risk for commitments to disburse funds and financial guarantees issued from “Other liabilities” to the “Provisions for risks and charges” (97.8 million euro).

60. Hedging derivatives	70. Adjustment of financial liabilities in hedged portfolios (+/-)	80. Tax liabilities	a) current tax liabilities	b) deferred tax liabilities	100. Other liabilities	110. Staff severance pay	120. Provisions for risks and charges	b) other provisions
1,340,286								
586,743,149								
	32,400,026							
		213,992,947	56,735,458	157,257,489				
		56,735,458	56,735,458					
		157,257,489		157,257,489				
					736,892,593			
						1,019,223		
					97,783,581		41,363,654	41,363,654
					97,783,581			
							41,363,654	41,363,654
588,083,435	**32,400,026**	**213,992,947**	**56,735,458**	**157,257,489**	**834,676,174**	**1,019,223**	**41,363,654**	**41,363,654**

RECONCILIATION BETWEEN EQUITY DISCLOSED AT 31 DECEMBER 2017 AND EQUITY AT 31 DECEMBER 2017 ACCORDING TO THE NEW VERSION OF CIRCULAR 262 IN FORCE AS OF 1 JANUARY 2018 (5TH UPDATE)

(euro) 31 December 2017 according IFRS 9 - Circ. 262 5th update \ 31 December 2017 according IAS 39 - Circ. 262 4th update	Total equity	130. Valuation reserves	160. Reserves	170. Share premium reserve	180. Share capital	190. Treasury shares (-)	200. Net income (loss) for the year (+/-)
110. Valuation reserves	950,928,999	950,928,999					
140. Reserves	14,908,258,103		14,908,258,103				
150. Share premium reserve	2,378,517,244			2,378,517,244			
160. Share capital	4,051,143,264				4,051,143,264		
170. Treasury shares (-)	(57,220,116)					(57,220,116)	
180. Net income (loss) for the year (+/-)	2,203,445,268						2,203,445,268
Total equity	**24,435,072,762**	**950,928,999**	**14,908,258,103**	**2,378,517,244**	**4,051,143,264**	**(57,220,116)**	**2,203,445,268**

Considering the methods used to prepare the statements transferring balance sheet items as regards assets and liabilities, equity did not incur any changes.

The measurement and impairment statements of balance sheet figures – opening figures at 1 January 2018

The statements below, called "measurement statements", highlight the impacts resulting from the application of the measurement and impairment rules in IFRS 9, while there are no effects attributable to the adoption of IFRS 15. In particular, taking the transferred balances shown in the previous statements as the starting point, the gross effects as a result of the adoption of the standards were calculated, along with the related tax effects.

The statements also highlight the overall impacts on equity at 1 January 2018.

ASSETS

(euro) Assets	Reclassification 31/12/2017 (a)	Effects of transition to IFRS 9					Total 01/01/2018 (c) = (a) + (b)
		Classification and measurement		Impairment		Overall effect of transition to IFRS 9 (classification, measurement, impairment) net of tax (b)	
		Gross effect	Tax effect	Gross effect	Tax effect		
10. Cash and cash equivalents	6,741						6,741
20. Financial assets measured at fair value through profit or loss:	2,301,185,709	1,926,525				1,926,525	2,303,112,235
a) financial assets held for trading	93,568,293						93,568,293
b) financial assets designated at fair value	-						
c) other financial assets mandatorily measured at fair value	2,207,617,416	1,926,525				1,926,525	2,209,543,942
30. Financial assets measured at fair value through other comprehensive income	9,828,836,888						9,828,836,888
40. Financial assets measured at amortised cost:	322,763,078,281			(473,016,250)		(473,016,250)	322,290,062,031
a) loans to banks	38,599,568,670			28,341,617		28,341,617	38,627,910,287
b) loans to customers	284,163,509,611			(501,357,867)		(501,357,867)	283,662,151,744
50. Hedging derivatives	842,595,854						842,595,854
60. Fair value change of financial assets in hedged portfolios (+/-)	(41,503,409)						(41,503,409)
70. Equity investments	30,411,137,574						30,411,137,574
80. Property, plant and equipment	305,538,163						305,538,163
90. Intangible assets	11,882,566						11,882,566
- *of which: goodwill*	-						
100. Tax assets	630,739,071				165,579,002	165,579,002	796,318,073
a) current tax assets	331,378,247						331,378,247
b) deferred tax assets	299,360,824				165,579,002	165,579,002	464,939,826
120. Other assets	211,771,045						211,771,045
Total assets	**367,265,268,483**	**1,926,525**		**(473,016,250)**	**165,579,002**	**(305,510,723)**	**366,959,757,760**

Key
(a) = Reclassification of balance at 31 December 2017, which incorporates the new presentation rules set out in the schedules of Circular 262, 5th update.
(b) = Change in opening balances as a result of the application of the new measurement and impairment rules, for the determination of the opening balances in accordance with IFRS 9.
(c) = Opening balances at 1 January 2018 in accordance with IFRS 9.

LIABILITIES AND EQUITY

(euro) Liabilities and equity	Reclassification 31/12/2017 (a)	Effects of transition to IFRS 9					Total 01/01/2018 (c) = (a) + (b)
		Classification and measurement		Impairment		Overall effect of transition to IFRS 9 (classification, measurement, impairment) net of tax (b)	
		Gross effect	Tax effect	Gross effect	Tax effect		
10. Financial liabilities measured at amortised cost:	340,490,853,327						340,490,853,327
a) due to banks	16,626,997,896						16,626,997,896
b) due to customers	306,499,360,318						306,499,360,318
c) securities issued	17,364,495,113						17,364,495,113
20. Financial liabilities held for trading	127,596,066						127,596,066
30. Financial liabilities designated at fair value	501,551,155						501,551,155
40. Hedging derivatives	586,743,149						586,743,149
50. Adjustment of financial liabilities in hedged portfolios (+/-)	32,400,026						32,400,026
60. Tax liabilities:	213,992,947		637,102		2,932,594	3,569,696	217,562,643
a) current tax liabilities	56,735,458						56,735,458
b) deferred tax liabilities	157,257,489		637,102		2,932,594	3,569,696	160,827,185
80. Other liabilities	736,892,593						736,892,593
90. Staff severance pay	1,019,223						1,019,223
100. Provisions for risks and charges:	139,147,235			12,950,287		12,950,287	152,097,523
a) guarantees issued and commitments	97,783,581			12,950,287		12,950,287	110,733,869
b) pensions and other post-retirement benefit obligations	-						
c) other provisions	41,363,654						41,363,654
110. Valuation reserves	950,928,999	142,485,565	(46,155,498)	9,866,112	(3,262,723)	102,933,456	1,053,862,455
140. Reserves	14,908,258,103	(140,559,040)	45,518,396	(495,832,649)	165,909,131	(424,964,163)	14,483,293,940
150. Share premium reserve	2,378,517,244						2,378,517,244
160. Share capital	4,051,143,264						4,051,143,264
170. Treasury shares (-)	(57,220,116)						(57,220,116)
180. Net income (loss) for the year (+/-)	2,203,445,268						2,203,445,268
Total liabilities and equity	**367,265,268,483**	**1,926,525**	**-**	**(473,016,250)**	**165,579,002**	**(305,510,723)**	**366,959,757,760**

Key
(a) = Reclassification of balance at 31 December 2017, which incorporates the new presentation rules set out in the schedules of Circular 262, 5th update.
(b) = Change in opening balances as a result of the application of the new measurement and impairment rules, for the determination of the opening balances in accordance with IFRS 9.
(c) = Opening balances at 1 January 2018 in accordance with IFRS 9.

The main impacts of IFRS 9 relate to the application of the impairment rules. Since these apply to an extremely wide scope and provide for the estimate of lifetime expected credit losses instead of those calculated within twelve months for positions classified in stage 2, they have led to a significant increase in overall net adjustments to loans and securities (473 million euro) and on guarantees and commitments (13 million euro).

Overall net adjustments also affected securities classified as financial assets measured at fair value through other comprehensive income (with additional impairment of 9.9 million euro) offset, however, by an equal increase in changes in fair value, resulting in a zero net impact.

Conversely, there was a limited impact resulting from the different classification of financial assets and it substantially related to their transfer to “Financial assets mandatorily measured at fair value” due to their failure to pass the SPPI test (1.9 million euro).

Statement of reconciliation of equity

The statement of reconciliation of equity is provided below and details the impacts described in the above statement:

(euro)	Effects of transition to IFRS 9
IAS 39 Equity at 31/12/2017	**24,435,072,762**
Classification and measurement	**1,926,525**
Adjustment to carrying value of financial assets due to modification of the Business Model	
Value adjustment of equity investments measured at equity	1,926,525
Restatement from valuation reserves to income reserves:	
- net change in valuation reserves due to application of new classification and measurement rules	96,330,068
- net change in income reserves due to application of new classification and measurement rules	(96,330,068)
Impairment	**(485,966,537)**
Application of the new (ECL) impairment model to loans measured at amortised cost:	(442,217,831)
- performing (Stage 1 e 2)	(432,885,527)
- non performing (Stage 3)	(9,332,305)
Application of the new (ECL) impairment model to debt securities at amortised cost:	(30,798,418)
- performing (Stage 1 e 2)	(30,798,418)
- non performing (Stage 3)	
Application of the new (ECL) impairment model to guarantees given and (irrevocable and revocable) commitments to disburse funds:	(12,950,287)
- performing (Stage 1 e 2)	(12,554,657)
- non performing (Stage 3)	(395,631)
Restatement from valuation reserves to income reserves	
- net change in valuation reserves due to impairment of financial assets measured at fair value through other comprehensive income	6,603,389
- net change in income reserves due to impairment of financial assets measured at fair value through other comprehensive income	(6,603,389)
Tax effect	**162,009,305**
IFRS 9 equity at 01/01/2018	**24,113,042,056**

Total equity decreased by 322 million euro as a result of the greater impairment losses (-486 million euro), partially offset by the positive effect on the financial assets measured at fair value as a result of their failure to pass the SPPI test (+1.9 million euro) and by the overall tax effects (+162 million euro).

Breakdown of exposures at amortised cost subject to the impairment process.

The statements below show the breakdown of exposures at amortised cost subject to the impairment process according to the existing rules of IAS 39 as at 31 December 2017 and the existing rules of IFRS 9 as at 1 January 2018.

	IAS 39 carrying amount as at 31/12/2017		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure
On-balance sheet loans:			
- To banks			
- Performing	37,435,063	(93,322)	37,341,741
- Non-Performing			
Total	**37,435,063**	**(93,322)**	**37,341,741**

	IAS 39 carrying amount as at 31/12/2017		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure
On-balance sheet loans:			
- To customers			
- Performing	243,136,782	(229,198)	242,907,584
- Non-Performing	385,929	(140,000)	245,929
Total	**243,522,711**	**(369,198)**	**243,153,513**

				IFRS 9 Categories - Balance as at 01/01/2018					
				Debt securities measured at AC					
	IAS 39 carrying amount as at 31/12/2017			First stage			Second stage		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
Securities held to maturity:									
- performing	29,236,673		29,236,673	29,236,673	(19,334)	29,217,339			
- non performing									
Total	**29,236,673**		**29,236,673**	**29,236,673**	**(19,334)**	**29,217,339**			
Securities classified among loans to banks:									
- performing	1,258,918	(1,090)	1,257,828	1,258,918	(5,929)	1,252,989			
- non performing									
Total	**1,258,918**	**(1,090)**	**1,257,828**	**1,258,918**	**(5,929)**	**1,252,989**			
Securities classified among loans to customers:									
- performing	12,131,015	(3,902)	12,127,113	11,777,225	(10,527)	11,766,698			
- non performing									
Total	**12,131,015**	**(3,902)**	**12,127,113**	**11,777,225**	**(10,527)**	**11,766,698**			
Securities classified among loans to customers:									
- performing	9,796,142		9,796,142						
- non performing									
Total	**9,796,142**		**9,796,142**						

IFRS 9 Categories - Balance as at 01/01/2018								
Loans to banks (other than debt securities)								
First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
36,837,112	(31,028)	36,806,084	597,952	(29,114)	568,838			
36,837,112	**(31,028)**	**36,806,084**	**597,952**	**(29,114)**	**568,838**			

IFRS 9 Categories - Balance as at 01/01/2018								
Loans to customers (other than debt securities)								
First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
229,668,012	(129,516)	229,538,496	13,468,771	(565,749)	12,903,022	385,929	(149,332)	236,597
229,668,012	**(129,516)**	**229,538,496**	**13,468,771**	**(565,749)**	**12,903,022**	**385,929**	**(149,332)**	**236,597**

IFRS 9 Categories - Balance as at 01/01/2018											
Debt securities measured at AC			Debt securities measured at FVTOCI								
Third stage			First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
			9,806,008	(9,866)	9,796,142						
			9,806,008	**(9,866)**	**9,796,142**						

Financial assets and liabilities measured at fair value – breakdown by level of fair value

The statements below show the breakdown by levels of fair value of the portfolios of financial assets and liabilities measured at fair value according to the existing rules of IAS 39 as at 31 December 2017 and transferred to the new balance sheet items according to the updated version of Circular 262, 5th update, which includes the new provisions of IFRS 9 and IFRS 15, which entered into force on 1 January 2018.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31/12/2017 – LEVELS OF FAIR VALUE

(thousands of euro)	31/12/2017	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss:	2,301,185		244,967	2,056,218
a) financial assets held for trading	93,568		93,568	
b) financial assets designated at fair value				
c) other financial assets mandatorily measured at fair value	2,207,617		151,399	2,056,218
Financial assets measured at fair value through other comprehensive income	9,828,837	9,796,142		32,695
Hedging derivatives - assets	842,596		842,596	
Financial liabilities held for trading	(127,596)		(97,973)	(29,623)
Financial liabilities measured at fair value	(501,551)		(501,551)	
Hedging derivatives - liabilities	(586,743)		(586,743)	

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 01/01/2018 – LEVELS OF FAIR VALUE

(thousands of euro)	01/01/2018	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss:	2,303,112		246,333	2,056,779
a) financial assets held for trading	93,568		93,568	
b) financial assets designated at fair value				
c) other financial assets mandatorily measured at fair value	2,209,544		152,765	2,056,779
Financial assets measured at fair value through other comprehensive income	9,828,837	9,796,142		32,695
Hedging derivatives - assets	842,596		842,596	
Financial liabilities held for trading	(127,596)		(97,973)	(29,623)
Financial liabilities measured at fair value	(501,551)		(501,551)	
Hedging derivatives - liabilities	(586,743)		(586,743)	

Comparative data

As described in the paragraph “Transition statements” of the preceding “Other issues” section of the accounting policies, the comparative information for the balance sheet data at 31 December 2017 is presented as reclassified figures.

Therefore, the comparative figures at 31 December 2017 included in the statement of cash flows have also consequently been reclassified and restated.

The table below shows the statement transferring the income statement items at 31 December 2017 from the accounting categories with names used in the separate financial statements at 31 December 2017 to the new accounting categories introduced by the updated version of Circular 262. The income statement figures have been restated.

INCOME STATEMENT

31 December 2017 according IAS 39 - Circ. 262 4th update / 31 December 2017 according IFRS 9 - Circ. 262 5th update (euro)	Total	10. Interest income and similar income	20. Interest expense and similar expense	30. Net interest income	40. Commission income
10. Interest income and similar income	7,275,809,784	7,463,425,025	(187,615,241)		
20. Interest expense and similar expense	(4,311,124,029)		(4,311,124,029)		
30. Net interest income	**2,964,685,755**				
40. Commission income	108,116,186				108,116,186
50. Commission expense	(1,579,499,602)				
60. Net commission income (expense)	**(1,471,383,416)**				
70. Dividends and similar revenues	1,354,720,829				
80. Profits (losses) on trading activities	(8,803,370)				
90. Fair value adjustments in hedge accounting	13,170,610				
100. Gains (losses) on disposal or repurchase of financial assets and liabilities	18,994,713				
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(161,972,799)				
120. Gross income	**2,709,412,322**				
130. Net adjustments/recoveries for credit risk	(5,715,973)				
140. Gains/losses from changes in contracts without derecognition	-				
150. Financial income (expense), net	**2,703,696,349**				
160. Administrative expenses	(144,969,654)				
170. Net accruals to the provisions for risks and charges	80,228,853				
180. Net adjustments to/recoveries on property, plant and equipment	(4,374,801)				
190. Net adjustments to/recoveries on intangible assets	(2,526,902)				
200. Other operating income (costs)	5,515,436				
210. Operating costs	**(66,127,068)**				
220. Gains (losses) on equity investments	28,631,108				
230. Gains (losses) on tangible and intangible assets measured at fair value	-				
240. Gains (losses) on equity investments	-				
250. Gains (losses) on disposal of investments	(5,181)				
260. Income (loss) before tax from continuing operations	**2,666,195,208**				
270. Income tax for the period on continuing operations	(462,749,940)				
280. Income (loss) after tax on continuing operations	**2,203,445,268**				
290. Income (loss) after tax on discontinued operations	-				
300. Net income (loss) for the year	**2,203,445,268**	**7,463,425,025**	**(4,498,739,270)**	**2,964,685,755**	**108,116,186**

50. Commission expense	60. Net interest income	70. Dividends and similar revenues	80. Profits (losses) on trading activities	90. Fair value adjustments in hedge accounting	100. Gains (losses) on disposal or repurchase of financial assets and liabilities	110. Profits (losses) on financial assets and liabilities designated at fair value	120. Gross income	130. Net impairment losses/recoveries
(1,579,499,602)								
		1,354,720,829						
			(8,824,895)			21,525		
				13,170,610				
					18,994,713			
					23,354,598	(1,551,155)		(183,776,242)
								(5,715,973)
								80,145,632
					307,839			
(1,579,499,602)	**(1,471,383,416)**	**1,354,720,829**	**(8,824,895)**	**13,170,610**	**42,657,150**	**(1,529,630)**	**2,893,496,403**	**(109,346,583)**

INCOME STATEMENT ***(continued)***

31 December 2017 according IFRS 9 - Circ. 262 5th update (euro) / 31 December 2017 according IAS 39 - Circ. 262 4th update	Total	140. Financial income (expense), net	150. Administrative expenses	160. Net accruals to the provisions for risks and charge	170. Net adjustments to/ recoveries of property, plant and equipment
10. Interest income and similar income	7,275,809,784				
20. Interest expense and similar expense	(4,311,124,029)				
30. Net interest income	2,964,685,755				
40. Commission income	108,116,186				
50. Commission expense	(1,579,499,602)				
60. Net commission income (expense)	(1,471,383,416)				
70. Dividends and similar revenues	1,354,720,829				
80. Profits (losses) on trading activities	(8,803,370)				
90. Fair value adjustments in hedge accounting	13,170,610				
100. Gains (losses) on disposal or repurchase of financial assets and liabilities	18,994,713				
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(161,972,799)				
120. Gross income	2,709,412,322				
130. Net adjustments/recoveries for credit risk	(5,715,973)				
140. Gains/losses from changes in contracts without derecognition	-				
150. Financial income (expense), net	2,703,696,349				
160. Administrative expenses	(144,969,654)		(144,969,654)		
170. Net accruals to the provisions for risks and charges	80,228,853			83,221	
180. Net adjustments to/recoveries on property, plant and equipment	(4,374,801)				(4,374,801)
190. Net adjustments to/recoveries on intangible assets	(2,526,902)				
200. Other operating income (costs)	5,515,436				
210. Operating costs	(66,127,068)				
220. Gains (losses) on equity investments	28,631,108				
230. Gains (losses) on tangible and intangible assets measured at fair value	-				
240. Gains (losses) on equity investments	-				
250. Gains (losses) on disposal of investments	(5,181)				
260. Income (loss) before tax from continuing operations	2,666,195,208				
270. Income tax for the period on continuing operations	(462,749,940)				
280. Income (loss) after tax on continuing operations	2,203,445,268				
290. Income (loss) after tax on discontinued operations	-				
300. Net income (loss) for the year	2,203,445,268	2,784,149,820	(144,969,654)	83,221	(4,374,801)

The tax consolidation mechanism

At 31 December 2018, the Parent Company CDP, in its capacity as the consolidating entity, had adopted the "tax consolidation mechanism", as introduced by Legislative Decree no. 344 of 12 December 2003. The tax consolidation scope as at 31 December 2018 included the Parent Company and 17 companies, including: i) CDP Equity S.p.A., Bonafous S.p.A. and Cinque Cerchi S.p.A. (for the three-year period 2018-2020); ii) CDP RETI S.p.A., Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A., SACE S.p.A., SACE BT S.p.A., SACE Fct S.p.A. SACE Srv S.r.l., SIMEST S.p.A., FSI Investimenti S.p.A., FSIA Investimenti S.r.l., CDP Investimenti SGR S.p.A. (for the three-year period 2016-2018); iii) Fintecna S.p.A. and CDP Immobiliare S.r.l. (for the three-year period 2017-2019).

180. Net adjustments to/ recoveries of intangible assets	190. Other operating income (costs)	200. Operating costs	210. Gains (losses) on equity investments	240. Gains (losses) on disposal of investments	250.Income (loss) before tax from continuing operations	260. Income tax for the period on continuing operations	270. Income (loss) after tax on continuing operations	280. Income (loss) after tax on disposal groups held for sale	290. Income (loss) for the year
(2,526,902)	5,207,597								
			28,631,108	(5,181)					
						(462,749,940)			
(2,526,902)	**5,207,597**	**(146,580,539)**	**28,631,108**	**(5,181)**	**2,666,195,208**	**(462,749,940)**	**2,203,445,268**	**-**	**2,203,445,268**

Other information

The Board of Directors' meeting on 28 March 2019 approved CDP's draft financial statements for 2018, authorising their publication and disclosure, in accordance with the timing and procedures established by the current regulations applicable to CDP.

Due to requirements relating to the preparation of the consolidated financial statements, in accordance with Article 2364 of the Italian Civil Code and the Articles of Association, approval of the financial statements of CDP and acknowledgement of the consolidated financial statements of the CDP Group by the Shareholders' Meeting will take place within 180 days after the end of the financial year.

A.2 - The main financial statement items

The separate financial statements at 31 December 2018 have been prepared by applying the same accounting standards as those used for preparation of the separate financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2018, as described in Section 4 – Other issues, A.1 General Information.

The following pages provide a description of the accounting policies adopted in preparing these financial statements.

1 – Financial assets measured at fair value through profit or loss (FVTPL)

The item “Financial assets measured at fair value through profit or loss” includes:

a) “Financial assets held for trading” represented by debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated under hedge accounting;
b) “Financial assets designated at fair value” represented by debt securities and loans, with measurement results entered through profit or loss on the basis of the right accorded to companies by IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce a recognition inconsistency;
c) “Other financial assets mandatorily measured at fair value” represented by debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented only by principal repayments and interest payments on the principal to be returned (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated under hedge accounting, operational hedging derivatives, as well as derivatives embedded in complex financial contracts, the host contract of which is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value with their related values recognised through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company wishes to standardise the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can assume both positive and negative values, derivatives are classified among Financial assets held for trading if their fair value is positive and among Financial liabilities held for trading if their fair value is negative.

Other financial assets mandatorily measured at fair value also include units of UCIs subscribed by CDP with the aim of implementing initiatives geared to supporting the economy in the long term. Given the nature of these initiatives, these financial assets are held within a Held to Collect business model, but because of their structure and also in relation to the clarifications provided by the IFRIC, their contractual terms do not enable them to pass the SPPI test.

Financial assets measured at fair value through profit or loss are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item “Profits (losses) on trading activities” in the

income statement in relation to financial assets held for trading, including those relating to derivatives associated with the fair value option, or in the item “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss” as regards other types. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The interest arising from debt securities and loans classified as Financial assets measured at fair value through profit or loss are included in interest income and similar income, an item that also includes the positive and negative differentials and margins of operational hedging derivatives. The positive and negative differentials and margins of trading derivatives are included in the “Profits (losses) on trading activities”. Dividends and similar revenues of equity instruments classified among the “Financial assets measured at fair value through profit or loss” (including revenue from units of UCIs) are included in the item “Dividends and similar revenues”.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss 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 transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

The item “Financial assets measured at fair value through other comprehensive income” includes financial assets represented by debt securities and loans that meet both of the following conditions:
- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition under this item is also extended to equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of classifying the subsequent changes in the fair value of the instrument within the valuation reserves has been irrevocably exercised, with recognition through other comprehensive income (FVTOCI option[38]).

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

38 Fair Value Through Other Comprehensive Income option.

Financial assets at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. 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, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised.

If the financial assets in question are derecognised, the cumulative gains or losses, previously recognised in the comprehensive income, are transferred from equity to the income statement.

Gains and losses on foreign exchange are included in the income statement among the Profits (losses) on trading activities.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of a value adjustment to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related adjustment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included under the item "Net adjustments/recoveries for credit risk".

No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument. In particular, CDP includes in that item the investments that are made with strategic objectives over the long term.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:
- the amounts recognised in the valuation reserve are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income 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 transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3 - Financial assets measured at amortised cost

The item “Financial assets measured at amortised cost” includes debt securities and loans that meet both of the following conditions:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:
- loans to banks (current accounts, deposits, security deposits, debt securities, repo transactions and other loans). This includes operating receivables associated with the provision of financial services. This also includes the amounts receivable from Central Banks (such as the reserve requirement), other than demand deposits included in “Cash and cash equivalents”;
- loans to customers (current accounts, mortgage loans, factoring, debt securities, repo transactions and other loans). It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions, in addition to operating receivables associated with the provision of business and financial services. The item also includes cash and cash equivalents held with the Central State Treasury.

Loans disbursed using funds provided by the State or other government agencies and intended for particular uses and operations required and regulated by special laws (“loans with third-party funds in administration”) are recognised under this item, provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. Conversely, loans disbursed using funds administered on behalf of the State or other entities are not included.

The loans granted 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 loan 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.

The special-purpose loans issued by CDP 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 schedule begins on 1 July or 1 January following the execution of the loan agreement. 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 contractually agreed lending rate. The short-term receivable for advances on loans in their grace period is measured at cost as permitted by 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. The receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted by CDP and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item "Net adjustments/recoveries for credit risk". In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related adjustment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Impaired assets include those financial instruments that have been attributed the status of bad debts, unlikely to pay or past due and/or overdrawn as defined by the current rules of the Bank of Italy for the purposes of supervisory reporting.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification). The difference between the gross value of the financial instrument before and after the renegotiation of contract terms (modification), is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

4 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix 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 company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix 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 hedged item, 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 hedge effectiveness.

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 item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item 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%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item “Fair value adjustments in hedge accounting”, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific “Valuation reserve” of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item “Fair value adjustments in hedge accounting”. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedge of a net investment in a foreign operation are accounted for in the same way as cash flow hedge.

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, in the item “Fair value adjustments in hedge accounting”.

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 in the “Valuation reserves” of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item “Valuation reserves” representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

Item 50 of the balance sheet assets and item 40 of the balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedge measured with reference to the risk hedged is recognised in Items 60 of the balance sheet assets or 50 of the balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under "Fair value adjustments in hedge accounting" in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the balance sheet assets or 50 of the balance sheet liabilities is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

5 - Equity investments

"Equity investments" includes investments in subsidiaries (IFRS 10), in associates (IAS 28) and in joint arrangements (IFRS 11).

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights in the Shareholders' meeting or, in any event, when CDP exercises the power to determine financial and operating policies (including situations of de facto control).

Associates are companies in which CDP has, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, 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.

Joint arrangements involve companies where control is contractually shared between CDP and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised and subsequently carried at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

At each annual or interim reporting date, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:

- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying amount of the investment in the separate financial statements that exceeds the carrying amount, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[39] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable value is lower than the carrying value, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the book value that would have existed if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement under “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Dividends are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - Property, plant and equipment

This item includes the capital assets used in operations governed by IAS 16, the investment property governed by IAS 40 and the inventories of property, plant and equipment governed by IAS 2. These include also assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

“Operating property, plant and equipment” consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

39 The indicator takes into consideration the distribution of a higher dividend than the result in the comprehensive income statement (or overall profitability for financial entities) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the profits for 2016, larger than the total overall profitability for 2017). In order to conduct the impairment test for the reference

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by CDP at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	3.0%	10.0%
Movables	12.0%	15.0%
Electronic system	7.0%	30.0%
Other:		
Industrial and commercial equipment	15.0%	15.0%
Other assets	12.0%	25.0%
Other plant and equipment	7.0%	15.0%

On the contrary, land and art works are not depreciated insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised carrying amount of the operating assets is tested for impairment.

If signs of impairment are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on property, plant and equipment”. If the reasons for which impairment was recognised cease to exist, the value of the asset is reversed. The reversed value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

“Investment property” consists of real estate property held for investment purposes to be leased to external third parties. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the financial statements is at cost, net of depreciation and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of items of property, plant and equipment 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.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value, on the understanding that one nevertheless compares the carrying amount of the asset and its recoverable amount, where there is some evidence that shows that the asset may have suffered an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - Intangible assets

“Intangible assets” includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired.

If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:

- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

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 allocated to the asset and the cost is amortised over 5 years.

In addition, on an annual basis, or when there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the intangible asset is compared with its recoverable amount, the higher of the fair value less costs to sell, and its value in use (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on intangible assets”. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets having an indefinite useful life are not amortised and are only tested periodically for the adequacy of their carrying amount, as described above.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of intangible 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.

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - Non-current assets and disposal groups held for sale

The balance sheet items “Non-current assets and disposal groups held for sale” and “Liabilities associated with disposal groups held for sale” include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. Disposal processes have been initiated for these assets, whose sale is deemed highly likely.

These non-current assets (or disposal groups) are presented separately from the balance sheet items “Other assets” and “Other liabilities”. Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being envisaged.

The individual assets of the companies classified as held for sale are not 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) held for sale through profit or loss. The corresponding balance sheet values for the previous financial 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 coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item “Income (loss) after tax on disposal groups held for sale”.

9 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under assets Item “Tax assets” and liabilities Item “Tax liabilities”.

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of 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. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:
- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;

- under Tax liabilities, if they relate to "taxable temporary differences" representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Some of the Group's Italian companies joined the "national fiscal consolidation" mechanism regulated by articles 117-129 of the Consolidated Income Tax Law ("TUIR"), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism – inclusive of any tax withholding, deductions and tax credits – is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the allowance 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.

Contingent — not probable — liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section "Staff severance pay" in paragraph 15 "Other information".

11 - Financial liabilities measured at amortised cost

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value". This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

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.

Postal savings bonds issued by CDP are reported under the item "Due to banks" and the item "Due to customers", 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 upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from 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 IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws (“third-party funds in administration”), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item “Due to banks”, “Due to customers”, and “Securities issued” are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company’s own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives, and also derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for initial recognition and measurement of these derivatives are illustrated with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of the measurement results through profit or loss. 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 liabilities remain 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 “Profits (losses) on trading activities” in the income statement.

13 - Financial liabilities designated at fair value

This item includes financial liabilities, regardless of their technical form (debt securities, loans etc.), for which the option of measurement at fair value through profit or loss has been exercised (“Fair Value Option”) in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:
- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;
- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:
- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves.
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it.

14 - Transactions in a foreign currency

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 annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot rate quoted on the reporting date.

- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:
- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in "Profits (losses) on trading activities". This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the "Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss";
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in "Fair value adjustments in hedge accounting".

15 - Other information

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:
- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that CDP's 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, severance pay contributions are paid to that institution. As such, the amount shown for staff severance pay is related solely to employees hired after the date of transformation (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.

Accordingly, in view of the insignificance of the effects of adopting IAS 19, the staff severance pay continues to be calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated at fair value (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from investee companies are recognised in the income statement in the financial year in which they are approved for distribution.

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 urgent 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"); 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). An instrument is considered to be traded on an active market 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 executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at 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 residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs 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, for example through the use of statistical or "expert-based" techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Area of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used 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 consistent 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 implemented in CDP's systems.

The market parameters used as inputs for Level 2 valuations are selected 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 listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable or readily available market parameters, and for the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

CDP has developed a reference framework for derivative contracts and bonds. This framework is composed of the valuation criteria and models on which the valuation of each category of instruments 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, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2018. 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 the financial statements of CDP:
- the valuations 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 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;
- bonds and tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the creditworthiness;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

PORTFOLIOS MEASURED AT FAIR VALUE ON A RECURRING BASIS: DETAILS OF THE SIGNIFICANT NON-OBSERVABLE INPUTS FOR LEVEL 3 ASSETS AND LIABILITIES

Category of financial instruments	Fair value assets (thousands of euros)	Fair value liabilities (thousands of euros)	Measurement techniques	Non-observable parameters
Financial derivatives Equity		(1,881)	Option pricing models	Redemption profiles (ratio of expected principal at maturity to remaining payable)
Debt securities	157,896		Cash flow discounting models	Credit and liquidity spread
Equity securities	51,134		Equity multiple	Equity multiple
Units in collective investment undertakings	2,384,449		Adjusted NAV	NAV Adjustment

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

Level 3 valuation techniques are also applied consistently over time to consistent 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 set out in methodological documents updated on half-yearly basis by the Market Risk and ALM department, within the Risk Management 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 in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity 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 to obtain a range of possible and reasonable 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 profile 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 Euro Stoxx 50 index. If the investor asks for early redemption of the bond, they lose the entitlement to receive any component of remuneration linked to the index and, as a result, the equity option sold by CDP lapses. For this category of financial instruments, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, 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 shall not be exceeded.

SENSITIVITY ANALYSIS TO THE REDEMPTION PROFILE

(thousands of euro)

Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia and Europa Bonds	267	(266)

NAV Adjustment

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 2018 adjustments of this kind were made to the NAVs of some collective investment undertakings held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

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, the policies adopted by CDP require that the transfer from one level to another take 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 non-observability 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, or its estimate is not necessary 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

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(thousands of euro)	31/12/2018			31/12/2017		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss:		222,304	2,542,345		244,967	2,056,218
a) financial assets held for trading		71,026			93,568	
b) financial assets designated at fair value						
c) non-trading financial assets mandatorily at fair value		151,278	2,542,345		151,399	2,056,218
2. Financial assets measured at fair value through other comprehensive income	11,412,683		51,134	9,796,142		32,695
3. Hedging derivatives		679,154			842,596	
4. Property, plant and equipment						
5. Intangible assets						
Total assets	**11,412,683**	**901,458**	**2,593,479**	**9,796,142**	**1,087,563**	**2,088,913**
1. Financial liabilities held for trading		69,100	1,881		97,973	29,623
2. Financial liabilities at fair value		500,024			501,551	
3. Hedging derivatives		656,433			586,743	
Total liabilities		**1,225,557**	**1,881**		**1,186,267**	**29,623**

As a result of the counterparty risk mitigation techniques used and the credit rating of the counterparties and of CDP, the Credit Value Adjustments (CVAs) and Debt Value Adjustments (DVAs) are negligible for the determination of 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)

	Financial assets designated at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
(thousands of euro)	Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value				
1a. Opening balance	**2,056,219**			**2,056,219**	**32,695**			
1b. Change in opening balance	**560**			**560**				
2. Increases	**756,402**			**756,402**	**18,839**			
2.1 Purchases	704,354			704,354				
2.2 Profits taken to:	52,048			52,048	18,839			
2.2.1 Income statement	52,048			52,048				
- *of which: capital gains*	*50,707*			*50,707*				
2.2.2 Equity	X	X	X	X	18,839			
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases	**270,836**			**270,836**	**400**			
3.1 Sales								
3.2 Repayments	189,542			189,542				
3.3 Losses taken to:	81,294			81,294				
3.3.1 Income statement	81,294			81,294				
- *of which: capital losses*	*81,251*			*81,251*				
3.3.2 Equity	X	X	X	X				
3.4 Transfers to other levels								
3.5 Other decreases					400			
4. Closing balance	**2,542,345**			**2,542,345**	**51,134**			

A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1a. Opening balance	**29,623**		
1b. Change in opening balance			
2. Increases		**500,024**	
2.1 Issues			
2.2 Losses taken to:		161	
2.2.1 Income statement		161	
- *of which: capital losses*		*161*	
2.2.2 Equity	X		
2.3 Transfers from other levels		499,863	
2.4 Other increases			
3. Decreases	**27,742**	**500,024**	
3.1 Repayments	15,261		
3.2 Buybacks			
3.3 Profits taken to:	12,481		
3.3.1 Income statement	12,481		
- *of which: capital gains*	*7,918*		
3.3.2 Equity	X		
3.4 Transfers to other levels		500,024	
3.5 Other decreases			
4. Closing balance	**1,881**		

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by levels of fair value

(thousands of euro) Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2018				31/12/2017			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	323,523,878	43,587,807	7,016,625	327,962,548	322,763,078	33,498,114	9,197,517	293,220,007
2. Investment property, plant and equipment								
3. Non-current assets and disposal groups held for sale								
Total	**323,523,878**	**43,587,807**	**7,016,625**	**327,962,548**	**322,763,078**	**33,498,114**	**9,197,517**	**293,220,007**
1. Financial liabilities measured at amortised cost	342,568,460		16,785,528	325,197,540	340,490,853		14,912,323	325,776,544
2. Liabilities associated with non-current assets and disposal groups held for sale								
Total	**342,568,460**		**16,785,528**	**325,197,540**	**340,490,853**		**14,912,323**	**325,776,544**

A.5 - Disclosure of 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 measured 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 measured 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”.

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 IFRS 7.28 and other related IFRS provisions.

Part B - Information on the balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	31/12/2018	31/12/2017
a) Cash	5	7
b) Free deposits with Central Banks		
Total	**5**	**7**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

The financial derivatives shown in the table include:

- the positive fair value of interest rate derivatives (about 68 million euro);
- the positive fair value (about 3 million euro) of the options purchased as a hedge, for operational purposes, of the embedded option component of bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

(thousands of euro) Items/Values	31/12/2018			31/12/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A						
B. Derivatives						
1. Financial derivatives		71,026			93,568	
1.1 Trading		70,951			93,474	
1.2 Associated with fair value option		75			94	
1.3 Other						
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		**71,026**			**93,568**	
Total (A + B)		**71,026**			**93,568**	

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

(thousands of euro) Items/Values	31/12/2018	31/12/2017
A. On-balance sheet assets		
1. Debt securities		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial corporations		
2. Equity securities		
a) Banks		
b) Other financial corporations		
- *of which: insurance companies*		
c) Non-financial corporations		
d) Other issuers		
3. Units in collective investment undertakings		
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial corporations		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total A		
B. Derivatives		
a) Central counterparties		
b) Other	71,026	93,568
Total B	71,026	93,568
Total (A + B)	**71,026**	**93,568**

2.3 Financial assets designated at fair value: breakdown by type

There were no financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

There were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2018			31/12/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities		151,278	157,896		151,399	202,391
1.1 Structured securities						
1.2 Other debt securities		151,278	157,896		151,399	202,391
2. Equity securities						
3. Units in collective investment undertakings			2,384,449			1,853,827
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total		**151,278**	**2,542,345**		**151,399**	**2,056,218**

The item “Debt securities” includes securities that at the time of the first application of IFRS 9 had not passed the SPPI test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	31/12/2018	31/12/2017
1. Equity securities		
of which:		
- *banks*		
- *other financial companies*		
- *non-financial companies*		
2. Debt securities	**309,174**	**353,790**
a) Central banks		
b) General governments	151,278	151,399
c) Banks		
d) Other financial companies	157,896	202,391
- *of which: insurance companies*		
e) Non-financial companies		
3. Units in collective investment undertakings	**2,384,449**	**1,853,827**
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total	**2,693,623**	**2,207,617**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro) Items/Values	31/12/2018			31/12/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	11,050,208			9,796,142		
1.1 Structured securities						
1.2 Other debt securities	11,050,208			9,796,142		
2. Equity securities	362,475		51,134			32,695
3. Loans						
Total	**11,412,683**		**51,134**	**9,796,142**		**32,695**

Investments in debt securities included in this item, equal to 11,050 million euro, increased with respect to the end of 2017 (+1,254 million euro) and consisted for approximately 9,195 million euro of Italian government securities (+655 million with respect to the end of 2017).

Investments in equity securities were approximately 414 million euro (+381 million euro with respect to the end of 2017) and include the measurement at 31 December 2018 (362.4 million euro) of the 4.933% interest in TIM S.p.A., which was purchased in the first half of 2018.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(thousands of euro) Items/Values	31/12/2018	31/12/2017
1. Debt securities	**11,050,208**	**9,796,142**
a) Central banks		
b) General governments	9,472,928	8,540,363
c) Banks	889,817	900,693
d) Other financial companies	484,189	355,086
- *of which: insurance companies*		
e) Non-financial companies	203,274	
2. Equity securities	**413,609**	**32,695**
a) Banks	41,881	23,676
b) Other issuer:	371,728	9,019
- other financial companies	4,253	4,019
- *of which: insurance companies*		
- non-financial companies	367,475	5,000
- other		
3. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total	**11,463,817**	**9,828,837**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

	Gross value				Accumulated impairment			Accumulated partial write off(*)
(thousands of euro)	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	11,029,438		31,659		(9,418)	(1,471)		
Loans								
Total 31/12/2018	**11,029,438**		**31,659**		**(9,418)**	**(1,471)**		
- *of which: non-performing financial assets acquired or originated 31/12/2018*	*X*	*X*			*X*			
Total 31/12/2017	**9,796,142**							

(*) Value to be shown for information purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

	Total 31/12/2018						Total 31/12/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
(thousands of euro) Type of transactions/Values	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks	7,713,798					7,713,798	23,997,985					23,997,985
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	7,713,798			X	X	X	23,997,985			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	12,465,267			667,747		11,680,862	14,601,584			973,890		13,999,761
1. Loans	11,493,354					11,378,861	13,343,756					13,695,262
1.1 Current accounts and demand deposits	424,159			X	X	X	442,436			X	X	X
1.2 Fixed-term deposits	639,436			X	X	X	191,970			X	X	X
1.3 Other financing:	10,429,759			X	X	X	12,709,350			X	X	X
- repurchase agreements				X	X	X				X	X	X
- finance lease				X	X	X				X	X	X
- other	10,429,759			X	X	X	12,709,350			X	X	X
2. Debt securities	971,913			667,747		302,001	1,257,828			973,890		304,499
2.1 Structured				X	X	X				X	X	X
2.2 Other debt securities	971,913			X	X	X	1,257,828			X	X	X
Total	20,179,065			667,747		19,394,660	38,599,569			973,890		37,997,746

Loans to banks were in total 20,179 million euro (-18,421 million euro with respect to the end of 2017) and consist mainly of:

- loans for approximately 10,430 million euro (-2,280 million euro with respect to 2017);
- balance on the management account of the Reserve Requirement for approximately 7,714 million euro (-16,284 million euro approximately with respect to 2017) against a minimum Reserve Requirement equal to 2.7 billion euro, with a maintenance financial year ending on 29 January 2019: the cash balance on the management account was produced by short-term funding on the collateralised money market (repurchase agreements);

- current account balances of approximately 424 million euro (-18 million with respect to 2017);
- deposits for Credit Support Annexes (cash collateral) held with banks hedging counterparty risk on derivatives, for approximately 639 million euro (approximately +447 million euro with respect to 2017);
- debt securities for approximately 972 million euro (-286 million euro approximately with respect to 2017).

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

	Total 31/12/2018						Total 31/12/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
(thousands of euro) Type of transactions/Values	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	251,013,262	225,382				306,234,410	242,907,584	245,929				253,457,574
1.1 Current accounts	500			X	X	X				X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	158,265,776			X	X	X	149,097,764			X	X	X
1.2 Repurchase agreements	1,125,818			X	X	X				X	X	X
1.3 Loans	88,776,369	225,382		X	X	X	90,642,349	245,929		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages				X	X	X				X	X	X
1.5 Finance lease				X	X	X				X	X	X
1.6 Factoring				X	X	X				X	X	X
1.7 Other	2,844,799			X	X	X	3,167,471			X	X	X
2. Debt securities	52,106,169			42,920,060	7,016,625	2,333,478	41,009,997			32,524,224	9,197,517	1,764,687
2.1 Structured securities				X	X	X				X	X	X
2.2 Other debt securities	52,106,169			X	X	X	41,009,997			X	X	X
Total	303,119,431	225,382		42,920,060	7,016,625	308,567,888	283,917,581	245,929		32,524,224	9,197,517	255,222,261

Loans to customers are mainly related to:

- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

The above table provides a breakdown of the positions by technical form.

During 2018, the MEF, with decree dated 28 November 2018, reviewed the method of remuneration of the treasury current account no. 29814, which since the second half of 2018 has equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs. In the first half of 2018, the remuneration condition set out by the decree of 12 May 2016 applies, i.e. the yield on 6-month BOTs for 20% and the yield on 10-year BTPs for 80%.

The volume of mortgage loans and other financing amounted to approximately 91,847 million euro (-2,209 million euro compared to the end of 2017). Reverse repurchase agreements amounted to approximately 1,126 million euro (there were no reverse repurchase agreements outstanding at the end of 2017).

The volume of debt securities recognised in this item was approximately equal to 52,106 million euro (of which 48,281 million euro in Italian government securities), up by 11,096 million euro with respect to the end of 2017, mostly for investments in Italian government securities.

The balance of the item at 31 December 2018 includes the effects of the first application of IFRS 9, which, with reference to impairment rules, has involved a decrease in the value of the entries approximately equal to 501 million euro.

4.3 Finance leases

No outstanding finance leases were recognised.

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of the loans to customers

(thousands of euro) Type of transactions/Values	31/12/2018			31/12/2017		
	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Stage 1 and 2	Stage 3	of which: impaired acquired or originated
1. Debt securities	**52,106,169**			**41,009,997**		
a) General governments	48,720,087			38,299,438		
b) Other financial companies	1,193,989			812,451		
- *of which: insurance companies*						
c) Non-financial companies	2,192,093			1,898,108		
2. Loans	**251,013,262**	**225,382**		**242,907,584**	**245,929**	
a) General governments	235,648,245	16,247		229,972,867	19,979	
b) Other financial companies	3,435,890			3,766,665		
- *of which: insurance companies*						
c) Non-financial companies	11,908,720	206,058		9,142,862	222,425	
d) Households	20,407	3,077		25,190	3,525	
Total	**303,119,431**	**225,382**		**283,917,581**	**245,929**	

4.5 Financial assets measured at amortised cost: gross value and accumulated impairment

(thousands of euro)	Gross value				Accumulated impairment			Accumulated partial write off(*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	53,118,554				(40,472)			
Loans	256,912,486		14,118,987	379,831	(159,711)	(651,348)	(154,449)	
Total 31/12/2018	**310,031,040**		**14,118,987**	**379,831**	**(200,183)**	**(651,348)**	**(154,449)**	
- *of which: impaired financial assets acquired or originated 31/12/2018*	*X*	*X*			*X*			
Total 31/12/2017	**308,777,938**		**14,066,724**	**385,929**	**(151,578)**	**(175,935)**	**(140,000)**	

(*) Value to be shown for information purposes.

We note that, at the time of the first application of the accounting rules on impairment provided by IFRS 9, the amount of the value adjustments on loans and debt securities to banks and customers, recognised among financial assets measured at amortised cost saw an increase of approximately 473 million euro, with impact, net of the deferred taxes, on equity.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	31/12/2018				31/12/2017			
	Fair value			Notional value	Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**679,154**		**23,683,096**		**842,596**		**21,550,607**
1) Fair value		603,734		23,206,338		721,319		21,106,195
2) Cash flow		75,420		476,758		121,277		444,412
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**679,154**		**23,683,096**		**842,596**		**21,550,607**

Micro-hedging, fair value and cash flow derivatives had a positive value as at 31 December 2018, approximately equal to 643 million euro, while macro-hedging derivatives, related to loan portfolios, were approximately equal to 36 million euro.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Operations/Type of hedging	Fair value							Cash flow		Investment in foreign operation
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets measured at amortised cost	212,858	X			X	X	X	75,420	X	X
3. Portfolio	X	X	X	X	X	X	36,555	X		X
4. Other							X		X	
Total assets	**212,858**						**36,555**	**75,420**		
1. Financial liabilities	353,549	X	772				X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**353,549**		**772**							
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios/Values	31/12/2018	31/12/2017
1. Positive fair value change	**138,026**	**16,645**
1.1 Of specific portfolios:	138,026	16,645
a) financial assets measured at amortised cost	138,026	16,645
b) financial assets measured at fair value through other comprehensive income		
1.2 Overall		
2. Negative fair value change	**(6,445)**	**(58,148)**
2.1 Of specific portfolios:	(6,445)	(58,148)
a) financial assets measured at amortised cost	(6,445)	(58,148)
b) financial assets measured at fair value through other comprehensive income		
2.2 Overall		
Total	**131,581**	**(41,503)**

This item reports the net change in the value of the loans hedged generically (macrohedging) against interest rate risk.

The assets fair-value hedged generically against interest rate risk consisted of loans. The amounts shown in the table below are related to the residual principal due on maturity on the loans for which macro-hedging was adopted.

(thousands of euro) Hedged assets	31/12/2018	31/12/2017
1. Financial assets measured at amortised cost	9,044,604	6,880,792
2. Financial assets measured at fair value through other comprehensive income		
3. Portfolio		
Total	**9,044,604**	**6,880,792**

Section 7 - Equity investments - Item 70

7.1 Information on equity investments

(thousands of euro) Company name	Registered office	Operational headquarters	% holding	% of votes	Carrying amount
A. Wholly-owned subsidiaries					
SACE S.p.A.	Rome	Rome	100.00%	100.00%	4,251,174
CDP Equity S.p.A.	Milan	Milan	97.13%	97.13%	3,419,512
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	2,025,836
CDP RETI S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	374,021
CDP Investimenti SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
C. Companies subject to significant influence					
Eni S.p.A.	Rome	Rome	25.76%	25.76%	15,281,632
Poste Italiane S.p.A.	Rome	Rome	35.00%	35.00%	2,930,258
Elite S.p.A.	Milan	Milan	15.00%	15.00%	6,924
Fondo Italiano d'Investimento SGR S.p.A.	Milan	Milan	43.00%	43.00%	5,848
FSI SGR S.p.A.	Milan	Milan	39.00%	39.00%	1,170
QuattroR SGR S.p.A.	Milan	Milan	40.00%	40.00%	800
Risparmio Holding S.p.A. in liquidazione	Rome	Rome	20.00%	20.00%	368
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	
Total					**30,316,282**

At 31 December 2018, equity investments amount to approximately 30,316 million euro, slightly down on the 2017 year-end balance (-95 million euro).

7.2 Significant equity investments: carrying amount, fair value and dividends received

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.3 Significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.4 Non-significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2018	31/12/2017
A. Opening balance	**30,411,138**	**30,896,644**
B. Increases	**243,595**	**248,968**
B.1 Purchases	80,826	218,724
- *of which: business combinations*		*158,998*
B.2 Writebacks	162,369	1,607
B.3 Revaluations		28,637
B.4 Other increases	400	
C. Decreases	**338,451**	**734,474**
C.1 Sales		655,301
- *of which: business combinations*		*467,366*
C.2 Write-downs	334,402	1,613
C.3 Impairment losses		
C.4 Other decreases	4,049	77,560
D. Closing balance	**30,316,282**	**30,411,138**
E. Total revaluations		
F. Total write-downs	**1,817,082**	**1,657,210**

The main transactions carried out in 2018 that had an impact on the value of the investment portfolio were:

- the conversion into shares, on 26 March 2018, of QuattroR SGR equity instruments, for 0.4 million euro;
- the completion of the liquidation of Galaxy S.à r.l. SICAR (placed in liquidation on 26 February 2018), approved by the Shareholders' Meeting on 25 June 2018, with distribution of approximately 4 million euro;
- CDP's injection of 80.4 million euro of new capital in CDP Immobiliare, to cover the financial needs of the company and its investees.
- the payment of approximately 0.4 million euro as integration of the price paid by CDP to underwrite the capital increase in Elite S.p.A., finalised in 2017;
- the impairment reversal on the equity interest in Fintecna for approximately 162 million euro, the value adjustment on SACE for approximately 333 million euro and on Elite S.p.A. for approximately 1.5 million euro.

7.6 Commitments relating to joint operations

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.7 Commitments relating to companies under significant influence

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.8 Significant restrictions

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.9 Other information

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date, a check is carried out for the existence of objective evidence that may give it reason to believe that the carrying amount of the assets is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of impairment losses or impairment reversals.

This led to the recognition, during the financial year, of impairment losses/reversals on the equity investments in SACE S.p.A, Fintecna S.p.A, Elite S.p.A and Risparmio Holding S.p.A in liquidazione. In particular:

- SACE S.p.A.: an impairment loss was recognised, for approximately 333 million euro mainly due to changes in the macroeconomic context and the lower profits realised and expected by the Company;
- Fintecna S.p.A.: an impairment reversal was carried out, for approximately 162 million euro, due to the positive results reported by the investee Fincantieri S.p.A., within the limits of the previous impairment losses;
- Elite S.p.A.: due to the loss reported by the company, an impairment loss of approximately 1.5 million euro was recognised;
- Risparmio Holding S.p.A. in liquidazione: the value of the equity investment was aligned to the pro-quota book value of equity at 31 December 2018, recognising an impairment reversal of approximately +0.15 million euro.

For the other equity investments, the impairment test identified a recoverable amount equal to or higher than the book value. Finally, the following summary table lists the methods used to value the main equity investments tested for impairment:

Company name	Methodology used
SACE S.p.A.	Dividend Discount Model
CDP Equity S.p.A.	Adjusted equity
Fintecna S.p.A.	Adjusted equity
CDP Immobiliare S.r.l.	Adjusted equity
Eni S.p.A. (*)	Discounted Cash Flow
CDP RETI S.p.A.	Adjusted equity
Poste Italiane S.p.A. (*)	Stock market prices

(*) Use of publicly available data.

Section 8 - Property, plant and equipment - Item 80

8.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Assets/Values	31/12/2018	31/12/2017
1. Owned	**322,661**	**305,538**
a) Land	117,406	117,406
b) Buildings	55,547	58,253
c) Movables	2,514	2,781
d) Electrical plant	1,492	1,566
e) Other	145,702	125,532
2. Acquired under finance leases		
a) Land		
b) Buildings		
c) Movables		
d) Electrical plant		
e) Other		
Total	**322,661**	**305,538**
- *of which: obtained via the enforcement of the guarantees received*		

8.2 Investment property: breakdown of assets measured at cost

This item has a nil balance.

8.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

8.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

8.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

There was no property, plant and equipment governed by IAS 2.

8.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**92,065**	**14,654**	**12,447**	**149,934**	**386,506**
A.1 Total net write-downs		(33,812)	(11,873)	(10,881)	(24,402)	(80,968)
A.2 Opening net balance	**117,406**	**58,253**	**2,781**	**1,566**	**125,532**	**305,538**
B. Increases		**30**	**236**	**451**	**22,330**	**23,047**
B.1 Purchases			130	325	22,330	22,785
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			X	X	X	
B.7 Other changes		30	106	126		262
C. Decreases		**2,736**	**503**	**525**	**2,160**	**5,924**
C.1 Sales						
C.2 Depreciation		2,736	503	525	588	4,352
C.3 Write-downs 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			X	X	X	
b) inventories of property, plant and equipment						
c) non-current assets and disposal groups held for sale						
C.7 Other changes					1,572	1,572
D. Closing net balance	**117,406**	**55,547**	**2,514**	**1,492**	**145,702**	**322,661**
D.1 Total net write-downs		(36,548)	(11,667)	(11,352)	(24,986)	(84,553)
D.2 Closing gross balance	**117,406**	**92,095**	**14,181**	**12,844**	**170,688**	**407,214**
E. Measurement at cost						

8.7 Investment property: changes for the year

There was no investment property at 31 December 2018 and at 31 December 2017 and no movements occurred during the year.

8.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

There was no property, plant and equipment governed by IAS 2 at 31 December 2018 and at 31 December 2017 and no movements occurred during the year.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by category

(thousands of euro)	31/12/2018		31/12/2017	
Assets/Values	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X		X	
A.2 Other intangible assets	20,946		11,883	
A.2.1 Assets carried at cost:	20,946		11,883	
a) internally-generated intangible assets				
b) other assets	20,946		11,883	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	20,946		11,883	

9.2 Intangible assets: changes for the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
(thousands of euro)		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance				38,764		38,764
A.1 Total net write-downs				(26,881)		(26,881)
A.2 Opening net balance				11,883		11,883
B. Increases				12,744		12,744
B.1 Purchases				12,744		12,744
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases				3,681		3,681
C.1 Sales						
C.2 Write-downs				3,198		3,198
- Amortisation	X			3,198		3,198
- 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				483		483
D. Closing net balance				20,946		20,946
D.1 Total net write-downs				(30,075)		(30,075)
E. Closing gross balance				51,021		51,021
F. Measurement at cost						

Section 10 - Tax assets and liabilities - Item 100 of the assets and item 60 of the liabilities

10.1 Deferred tax assets: breakdown

(thousands of euro)	31/12/2018	31/12/2017
Deferred tax assets recognised in income statement	**381,430**	**196,438**
Provisions for risks and charges	49,533	8,058
Write-downs on loans	210,659	74,790
Equity investments		382
Property, plant and equipment/intangible assets	2,566	2,542
Exchange rate differences	19,790	6,626
Realignment of values pursuant to Decree Law 98/2011	98,051	98,051
Other temporary differences	831	5,989
Deferred tax assets recognised in equity	**97,965**	**102,923**
Financial assets measured at fair value through other comprehensive income	97,554	102,084
Cash flow hedge	411	839
Total	**479,395**	**299,361**

Deferred tax assets are calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

These mainly consist of: i) adjustments to receivables and commitments; ii) realignment of the higher values – allocated to goodwill and other intangible assets in the consolidated financial statements – of majority investments pursuant to Law Decree no. 98/2011; iii) accruals to the provision for risks and the provision for future personnel costs; iv) measurement of foreign currency receivables and payables and v) fair value measurement of financial assets through other comprehensive income and cash flow hedging derivatives.

Deferred tax assets also include the tax effects of the First Time Adoption of IFRS 9 and, in particular, the future benefit related to the deductibility in subsequent years of the reserve for the first application of this standard, related to the expected losses recognised on loans to customers. On this issue, we note that, pursuant to Law no. 145, 30 December 2018, this reserve becomes deductible for IRES and IRAP purposes in ten years.

10.2 Deferred tax liabilities: breakdown

(thousands of euro)	31/12/2018	31/12/2017
Deferred tax liabilities recognised in income statement	**24,978**	
Other temporary differences	24,978	
Deferred tax liabilities recognised in equity	**84,484**	**157,257**
Financial assets measured at fair value through other comprehensive income	81,175	147,629
Other	3,309	9,628
Total	**109,462**	**157,257**

Deferred tax liabilities are calculated on temporary differences between accounting and tax values that will become taxable in years following that in which they are recognised.

They mainly represent the measurement at fair value of financial assets through profit or loss statement and those measured at fair value through other comprehensive income, as well as the valuation of foreign currency receivables and payables for which a tax effect will be recognised in the year of realisation.

10.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	31/12/2018	31/12/2017
1a. Opening balance	**196,438**	**278,079**
1b. Change in opening balance	**260,857**	
2. Increases	**56,645**	**12,750**
2.1 Deferred tax assets recognised during the year:	56,645	12,750
a) in respect of previous periods		286
b) due to change in accounting policies		
c) writebacks		
d) other	56,645	12,464
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**132,510**	**94,391**
3.1 Deferred tax assets derecognised during the year:	132,510	74,416
a) reversals	9,656	67,995
b) write-downs for supervening non-recoverability		
c) due to change in accounting policies	120,713	
d) other	2,141	6,421
3.2 Reduction in tax rates		
3.3 Other decreases:		19,975
a) transformation into tax credits under Law 214/2011		
b) other		19,975
4. Closing balance	**381,430**	**196,438**

10.4 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	31/12/2018	31/12/2017
1a. Opening balance		**55**
1b. Change in opening balance	**49,430**	
2. Increases	**17,296**	
2.1 Deferred tax liabilities recognised during the year:	17,296	
a) in respect of previous periods	553	
b) due to change in accounting policies		
c) other	16,743	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**41,748**	**55**
3.1 Deferred tax liabilities derecognised during the year:	41,748	55
a) reversals		55
b) due to change in accounting policies	41,748	
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**24,978**	

10.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	31/12/2018	31/12/2017
1a. Opening balance	**102,923**	**66,608**
1b. Change in opening balance	**(95,278)**	
2. Increases	**94,743**	**50,569**
2.1 Deferred tax assets recognised during the year:	94,743	50,569
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	94,743	50,569
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**4,423**	**14,254**
3.1 Deferred tax assets derecognised during the year:	4,423	14,254
a) reversals	4,423	14,074
b) write-downs for supervening non-recoverability		
c) due to change in accounting policies		
d) other		180
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**97,965**	**102,923**

10.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	31/12/2018	31/12/2017
1a. Opening balance	**157,257**	**116,979**
1b. Change in opening balance	**(45,860)**	
2. Increases	**19,791**	**67,041**
2.1 Deferred tax assets recognised during the year:	19,791	67,041
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	19,791	67,041
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**46,704**	**26,763**
3.1 Deferred tax assets derecognised during the year:	46,704	26,763
a) reversals	46,704	26,763
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**84,484**	**157,257**

Section 11 - Non-current assets and disposal groups held for sale and associated liabilities - Item 110 of the assets and Item 70 of the liabilities

This item has a nil balance.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

(thousands of euro) Type of operations/Values	31/12/2018	31/12/2017
Trade receivables and advances to public entities	154,538	7,695
Payments on account for withholding tax on postal passbooks	89,634	98,615
Receivables due from subsidiaries on consolidated taxation mechanism	47,846	86,192
Other receivables due from subsidiaries	7,742	7,082
Accrued income and prepaid expenses	5,556	5,667
Advances to suppliers	2,340	36
Leasehold improvements and expenses	1,292	8
Other tax receivables	770	2
Advances to personnel	82	43
Other items	2,276	6,431
Total	**312,076**	**211,771**

This item includes assets that cannot be classified under the previous items.

In particular:
- "Trade receivables and advances to public entities": they refer to fees accrued or expenses paid in advance as part of agreements signed with the Ministries;
- "Payments on account for withholding tax on passbook savings accounts": the balance refers to the payments on account net of the withholding tax on interest accrued on passbook savings accounts;
- "Receivables from Group companies for tax consolidation" and "Other receivables from Group companies": the balance refers to receivables from Group companies for services provided, expense refunds and receivables deriving from the adoption of what is known as "Italian tax consolidation" mechanism;
- "Other" mainly refers to items being processed which were completed after the reporting date.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of amounts due to the banks

(thousands of euro) Type of operations/Values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	2,486,727	X	X	X	2,498,984	X	X	X
2. Due to banks	27,942,612	X	X	X	14,128,014	X	X	X
2.1 Current accounts and demand deposits		X	X	X		X	X	X
2.2 Fixed-term deposits	2,270,691	X	X	X	2,383,641	X	X	X
2.3 Loans	25,671,921	X	X	X	11,744,228	X	X	X
2.3.1 Repurchase agreements	21,320,482	X	X	X	6,670,880	X	X	X
2.3.2 Other	4,351,439	X	X	X	5,073,348	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Other payables		X	X	X	145	X	X	X
Total	30,429,339			30,217,288	16,626,998			16,503,174

The item "Due to central banks", amounting to around 2,487 million euro, essentially relates to the credit facilities granted by the ECB under the Targeted Longer-Term Refinancing Operations (TLTRO II). The balance of 2,475 million euro is unchanged compared to 31 December 2017.

In view of the very low market rates and the variability of other short-term funding sources, repurchase agreements were equal to approximately 21,320 million euro, up with respect to 2017 (approximately +14,649 million euro).

Other loans, equal to 4,351 million euro (approximately -722 million euro on 2017), relate to credit lines received mainly from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

"Fixed-term deposits", of approximately 2,271 million euro, comprise:
- the balance of passbook savings accounts and postal savings bonds held by banks of 1,769 million euro (+281 million euro on 2017);
- the amounts referred to Credit Support Annex contracts to hedge counterparty risk on derivatives of around 501 million euro (-190 million euro on 2017).

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro) Type of operation/Values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	3,411,495	X	X	X	4,935,181	X	X	X
2. Fixed-term deposits	260,790,425	X	X	X	275,547,829	X	X	X
3. Loans	24,270,853	X	X	X	21,088,764	X	X	X
3.1 Repurchase agreements	24,270,853	X	X	X	21,088,764	X	X	X
3.2 Other		X	X	X		X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Other payables	4,723,470	X	X	X	4,927,586	X	X	X
Total	293,196,243			293,196,243	306,499,360			306,499,360

The item includes mainly:

- postal savings bonds at amortised cost of approximately 150,773 million euro (+8,007 million euro on 2017), net of those held by banks;
- the balance of passbook savings accounts of approximately 105,323 million euro (-3,033 million euro on 2017);
- the balance of MEF's liquidity management transactions (OPTES), about 3,000 million euro, with a substantial decrease with respect to 2017 (-19,498 million euro). This short-term funding was mainly used to meet reserve requirements and to invest in Italian government securities;
- repurchase agreements of around 24,271 million euro, representing an increase on the 2017 year-end balance (around +3,183 million euro);
- the amounts not yet disbursed at year end on loans granted to public and public-law bodies, about euro 4,381 million (around -296 million on 2017), recognised under sub-item "5. Other payables";
- deposits of investees, of approximately 5,004 million euro, as a result of the cash pooling system with the Parent Company CDP, as part of management and coordination activities (-1,839 million euro on the end of 2017).

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (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, when also taking into account early redemption options.

The effect of these differences may 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 forecasts on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market conditions at 31 December 2018. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low or, for the shortest maturities, even negative. 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.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro)	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
Type of securities/Values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	17,158,869		16,785,528		14,590,485		14,912,323	
1.1 Structured	49,911		43,289		50,038		46,727	
1.2 Other	17,108,958		16,742,239		14,540,447		14,865,596	
2. Other securities	1,784,009			1,784,009	2,774,010			2,774,010
2.1 Structured								
2.2 Other	1,784,009			1,784,009	2,774,010			2,774,010
Total	**18,942,878**		**16,785,528**	**1,784,009**	**17,364,495**		**14,912,323**	**2,774,010**

Securities issued at 31 December 2018 were equal to euro 18,943 million (+1,579 million euro compared to the end of 2017).

The balance mainly represents the bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of approximately 11,133 million euro (+519 million euro on the 2017 year-end balance). In 2018, as part of the "Debt Issuance Programme", new issues were made, in euro and foreign currencies, for a total equivalent nominal value of 1,627 million euro in support of the Separate and Ordinary Account.

Furthermore, this item also comprises:

- the first bond for retail investors issued in March 2015 for a carrying amount of approximately 1,476 million euro, with a view to diversifying the source of funding for the development of public interest projects (for the Separate Account);

- 6 bonds guaranteed by the Italian government, for a total carrying amount of 4,550 million euro (+2,042 million euro compared to the end of 2017), entirely subscribed by Poste Italiane S.p.A. (of which 2 issued in December 2015 for a total nominal value of 1,500 million euro, 2 issued in December 2017 for a total nominal value of 1,000 million euro, and another 2 issued in March 2018 for a total nominal value of 2,000 million euro);
- the stock of commercial paper with a carrying amount of around 1,784 million euro (-990 million euro on the 2017 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.4 Breakdown of subordinated debts/securities

This item has a nil balance.

1.5 Breakdown of structured debts

Structured debts amount to approximately 3,168 million euro at 31 December 2018 (-1,864 million euro on 2017), of which 0.5 million euro due to banks, and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.6 Due to banks for finance leases

This item has a nil balance.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro) Type of operation/Values	31/12/2018					31/12/2017				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					X					X
3.1.2 Other					X					X
3.2 Other securities										
3.2.1 Structured					X					X
3.2.2 Other					X					X
Total A										
B. Derivatives										
1. Financial derivatives			69,100	1,881				97,973	29,623	
1.1 Trading	X		68,058		X	X		96,633		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		1,042	1,881	X	X		1,340	29,623	X
2. Credit derivatives										
2.1 Trading	X				X	X				X
2.2 Associated with fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	**X**		**69,100**	**1,881**	**X**	**X**		**97,973**	**29,623**	**X**
Total (A + B)			**69,100**	**1,881**	**X**	**X**		**97,973**	**29,623**	**X**

(*) Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date.

This item comprises:

- the negative value of the separated optional component of bonds indexed to equity baskets (approximately 2 million euro);
- the negative fair value of interest rate derivatives (about 69 million euro).

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

This item has a nil balance.

2.3 Breakdown of “Financial liabilities held for trading”: structured debts

This item has a nil balance.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by type

(thousands of euro) Type of operation/Values	31/12/2018					31/12/2017				
	Notional value	Fair value			Fair value (*)	Notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks										
1.1 Structured					X					X
1.2 Other					X					X
of which:										
- *commitments to disburse funds*		X	X	X	X		X	X	X	X
- *financial guarantees issued*		X	X	X	X		X	X	X	X
2. Due to customers										
2.1 Structured					X					X
2.2 Other					X					X
of which:										
- *commitments to disburse funds*		X	X	X	X		X	X	X	X
- *financial guarantees issued*		X	X	X	X		X	X	X	X
3. Debt securities	500,000		500,024		500,024	500,000		501,551		501,551
3.1 Structured	500,000		500,024		X	500,000		501,551		X
3.2 Other					X					X
Total	**500,000**		**500,024**		**500,024**	**500,000**		**501,551**		**501,551**

(*) Fair value calculated excluding changes in value due to changes in the issuer’s creditworthiness since the issue date.

This item includes 2 issues of structured securities carried out in 2017, for a total nominal value of 500 million, under the Debt Issuance Programme (“DIP”), which were not separated from the embedded derivative.

3.2 Financial liabilities designated at fair value: subordinated liabilities

This item has a nil balance.

Section 4 - Hedging Derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

(thousands of euro)	31/12/2018				31/12/2017			
	Notional value	Fair value			Notional value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	**16,247,509**		**656,433**		**14,078,003**		**586,743**	
1) Fair value	16,119,509		640,757		13,771,003		552,928	
2) Cash flow	128,000		15,676		307,000		33,815	
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total	**16,247,509**		**656,433**		**14,078,003**		**586,743**	

Micro-hedging, fair value and cash flow derivatives, with a negative fair value as at 31 December 2018, were approximately equal to 486 million euro, while macro-hedging derivatives with a negative fair value, taken out on loan portfolios, were approximately equal to 170 million euro.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Operations/Type of hedging	Fair value							Cash flow		Investment in foreign operation
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	71,700				X	X	X		X	X
2. Financial assets measured at amortised cost	394,469	X			X	X	X		X	X
3. Portfolio	X	X	X	X	X	X	170,283	X		X
4. Other							X		X	
Total assets	**466,169**						**170,283**			
1. Financial liabilities	4,305	X					X	15,676	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**4,305**							**15,676**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 5 - Fair value change of financial liabilities in hedged portfolios- Item 50

5.1 Fair value change of hedged financial liabilities: breakdown by hedged portfolio

(thousands of euro) Value adjustment of hedged financial liabilities/Values	31/12/2018	31/12/2017
1. Positive adjustments of financial liabilities	26,033	32,400
2. Negative adjustment of financial liabilities		
Total	**26,033**	**32,400**

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 termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

Section 6 - Tax liabilities - Item 60

For more information concerning this item, see Section 10 of "Assets".

Section 7 - Liabilities associated with non-current assets and disposal groups held for sale - Item 70

This item has a nil balance.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown by type

(thousands of euro) Type of operation/Values	31/12/2018	31/12/2017
Charges for postal funding service	440,465	382,600
Tax payables	175,179	148,887
Amounts due to subsidiaries on consolidated taxation mechanism	66,179	145,430
Other amounts due to subsidiaries	866	197
Trade payables	20,801	25,014
Items being processed	34,657	24,207
Due to social security institutions	4,682	4,123
Amounts due to employees	4,156	3,551
Other	6,413	2,884
Total	**753,398**	**736,893**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about 440 million euro, relating to the portion of commissions due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 175 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products;
- the payables to other group companies as part of consolidated taxation mechanism (approximately euro 66 million).

Section 9 - Staff severance pay - Item 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	31/12/2018	31/12/2017
A. Opening balance	**1,019**	**1,005**
B. Increases	**120**	**35**
B.1 Provision for the year	21	21
B.2 Other increases	99	14
C. Decreases	**103**	**21**
C.1 Severance payments	99	17
C.2 Other decreases	4	4
D. Closing balance	**1,036**	**1,019**

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Values	31/12/2018	31/12/2017
1. Provisions for credit risk relating to commitments and financial guarantees issued	120,442	97,783
2. Provisions on other guarantees issued and other commitments		
3. Company pensions and other post-retirement benefit obligations		
4. Other provisions	130,331	41,364
4.1 Fiscal and legal disputes	58,096	24,330
4.2 Staff costs	71,523	16,321
4.3 Other	712	713
Total	**250,773**	**139,147**

As at 31 December 2018, provisions for risks and charges were approximately 251 million euro.

On first time adoption of IFRS 9, this item included total provisions for credit risk for commitments to disburse funds and financial guarantees issued subject to IFRS 9 impairment rules.

Provisions for credit risk from commitments and financial guarantees issued were approximately 120 million euro, up by 23 million euro (of which approximately 13 million for the first application of impairment rules, 9 for provisions for impairment for the year and 1 million euro for change in the value of financial guarantees issued).

Other provisions for risks and charges were approximately 130 million euro, up by 89 million euro. The increase was essentially due for 34 million to provisions for legal expenses and for 55 million euro to the provision for the early retirement plan to be implemented in the two-year period 2019-2020 through the *"Fondo di Solidarietà del Credito"* (Solidarity Fund for the Credit Sector).

10.2 Provisions for risks and charges: changes for the year

(thousands of euro)	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Total
A. Opening balance			**41,364**	**41,364**
B. Increases			**104,537**	**104,537**
B.1 Provision for the year			33,982	33,982
B.2 Changes due to passage of time			26	26
B.3 Changes due to changes in discount rate				
B.4 Other increases			70,529	70,529
C. Decreases			**15,570**	**15,570**
C.1 Use during the year			14,591	14,591
C.2 Changes due to changes in discount rate				
C.3 Other decreases			979	979
D. Closing balance			**130,331**	**130,331**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

(thousands of euro)	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	22,844	5,202	3,635	31,681
Financial guarantees issued	87,579		1,182	88,761
Total	**110,423**	**5,202**	**4,817**	**120,442**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

Other provisions for risks and charges refer to litigation, losses incurred by the investees, employees' leaving incentives, variable remuneration charges, directors' and employees' bonuses and probable tax charges. For additional information, reference should be made to Part E – Section 5 – Operational risks of these notes.

Section 11 - Redeemable shares - Item 120

There were no redeemable shares.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 “Share capital” and “Treasury shares”: breakdown

At 31 December 2018, the fully paid-up share capital amounts to 4,051,143,264 euro and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2018, the Company held treasury shares with a value of 57,220,116 euro.

12.2 Share capital - Number of shares: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	337,979,752	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations:		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	342,430,912	
- fully paid	342,430,912	
- partly paid		

12.4 Income reserves: additional information

(thousands of euro) Items/Type	31/12/2018	31/12/2017
Income reserves	**15,341,580**	**14,908,258**
Legal reserve	810,229	783,134
Other	14,531,351	14,125,124

The following information is provided in accordance with article 2427.7-*bis* of the Italian Civil Code.

(thousands of euro) Items/Values	Balance at 31/12/2018	Possible uses (*)	Amount available
Share capital	4,051,143		
Share premium reserve	2,378,517	A, B, C (**)	2,378,517
Reserves:			
- Legal reserve	810,229	B	810,229
- Reserve for unavailable profits (Legislative Decree 38/2005 art. 6)	93,557	B (***)	93,557
- Other income reserves (net of treasury shares)	14,380,574	A, B, C	14,380,574
Valuation reserves:			
- Reserve on financial assets measured at fair value through other comprehensive income	366,417		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	5,866		
Total	**22,253,875**		**17,830,449**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.
(**) Pursuant to article 2431 of the Italian Civil Code, the share premium reserve can be distributed in its entirety only when the legal reserve has reached one fifth of share capital (as set out in article 2430 of the Italian Civil Code).
(***) If the reserve is used to cover losses, profits cannot be distributed until such time as the reserve is replenished by allocating profits from subsequent years.

The share premium reserve of around 2,378,517 thousand euro refers to the share premium of around 2,379,115 thousand euro resulting from the capital increase on 20 October 2016, net of the transaction costs incurred and directly attributable to the transaction, pursuant to IAS 32.37 (net of related tax effects).

12.5 Equity instruments: breakdown and changes for the year

There were no equity instruments.

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

(thousands of euro)	Commitments and financial guarantees issued nominal value			31/12/2018	31/12/2017
	Stage 1	Stage 2	Stage 3		
1. Commitments to disburse funds	**21,030,012**	**176,893**	**15,187**	**21,222,092**	**19,731,647**
a) Central banks					
b) General governments	6,720,943	162,213		6,883,156	6,948,947
c) Banks	76,437	568		77,005	347,430
d) Other financial companies	1,139,280			1,139,280	742,741
e) Non-financial companies	13,092,218	13,336	15,187	13,120,741	11,691,151
f) Households	1,134	776		1,910	1,378
2. Financial guarantees issued	**1,352,353**		**1,988**	**1,354,341**	**1,502,360**
a) Central banks					
b) General governments	166,059			166,059	50,281
c) Banks					
d) Other financial companies	1,950			1,950	1,923
e) Non-financial companies	1,184,344		1,988	1,186,332	1,450,156
f) Households					

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value	
	31/12/2018	31/12/2017
1. Other guarantees issued	**203,059**	**45,826**
- *of which: impaired*		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
e) Non-financial companies	203,059	45,826
f) Households		
2. Other commitments	**2,971,062**	**3,243,297**
- *of which: impaired*		
a) Central banks		
b) General governments		
c) Banks	98,376	168,977
d) Other financial companies	2,801,492	3,009,009
e) Non-financial companies	71,194	65,311
f) Households		

The table shows commercial guarantees issued, commitments to subscribe units in collective investment undertakings, and commitments to capitalise investees.

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	31/12/2018	31/12/2017
1. Financial assets designated at fair value through profit or loss	150,000	150,000
2. Financial assets at fair value through other comprehensive income	7,283,154	4,614,900
3. Financial assets measured at amortised cost	73,822,618	61,978,935
4. Property, plant and equipment		
- *of which: property, plant and equipment classified as inventory*		

The assets pledged as collateral for debts consist of loans and securities pledged as collateral in refinancing operations with the ECB, securities in repurchase agreements and receivables pledged as security for loans from the EIB.

4. Information on operating leases

This item has a nil balance.

5. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2018
1) Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2) Asset management	
3) Custody and administration of securities	
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by the reporting bank	
2. other securities	
b) Other third-party securities on deposit (excluding asset management) – other:	3,615,734
1. securities issued by the reporting bank	
2. other securities	3,615,734
c) Third-party securities deposited with third parties	3,615,734
d) Securities owned by bank deposited with third parties	63,074,049
4) Other transactions	
Management on behalf of third parties on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	65,281,243
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	4,242,211
- Payment of public administration debts (Legislative Decree 35 of 8 April 2013; Legislative Decree 66 of 24 April 2014; Legislative Decree 78 of 19 June 2015) (3)	5,942,659
- Revolving Fund for development cooperation (3)	4,856,858
- Funds for Social and Public Residential Building (4)	2,656,308
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Order 1058/1919 and Law 1041/1971 (4)	946,770
- Kyoto Fund (3)	626,814
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2 (203) (4)	448,084
- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1977 and Law 73/1998 (4)	120,253
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	92,094
- Minimal Environmental Impact Fund (4)	27,670
- MATTM Fund (Ministry of the Environment and Protection of the Land and Sea) and Climate and Sustainable Development Italian Platform (4)	85,901
- MIPAAF Fund (Ministry for Agricultural, Food and Forestry Policies) – guarantee platform to support olive oil producers (4)	8,109
- EURECA Fund – guarantee platform to support SMEs in the Emilia-Romagna Region (4)	1,700
- Other funds (4)	22,195

(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.

6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial assets (A)	Amount of financial liabilities offset in financial statement (B)	Net amount of financial assets reported in financial statement (C = A - B)	Correlated amounts not offset in financial statement		Net amount 31/12/2018 (F = C - D - E)	Net amount 31/12/2017
				Financial instruments (D)	Cash deposits received as guarantee (E)		
1. Derivatives	739,825		739,825	389,559	310,719	39,547	7,717
2. Repurchase agreements	1,125,818		1,125,818	1,125,818			
3. Securities lending							
4. Other							
Total 31/12/2018	**1,865,643**		**1,865,643**	**1,515,377**	**310,719**	**39,547**	**X**
Total 31/12/2017	**925,943**		**925,943**	**444,388**	**473,838**	**X**	**7,717**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets reported in financial statement
1. Derivatives		739,825
	20. Financial assets measured at fair value through profit or loss	60,671
	50. Hedging derivatives	679,154
2. Repurchase agreements		1,125,818
	40. Financial assets measured at amortised cost	1,125,818
3. Securities landing		
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 euro) Technical forms	Gross amount of financial liabilities (A)	Amount of financial assets offset in financial statement (B)	Net amount of financial liabilities reported in financial statement (C = A - B)	Correlated amounts not offset in financial statement		Net amount 31/12/2018 (F = C - D - E)	Net amount 31/12/2017
				Financial instruments (D)	Cash deposits given as guarantee (E)		
1. Derivatives	725,533		725,533	389,560	335,134	839	21,780
2. Repurchase agreements	45,591,335		45,591,335	45,522,803	68,532		4,017
3. Securities lending							
4. Other							
Total 31/12/2018	**46,316,868**		**46,316,868**	**45,912,363**	**403,666**	**839**	**X**
Total 31/12/2017	**28,444,361**		**28,444,361**	**28,153,894**	**264,670**	**X**	**25,797**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial liabilities reported in financial statement
1. Derivatives		725,533
	20. Financial liabilities held for trading	69,100
	40. Hedging derivatives	656,433
2. Repurchase agreement		45,591,335
	10. Financial liabilities measured at amortised cost	45,591,335
3. Securities landing		
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.

8. Securities lending transactions

This item has a nil balance.

9. Disclosure on joint operations

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Part C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Loans	Other	2018	2017
1. Financial assets measured at fair value through profit or loss	1,811			1,811	81
1.1 Financial assets held for trading					81
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	1,811			1,811	
2. Financial assets measured at fair value through other comprehensive income	93,257		X	93,257	92,274
3. Financial assets measured at amortised cost	1,224,059	6,600,418		7,824,477	7,167,191
3.1 Loans to banks	10,758	221,045	X	231,803	239,348
3.2 Loans to customers	1,213,301	6,379,373	X	7,592,674	6,927,843
4. Hedging derivatives	X	X	(227,827)	(227,827)	(187,615)
5. Other assets	X	X	793	793	
6. Financial liabilities	X	X	X	156,918	203,879
Total	**1,319,127**	**6,600,418**	**(227,034)**	**7,849,429**	**7,275,810**
- *of which: interest income on non-performing assets*		*6,217*		*6,217*	*6,976*

Interest income accrued in 2018 was approximately equal to 7,849 million euro. It mainly included:

- interest income on loans to banks and customers, amounting approximately to 6,600 million euro (6,035 million euro in 2017);
- interest income on debt securities amounting to about euro 1,319 million;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 157 million euro.

Sub-item "4. Hedging derivatives" includes the (positive or negative) amount of the differentials or margins accrued on interest rate risk hedging derivatives, which adjust the interest income recognised on the hedged financial instruments. As at 31 December 2018, this amount is negative for around 228 million euro.

The item includes interest income on non-performing assets of approximately 6 million euro.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency, about 37,176 thousand euro.

1.2.2 Interest income on finance leases

This item has a nil balance.

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Securities	Other	2018	2017
1. Financial liabilities measured at amortised cost	(4,024,220)	(345,352)		(4,369,572)	(4,373,997)
1.1 Due to Central Bank		X	X		
1.2 Due to banks	(101,080)	X	X	(101,080)	(73,009)
1.3 Due to customers	(3,923,140)	X	X	(3,923,140)	(4,029,587)
1.4 Securities issued	X	(345,352)	X	(345,352)	(271,401)
2. Financial liabilities held for trading			(288)	(288)	
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions	X	X	(34)	(34)	(2)
5. Hedging derivatives	X	X	140,237	140,237	120,571
6. Financial assets	X	X	X	(36,599)	(57,696)
Total	**(4,024,220)**	**(345,352)**	**139,915**	**(4,266,256)**	**(4,311,124)**

Interest expense accrued in 2018 amounts to approximately 4,266 million euro (approximately -45 million euro on 2017) and mainly comprises:
- interest expense on passbook savings accounts and postal savings bonds amounting to around 3,941 million euro (around -94 million euro on 2017);
- interest expense on debt securities, amounting to around 345 million euro (around +74 million euro on 2017);
- interest expense on deposits of investees of around 29 million euro (around -9 million euro on 2017);
- interest expense on credit facilities granted by the EIB amounting to around 29 million euro (around +3 million euro on 2017);
- interest expense on financial assets that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 37 million euro.

Sub-item “5. Hedging derivatives” includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjust the interest expense recognised on the hedged financial instruments. As at 31 December 2018, this amount is positive for around 140 million euro.

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense on liabilities in foreign currency of about 26,450 thousand euro.

1.4.2 Interest expense for finance leases

This item has a nil balance.

1.5 Differentials on hedging transactions

(thousands of euro) Items	2018	2017
A. Positive differences on hedging transactions	158,639	142,611
B. Negative differences on hedging transactions	(246,229)	(209,655)
C. Balance (A - B)	**(87,590)**	**(67,044)**

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2018	2017
a) Guarantees issued	17,461	24,801
b) Credit derivatives		
c) Management, intermediation and advisory services:		
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios		
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 portfolio:		
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		
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	378,924	83,315
Total	**396,385**	**108,116**

The commission income earned by CDP during the year amounted to around 396 million euro (+288 million euro on 2017).

This item mainly includes commission income from:

- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 303 million euro (of which 300 million euro relating to the management of the MEF Bonds, in accordance with the provisions of Article 7 of the new CDP-MEF agreement relating to the MEF Bonds renewed on 23 February 2018);
- structuring and disbursement of loans for around 75 million euro;
- guarantees issued of around 17 million euro.

The balance of this item also includes commissions earned for the management of the Revolving Fund for Development Cooperation, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI) and the commissions earned under the agreement signed with Italian Ministry for Foreign Affairs and International Cooperation for international cooperation activities and other services rendered.

2.3 Commission expense: breakdown

(thousands of euro) Services/Amounts	2018	2017
a) Guarantees received	6,142	2,423
b) Credit derivatives		
c) Management and intermediation services:	1,528,643	1,575,295
1. Trading of financial instruments	1,160	
2. Trading of currency		
3. Management of portfolios:	1,153	1,022
3.1 own portfolio	1,153	1,022
3.2 third-party portfolio		
4. Custody and administration of securities		
5. Placement of financial instruments	1,526,330	1,574,273
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,912	1,464
e) Other services	643	318
Total	**1,537,340**	**1,579,500**

Commission expense is mainly attributable to the current portion of the remuneration paid to Poste Italiane S.p.A. for the service of management of postal savings funding amounting to around 1,526 million euro (-48 million euro on 2017).

The commission expense for the postal savings service recognised during the year accrued under the agreement signed in December 2017 between CDP and Poste Italiane S.p.A., for the three-year period 2018-2020.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro) Items/Revenues	2018		2017	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		5,642		4,591
C. Financial assets measured at fair value through other comprehensive income	1,175			
D. Equity investments	1,355,570		1,350,130	
Total	**1,356,745**	**5,642**	**1,350,130**	**4,591**

This item comprises dividends and similar revenues whose distribution was approved in 2018. They mainly arise from the equity investments held in Eni (around 768 million euro), CDP RETI (around 234 million euro), Poste Italiane (around 192 million euro), SACE (150 million euro), and Fintecna (around 11 million euro).

Section 4 - Profits (losses) on trading activities - Item 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro) Type of operation/P&L items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	1,282
4. Derivatives	**19,411**	**31,887**	**24,524**	**24,369**	**1,570**
4.1 Financial derivatives:	19,411	31,887	24,524	24,369	1,570
- on debt securities and interest rates	11,493	18,136	10,847	17,147	1,635
- on equity securities and equity indices	7,918	13,751	13,677	7,222	770
- on currencies and gold	X	X	X	X	(835)
- other					
4.2 Credit derivatives					
Total	**19,411**	**31,887**	**24,524**	**24,369**	**2,852**

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) P&L items/Values	2018	2017
A. Income on:		
A.1 Fair value hedges	90,610	457,634
A.2 Hedged financial assets (fair value)	335,417	22,427
A.3 Hedged financial liabilities (fair value)	59,929	137,966
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	40,360	67,469
Total income on hedging activities (A)	**526,316**	**685,496**
B. Expense on:		
B.1 Fair value hedges	408,642	160,364
B.2 Hedged financial assets (fair value)	31,513	443,807
B.3 Hedged financial liabilities (fair value)	62,873	641
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	39,983	67,513
Total expense on hedging activities (B)	**543,011**	**672,325**
C. Net gain (loss) on hedging activities (A - B)	**(16,695)**	**13,171**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro)	2018			2017		
Items/P&L items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
A. Financial assets						
1. Financial assets measured at amortised cost:	59,588	(5,640)	53,948	22,882	(1,847)	21,035
1.1 Loans to banks	6,273		6,273	826		826
1.2 Loans to customers	53,315	(5,640)	47,675	22,056	(1,847)	20,209
2. Financial assets measured at fair value through other comprehensive income	23,686	(60,638)	(36,952)	20,571	(22,611)	(2,040)
2.1 Debt securities	23,686	(60,638)	(36,952)	20,571	(22,611)	(2,040)
2.2 Loans						
Total assets (A)	**83,274**	**(66,278)**	**16,996**	**43,453**	**(24,458)**	**18,995**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued		(19)	(19)			
Total liabilities (B)		**(19)**	**(19)**			

The balance of the item as at 31 December 2018 was positive for approximately 17 million euro. It mainly consisted of the profits related to the amounts reimbursed by customers for the early repayment of mortgages (approximately +54 million euro), partly offset by the net loss on the sales of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (approximately -37 million euro).

Section 7 - Profits (losses) on financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(thousands of euro) Type of operation/P&L items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt securities					
1.2 Loans					
2. Financial liabilities	1,527				1,527
2.1 Securities issued	1,527				1,527
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate differences	X	X	X	X	
Total	**1,527**				**1,527**

The balance of the item, positive for approximately 1.5 million euro, comprises the result of the fair value measurement of the debt securities recognised under financial liabilities designated at fair value.

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro) Type of operation/P&L items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**50,706**		**82,198**	**43**	**(31,535)**
1.1 Debt securities			2,510	43	(2,553)
1.2 Equity securities					
1.3 Units in collective investment undertakings	50,706		79,688		(28,982)
1.4 Loans					
2. Foreign currency financial assets: exchange rate differences	X	X	X	X	
Total	**50,706**		**82,198**	**43**	**(31,535)**

The balance of the item, negative for approximately 31.5 million euro, comprises the result of fair value measurement of debt securities (-2.6 million euro) and units of UCI (-29 million euro) recognised under financial assets mandatorily measured at fair value.

Section 8 - Net adjustments/recoveries for credit risk - Item 130

This item, negative for approximately 65 million euro, represents the net balance between write-downs and writebacks for credit risk on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, calculated on an individual and collective basis.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of euro) Type of operation/P&L items	Write-downs			Writebacks		2018	2017
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. A. Loans to banks	**(4,444)**			**20,847**		**16,403**	**16,970**
Loans	(4,366)			16,368		12,002	17,817
Debt securities	(78)			4,479		4,401	(847)
- *of which: impaired loans acquired or originated*							
B. B. Loans to customers	**(121,224)**		**(8,587)**	**44,450**	**4,844**	**(80,517)**	**(22,686)**
Loans	(110,830)		(8,587)	43,139	4,844	(71,434)	(20,527)
Debt securities	(10,394)			1,311		(9,083)	(2,159)
- *of which: impaired loans acquired or originated*							
Total	**(125,668)**		**(8,587)**	**65,297**	**4,844**	**(64,114)**	**(5,716)**

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro) Type of operation/P&L items	Write-downs			Writebacks		2018	2017
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt securities	(3,667)			2,644		(1,023)	
B. Loans:							
To customers							
To banks							
- *of which: impaired financial assets acquired or originated*							
Total	**(3,667)**			**2,644**		**(1,023)**	

Section 9 - Gains/losses from changes in contracts without derecognition - Item 140

9.1 Gains/losses from changes in contracts: breakdown

The balance of the item is negative for approximately 2 million euro. It represents the losses recognised on renegotiation of the contractual terms with a non-performing counterparty, classified among loans to customers in the portfolio of the financial assets measured at amortised cost. The loss is recognised as the difference between the gross carrying value of the asset before the modification and the discounted value of the future cash flows renegotiated, discounted at the original effective interest rate of the financial asset.

Section 10 - Administrative expenses - Item 160

10.1 Staff costs: breakdown

(thousands of euro) Type of expense/Values	2018	2017
1) Employees	**154,909**	**87,009**
a) Wages and salaries	71,439	61,733
b) Social security costs	295	266
c) Staff severance pay	489	489
d) Pension costs	16,225	14,896
e) Allocation to staff severance pay	21	21
f) Provision for retirement and similar provisions:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pensions funds:	5,205	5,038
- defined contribution	5,205	5,038
- defined benefit		
h) Costs arising from share-based payment arrangements		
i) Other employee benefits	61,235	4,566
2) Other personnel in service	**418**	**414**
3) Board of Directors and Board of Auditors	**2,185**	**1,241**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(5,641)**	**(3,839)**
6) Reimbursement of expenses for third-party employees seconded to the company	**1,198**	**311**
Total	**153,069**	**85,136**

The increase of the staff costs with respect to the previous year is due to the provision of 55 million euro made for the 2019-2020 early retirement plan.

10.2 Average number of employees by category

(number)	
Employees	**767**
a) Senior management	84
b) Middle management	367
- *of which: grade 3 and 4*	*198*
c) Other employees	316
Other personnel	**8**

10.4 Other employee benefits

(thousands of euro) Type of expense/Values	2018	2017
Food coupons	1,423	1,156
Insurance policies	2,378	2,031
Contributions to mortgage loan interest	466	352
Leaving incentives	55,000	431
Other benefits	1,968	596
Total	**61,235**	**4,566**

The item "leaving incentives" includes the provision of 55 million euro made for the 2019-2020 early retirement plan, to be implemented through the "*Fondo di Solidarietà del Credito*" (Solidarity Fund for the Credit Sector).

10.5 Other administrative expenses: breakdown

(thousands of euro) Type of expense/Values	2018	2017
Professional and financial services	12,103	12,997
IT costs	23,570	22,118
General services	4,481	4,393
Publicity and marketing expenses	2,111	2,511
- *of which: mandatory publicity*	*588*	*250*
Information resources and databases	4,492	3,613
Utilities, duties and other expenses	13,594	11,656
Corporate bodies	335	316
Other personnel-related expenses	2,478	2,230
Total	**63,164**	**59,834**

Audit fees and fees for non-audit services

As required by article 149-*duodecies* of Consob Issuers' Regulation no. 11971, the 2018 audit fees and fees for non-audit services of PricewaterhouseCoopers S.p.A. are given below:

(thousands of euro) Type of services	PricewaterhouseCoopers S.p.A.	Other companies PWC Network
Auditing	429	
Certification services	105	
Other services	55	99
Total	**589**	**99**

Amounts net of VAT and reimbursed expenses and Consob contribution.

Section 11 - Net provisions for risks and charges - Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Provisions		Reversal of excess		Net result 2018	Net result 2017
(thousands of euro)	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3		
Commitments to disburse funds	(12,667)	(516)	6,582	193	(6,408)	(912)
Financial guarantees issued	(2,246)	(69)	217		(2,098)	2,775
Total	(14,913)	(585)	6,799	**193**	**(8,506)**	**1,863**

11.2 Net provisions for other commitments and other guarantees issued: breakdown

(thousands of euro)	2018 Provisions	2018 Reversal of excess	2018 Net result	Net result 2017
Other commitments				78,283
Other guarantees issued				
Total				**78,283**

11.3 Net provisions for other risks and charges: breakdown

(thousands of euro)	2018 Provisions	2018 Reversal of excess	2018 Total	Total 2017
Legal and fiscal disputes	(34,008)	228	(33,780)	795
Other				(712)
Total	**(34,008)**	**228**	**(33,780)**	**83**

Section 12 - Net adjustments to/recoveries on property, plant and equipment - Item 180

12.1. Net adjustments to/recoveries on property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Write-downs for impairment (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(4,352)			(4,352)
- for operations	(4,352)			(4,352)
- for investment				
- inventories	X			
A.2 Acquired under finance lease:				
- for operations				
- for investment				
Total	**(4,352)**			**(4,352)**

Section 13 - Net adjustments to/recoveries on intangible assets - Item 190

13.1 Net adjustments to intangible assets: breakdown

(thousands of euro) Assets/P&L items	Amortisation (A)	Write-downs for impairment (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(3,198)			(3,198)
- internally generated by the company				
- other	(3,198)			(3,198)
A.2 Acquired under finance lease				
Total	**(3,198)**			**(3,198)**

Section 14 - Other operating income (costs) - Item 200

14.1 Other operating costs: breakdown

(thousands of euro) Type of costs/Values	2018	2017
Other costs from expense cycle		1
Charges from adjustment of asset items	1,768	60
Depreciation of leasehold improvements	124	1
Other	58	423
Total	**1,950**	**485**

14.2 Other operating income: breakdown

(thousands of euro) Type of costs/Values	2018	2017
Income for company engagements to employees	1,228	1,467
Rental income	4,121	1,262
Recovery of expenses	758	450
Income from adjustment of liability items	147	
Other	1,999	2,821
Total	**8,253**	**6,000**

Section 15 - Gains (losses) on equity investments - Item 220

15.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L Items/Values	2018	2017
A. Gains	**162,369**	**30,244**
1. Revaluations		
2. Gains on disposals		28,637
3. Writebacks	162,369	1,607
4. Other		
B. Losses	**(334,402)**	**(1,613)**
1. Write-downs		
2. Impairments	(334,402)	(1,613)
3. Losses on disposals		
4. Other		
Net gain (loss)	**(172,033)**	**28,631**

This item, which shows losses of around 172 million euro, includes:

- the net adjustment on SACE S.p.A., of about 333 million euro;
- the recovery on Fintecna S.p.A., of about 162 million euro;
- the net adjustment on Elite S.p.A., of about 1.5 million euro;
- the recovery recognised on Risparmio Holding S.p.A., of about 150 thousand euro;
- the recovery on Galaxy S.à r.l. SICAR, of about 384 thousand euro, recognised during the liquidation of the company.

Section 16 - Gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 230

This item has a nil balance.

Section 17 - Goodwill impairment - item 240

No goodwill impairment was recognised.

Section 18 - Gains (losses) on disposal of investments - Item 250

18.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) P&L items/Values	2018	2017
A. Land and buildings		
Gains from disposal		
Losses from disposal		
B. Other assets	**(4)**	**(5)**
Gains from disposal	6	
Losses from disposal	(10)	(5)
Net gain (loss)	**(4)**	**(5)**

Section 19 - Income tax for the year on continuing operations - Item 270

19.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) Items/Values		2018	2017
1.	Current taxes (-)	(691,539)	(409,366)
2.	Change in current taxes from previous years (+/-)	1,533	8,227
3.	Reduction of current taxes for the year (+)	3,290	
3.*bis*	Reduction of current taxes for the year for tax credits pursuant to Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	(75,865)	(61,666)
5.	Change in deferred tax liabilities (+/-)	24,452	55
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(738,129)**	**(462,750)**

In 2018, current taxes refer to the corporate income tax (IRES), the related additional tax and the regional tax on business activities (IRAP). They are calculated using the prevailing tax rates (24%, 3.5% and 5.57%, respectively).

The change in current taxes for previous years was mainly due to the adjustment to current taxes for the previous year, which was offset by a change in deferred tax assets, as well as by the IRES refund on the claims submitted in 2010 for the non-deducibility for IRAP purposes of the interest charges with reference to the years 2005 and 2007.

The changes in deferred tax assets were mainly related to (i) the tax effects in the 2018 tax year of the amounts recognised on First Time Adoption of IFRS 9, in particular the deduction of the expected losses recognised on the receivables to customers and on the units of UCI classified as financial assets measured at fair value through profit or loss, as well as, more in general, (ii) changes in the provisions for risks and charges and (iii) valuation of foreign currency receivables and payables.

The changes in deferred tax liabilities were instead mainly related to the valuation of foreign currency receivables and payables, which have become relevant for tax purposes at the time they are realised, as well as to the impairment reversals on the units of UCI classified, on First Time Adoption of IFRS 9, as financial assets measured at fair value through profit or loss, which have become relevant for tax purposes during the year.

19.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2018	Tax rate
Income (loss) before taxes	**3,278,592**	
IRES Theoretical tax liability (27.5% rate)	**(901,613)**	**-27.5%**
Permanent increases:		
- non-deductible interest expense		
- write-downs of equity investments		
- other non-deductible costs	(94,020)	-2.9%
Temporary increases:		
- impairment adjustments of loans		
- other temporarily non-deductible costs	(50,693)	-1.5%
Permanent decreases:		
- tax exempt dividends	354,450	10.8%
- ACE benefit	28,449	0.9%
- income from the national and global tax consolidation mechanism		
- other changes	44,652	1.4%
Temporary decreases	84,842	2.6%
IRES Actual tax liability	**(533,933)**	**-16.3%**

(thousands of euro)	2018	Tax rate
Taxable income for IRAP purposes	**3,777,732**	
IRAP Theoretical tax liability (5.57% rate)	**(210,420)**	**-5.57%**
Deductible costs for staff costs	5,422	0.1%
Other changes	47,392	1.25%
IRAP Actual tax liability	**(157,606)**	**-4.2%**

Section 20 - Income (loss) after tax on discontinued operations - Item 290

This item has a nil balance.

Section 21 - Other information

Nothing to report in addition to the information provided in the previous sections.

Part D - Comprehensive income

Analytical statement of comprehensive income

(thousands of euro) Items	2018	2017
10. Net income (loss) for the year	**2,540,463**	**2,203,445**
Other comprehensive income not transferred to income statement		
20. Equity securities at fair value through other comprehensive income:	(269,427)	(442)
a) fair value changes	(269,427)	(134)
b) transfer to other equity items		(308)
30. Financial liabilities designated at fair value through profit or loss (change in own credit rating):		
a) fair value changes		
b) transfer to other equity items		
40. Hedges on equity securities designated at fair value through other comprehensive income:		
a) fair value change (hedged instrument)		
b) fair value change (hedging instrument)		
50. Property, plant and equipment		
60. Intangible assets		
70. Defined benefit		
80. Non-current assets and disposal group held for sale		
90. Share of valuation reserves of equity investments accounted for using equity method		
100. Income tax relating to other comprehensive income not transferred to income statement	(666)	31
Other comprehensive income transferred to income statement		
110. Hedging of foreign investments:		
a) fair value changes		
b) transfers to income statement		
c) other changes		
120. Exchange rate differences:		
a) changes in values		
b) transfers to income statement		
c) other changes		
130. Cash flow hedges:	(17,813)	(5,540)
a) fair value changes	(17,813)	(5,540)
b) transfers to income statement		
c) other changes		
- *of which: result of net positions*		
140. Hedging instruments (elements non designated):		
a) changes in value		
b) transfer to income statement		
c) other changes		
150. Financial assets (other than equity securities) at fair value through other comprehensive income:	(344,001)	14,158
a) fair value changes	(331,886)	41,360
b) transfers to income statement:	(12,115)	(27,202)
- impairment adjustments		
- gain/loss on realisation	(12,115)	(27,202)
c) other changes		
160. Non-current assets and disposal group held for sale:		
a) fair value changes		
b) transfers to income statement		
c) other changes		
170. Share of valuation reserves of equity investments accounted for using equity method:		
a) fair value changes		
b) transfers to income statement		
- impairment adjustments		
- gains (losses) on disposal		
c) other changes		
180. Income tax relating to other comprehensive income transferred to income statement	117,900	(3,815)
190. Total other comprehensive income	**(514,007)**	**4,392**
200. Comprehensive income (items 10 + 190)	**2,026,456**	**2,207,837**

Part E - Information on risks and related hedging policies

To ensure an efficient risk management system, CDP has set-up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks — assumed or that can be assumed — in the different segments to the appropriate reporting levels.

Risk management considers the specific characteristics of the activity performed, and is implemented in compliance with the regulatory requirements.

Within the organisational structure of CDP, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and for the clear presentation of the overall risk profile and solidity of CDP to the Board of Directors. As a part of this mandate, the CRO coordinates the activities of the Risk Management Area (RM), the Risk Governance Area, the Compliance and Anti-Money Laundering Area and the Risk Operations Area. RM is responsible for supporting the CRO with the governance and monitoring of all types of risks, providing a clear view of the overall risk profile of CDP and of the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They can be classified in terms of market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which includes concentration and counterparty risks), operational risks, and reputation risks. The risk policy is updated semi-annually and is made-up by a mail document (the Risk Policy itself) and its related annexes, 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 define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and the framework of the corresponding organisational processes.

The guidelines for the risk management of CDP are expressed in the Risk Policy and envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

Within the Board of Director's, the Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. To support the CEO a specific Internal Risk Committee has been set-up. This collegiate technical and advisory body provides opinions on policy and control issues concerning the overall risk profile of CDP and operational assessment for particularly relevant matters.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending corrective measures to the Risk Committee corrective measures that might be necessary to ensure compliance with the Risk Policy and with the risk profile chosen by CDP, monitoring the usage of economic capital and contributing to the capital management activities.

Section 1 - Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity — both under the Separate Account and the Ordinary Account — and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, to which has the largest quota of the assets pertains, primarily features exposures to the Italian Government and Local Authorities. Since 2018, CDP has been authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This line of activity, still in a starting phase, is aimed at municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional form of financing operations.

Over the last several years, exposures to the main banking groups operating in Italy under the Separate Account have grown to a larger role, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential 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 (FRI – Fondo Rotativo per le Imprese), which at present are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under the International Financing and Export Bank lines of activity. The Separate Account may also finance energy efficiency improvement projects and loans granted to support international development cooperation activities. This last kind of activity is still in the implementation phase for what pertains to the use of own funds.

Under the Ordinary Account CDP grants corporate and project financing drawing on non-government-backed funding, 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.

During 2018, CDP has continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), already undertaken in 2017, while maintaining alignment with CDP's typical risk profile.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also govern the lending process and the roles of the units involved.

The Risk Operations Area assesses the proposals formulated by CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for issuing internal ratings and estimating the Loss Given Default rates. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document, approved by the CEO, provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing transactions. The Risk Operations Area is also responsible for the periodic review of the loan portfolio, with regard to the evolution of each counterparty's financial situation and to developments in their specific industry.

The Risk Governance Area contributes towards the definition of risk policy guidelines for implementation both at CDP and at Group level and manages and monitors deteriorated exposures. The area is responsible for the analysis of counterparties for the purpose of management or regulatory classification.

The Risk Management Area is responsible for the methods used to determine the risk-adjusted pricing, for monitoring the risk-adjusted return, and for measuring portfolio concentration. The Risk Management Area regularly monitors the overall evolution of the credit risk of the portfolio, also to identify corrective measures designed to optimise the risk/return profile. The credit risk responsibilities of the Risk Management Area also include:

- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- preparing opinions on specific loan transactions, in the specific cases detailed in the policies in effect from time to time;
- defining, selecting and implementing the models, methods, and instruments of the internal rating system.

With regard to non-performing counterparties, the Risk Operations Area reviews any proposals made for restructuring — where necessary with the support of other Areas for more complex cases — while the Risk Management Area performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the Transactions Management Area.

The Credit Committee is a technical and advisory body acting in support of the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on loan transactions, both in regard to creditworthiness and to the adequacy of the contractual terms. The composition of the Credit Committee includes members of the Risk Operations Area and the Risk Management Area, as well as the Legal, Compliance and Finance Areas.

Where predetermined concentration thresholds are exceeded or if the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is required on lending transactions.

To monitor the risks at group level a specific governance process for the most significant transactions in terms of risk is foreseen. A non-binding opinion from the Parent Company must be obtained in these cases. In particular, there has been a further implementation of the governance and coordination guidelines at a Group level by the Risk Governance Area, whereas the Group Risk Committee has provided its opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a relevant impact.

2.2 Management, measurement and control systems

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type and size of entity.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds in support of the economy via the banking system, CDP uses a validated proprietary model to calculate portfolio credit risk. CDP also uses this system to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

The Risk Management Area monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

The Risk Management Area also carries out 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 increased correlation parameters.

The Risk Management Area regularly monitors the current and potential future net exposure to swap counterparties in order to prevent the emergence of concentrated exposures. The Risk Management Area also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, the Risk Management Area provides for the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process CDP uses specific benchmark tools, developed by specialised providers, chosen on the basis of the principal classes of CDP counterparties, based on their size, legal form, and sector of activity.

The master scale of ratings adopted by CDP is, similarly to those used by rating agencies, foresee 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used to denote counterparties in default. Given the limited number of historical defaults in the CDP portfolio, keeping into account the nature of the borrowers, default probabilities are calibrated on the basis of long-term default rates (*through the cycle*) calculated using data acquired from a specialised provider.

In 2018, when implementing IFRS 9, CDP defined a methodology to derive point-in-time default probabilities.

Default is defined in accordance with the supervisory regulations for banks issued by the Bank of Italy.

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), to monitor loan performance, to calculate provisions, within the limits framework and to measure the consumption of economic capital. The risk assessment assigned to the counterparty is updated at least annually or at any time during the year whenever events occur or information is acquired that may significantly affect the credit rating.

2.3 Measurement methods of expected credit losses

From 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the "Standard"), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The Standard introduces numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred but not reported loss. The aim of this new approach to impairment is to ensure more prompt recognition of losses compared to the previous IAS 39-compliant model, in which the losses are recognised if objective evidence is found of impairment losses after initial recognition of the asset. Correspondingly, the new model envisages that the financial assets are allocated in three distinct "stages" (Stage Allocation):

- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are provisioned on the basis of the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are provisioned based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves credit-impaired financial assets which having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

CDP has defined its policies and methods of Stage Allocation and calculation of expected losses in a way compliant with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of the Parent Company's loan portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has recorded an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of CDP's business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are summed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods, that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant deterioration in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The chosen method involves the definition of staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes account, among other things, the age of the individual instrument and the current rating on the reporting date. The first element allows to capture the expectations regarding changes in PD (migration in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an non linear manner as the rating worsens (variation of the default probabilities in line with the ratings);

The decision to use the internal ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute - and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes ("watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to stage 3 without having first been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, cease to hold, it may return to stage 1 with the consequent reduction in the associated expected loss.

With regard to debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option permitted by IFRS 9. This exemption would involve classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, taking account the recommendations by the Basel Committee, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without undue costs or effort), which might influence the credit risk of a financial instrument. The available information must include:

- specific attributes of the debtor, and
- general economic conditions and the assessment of current and forecast conditions ("forward-looking information").

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PD instead of the Through-the-Cycle (TTC) PD which CDP routinely uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD starting from the TTC PD, which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a "security package"), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed by the Risk Management function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed within the Internal Risk Committee and Board Risk Committee and was approved by the Board of Directors.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders to the Treasures ("Delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, 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 Plafond), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and on government bonds in favour of CDP. The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure of the bank (and any group that it might belong to) in relation to the Shareholders' Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP usually takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is materialised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

During 2018, the credit quality monitoring system was further developed, to ensure, through an early warning system, the prompt flagging up of credit events that indicate potential problems (based on information from both internal and external sources), and to assign the counterparty a specific management Watch List class depending on the level of importance of the signals identified, by also activating the assessment process for the purposes of regulatory classification. More specifically, the additional features concerned the widening of the set of indicators used to assign the management classes, with the recalibration of the indices and the fine tuning of the management classification rules. In addition, the features of the engine were also extended to the regulatory statuses, thanks to the introduction of specific indicators that allow for the processing of classification proposals to "Unlikely to Pay".

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also systematically used to strengthen CDP credit risk mitigation.

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

Securities financing transactions utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2018 the trend in gross non-performing credit exposures was substantially steady and in line with expectations. The incidence of the stock of non-performing exposures was confirmed as completely marginal in respect to the total loan portfolio.

Non-performing financial assets are measured and classified in accordance with the supervisory regulations for banks issued by the Bank of Italy.

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, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans receivable considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

Non-performing 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 — the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures.

In the pre-litigation stage, non-performing exposures are monitored and handled by the Risk Governance organisational unit, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising earnings and financial results, by pursuing extra-judicial actions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-off

Credit exposures are written-off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it, and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:
- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;
- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:

- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called "forborne" exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities (which is one of the main activities historically performed by CDP), over the last few years CDP has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities, and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by CDP, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent "massive renegotiations".

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the "substantial" nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes, and economic distribution

A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNTS)

(thousands of euro) Portfolios/quality	Bad debts	Unlikely to pay	Non performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	56,741	145,760	22,881	83,011	323,215,485	323,523,878
2. Financial assets measured at fair value through other comprehensive income					11,050,208	11,050,208
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					309,174	309,174
5. Financial assets held for sale						
Total at 31/12/2018	**56,741**	**145,760**	**22,881**	**83,011**	**334,574,867**	**334,883,260**
Total at 31/12/2017	**34,718**	**178,718**	**32,493**	**12,891**	**332,654,190**	**332,913,010**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

FORBORNE CREDIT EXPOSURES: BREAKDOWN BY PORTFOLIO AND CREDIT QUALITY

(thousands of euro) Type of exposure/Values	Gross exposure	Accumulated impairment	Net exposure 31/12/2018	Net exposure 31/12/2017
Financial assets measured at amortised cost:				
Bad debts				
Unlikely to pay	92,204	(45,949)	46,255	28,960
Non-performing past-due exposures				
Performing past-due exposures				
Other performing exposures	750,155	(313,617)	436,538	645,012
Total forborne exposures at 31/12/2018	**842,359**	**(359,566)**	**482,793**	**X**
Total forborne exposures at 31/12/2017	**850,620**	**(176,648)**	**X**	**673,972**

A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

(thousands of euro) Portfolios/quality	Non-performing assets				Performing assets			Total (net exposure)
	Gross exposure	Accumulated impairment	Net exposure	Accumulated partial write off(*)	Gross exposure	Accumulated impairment	Net exposure	
1. Financial assets measured at amortised cost	379,831	(154,449)	225,382		324,150,027	(851,531)	323,298,496	323,523,878
2. Financial assets measured at fair value through other comprehensive income					11,061,097	(10,889)	11,050,208	11,050,208
3. Financial assets designated at fair value					X	X		
4. Other financial assets mandatorily measured at fair value					X	X	309,174	309,174
5. Financial assets held for sale								
Total at 31/12/2018	**379,831**	**(154,449)**	**225,382**		**335,211,124**	**(862,420)**	**334,657,878**	**334,883,260**
Total at 31/12/2017	**385,929**	**(140,000)**	**245,929**		**332,640,804**	**(327,513)**	**332,667,081**	**332,913,010**

(*) Value to be shown for information purposes.

(thousands of euro) Portfolios/quality	Assets with markedly poor credit quality		Other assets
	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			71,026
2. Hedging derivatives			679,154
Total at 31/12/2018			**750,180**
Total at 31/12/2017			**936,164**

A.1.3 BREAKDOWN OF FINANCIAL ASSETS BY PAST-DUE BANDS (CARRYING AMOUNTS)

(thousands of euro) Portfolios/stages	Stage 1			Stage 2			Stage 3		
	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	19,994		57,811			5,206		473	170,608
2. Financial assets measured at fair value through other comprehensive income									
Total at 31/12/2018	**19,994**		**57,811**			**5,206**		**473**	**170,608**
Total at 31/12/2017	**4**	**1**	**4,026**			**8,860**			**191,388**

A.1.4 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: CHANGES IN ACCUMULATED IMPAIRMENT AND PROVISIONS

(thousands of euro) Items/risk stages	Accumulated impairment													Total provisions for commitments to disburse funds and financial guarantees issued			Total
	Assets in stage 1				Assets in stage 2				Assets in stage 3								
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment	Of which: non-performing financial assets acquired or originated	Stage 1	Stage 2	Stage 3	
Opening accumulated impairment and provisions	151,578			151,578	175,935			175,935	140,000		140,000			93,079	675	4,029	565,296
Changes in opening balance	44,756	9,866		54,622	418,928			418,928	9,332		8,856	476		7,598	4,957	396	495,833
Increases resulting from financial assets acquired or originated	25,837	3,415		29,252	17,566			17,567	888		869	19		24,266	317	560	72,849
Derecognitions other than write-offs	(12,279)	(1,262)		(13,541)	(19,278)			(19,278)	(656)		(599)	(57)		(5,957)	(1,356)	(83)	(40,871)
Net adjustments/ recoveries for credit risk (+/-)	(9,903)	(2,601)		(12,504)	58,197	1,471		59,668	5,893		5,870	23		2,896	609	(85)	56,477
Changes in contracts without derecognition									(1,008)		(1,008)						(1,008)
Changes in estimation method																	
Write-offs not recognised directly through profit or loss																	
Other	194			194										(11,460)			(11,266)
Closing accumulated impairment and provisions	**200,183**	**9,418**		**209,601**	**651,348**	**1,471**		**652,820**	**154,449**		**153,988**	**461**		**110,422**	**5,202**	**4,817**	**1,137,310**
Recoveries from collection on financial assets subject to write-off																	
Write-offs recognised directly through profit or loss																	

A.1.5 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

(thousands of euro) Portfolios/risk stages	Gross value/Nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	1,303,498	334,894	7,040	5,832	14,790	2,675
2. Financial assets measured at fair value through other comprehensive income	31,659					
3. Commitments to disburse funds and financial guarantees issued	13,752	304		956	503	2,706
Total 31/12/2018	**1,348,909**	**335,198**	**7,040**	**6,788**	**15,293**	**5,381**

A.1.6 ON-BALANCE SHEET EXPOSURES TO BANKS: GROSS AND NET AMOUNTS

(thousands of euro) Type of exposure/Values	Gross exposure		Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write off (*)
	Non-performing assets	Performing assets			
A. On-balance sheet credit exposures					
a) Bad debts		X			
- *of which: forborne exposures*		*X*			
b) Unlikely to pay		X			
- *of which: forborne exposures*		*X*			
c) Non-performing past-due exposures		X			
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X	512	(2)	510	
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	21,121,259	(52,887)	21,068,372	
- *of which: forborne exposures*	*X*				
Total A		**21,121,771**	**(52,889)**	**21,068,882**	
B. Off-balance sheet credit exposures					
a) Non-performing		X			
b) Performing	X	21,803,967	(254)	21,803,713	
Total B		**21,803,967**	**(254)**	**21,803,713**	
Total (A + B)		**42,925,738**	**(53,143)**	**42,872,595**	

(*) Value to be shown for information purposes.

A.1.7 ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS

(thousands of euro) Type of exposure/Values	Gross exposure		Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write off (*)
	Non-performing assets	Performing assets			
A. On-balance sheet credit exposures					
a) Bad debts	115,517	X	(58,776)	56,741	
- *of which: forborne exposures*		*X*			
b) Unlikely to pay	239,846	X	(94,086)	145,760	
- *of which: forborne exposures*	*92,204*	*X*	*(45,949)*	*46,255*	
c) Non-performing past-due exposures	24,468	X	(1,587)	22,881	
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X	83,092	(591)	82,501	
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	314,315,435	(808,940)	313,506,495	
- *of which: forborne exposures*	*X*	*750,155*	*(313,617)*	*436,538*	
Total A	**379,831**	**314,398,527**	**(963,980)**	**313,814,378**	
B. Off-balance sheet credit exposures					
a) Non-performing	17,175	X	(4,817)	12,358	
b) Performing	X	49,944,296	(115,370)	49,828,926	
Total B	**17,175**	**49,944,296**	**(120,187)**	**49,841,284**	
Total (A + B)	**397,006**	**364,342,823**	**(1,084,167)**	**363,655,662**	

(*) Value to be shown for information purposes.

A.1.8 ON-BALANCE SHEET EXPOSURES TO BANKS: CHANGES IN GROSS NON-PERFORMING EXPOSURES

There are no non-performing credit exposures to banks.

A.1.8*BIS* ON-BALANCE SHEET EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

There are no forborne credit exposures to banks.

A.1.9 ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS NON-PERFORMING EXPOSURES

(thousands of euro) Items/Categories	Bad debts	Unlikely to pay	Non-performing past-due exposures
A. Opening gross exposure	**91,458**	**261,881**	**32,590**
- *of which: exposures assigned but not derecognised*			
B. Increases	**26,216**	**25,399**	**20,513**
B.1 Transfers from performing positions		1,945	19,852
B.2 Transfers from non-performing financial assets acquired or originated			
B.3 Transfers from other categories of non-performing positions	25,597	15,856	
B.4 Changes in contracts without derecognition			
B.5 Other increases	619	7,598	661
C. Decreases	**2,157**	**47,434**	**28,635**
C.1 To performing positions		862	9,509
C.2 Write-off			
C.3 Repayments	1,560	17,329	3,193
C.4 Credit disposals			
C.5 Losses from disposals			
C.6 Transfers to other categories of non-performing positions		25,592	15,861
C.7 Changes in contracts without derecognition		2,199	
C.8 Other decreases	597	1,452	72
D. Closing gross exposure	**115,517**	**239,846**	**24,468**
- *of which: exposures assigned but not derecognised*			

A.1.9BIS ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**69,134**	**781,486**
- *of which: exposures assigned but not derecognised*		
B. Increases	**32,521**	**22,428**
B.1 Transfers from performing not forborne positions		
B.2 Transfers from performing forborne positions		X
B.3 Transfers from non-performing forborne positions	X	
B.4 Other increases	32,521	22,428
C. Decreases	**9,451**	**53,759**
C.1 To performing not forborne positions	X	
C.2 To performing forborne positions		X
C.3 To non-performing forborne positions	X	
C.4 Write-off		
C.5 Repayments	9,451	53,759
C.6 Assignments		
C.7 Losses on disposal		
C.8 Other decreases		
D. Closing gross exposure	**92,204**	**750,155**
- *of which: exposures assigned but not derecognised*		

A.1.10 ON-BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO BANKS: CHANGES IN ACCUMULATED IMPAIRMENT

There are no non-performing credit exposures to banks.

A.1.11 ON-BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN ACCUMULATED IMPAIRMENT

	Bad debts		Unlikely to pay		Non-performing past-due exposures	
(thousands of euro) Items/Categories	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A.1 Opening accumulated impairment	56,740		83,163	40,174	97	
A.2 Changes in opening balance	1,237		4,850		3,245	
- *of which: exposures assigned but not derecognised*						
B. Increases	**907**		**10,809**	**9,407**	**1,180**	
B.1 Write-downs from non-performing financial assets acquired or originated		X		X		X
B.2 Other write-downs	166		7,286		1,136	
B.3 Losses on disposal						
B.4 Transfers from other categories of non-performing positions	734		2,201			
B.5 Changes in contracts without derecognition		X		X		X
B.6 Other increases	7		1,322	9,407	44	
- *of which: transfers form non-forborne positions*				*8,289*		
C. Decreases	**108**		**4,736**	**3,632**	**2,935**	
C.1 Writebacks from valuations					486	
C.2 Writebacks from collection	108		4,013	3,632	237	
C.3 Gains on disposal						
C.4 Write-off						
C.5 Transfers to other categories of non-performing positions			723		2,212	
C.6 Changes in contracts without derecognition		X		X		X
C.7 Other decreases						
D. Closing accumulated impairment	**58,776**		**94,086**	**45,949**	**1,587**	
- *of which: exposures assigned but not derecognised*						

A.2 Classifica tion of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES (GROSS AMOUNTS)

(thousands of euro) Exposures	External rating grades Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Not rated	Total
A. Financial assets measured at amortised cost	**830,917**	**2,017,734**	**256,376,248**	**15,188,202**	**2,354,880**	**34,411**	**47,727,466**	**324,529,858**
- stage 1	830,917	2,017,734	250,079,498	13,980,548	2,354,880	13,753	40,753,710	310,031,040
- stage 2			6,296,750	1,207,654		20,658	6,593,925	14,118,987
- stage 3							379,831	379,831
B. Financial assets measured at fair value through other comprehensive income	**21,130**	**31,628**	**10,022,540**	**253,268**	**140,661**	**31,659**	**560,211**	**11,061,097**
- stage 1	21,130	31,628	10,022,540	253,268	140,661		560,211	11,029,438
- stage 2						31,659		31,659
- stage 3								
Total (A + B)	**852,047**	**2,049,362**	**266,398,788**	**15,441,470**	**2,495,541**	**66,070**	**48,287,677**	**335,590,955**
- *of which: non-performing financial assets acquired or originated*								
C. Commitments to disburse funds and financial guarantees issued	**2,313,415**	**2,271,105**	**6,810,286**	**440,362**	**27,709**	**568**	**10,712,988**	**22,576,433**
- stage 1	2,313,415	2,271,105	6,810,286	288,178	27,709		10,671,672	22,382,365
- stage 2				152,184		568	24,141	176,893
- stage 3							17,175	17,175
Total (C)	**2,313,415**	**2,271,105**	**6,810,286**	**440,362**	**27,709**	**568**	**10,712,988**	**22,576,433**
Total (A + B + C)	**3,165,462**	**4,320,467**	**273,209,074**	**15,881,832**	**2,523,250**	**66,638**	**59,000,665**	**358,167,388**

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

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 Breakdown of secured credit exposures by type of guarantee

A.3.1 ON-BALANCE SHEET AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	Total (1) + (2)
1. Secured on-balance sheet credit exposures																
1.1 Fully secured	9,267,557	9,225,647				3,601,346						5,624,301				9,225,647
- *of which: non-performing*																
1.2 Partially secured	318,809	315,720				127,088										127,088
- *of which: non-performing*																
2. Secured off-balance sheet credit exposures																
2.1 Fully secured	549,326	549,306				423,281						126,025				549,306
- *of which: non-performing*																
2.2 Partially secured	350,237	350,237				183,818										183,818
- *of which: non-performing*																

A.3.2 ON-BALANCE SHEET AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	Total (1) + (2)
1. Secured on-balance sheet credit exposures																
1.1 Fully secured	7,161,374	6,817,388	245,723		1,125,818	1,387,053						2,626,548	177,922		1,254,324	6,817,388
- *of which: non-performing*	*151,339*	*140,745*	*71,693*			*9,965*						*50,533*	*554*		*8,000*	*140,745*
1.2 Partially secured	4,138,514	4,129,782				9,429						3,944,612	34,784			3,988,825
- *of which: non-performing*	*24,996*	*19,538*				*2,188*						*17,350*				*19,538*
2. Secured off-balance sheet credit exposures																
2.1 Fully secured	7,550,585	7,541,136	70,460			237,774						7,023,135	2,513		207,254	7,541,136
- *of which: non-performing*	*4,979*	*4,751*	*1,845*			*29*						*2,051*			*826*	*4,751*
2.2 Partially secured	2,780,282	2,778,110				32,932						2,350,846	150			2,383,928
- *of which: non-performing*																

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

There are no financial and non-financial assets obtained through the enforcement of collateral.

B. Breakdown and concentration of credit exposures

B.1 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

	General governments		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial companies		Households	
(thousands of euro) Exposures/Counterparties	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance sheet credit exposures										
A.1 Bad debts	2,760	(3,477)					53,780	(55,165)	201	(134)
- *of which: forborne exposures*										
A.2 Unlikely to pay	7,246	(35,281)		(10)			136,361	(58,640)	2,153	(155)
- *of which: forborne exposures*				*(10)*			*45,540*	*(45,860)*	*715*	*(79)*
A.3 Non-performing past-due positions	6,242	(694)					15,917	(871)	722	(22)
- *of which: forborne exposures*										
A.4 Performing exposures	293,992,537	(461,790)	5,271,964	(3,396)			14,304,087	(344,197)	20,408	(148)
- *of which: forborne exposures*							*436,538*	*(313,617)*		
Total (A)	294,008,785	(501,242)	5,271,964	(3,406)			14,510,145	(458,873)	23,484	(459)
B. Off-balance sheet credit exposures										
B.1 Non performing exposures							12,358	(4,817)		
B.2 Performing exposures	6,983,060	(61,160)	3,900,079	(3,642)			14,513,597	(50,553)	20,895	(15)
Total (B)	6,983,060	(61,160)	3,900,079	(3,642)			14,525,955	(55,370)	20,895	(15)
Total (A+B) at 31/12/2018	**300,991,845**	**(562,402)**	**9,172,043**	**(7,048)**			**29,036,100**	**(514,243)**	**44,379**	**(474)**
Total (A+B) at 31/12/2017	**283,828,641**	**(118,465)**	**5,678,865**	**(2,093)**			**24,440,772**	**(265,260)**	**30,093**	**(271)**

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

	Italy		Other European countries		Americas		Asia		Rest of world	
(thousands of euro) Exposures/Geographical area	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance sheet credit exposures										
A.1 Bad debts	56,741	(58,776)								
A.2 Unlikely to pay	145,760	(94,086)								
A.3 Non-performing past-due positions	22,881	(1,587)								
A.4 Performing exposures	308,333,097	(805,191)	1,919,533	(1,840)	1,656,736	(1,246)	1,235,953	(923)	443,677	(331)
Total A	308,558,479	(959,640)	1,919,533	(1,840)	1,656,736	(1,246)	1,235,953	(923)	443,677	(331)
B. Off-balance sheet credit exposures										
B.1 Non performing exposures	12,358	(4,817)								
B.2 Performing exposures	14,712,070	(107,560)	1,024,137	(612)	6,721,323	(5,021)	2,358,652	(1,762)	601,449	(415)
Total (B)	14,724,428	(112,377)	1,024,137	(612)	6,721,323	(5,021)	2,358,652	(1,762)	601,449	(415)
Total (A+B) at 31/12/2018	**323,282,907**	**(1,072,017)**	**2,943,670**	**(2,452)**	**8,378,059**	**(6,267)**	**3,594,605**	**(2,685)**	**1,045,126**	**(746)**
Total (A+B) at 31/12/2017	**302,505,984**	**(385,313)**	**1,219,137**	**(772)**	**6,771,850**		**2,992,290**	**(5)**	**489,110**	

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

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	20,612,034	(52,851)	454,898	(38)					1,950	
Total (A)	20,612,034	(52,851)	454,898	(38)					1,950	
B. Off-balance sheet credit exposures										
B.1 Non performing exposures										
B.2 Performing exposures	76,751	(254)	37,863						118,376	
Total (B)	76,751	(254)	37,863						118,376	
Total (A + B) at 31/12/2018	20,688,785	(53,105)	492,761	(38)					120,326	
Total (A + B) at 31/12/2017	39,690,830	(96,591)	154,684		39,845,514					

C. Securitisations

Qualitative disclosures

At the end of 2002, Cassa depositi e prestiti, 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 consortia operated by local authorities, consortia of local authorities, and public or private limited companies operating public services (extinguished portfolio);
2) departments of the State, the regions, autonomous provinces or local authorities (extinguished portfolio);
3) A2A S.p.A. (extinguished portfolio);
4) Acea Distribuzione S.p.A. (extinguished portfolio);
5) RFI S.p.A.;
6) Poste Italiane S.p.A. (extinguished portfolio).

At 31 December 2018, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 SERVICER ACTIVITIES - OWN SECURITISATIONS: COLLECTIONS ON SECURITISED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY THE SECURITISATION VEHICLE

(thousands of euro) Securitisation vehicle	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
CPG - Società di cartolarizzazione a r.l.		115,224		47,706						

D. Disclosure of unconsolidated structured entities (other than securitisation vehicles)

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

E.1 FINANCIAL ASSETS ASSIGNED RECOGNISED IN FULL AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

	Financial assets assigned recognised in full				Financial liabilities associated		
(thousands of euro)	Book value	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements	of which: impaired	Book value	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				X			
1. Debt securities				X			
2. Equity securities				X			
3. Loans				X			
4. Derivatives				X			
B. Non-trading financial assets mandatorily measured at fair value							
1. Debt securities							
2. Equity securities				X			
3. Loans							
C. Financial assets designated at fair value							
1. Debt securities							
2. Loans							
D. Financial assets measured at fair value through other comprehensive income	5,817,568		5,817,568		5,732,762		5,732,762
1. Debt securities	5,817,568		5,817,568		5,732,762		5,732,762
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	39,538,180		39,538,180		38,727,807		38,727,807
1. Debt securities	39,538,180		39,538,180		38,727,807		38,727,807
2. Loans							
Total 31/12/2018	45,355,748		45,355,748		44,460,569		44,460,569
Total 31/12/2017	26,429,136		26,429,136		27,759,644		27,759,644

E.2 FINANCIAL ASSETS ASSIGNED PARTIALLY RECOGNISED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

There are no financial assets assigned partially recognised.

E.3 DISPOSALS WITH LIABILITIES WITH RECOURSE ONLY ON DIVESTED ASSETS BUT NOT DERECOGNISED: FAIR VALUE

(thousands of euro)	Fully recognised	Partially recognised	Total	
			31/12/2018	31/12/2017
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Non-trading financial assets mandatorily at fair value				
1. Debt securities				
2. Equity securities				
3. Loans				
C. Financial assets designated at fair value				
1. Debt securities				
2. Loans				
D. Financial assets measured at fair value through other comprehensive income	5,817,568		5,817,568	3,969,726
1. Debt securities	5,817,568		5,817,568	3,969,726
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost	39,655,300		39,655,300	24,133,378
1. Debt securities	39,655,300		39,655,300	24,133,378
2. Loans				
Total financial assets	45,472,868		45,472,868	28,103,104
Total associated financial liabilities	44,465,570		44,465,570	27,759,644
Net value 31/12/2018	1,007,298		1,007,298	X
Net value 31/12/2017	343,460		X	343,460

B. Financial assets assigned and derecognised with recognition of continuing involvement

There are no transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

E.4 COVERED BOND TRANSACTIONS

At the reporting date, there were no covered bond transactions.

Section 2 - Market risks

2.1 Interest rate risk and price risk - Supervisory trading book

Qualitative disclosures

A. General aspects

In 2018, 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 methods of interest rate risk and price risk

As a result of its operations, CDP is exposed to interest rate risk under 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 in the banking book.

These risks can affect both the earnings 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 its assets and liabilities structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing those balance sheet items that are sensitive to interest rates, by quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the underlying risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed to ensure that the company stays solvent given its risk profile.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP measures using historical simulations methods.

To quantify and monitor the interest rate risk in the banking book, CDP computes VaR figures both over short time horizons — such as over one day or ten days — and annually, the latter being well-suited for the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for evaluating balance sheet items and measuring sensitivities; moreover, they use the same input data. The daily VaR is then used for backtesting, thanks to its larger pool of figures available over that interval.

VaR summarises in a single monetary amount the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite these limits, common to any composite metric based on historical scenarios, VaR has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes possible, through the backtesting process, to check the hypotheses underpinning the calculations, not only of the daily VaR but also of the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. 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. Furthermore, more granular limits set by the Chief Executive Officer are in place.

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

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Therefore, hedging regards subsets of those items, depending on the sign of the net exposure, with a view on containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Department.

The measurement and the monitoring of interest rate risk are performed by the Risk Management Department and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methodology and receives periodic reporting on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with stocks, 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.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not accounted at their current fair value – do not recover any impairment over time. It is calculated based on hypotheses about the statistical distribution of the prices of the shares, the related derivatives (when 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 in the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of "Premia" and "Europa" postal savings bonds, whose yield is linked to the performance of the Euro Stoxx 50 index. The Risk Management monitors the net exposure to such risk.

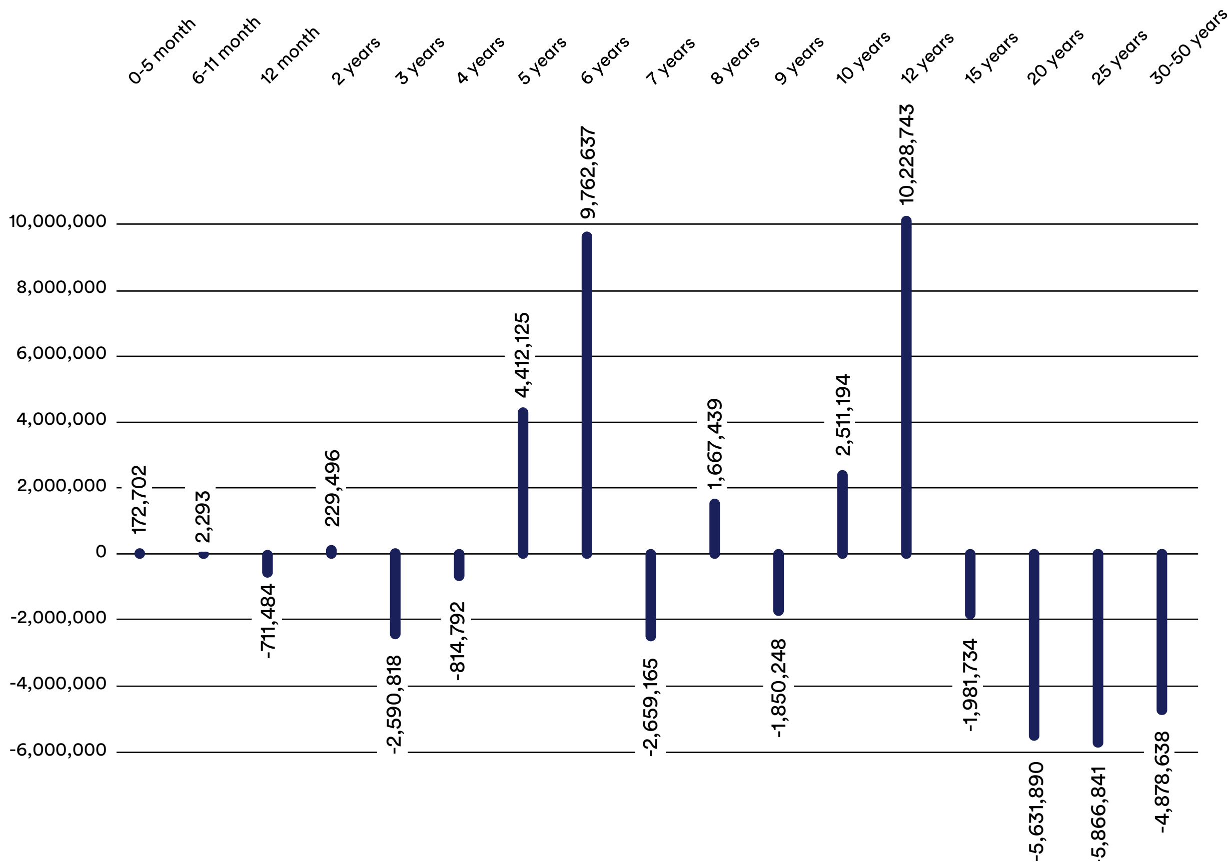
Quantitative disclosures

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

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

SENSITIVITY TO EURO ZERO-COUPON RATES BY MATURITY (INCREASE OF 1 BASIS POINT)

MARKET FIGURES AT 31/12/2018



2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability and/or the 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. When uncertain disbursements and/or premature repayment options exist, the hedging strategy might leave a small portion of the exchange risk unhedged.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

B. Hedging exchange rate risk

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) were hedged. The Italian Republic bonds issued in Yen were hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in euro.

On CDP's liabilities side, there is also a Yen-denominated bond that is hedged.

Finally, a residual component of unhedged exchange rate risk existed at 31 December 2018. This was tied mainly to transactions to refinance exposures in US dollars, in the short and medium term.

Quantitative disclosures

1. BREAKDOWN OF ASSETS, LIABILITIES AND DERIVATIVES BY CURRENCY

(thousands of euro) Items	Currency					
	Us dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets	**1,699,375**		**470,055**			
A.1 Debt securities	138,955		470,055			
A.2 Equity securities						
A.3 Loans to banks	14,849					
A.4 Loans to customers	1,534,895					
A.5 Other financial assets	10,676					
B. Other assets						
C. Financial liabilities	**1,444,315**		**59,805**			
C.1 Due to banks	1,122,299					
C.2 Due to customers	233,181					
C.3 Debt securities	88,835		59,805			
C.4 Other financial liabilities						
D. Other liabilities	**4,822**					
E. Financial derivatives						
- Options:						
+ long positions						
+ short positions						
- Other derivatives:						
+ long positions			59,805			
+ short positions	200,873		476,963			
Total assets	**1,699,375**		**529,860**			
Total liabilities	**1,650,010**		**536,768**			
Difference (+/-)	**49,365**		**(6,908)**			

Section 3 - The financial derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: PERIOD-END NOTIONAL VALUES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties With netting arrangements	31/12/2018 Over the counter Without central counterparties Without netting arrangements	31/12/2018 Organised markets	31/12/2017 Over the counter Central counterparties	31/12/2017 Over the counter Without central counterparties With netting arrangements	31/12/2017 Over the counter Without central counterparties Without netting arrangements	31/12/2017 Organised markets
1. Debt securities and interest rates		**3,167,824**	**40,000**			**3,342,890**	**40,000**	
a) Options								
b) Swaps		3,167,824	40,000			3,342,890	40,000	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices		**4,664,350**	**3,927,136**			**9,626,950**	**8,612,039**	
a) Options		4,664,350	3,927,136			9,626,950	8,612,039	
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
3. Foreign currencies and gold		**200,873**						
a) Options								
b) Swaps								
c) Forwards		200,873						
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**8,033,047**	**3,967,136**			**12,969,840**	**8,652,039**	

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

(thousands of euro) Type of derivatives	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties With netting arrangements	31/12/2018 Over the counter Without central counterparties Without netting arrangements	31/12/2018 Organised markets	31/12/2017 Over the counter Central counterparties	31/12/2017 Over the counter Without central counterparties With netting arrangements	31/12/2017 Over the counter Without central counterparties Without netting arrangements	31/12/2017 Organised markets
1. Positive fair value								
a) Options		3,107				24,005		
b) Interest rate swap		57,565	10,354			59,342	10,221	
c) Cross currency swap								
d) Equity swap								
e) Forward								
f) Future								
g) Other								
Total		**60,672**	**10,354**			**83,347**	**10,221**	
2. Negative fair value								
a) Options			1,881				29,622	
b) Interest rate swap		69,058				97,974		
c) Cross currency swap								
d) Equity swap								
e) Forward		42						
f) Future								
g) Other								
Total		**69,100**	**1,881**			**97,974**	**29,622**	

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			40,000
- positive fair value	X			10,354
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			3,927,136
- positive fair value	X			
- negative fair value	X			1,881
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		1,905,189	1,237,635	25,000
- positive fair value		43,034	8,770	5,761
- negative fair value		69,058		
2) Equity securities and equity indices				
- notional value		4,552,600	111,750	
- positive fair value		3,093	13	
- negative fair value				
3) Foreign currencies and gold				
- notional value		200,873		
- positive fair value				
- negative fair value		42		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES

(thousands of euro) Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	653,474	2,474,350	80,000	3,207,824
A.2 Financial derivatives on equity securities and equity indices	7,108,308	1,483,178		8,591,486
A.3 Financial derivatives on foreign currencies and gold	200,873			200,873
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2018	**7,962,655**	**3,957,528**	**80,000**	**12,000,183**
Total al 31/12/2017	**9,135,489**	**12,018,331**	**468,059**	**21,621,879**

B. Credit derivatives held for trading

There were no credit derivatives.

3.2 Accounting hedges

Qualitative disclosures

A. Fair value hedges

Within the scope of its Asset Liability Management policies, CDP, where possible, makes use of "operational hedges" between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives.

Moreover, CDP's transactions in derivatives have the sole purpose of hedging risks, principally equity, interest rate and liquidity risks. Derivatives are designated as accounting hedges under IAS 39 or as operational hedges; the latter are monitored according to a framework established under the provisions of the EMIR regulation.

A fair value hedge is applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses.

As regards the activity of fair value hedging, CDP implements the following types of hedges:
- micro fair value hedges of fixed-rate loans in the Separate Account and Ordinary Account;
- micro fair value hedges of asset and liability bonds in the Separate Account and Ordinary Account;
- partial term hedges of fixed-rate loans and bonds in the Separate Account;
- macro fair value hedges of specifically selected uniform portfolios, exposed to interest rate risk within the scope of the Separate Account.

Micro fair value hedge applies when the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives.

Partial term hedges applies if the hedged item is defined as a subset of the cash flows of one or more contracts, specifically selected according to duration and/or notional amount.

In case of hedging of portfolios exposed to interest rate risk, the hedged item consists of loan portfolios which have the same sort of characteristics. These hedges differ from micro hedges since the hedged item does not identify the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the univocal relationship (tie) between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate Swap derivatives, which provide for the exchange of fixed rate interest payments with floating rate interest payments that are linked to the Euribor 6M index or, to a lesser extent and for specific ALM purposes, to the Euribor 3M index.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. At 31 December 2018 the following cash flow hedges exist in relation to the exchange rate risk and inflation risk:
- EUR/JPY exchange rate risk hedge of asset and liability bonds;
- Inflation risk hedge associated with the issue of Index-linked Postal Savings Bonds.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the JPY cash flows of the securities with fixed-rate cash flows in euro.

With reference to the inflation risk hedges resulting from the issues of Italian inflation-linked bonds indexed to the IT CPI, these were part of a hedging programme established in 2010, which almost reached its natural maturity.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

Hedging instruments used for fair value hedge strategies are usually vanilla Interest Rate Swaps which exchange fixed-rate flows against floating-rate flows linked to Euribor plus the market spread. For some specific hedges, such as those on inflation-linked securities, it is likely that the derivatives also provide for the collection or payment of upfront premiums.

The hedging swaps of loans in micro hedging relationships have amortising profiles that mirror those of the loans or groups of similar loans hedged, generally with spot starting. The partial term relationships are used in particular to hedge specific curve segments, in particular in the section ranging from 10Y to 30Y. These have amortising or bullet profiles and forward starting.

All swaps have payment frequencies that are the same as the refixing frequency except for the initial or final periods, if necessary.

Cash flow hedge referring to exchange rate risk are performed using Cross Currencies with amortising profiles and payment frequencies that mirror those of hedged securities.

Given the uncertainty as regards the amortising profile of the Italian inflation-linked postal savings bonds, associated with the investors' early redemption option, cash flow hedges on these bonds have been created through the closure of zero-coupon swaps with a nominal value equal to a portion of the issued notional value of the bond which CDP conservatively estimates will reach maturity.

All derivatives are of the Over the Counter type, stipulated with market counterparties with whom ISDA agreements, related to the 2002 ISDA agreement, have been entered into beforehand, where netting is used to reduce exposure. High frequency exchanges of collateral are also provided for within the scope of executed CSA agreements.

E. Hedged items

The existing accounting hedges at the end of 2018 are all carried out on asset and liability items, such as loans and receivables, bonds and postal savings bonds. There are also some operational hedges of equity risk resulting from the issue of bonds linked to the EuroStoxx 50 index, through the purchase of options with financial and payoff characteristics that mirror those embedded in the issued bonds.

Within the scope of fair value accounting hedges, loans and securities are represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. For loans and securities this produces an item which has:
- capital flows of the loan or of the hedged bond;
- interest flows of the loan or hedged bond net of the hedge spread;
- in the event of IRS with forward starting, an initial capital outflow, equal to the nominal value of the swap on the start date.

In cash flow hedges, the hedged items are generally represented with the hypothetical derivative method, namely instruments that mirror the executed derivatives less the credit risk embedded in the real derivatives.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: PERIOD-END NOTIONAL VALUES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2018				31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates		**39,396,679**				**34,983,915**		
a) Options								
b) Swaps		39,396,679				34,983,915		
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		**533,927**				**644,695**		
a) Options								
b) Swaps		533,927				644,695		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**39,930,606**				**35,628,610**		

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

(thousands of euro) Type of derivatives	Positive and negative fair value							
	31/12/2018				31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options								
b) Interest rate swap		602,962				697,061		
c) Cross currency swap		76,192				145,535		
d) Equity swap								
e) Forward								
f) Future								
g) Other								
Total		679,154				842,596		
2. Negative fair value								
a) Options								
b) Interest rate swap		656,433				586,743		
c) Cross currency swap								
d) Equity swap								
e) Forward								
f) Future								
g) Other								
Total		656,433				586,743		

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		37,681,605	1,715,074	
- positive fair value		591,606	11,356	
- negative fair value		614,709	41,724	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		533,927		
- positive fair value		76,192		
- negative fair value				
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

(thousands of euro) Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,821,008	11,105,342	25,470,329	39,396,679
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on foreign currencies and gold	476,758		57,169	533,927
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2018	**3,297,766**	**11,105,342**	**25,527,498**	**39,930,606**
Total at 31/12/2017	**1,577,911**	**9,796,761**	**24,253,938**	**35,628,610**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

(thousands of euro)	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value		39,586,794	2,952,709	65,000
- net positive fair value		266,297	12,503	16,115
- net negative fair value		315,425	34,100	
2) Equity securities and equity indices				
- notional value		4,552,600	111,750	3,927,136
- net positive fair value		3,093	13	
- net negative fair value				1,881
3) Foreign currencies and gold				
- notional value		734,800		
- net positive fair value		76,192		
- net negative fair value		42		
4) Commodities				
- notional value				
- net positive fair value				
- net negative fair value				
5) Other				
- notional value				
- net positive fair value				
- net negative fair value				
B. Credit derivatives				
1) Protection purchases				
- notional value				
- net positive fair value				
- net negative fair value				
2) Protection sales				
- notional value				
- net positive fair value				
- net negative fair value				

Section 4 - Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of "asset liquidity risk[40]" and "funding liquidity risk[41]".

Since CDP does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for CDP liquidity risk becomes significant mainly in the form of funding liquidity risk. In order to ensure that any uncontrolled redemptions scenario 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 postal savings reputation 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, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has 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 department, and monitoring liquidity gaps at short, medium and long term horizon performed by Risk Management.

Management of treasury activities by the Finance department 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.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

40 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.
41 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

Quantitative disclosures

1. BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

(thousands of euro) Items/Maturities	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance sheet assets	**163,246,348**	**49,884**	**29,119**	**1,017,447**	**2,406,532**	**2,498,422**	**10,855,235**	**42,941,502**	**104,218,560**	**7,713,799**
A.1 Government securities			25,876	50,001	778,922	2,048,001	7,445,258	17,869,034	29,662,420	
A.2 Other debt securities				107,446	7,636	56,878	114,451	3,344,498	2,966,791	
A.3 Units in collective investment undertakings	2,384,449									
A.4 Loans	160,861,899	49,884	3,243	860,000	1,619,974	393,543	3,295,526	21,727,970	71,589,349	7,713,799
- banks	429,978				31,839	243,353	1,025,670	3,968,195	5,854,028	7,713,799
- customers	160,431,921	49,884	3,243	860,000	1,588,135	150,190	2,269,856	17,759,775	65,735,321	
On-balance sheet liabilities	**117,499,019**	**4,358,636**	**12,761,519**	**7,532,074**	**21,501,818**	**8,684,179**	**10,312,911**	**144,515,453**	**15,462,936**	
B.1 Deposits	117,355,043	189,221	3,357,356	528,726	1,383,866	2,815,813	6,044,027	134,045,397	4,771,967	
- banks	453,780	1,002				509		1,314,046		
- customers	116,901,263	188,219	3,357,356	528,726	1,383,866	2,815,304	6,044,027	132,731,351	4,771,967	
B.2 Debt securities			250,000	240,000	1,050,000	340,000	2,860,000	7,591,336	6,748,595	
B.3 Other liabilities	143,976	4,169,415	9,154,163	6,763,348	19,067,952	5,528,366	1,408,884	2,878,720	3,942,374	
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- long positions						198,368	538,624		59,595	
- short positions						204,213	476,758		57,169	
C.2 Financial derivatives without exchange of capital										
- long positions			4,032	1,554	50,274	107,143	109,692			
- short positions				769	11,663	56,183	283,146			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	20,740,256									
- short positions	20,740,256									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

Section 5 - Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, 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 tortious liability or from other disputes.

System for managing operational risks

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company’s actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for more targeted mitigation measures and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Department, operating within the Risk Management Area, is the unit responsible for designing, implementing and monitoring the methodological and organizational framework for (i) the assessment of the exposure to operational risks, (ii) the monitoring of the implementation of the remediation measures proposed by the Risk Owners, and (iii) the preparation of reporting to the top management.

The adopted framework involves the inclusion 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, hereafter LDC);
- system loss data (external data);
- data on contingent losses (assessment of level of exposure to operational risks);
- key factors of the business environment and internal control systems.

The main elements of the operational risk management system implemented within CDP are presented below.

Loss Data Collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the activity of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within 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 operational risk data — relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) — and filing of the supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant data on losses, in order not to affect the reliability and accuracy of the assessment of operational risk.

CDP has developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of the information collected. This application enables the centralized, secure management of the following activities:

- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

Apart from reducing the cost and the risk related to manual data management, this tool also guarantees the (i) integrity, confidentiality and availability of the information collected, as well as (ii) the traceability of the entire process, thanks to the user identification system, and (iii) a high level of control, thanks to a customizable system of automated messages and alerts.

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that have taken place in other financial institutions; this enables CDP to improve its estimates regarding operational losses and to compare itself against the best practices used by other main banking groups.

Mapping of business process related risks

The mapping activity of business process adverse events - including risks linked to the introduction of new products/processes - is a preliminary step for the assessment of the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by Risk Owners and by experts appointed by them, stems from the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and to assess 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 (i) compliance risk, (ii) 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 acting in its interest), (iii) the risk governed by Legislative Decree no. 231 of 21 November 2007, (Implementing Directive no. 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive no. 2006/70/EC laying down implementing measures), (iv) the risk governed by Law no. 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), (v) the risk of disruption or malfunction of IT systems and (vi) the outsourcing risk.

Assessment of level of exposure to operational risks (Risk Self-Assessment)

The qualitative Risk Self-Assessment method for the assessment of the Company's level of exposure to potential operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The Company's level of exposure to potential operational risks is estimated through a self-assessment exercise carried out by the parties involved in the processes analysed.

The assessment is performed under the supervision of the Operational Risk Department, whose role is to ensure the process is conducted systematically, in order to reduce the natural 'cognitive distortions', (bias) of the officers interviewed, and thus ensure greater reliability of the assessment performed.

The objective of the Risk Self-Assessment process is to define the so-called Risk map, a summary of the identification and assessment of risks and the related controls. The Risk map is a tool to dynamically monitor the trend of the company's risk profile, aiming to:

- ensure an overall view of the main areas of risk of the company by process and by nature of the risk;
- strengthen the line controls;
- monitor the actions to prevent and mitigate risks.

Based on the risk perception of the officers interviewed (Organizational Unit Managers, Risk owners, other employees who are 'experts' in the relevant processes, individuals representing specialist and control functions), suitably 'weighted' with that of Risk Management and supplemented by additional relevant considerations, forward-looking indications are provided to the Company's management on events that have not yet occurred but could take place as a result of 'latent' risks in corporate processes.

Risk Self-Assessment findings, therefore, are used for management purposes (use test): the operational risk management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

The objectives of Risk Assessment include:

- the identification of the most critical processes and/or operational areas - in terms of exposure to operational risks - to be analysed in greater depth;
- the estimate of the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of operational risks linked to a certain process and (ii) of the adequacy of the relevant control centres;
- the assessment of potential exposure to operational risks linked to the introduction of new products, processes and activities, allowing Management to take appropriate countermeasures in terms of processes, systems and human resources, for sound and prudent management of the new activity.

The main players involved in assessing exposure to operational risks are:

1) Operational Risk Department:
    - 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 risk owners and experts:
    - identify and assess main risks in the processes under their remit;
    - propose actions to mitigate the risks identified;
    - periodically monitor the evolution of those risks and the emergence of new risks;
3) Compliance Unit:
    - 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 the risks identified;
4) Anti-Money Laundering Department:
    - 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 the risks identified;
5) The staff of the Manager in charge with preparing the Financial Reports:
    - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law no. 262 of 28 December 2005);
    - supports the owners in identifying control centres;
    - proposes actions to mitigate the risks identified;

6) The Chief Audit Officer:
   - recommends the mapping of all those risks that – while not identified by the owner and experts – have been detected in corporate processes during audit activities;
   - assesses the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001.

CDP has developed a proprietary application (OpRA) to perform the Risk Self-Assessment and follow-up activities on the mitigating actions adopted to address the operational risks identified.

Risk management and mitigation

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Self-Assessment and Loss Data Collection, a dedicated Working Group has been established for the discussion of the corrective measures identified to control operational risks.

The Operational Risk Department monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

Monitoring and reporting

The results of the activities performed are shared and disseminated through dedicated reports, which detail operational risk exposures and detected losses. In this way, information on operational risks is provided to the Top Management and the managers of the business units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:
- Loss Data Collection, for which a "management" report is prepared half-yearly and sent to the Top Management, together with "operational" reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk Self-Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant control centres is produced, with an indication of the most vulnerable areas;
- Management of mitigation actions, for which details of the measures defined for the most significant risks detected by Loss Data Collection and Risk Self-Assessment activities are provided.

Operational Risk Culture

In line with the mission of the Operational Risk Department, which is to develop and disseminate awareness of operational risks within the Company, during 2017 training courses addressed to all the staff involved in the analyses were organised.

Other periodical actions organised by the Operational Risk Department for the staff concerned include training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

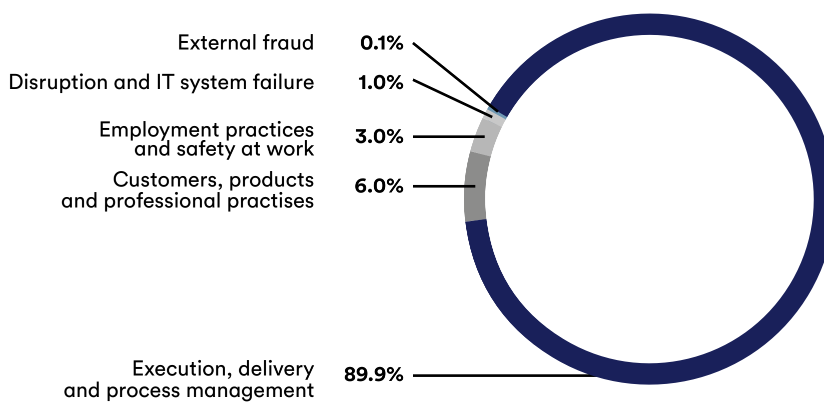
Quantitative disclosures

We provide below the percentage composition of operational risk losses by type of event, as defined by the New Basel Capital Accord. The types of operational risk events are the following:
- internal fraud: losses due to unauthorized acts, acts with intent to defraud, misappropriation of assets or infringement of laws, regulations or company policy involving at least one internal party;
- external fraud: losses due to acts with intent to defraud, misappropriation of assets or infringement of laws by a third party;
- employment practices and workplace safety: losses arising from acts not conforming to employment or employee health and 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 to physical assets: losses arising from external events, such as natural disasters, terrorism and vandalism;
- business disruption and system failures: losses arising from disruption, malfunction or non-availability of systems;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

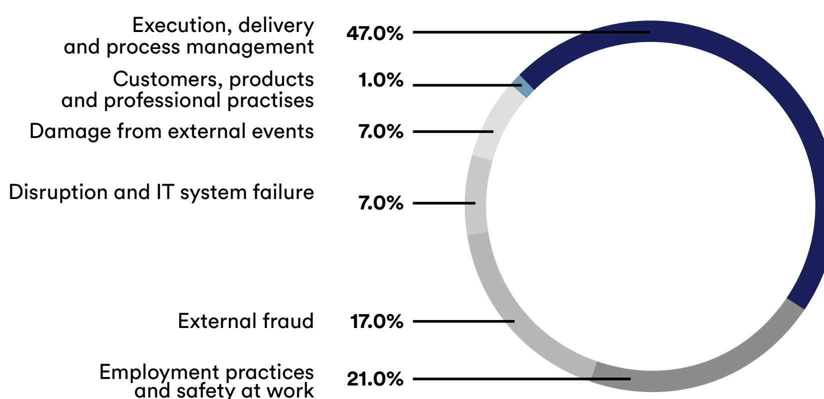
During 2018, the main class, in terms of economic impact, was "Execution, delivery and process management".

OPERATIONAL LOSSES RECORDED IN 2018 SORTED BY RISK CATEGORY



We also show hereunder the percentage composition of all the losses recorded by means of Loss Data Collection from process start.

OPERATIONAL LOSSES RECORDED IN THE LDC DATABASE SORTED BY RISK CATEGORY



Legal disputes

At 31 December 2018, there were 72 pending disputes in civil matters (including 17 labour disputes) and administrative matters in which CDP was a defendant, for a total amount of approximately 850 million euro.

In particular, the most significant dispute in civil matters related to the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona. The dispute, initiated by the Foundation in June 2013 before the Court of Rome, amounted to approximately 432 million euro and was subsequently increased to 651 million euro when the parties' conclusions were presented. The proceedings are currently pending at first instance before the Court of Rome for the main claim and at appeal before the Court of Appeal of Rome for the preliminary rulings.

With reference to the above-mentioned dispute with the Foundation, in relation to the proceedings before the Court of Rome, CDP's defence team considered the risk of a ruling against the company to be probable. The defence team has also stated that, considering the complexity and particular nature of the lawsuit and the state of the proceedings, any reliable estimate of CDP obligations would currently be arbitrary. With regard to the proceedings pending before the Court of Appeal of Rome, the defence team considered the risk of a ruling against the company to be possible. In relation to the proceedings considered at the various instances, the defence team considers it reasonable to expect a favourable outcome to the proceedings.

With reference to all the above-mentioned pending disputes in civil and administrative matters, provisions have been made for a total of approximately 33 million euro.

Part F - Capital

Section 1 - Capital

Qualitative disclosures

As indicated in the introduction, CDP is subject to "informational" supervision only. Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information.

Part G - Business combinations

No business combinations, as governed by IFRS 3, were carried out during the year, nor were there business combinations between entities under common control.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

Directors' and statutory auditors' remuneration

(thousands of euro)	2018
a) Board of Directors	1,992
b) Board of Statutory Auditors	193
Total	**2,185**

Remuneration of other key management personnel

(thousands of euro)	2018
(a) Short-term benefits	3,314
(b) Post-employment benefits	322
Total	**3,636**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(thousands of euro) Name and surname	Position	Period in office	End of term (*)	Compensation and bonuses
Directors in office at 31 December 2018				
Massimo Tononi	Chairman (1)	24/07/2018-31/12/2018	2020	129
Luigi Paganetto	Vice Chairman(1)	24/07/2018-31/12/2018	2020	15
Fabrizio Palermo	Chief Executive Officer (1)	24/07/2018-31/12/2018	2020	89
Fabrizia Lapecorella	Director(1)	24/07/2018-31/12/2018	2020	(**)
Fabiana Massa Felsani	Director(1)	24/07/2018-31/12/2018	2020	15 (***)
Valentino Grant	Director(1)	24/07/2018-31/12/2018	2020	15
Francesco Floro Flores	Director(1)	24/07/2018-31/12/2018	2020	15
Matteo Melley	Director(1)	24/07/2018-31/12/2018	2020	15
Alessandra Ruzzu	Director(2)	01/01/2018-31/12/2018	2020	35
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003) in office at 31 December 2018				
Pier Paolo Italia	Director(3)	01/08/2018-31/12/2018	2020	(**)
Alessandro Rivera	Director(4)	01/01/2018-31/12/2018	2020	(**)
Davide Carlo Caparini	Director	11/05/2018-31/12/2018	2020	22
Antonio Decaro	Director	11/05/2018-31/12/2018	2020	22
Achille Variati	Director(5)	01/01/2018-31/12/2018	2020	
Directors with office ceased in 2018				
Claudio Costamagna	Chairman	01/01/2018-24/07/2018		167
Mario Nuzzo	Vice Chairman	01/01/2018-24/07/2018		20
Fabio Gallia	Chief Executive Officer (6)	01/01/2018-24/07/2018		1,180
Maria Cannata	Director(7)	01/01/2018-24/07/2018		17
Carla Patrizia Ferrari	Director	01/01/2018-24/07/2018		20
Stefano Micossi	Director(8)	01/01/2018-04/04/2018		9
Andrea Sironi	Director(9)	01/01/2018-26/04/2018		11
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003) with office ceased in 2018				
Roberto Ferranti	Director(10)	01/01/2018-31/07/2018		20
Vincenzo La Via	Director(11)	01/01/2018-14/05/2018		(**)
Giuseppe Maresca	Director(12)	25/05/2018-01/08/2018		(**)
Piero Fassino	Director(13)	01/01/2018-03/04/2018		9
Massimo Garavaglia	Director(14)	01/01/2018-05/04/2018		9
Statutory Auditors in office at 31 December 2018				
Carlo Corradini	Chairman	01/01/2018-31/12/2018	2018	40
Alessandra Dal Verme	Auditor	01/01/2018-31/12/2018	2018	(**)
Giusella Finocchiaro	Auditor	01/01/2018-31/12/2018	2018	30 (****)
Luciano Barsotti	Auditor	01/01/2018-31/12/2018	2018	30
Ines Russo	Auditor	01/01/2018-31/12/2018	2018	30

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry for the Economy and Finance.
(***) Remuneration paid in January 2019.
(****) Remuneration paid for 27.5 thousand euro in 2018 and 2.5 thousand euro in January 2019.
(1) Appointed as directors by the Shareholders' Meeting on 24 July 2018. The remuneration refers to the period starting from that date.
(2) The director Alessandra Ruzzo was a member of the Board of Directors that was terminated on 24.07.2018, and was appointed as a member of the new Board of Directors in office. The remuneration shown refers to the remuneration received for the entire year.
(3) Delegate of the State Accountant General.
(4) Director General of the Treasury.
(5) The director Achille Variati will not receive any remuneration in accordance with Article 5.9 of Law 135 of 2012.
(6) The remuneration shown includes the MBO for 2017, the Long-Term Incentive for the three-year period 2015-2017, compensation for dismissal and severance indemnity.
(7) The remuneration shown refers to the period from 01.02.2018 to 24.07.2018. From 01.01.2018 to 31.01.2018, the remuneration was paid to the Ministry of the Economy and Finance.
(8) Resigned from his position as director on 04.04.2018.
(9) Resigned from his position as director on 26.04.2018.
(10) Member of the Board of Directors that was terminated on 24 July 2018 as Delegate of the State Accountant General.
(11) Member of the Board of Directors that was terminated on 24 July 2018 as Director General of the Treasury, with office ceased on 14.05.2018.
(12) From 25 May 2018, member of the Board of Directors that was terminated on 24.07.2018 as Deputy Director General of the Treasury.
(13) Resigned from his position as director on 03.04.2018.
(14) Resigned from his position as director on 05.04.2018.

2. Information on transactions with related parties

This paragraph provides information about the relationship with:
- CDP's directly or indirectly controlled or affiliated companies;
- the majority shareholder MEF;
- MEF's directly and indirectly controlled or affiliated companies.

Certain transactions between CDP and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions. In any event, it should be noted that CDP did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

The table below shows the main existing related party relationships at 31 December 2018.

(thousands of euro) Items	Ministry for the Economy and Finance	CDP subsidiaries and associates	MEF subsidiaries and associates	Other	Total transaction with related parties
Assets					
Financial assets measured at fair value through profit or loss	150,860	14,481			165,341
Financial assets measured at fair value through other comprehensive income	9,184,904	336,128	139,652		9,660,684
Financial assets measured at amortised cost	235,708,270	1,505,107	5,203,145	1,205,371	243,621,893
Other assets	154,543	76,038		49,974	280,555
Liabilities					
Financial liabilities measured at amortised cost (*)	4,533,695	4,823,895		44,072	9,401,662
Other liabilities	2,628	563,646	2,791	16,622	585,687
Commitments and guarantees issued	1,824,181	71,194	3,598,626	1,372,934	6,866,935
Other		2,526,319		127,769	2,654,088
Income statement					
Interest income and similar revenues	5,840,909	10,693	97,163	7,539	5,956,304
Interest expense and similar charges	(5,295)	(25,565)		(845)	(31,705)
Commission income	308,642		2,905	11,537	323,084
Commission expense	(2,455)	(1,526,988)	(39)		(1,529,482)
Net gain (loss) on trading activities		1,362			1,362
Gains (Losses) on disposal of financial assets	(43,685)		12	92	(43,581)
Administrative expenses:		1,627		525	2,152
a) staff costs		2,388		525	2,913
b) other administrative expenses		(761)			(761)
Other operating income (costs)		2,293		1,406	3,699

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation.

Transactions with the Ministry of Economy and Finance

The main transactions conducted with the Ministry of Economy and Finance were related to cash held on an account with the Treasury, and to lending transactions, government securities recognised as financial assets, and management of MEF's liquidity (OPTES).

The investment in government securities is recognised in the following items:
- "financial assets measured at fair value through profit or loss", of about 151 million euro;
- "financial assets measured at fair value through other comprehensive income", of about 9.1 billion euro;
- "financial assets measured at amortised cost", of about 48.3 billion euro.

The item "financial assets measured at amortised cost" also includes the cash and cash equivalents held with the Central State Treasury, on the interest-bearing current account no. 29814, for approximately 158.2 billion euro (of which 1.8 billion euro credited after the reporting date) and receivables mainly related to funding activities, of about 29.1 billion euro.

The cash deposited at the Central State Treasury earned interest for the first half of 2018 at a 6-month floating rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs, based on the remuneration conditions set out in the decree of 12 May 2016. During 2018, the MEF, with decree dated 28 November 2018, reviewed the method of remuneration, which since the second half of 2018 has equalled the weighted average (using weightings at 25% and 75%) of the yields respectively on 6-month BOTs and 10-year BTPs.

The item "financial liabilities at amortised cost - b) due to customers" mainly refers to the balance of MEF's liquidity management transactions (OPTES) (around 3 billion euro), and amounts not yet disbursed at the end of the financial year on loans being repaid (approximately 1.3 billion euro).

"Commitments and guarantees issued" includes the balance of residual loan commitments and financial guarantees issued, which amounted to around 1.8 billion euro at year-end.

The income statement reports Interest income and similar revenues for approximately 5.8 billion euro. The interest expense and similar expenses of approximately 5 million euro relate to the negative yields on certain government securities held in the portfolio. The item "Gains (losses) on disposal or repurchase of financial assets", negative for approximately 44 million euro, mainly includes the loss on the sale of government securities.

Commission income, equal to around 308 million euro, is due primarily to the fees, established with dedicated agreements, for the management of loans and postal savings products owned by the MEF and funds dedicated to the financing of particular economic sectors.

Transactions with subsidiaries and direct associates, and other related parties

Financial assets measured at fair value through profit or loss

The item mainly includes the positive fair value of the outstanding swap contracts with CDP RETI S.p.A and SACE S.p.A. CDP RETI uses swap contracts to reduce the interest rate risk arising from its lending activity. CDP has implemented a full operational hedge of these financial instruments, by taking out mirror swaps.

Financial assets measured at fair value through other comprehensive income

This item comprises the bond issued by CDP RETI S.p.A. and subscribed by CDP in May 2015, for around 336 million euro, and two bonds issued by Banca Monte dei Paschi di Siena S.p.A. for a total of around 140 million euro.

Financial assets measured at amortised cost – a) loans to banks

The most significant exposure in the loans to banks relates to Banca Monte dei Paschi di Siena S.p.A., of around 2.2 billion euro, and mainly relates to the credit facilities granted to facilitate access to credit for enterprises and support reconstruction following natural disasters, and the remainder to debt securities purchased.

Financial assets measured at amortised cost – b) loans to customers

The most significant exposures in the loans to customers, which mainly consist of loans and debt securities, relate to: SACE S.p.A., around 1,082 million euro; E-distribuzione S.p.A., around 893 million euro; Ferrovie dello Stato Italiane S.p.A., around 824 million euro; SACE Fct S.p.A., around 860 million euro.

Other assets

The amounts relate mainly to receivables resulting from joining the "national fiscal consolidation" mechanism for the supply of outsourcing services, the recovery of expenses for seconded personnel and receivables for attached personnel.

Financial liabilities measured at amortised cost – b) due to customers

The item includes mainly CDP's funding resulting from the centralisation of the treasury of Group Companies. The most significant amounts refer to SACE S.p.A., around 3.2 billion euro, and Fintecna S.p.A., around 1.1 billion euro.

Financial liabilities measured at amortised cost – c) securities issued

The previous table shows exclusively securities issued by CDP known to be held by subsidiaries by virtue of the information received during consolidation. These are EMTN securities issued by CDP and held by SACE S.p.A. amounting to 90 million euro.

There were also 6 bond issues launched by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A. for a total nominal value of 4.5 billion euro (of which 2 bonds launched in March 2018 for a total nominal value of 2 billion euro).

Other liabilities

The item includes mainly the liability towards Poste Italiane S.p.A. for the outstanding share of the commission for the collection of postal savings products and the liabilities resulting from the Group Companies joining the national fiscal consolidation mechanism.

Commitments and guarantees issued

This item reports the loan commitments and financial guarantees issued. The most significant exposures refer to: Ferrovie dello Stato S.p.A. for 1,371 million euro; E-distribuzione S.p.A. for approximately 893 million euro; Banca Monte Paschi di Siena S.p.A. for 808 million euro and SACE Fct S.p.A. for 500 million euro.

Other off-balance sheet items

Other off-balance sheet items refer primarily to securities received as a deposit from CDP Equity, CDP RETI and FSI Investimenti.

Interest income and similar income

The amounts refer primarily to interest for 2018 accrued on loans granted to counterparties.

Interest expense and similar expense

The amounts refer primarily to interest expense accrued on deposits of Group companies.

Commission income

Commission income refers mainly to commissions received from CDP for the provision of lending and guarantee services.

Commission expense

Commission expense, equal to about 1.52 billion euro, mainly refers to the postal savings collection service provided by Poste Italiane S.p.A.

Profits (losses) on trading activities

This item mainly consists of the income from exchange adjustments on foreign currency deposit liabilities with SACE S.p.A., of around 1.5 million euro.

Administrative expenses – a) staff costs

The item includes mainly revenues linked to the reimbursement of expenses for CDP staff seconded to Group Companies. These revenues are partly offset by the costs incurred by CDP relating to Group Companies' personnel seconded to CDP.

Administrative expenses – b) other administrative expenses

This item mainly consists of rental expenses.

Other operating income (costs)

This item mainly consists of revenues for the supply of outsourced auxiliary services and revenues for corporate offices of CDP employees at Group Companies.

Part I - Share-based payments

There were no share-based payments in place (IFRS 2).

Part L - Operating segments

Pursuant to paragraph 4 of IFRS 8 “Operating segments”, since the financial statements contain both the consolidated financial statements of the CDP Group and the separate financial statements of CDP S.p.A., information on operating segments only needs to be provided for the consolidated financial statements, to which the reader is referred for more details.

Proposal for allocation of the net income for the year

We hereby submit for shareholder approval the financial statements for 2018, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

Art. 6, paragraphs 1 and 2, of Legislative Decree 38/2005 provides for capital gains recognised in the income statement, net of the corresponding tax charges, other than those that refer to financial instruments held for trading and to foreign exchange and hedging transactions, deriving from fair value measurement, to be recognised in a reserve that is not available for distribution. As at 31 December 2018, this amount was equal to 22,577,172 euro.

It is not necessary, instead, to allocate amounts pursuant to Art. 2430 of the Italian Civil Code, since the legal reserve has reached the limit of one-fifth of share capital.

	(euro)
Net income (loss)	2,540,463,436
Reserve - article 6 c. 2 of Legislative Decree 38/2005	22,577,172
Distributable net income	**2,517,886,264**

Rome, 28 March 2019

The Chairman

Massimo Tononi

Appendix - CDP's equity investment portfolio

Associates and other investees

Elite S.p.A. ("Elite")

Elite was established in May 2016 following the transformation into a joint-stock company of the Programme of the same name launched in April 2012, initially as a business unit of Borsa Italiana S.p.A. sponsored by the Ministry of the Economy and Finance.

Elite's core business consists of both the programme designed to supporting high-growth potential SMEs in their process of development and international expansion and providing the services of licensing of Elite's brand and business model to other stock exchanges around the world. In 2016, the company expanded its business operations with the launch of a private placement digital platform, created to help the companies selected by the Elite programme in meeting their financing needs, by introducing them to the capital markets and providing support in accessing alternative sources of funding, also with the aid of advanced technological solutions.

On 31 October 2017, CDP acquired 15% of the share capital of Elite.

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

Eni is one of the global super majors in the Oil&Gas sector, primarily engaged in the exploration, production, refining and trading of oil and natural gas, with over 30 thousand employees and an international footprint. With respect to its core business, Eni operates in the exploration and production of natural gas and oil. The Gas & Power Division is involved in all stages of the natural gas value chain: supply, trading and sale of gas and electricity, gas infrastructure, supply and sale of LNG. The Refining & Marketing and Chemical Division refines and sells fuels and other oil products mainly in Italy. The company is listed on both the New York Stock Exchange (NYSE) and the Italian stock market.

Europrogetti & Finanza S.r.l. in liquidazione ("EPF")

EPF is a company that was established in 1995 by leading Italian financial institutions to handle applications for subsidised lending provided by the Italian government. EPF was placed in voluntary liquidation at the beginning of 2009 and the liquidation process is still ongoing, with the goal of completing all the activities related to subsidised lending still in place as quickly as possible.

F2i - Fondi Italiani per le infrastrutture SGR S.p.A. ("F2i SGR")

F2i SGR provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. Established in 2007 with the sponsorship of major Italian financial institutions, including CDP and the main Italian banks, F2i SGR has approximately 4.8 billion euro of assets under management with the management of two funds specialised in investing in brownfield infrastructure in Italy: (i) F2i - Secondo Fondo Italiano per le Infrastrutture, launched in 2012, which closed its fundraising in July 2015 at 1,242.5 million euro and (ii) F2i - Terzo Fondo per le infrastrutture, to which the assets of Primo Fondo F2i were transferred by means of merger by incorporation, in addition to the signing of new commitments, with the first closing completed in December 2017 and the final closing completed in December 2018, resulting in a total size of 3,600 million euro.

Fondo Italiano di Investimento SGR S.p.A.

Fondo Italiano d'Investimento SGR S.p.A. is a company providing asset management services, established in March 2010 and promoted by the Ministry of the Economy and Finance (MEF) together with CDP, ABI, Confindustria and the major Italian banks. The company promotes and manages investment funds to support the growth of small and medium Italian enterprises, facilitating their consolidation and international expansion, and supporting the development of the Italian venture capital, private equity and private debt market.

At 31 December 2018, FII SGR managed total assets of 1,368 million euro, split across 6 managed funds:
- Fondo Italiano d'Investimento - Fondo di Fondi, launched in 2010, with a size of 389 million euro;
- Fondo Italiano di Investimento - FII Venture, launched in 2010, with a size of 91 million euro;
- Fondo di Fondi Private Debt, launched in 2014, with a size of 400 million euro;
- Fondo di Fondi Venture Capital, launched in 2014, with a size of 163 million euro;
- Fondo FII Tech Growth, launched in 2017, with a size of 50 million euro;
- Fondo Innovazione e Sviluppo, launched in 2017, with a size of 275 million euro.

FSI SGR S.p.A. ("FSI SGR")

FSI SGR, a company in which CDP has a 39.0% equity investment, was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of the companies ("Growth Capital"). On 6 December 2016, the Bank of Italy granted FSI SGR the authorisation to carry out asset management activities. At 31 December 2018, FSI SGR managed FSI I (formerly FSIMid-Market Growth Equity Fund) with a size of around 1.3 billion euro.

Galaxy S.à r.l. SICAR ("Galaxy") – end of liquidation resolved by the shareholders' meeting on 25 June 2018

Galaxy, a Luxembourg-registered investment company in risk capital (SICAR), was established to make equity or quasi-equity investments in transportation infrastructure, particularly in Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The subscribers of Galaxy, shareholders of the SICAR, are CDP, Caisse des Dépôts et Consignations ("CDC") and Kreditanstalt für Wiederaufbau ("KfW"). The company completed its investment phase in July 2009.

On 26 February 2018, the shareholders' meeting of the company approved (i) a capital reduction, which resulted in around 3.7 million euro being distributed to CDP, and (ii) the subsequent placement of the company in liquidation. On 25 June 2018, the shareholders' meeting approved the end of the liquidation, with an additional 384 thousand euro distributed to CDP. On 23 November 2018, CDP collected approximately 14 thousand euro as a result of the distribution of the residual value of the company.

Istituto della Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A. ("Treccani")

Treccani was established in 1933, under royal decree dated 24 June 1933, with the aim of continuing the publication of the Italian encyclopaedia initiated by the Istituto Giovanni Treccani in 1925.

The company is currently in the form of a joint-stock company and its articles of association establish that its purpose is "the compilation, update, publication and diffusion of Enciclopedia Italiana di Scienze, Lettere ed Arti initiated by the Istituto Giovanni Treccani, and any works that may derive from it, or are based on its experience, particularly for developments in humanistic and scientific culture, as well as for educational, research, training and social service needs".

On 18 October 2017, CDP acquired a 7.4% equity investment in Treccani, through a specific capital increase for new shareholders.

Istituto per il Credito Sportivo ("ICS")

The Istituto per il Credito Sportivo (ICS) is a residual public-law bank pursuant to Article 151 of the Consolidated Law on Banking (TUB). In particular, ICS performs banking activity by accepting deposits from the public and thus financing initiatives and investments related to sport, heritage and cultural activities. Following changes to the law in 2013, ICS can also provide treasury and advisory services.

Poste Italiane S.p.A. ("Poste Italiane")

Poste Italiane is the largest Italian company in the services sector and the first in the country in terms of number of employees. The company operates in the mail and logistics sector and is one of the main players in Italy in financial services and insurance. Thanks to a presence throughout the country, investments in technology and in the wealth of know-how represented by its almost 135 thousand employees, Poste Italiane has taken on a central role in the country's growth and modernisation process. Poste Italiane currently serves over 34 million custom-

ers and operates in the following market segments: “Mail, Parcel and Distribution”, which covers the business area relating to postal services, logistics and commercial communications; “Payments, Mobile and Digital”, which handles operations in the field of electronic money and digital banking, and in particular the development of collection, payment and digital services and mobile telecommunication services; “Financial services”, with operations in the area of deposits and asset management and all the payment services related to operations not covered by the “Payments, Mobile and Digital” sector; and “Insurance services”, which handles the operations of the Poste Vita Group. The company is listed on the Italian stock market.

Telecom Italia S.p.A. (“Tim”)

Tim is the biggest telecommunications operator in Italy and is active in all service segments: landline, mobile and internet telecommunications, multimedia and television, office & system solutions, research & development. The company has approximately 60 thousand employees, of which 50 thousand in Italy. It has an international scope having a presence in Europe, America, Africa and Asia. Telecom Italia S.p.A. shares are listed on the Italian stock exchange and are included in more than 50 national and international indices.

QuattroR SGR S.p.A. (“QuattroR SGR”)

QuattroR SGR, a company in which CDP has a 40% equity investment, was incorporated on 4 August 2016 to promote and implement, through one or more funds, operations for the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects. On 30 December 2016, the Bank of Italy, subject to Consob’s favourable opinion, granted QuattroR SGR authorisation to engage in asset management activities pursuant to Article 34 of Legislative Decree no. 58 of 24 February 1998 (Single Finance Act). At 31 December 2018, QuattroR managed Fondo QuattroR, with a total size of around 711 million euro.

Risparmio Holding S.p.A. in liquidazione (“Risparmio Holding”)

Risparmio Holding, a company in which CDP has a 20.0% equity investment, was set up in 2016 to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A. In July 2017, UniCredit and Amundi announced the closing of the transaction relating to the sale of Pioneer’s business activities to Amundi.

Investment funds and investment vehicles

2020 European Fund for Energy, Climate Change and Infrastructure Sicav-FIS S.A. (“Marguerite Fund”)

Together with other European public financial institutions, at the end of 2009 CDP launched the 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, mainly greenfield infrastructure, with a pan-European approach. In particular, the Fund invests in infrastructure projects in equity or quasi-equity instruments, with focus on the transportation (TEN-T) and energy (TEN-E) sectors, as well as renewable energy.

The Marguerite Fund has a total size of approximately 638 million euro, of which 89.9 million euro subscribed by CDP. The Fund completed its investment phase on 31 December 2017[42].

Fondo Atlante

Established in 2016 with a commitment of 4,249 million euro, of which 500 million euro pertaining to CDP, Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP[43], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; and (ii) transactions involving NPLs originating from Italian banks.

42 In February 2018, the uncalled investment commitments of approximately 71.8 million euro were released (CDP’s share was approximately 10.1 million) in relation to the transfer of the so-called “seed assets” to Marguerite II.
43 Supervisory Review and Evaluation Process.

Connecting Europe Broadband Fund, Sicav-Fis ("CEBF")

The Connecting Europe Broadband Fund (CEBF) completed its first closing on 27 June 2018. The initiative, which is jointly promoted with the European Commission, the EIB and the National Promotional Institutions (NPIs), CDC and KfW, is aimed at financing "small-scale" ultra-broadband infrastructures in Europe - with focus on areas with partial market failure - through equity/quasi-equity instruments. CEBF is the first investment platform within the EFSI framework to support ultra-broadband infrastructures with the aim of supporting the achievement of the targets set in the European Digital Agenda. It is also an innovative tool thanks to its layered structure, i.e. different risk-return profiles for various classes of shares. The Fund manager is Cube Infrastructure Managers ("Cube").

The Fund reached 420 million euro at the first closing, underwritten as follows: 50 million euro by CDP, equal to the other NPIs; 140 million euro by the EIB (100 million euro of which from EFSI); 100 million euro by the European Commission; 25 million euro by a private European investor and 5 million euro by Cube.

European Energy Efficiency Fund S.A., Sicav-SIF ("EEEF Fund")

The EEEF Fund is an investment fund sponsored by the European Investment Bank, the European Commission, and CDP. Its primary goal is to develop energy efficiency projects sponsored by public entities and, in general, initiatives to combat climate change within the European Union. The fund primarily acts as a lender to projects and to a residual extent as an investor in the equity of such initiatives. The total size of the fund is equal to 265 million euro, of which 125 million euro subscribed by the European Commission as first loss, 60 million euro by CDP, 75 million euro by the European Investment Bank, and 5 million euro by Deutsche Bank, the fund's Investment Manager.

F2i - Secondo Fondo Italiano per le Infrastrutture

Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR S.p.A., was launched in 2012. At the first closing in October 2012, 575 million euro had been subscribed by sponsors. At that time, CDP subscribed units for a value totalling 100 million euro. The fund completed the fundraising process in July 2015 with a total commitment of 1,242.5 million euro. Secondo Fondo F2i has continued the investment policy started with Primo Fondo F2i, consolidating its presence in the sectors activated, in addition to its own asset allocation in other sectors, including infrastructure and technological services, and assisted healthcare facilities. CDP has subscribed a commitment in the fund totalling approximately 100.3 million euro.

F2i - Terzo Fondo Italiano per le Infrastrutture

Terzo Fondo F2i completed its first closing in December 2017 through the merger by incorporation of Primo Fondo F2i, as well as the subscription of new commitments for a total of 3,142 million euro. The final closing was completed in December 2018, with a total size of 3,600 million euro. Terzo Fondo F2i continues the management and development of the major infrastructure platforms held by Primo Fondo and also invests in new infrastructure projects with potential for efficiency improvement of the portfolio, with a focus on brownfield infrastructure. CDP has subscribed a commitment in the fund of approximately 150.1 million euro.

FII Tech Growth

Fondo FII Tech Growth was created by CDP to support enterprises in the late stage venture capital phase. It has been operational since 21 September 2017 and has a current size of 50 million euro, entirely subscribed by CDP.

The Fund invests in small and medium enterprises with high technological know-how and turnover between 5 and 70 million euro which want to undertake processes of growth and innovation to strengthen their competitiveness and commercial capabilities also at the international level.

The investments, usually minority interests, involve companies already invested in by venture capital operators, as well as companies engaged solely in business activities.

Fondo di Fondi Private Debt

Fondo di Fondi Private Debt (a fund of funds) was created by CDP to support the development of the new market of funds that invest in financial debt instruments issued by SMEs. It has been operational since 1 September 2014 and has a size of 400 million euro, of which 250 million

euro subscribed by CDP. The initiative comes against a financial background characterised by a lending context that is leading companies to seek alternative and complementary financing to that offered by banks.

FII Fondo di Fondi

Fondo Italiano di Investimento Fondo di Fondi (a fund of funds) was established in 2016 from the demerger of "Fondo Italiano di Investimento". The Fund has a total size of 389 million euro, of which 81 million euro subscribed by CDP. The objective of the Fund is to support the development of the Italian private equity market for the benefit of SMEs, by subscribing to units in other closed-end equity funds.

The financial companies and collective investment undertakings in which the private equity Fund invests focus on small and medium enterprises operating in Italy, in their development stage and with good growth prospects and goals, internally and externally, preferably for development in international trade.

Fondo di Fondi Venture Capital

Fondo di Fondi Venture Capital (a fund of funds) was created by CDP to make an active contribution to the launch and development of startups in Italy. It has been operational since 1 September 2014 and has a size of 163 million euro, of which 125 million euro subscribed by CDP.

The Fund invests in collective investment undertakings and/or investment companies whose investment policies are focused on venture capital operations in the seed stage (first stages of the start-up and development of the business idea), early stage (businesses already in the initial stages of operations), and late stage (existing companies with high growth potential), and in funds operating in the low-mid cap segment (expansion and growth capital).

FII Venture Fund

The FII Venture Fund was created through the demerger of Fondo Italiano di Investimento authorised by the Investors' Meeting on 5 April 2016. It has a total size of 91.2 million euro, of which 19 million euro subscribed by CDP.

The Fund invests in collective investment undertakings and/or investment companies whose investment policies are focused on venture capital operations in start-ups and small and medium enterprises operating in highly innovative market segments.

European Investment Fund

The EIF is a public-private partnership under Luxembourg law held by the EIB (58.6%), the European Commission (29.7%) and 33 public and private financial institutions (11.6%). It supports European small and medium enterprises (SMEs), helping them to obtain funding.

The Fund does not invest directly in companies' share capital but indirectly through venture capital and growth funds. Moreover, since it is not authorised to provide credit, it does not directly provide loans or financial guarantees for companies, but rather operates through banks and other financial intermediaries.

Under its Articles of Association, the Fund's subscribed share capital is disbursed up to 20%, while the remainder can be called up by the shareholders' meeting only to meet the Fund's obligations. CDP holds 50 units of the Fund, for a total nominal value of 50 million euro, equal to a share of 1.11%.

Fondo FIA2 ("FIA2")

FIA2 is a closed-end alternative real estate fund reserved to professional investors and managed by CDP Investimenti SGR S.p.A. The Fund was established in 2016 and has a 30-year life. The current size of the Fund is 100 million euro.

FIA2 focuses on real estate investments in housing and private services of public utility in the following sectors: (i) smart housing; (ii) smart working; and (iii) support for research, innovation, technology, education and training.

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

FIL is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by InvestiRE SGR S.p.A. The Fund has been promoted by Fondazione Housing Sociale. At 31 December 2018, the Sub-fund's total size was approximately 561 million euro. CDP has signed an investment commitment of 20 million euro.

The Fund was established with the aim of investing mainly in "Social housing" in Lombardy and began operations in 2006. In 2012, it was converted into an umbrella fund and, following this change, Sub-fund One was established to hold all the original assets and liabilities of FIL.

Fondo Innovazione e Sviluppo

Fondo Innovazione e Sviluppo was created by CDP with the aim of supporting Italian mid-caps. It has been operational since 21 September 2017 and had a size of 275 million euro in December 2018, of which 200 million euro subscribed by CDP.

Fondo Innovazione e Sviluppo was set up to strengthen the global competitiveness of Italian enterprises that operate in strategic and excellence-driven sectors, encouraging consolidation and integration processes, both upstream and downstream, and promoting cultural transformation.

The investment strategy of the Fund, which operates on a buy and build basis, is focused on small and medium-sized companies, with a view to adopting them as platforms for the aggregation of other companies in the segment/sector, through the promotion of an industrial approach with a medium/long-term investment horizon (patient capital), in order to strengthen the competitiveness of Italian companies.

The Fund mainly focuses on several segments/sectors of excellence, such as agri-food, mechatronics and advanced mechanical industry, and Italian design, with the possibility of expanding to other areas of specialisation representing the best of Made in Italy.

Fondo Investimenti per l'Abitare ("FIA")

FIA is a real estate fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A., that operates in the private social housing sector. FIA has been operational since 2010 and has a 30-year life. The current size of the Fund is approximately 2 billion euro. CDP has signed an investment commitment of 1 billion euro.

The Fund's objective is to encourage the development of financially sustainable private social housing (PSH) projects, by investing in real estate funds dedicated to increasing the stock of social housing, as defined by Ministerial Decree of 22 April 2008.

FIA operates throughout Italy, mainly serving as a "fund of funds", investing in real estate investment funds operated by other asset management companies.

Fondo Investimenti per il Turismo ("FIT")

FIT is an alternative closed-end real estate fund reserved to qualified investors and managed by CDP Investimenti SGR S.p.A.

FIT has been operational since 2016 and has a 20-year life. The current size of the Fund is 250 million euro.

The Fund is an investment platform aimed at activating investments in the hospitality real estate sector, through real estate investment vehicles owned by FIT and third-party investors.

Fondo Investimenti per la Valorizzazione ("FIV")

FIV is an alternative real estate umbrella fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A. At 31 December 2018, two sub-funds were in operation, "Plus" and "Extra", established following the conversion - in December 2013 - of the Fondo Investimenti per la Valorizzazione - Plus into an umbrella fund.

The Extra Sub-fund is dedicated to purchasing properties owned by the Central Government, public entities and/or companies that they control, with unexpressed potential value linked to their change in use, upgrading or rental. The Plus Sub-fund only invests in real estate owned by collective investment undertakings managed by the asset management company, real estate owned by CDP subsidiaries, and real estate owned by investees of real estate companies belonging to the same group as the asset management company.

Al 31 December 2018, CDP was the single investor of both sub-funds, with subscriptions equal to approximately 273 million euro in the Plus Sub-fund and 1,130 million euro in the Extra Sub-fund. The activities of both sub-funds are mainly directed towards increasing the value of the properties, including through re- structuring, restoration and ordinary and extraordinary maintenance, or through transformation and extracting value from them.

Fondo PPP Italia

Launched in 2006 and managed by Fondaco SGR, Fondo PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) and projects for the generation of energy from renewable sources. The overall size of the fund is 120 million euro. CDP has signed an investment commitment of 17.5 million euro. The Fund completed the investment phase in December 2013 and is due to end in December 2019.

Fondo QuattroR

Fondo QuattroR was created by CDP to support Italian enterprises in temporary situations of financial difficulty. Fondo QuattroR has been operational since April 2017 and had a total size of around 711 million euro in December 2018. The Fund focuses on medium and medium-large Italian enterprises to be re-launched through recapitalisation, restructuring or reorganisation operations. Fondo QuattroR participates as an active shareholder in companies that are going through a period of financial difficulty or corporate transition and require action to relaunch the business. The Fund gets its name, QuattroR (i.e. The Four Rs), from the object of its activities: (i) recapitalisation, (ii) restructuring, (iii) reorganisation and (iv) relaunching.

FSI I (formerly FSI Mid Market Growth Equity Fund)

The FSI I Fund was created by CDP to support Italian enterprises in their consolidation phase. It has been operational since June 2017 and had a size of around 1.3 billion euro at 31 December 2018. The Fund is dedicated to leading Italian enterprises with prospects for growth, transformation and consolidation in international markets, to support their entire growth process through a patient investor approach.

The Fund invests in partnerships with entrepreneurs, families and managers for the growth of the target companies, facilitating the succession processes and helping them towards stock exchange listing. The investments are primarily non-controlling interests, with limited use of leveraging.

Inframed Infrastructure SAS à capital variable (“Fondo Inframed”)

The Fund was launched in 2010 by CDP and other European financial institutions - the Caisse des Dépôts et Consignations of France, the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG-Hermes Holding SAE of Egypt. Inframed has received commitments of over 385 million euro, of which around 150 million euro subscribed by CDP.

The Fund is a variable capital investment vehicle, whose main objective is to provide equity capital to infrastructure projects in the southern and eastern Mediterranean. The activities of the Fund are focused on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development sectors.

Italian Recovery Fund (former Fondo Atlante II)

Established in 2016, with a commitment of 2,480 million euro, the Italian Recovery Fund was promoted by Quaestio Capital Management SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. In October 2017, the Unitholders’ Meeting of the Fund changed its name from Fondo Atlante II to Italian Recovery Fund.

Fondo Credito diversificato per le imprese

Established in 2017 and with a commitment of 210 million euro in December 2018, the Diversified Lending Fund for Businesses was promoted by Springrowth SGR S.p.A. to invest in a highly diversified portfolio of financing instruments.

The Diversified Lending Fund for Businesses is the first parallel lending vehicle to be launched in Italy. Its goal is to create a capital market where Italian SMEs can raise growth capital in addition to the loans received from the Italian banking system, with which the Fund will operate in parallel, at similar conditions.

Marguerite II SCSp ("Marguerite Fund II")

At the end of 2017, the Marguerite II Fund, the successor fund of the Marguerite Fund, was launched, which pursues a similar investment strategy – with a focus on the greenfield segment and a pan-European approach. The main areas of intervention concern: the reduction of CO2 emissions to be pursued through investments in energy efficiency and renewable energy, the optimisation of transport networks and the improvement of energy supply security, and the improvement of ICT infrastructures. The Marguerite II Fund reached the final closing in December 2018, with subscription commitments for approximately 745 million euro, of which 100 million euro each from CDP and from leading European National Promotion Institutions (CDC, KfW, ICO, and BGK), for a total of 500 million euro, and 200 million euro from the European Investment Bank, of which 100 million euro from the European Fund for Strategic Investments (EFSI), and approximately 40 million euro from an international investor.

Hi CrescItalia PMI

Hi CrescItalia PMI has been operational since 2015 and had a total size of 91.2 million euro at 31 December 2018, of which 19.9 million euro subscribed by CDP.

The Fund is managed by Hedge Invest SGR and invests in financial debt instruments and medium-long term loans to small and medium enterprises in Italy.

Oltre II SICAF EuVECA S.p.A.

Oltre II is the first investment of the Social Impact Italia Platform launched by Cassa depositi e prestiti and the EIF. The Fund has a total size of approximately 35.7 million euro, of which 7.5 million euro subscribed by CDP.

The Fund invests equity and quasi-equity instruments, promoting enterprises that operate in social sectors, and in particular health, education, social housing, personal services, job search and business development in deprived geographical areas.

Vertis Venture 3 Technology Transfer ("VV3TT")

VV3TT is the first investment of the ITAtech Platform and is managed by Vertis SGR S.p.A. The Fund has been operational since August 2017, with a total size of 40 million euro, of which 20 million euro subscribed by CDP.

The Fund invests in projects and enterprises from the research sector (starting with the "proof of concept" stage), operating on technologies, products and/or services related to the "target" sectors identified by the Horizon 2020 Priorities "industrial leadership" and "societal challenges", including but not limited to: ICT, production and management of energy, transportation, food safety and sustainable agriculture, health services.

Sofinnova-Telethon SCA-RAIF ("ST")

ST is the second investment of the ITAtech Platform. The Fund has been operational since September 2018. It has a total size of 81 million euro, of which 20 million euro subscribed by CDP, and specialises in investments in the life sciences sector, with a focus on the segment of rare genetic diseases. The objective of the fund is encouraging and promoting technology transfer processes, that is, the application of research results to products that may be used by the community.

Fondazione Telethon, partner of the initiative, provides support to the manager Sofinnova Partners to identify the most promising initiatives that may represent good investment opportunities.

360-PoliMI TT Fund

360-PoliMI TT Fund is the third investment of the ITAtech Platform and is managed by 360 Capital Partners. The Fund has been operational since December 2018, with a total size of 43.7 million euro, of which 20 million euro subscribed by CDP.

The Fund is specialised in investments in advanced manufacturing (represented by solutions with a high technology level in the industrial sector) and, in particular machinery, industrial IT & automation, infrastructure, energy, and advanced materials.

Politecnico di Milano, partner of the initiative, supports the manager in the scouting, selection and assessment of the initiatives in which the Fund invests.

Progress Tech Transfer SLP-RAIF (“ProgressTT”)

ProgressTT is the fourth fund of the ITAtech Platform and is specialised in investments in the sustainability sector, with particular focus on “proof of concept” initiatives in the energy and natural resources segments and in the food industry.

The activity of the Fund aims mainly to encourage technology transfers, focusing on B2B solutions protected by intellectual property rights.

The Fund has been operational since December 2018, with a total size of approximately 40 million euro, of which 20 million euro subscribed by CDP.

EAF S.C.A. SICAR – Caravella Compartment (“Caravella”)

The Caravella Fund is the Italian sub-fund of the Luxembourg-registered investment company in risk capital (SICAR) “European Angels Fund S.C.A. SICAR”, an umbrella investment company set up in 2012 at the initiative of the EIF. The Fund promotes “angel investing” activities in Europe (to date, Germany, Spain, Austria, Holland, Ireland, Denmark and Finland) to finance innovative companies by co-investing in equity on a pari passu basis, side by side with business angels or non-institutional investors.

The Fund invests in investment vehicles (“holdco”), which in turn invest in highly innovative start-ups and small and medium enterprises.

The Fund has been operational since October 2018 and has a total size of 30 million euro, subscribed in equal parts by CDP and the EIF.

Annexes

1. Annexes to the separate financial statements

1.1 Accounting separation statements

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

2.2 Details of alternative performance indicators - CDP S.p.A.

1. Annexes to the separate financial statements

1.1 Accounting separation statements

CDP is subject to a system of organisational and accounting separation under article 5, paragraph 8, of Decree Law 269 of 30 September 2003, converted 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:
- the financing of Government, regions, local authorities, public entities and public law organisations;
- the granting of loans:
  - to public or private entities with legal personality, with the exception of natural persons, for public interest initiatives promoted by the entities mentioned in the aforementioned paragraph based on the criteria established in the decrees of the Minister of the Economy and Finance, adopted pursuant to article 5, paragraph 11, letter e), of the above mentioned decree law;
  - to private entities with legal personality, with the exception of natural persons, for transactions in the general interest sectors identified in the decrees of the Minister of the Economy and Finance, adopted pursuant to article 5, paragraph 11, letter e), of the above mentioned decree law;
  - to public or private entities with legal personality, with the exception of natural persons, to support the international expansion of companies and exports based on the criteria established in the decrees of the Minister of 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;
  - to companies in order to support the economy through the banking system or through the subscription of units of mutual funds managed by an asset management company, whose corporate purpose achieves one or more of the institutional missions of Cassa depositi e prestiti S.p.A.;
  - to public or private entities with legal personality, with the exception of natural persons, within the framework of international development cooperation activities;
  - to banks operating in Italy for the disbursement of mortgage loans secured by residential real estate mainly for the purchase of principal dwellings and for renovation and energy efficiency works;
- acquiring equity investments transferred or assigned to the company by decree of the Minister of the Economy and Finance as per article 5, paragraph 3, letter b), of the above mentioned decree law, whose management is in line - where required - with the criteria set out by decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 11, letter d), of the above mentioned decree law;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-bis, of the above mentioned decree law;
- acquiring: (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 receivables deriving from mortgages on residential real estate; (ii) securities issued under law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- the management, where assigned by the Minister of the Economy and Finance, of the functions, assets and liabilities of Cassa depositi e prestiti, prior to its transformation, transferred to the Ministry of the Economy and Finance pursuant to article 5, paragraph 3, letter a), of the above mentioned 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;
- providing advisory and consultancy services in favour of the entities described in point a) or to support the transactions or the entities under letter b), points i., ii., iii., iv. and v.;
- providing consultancy services and conducting studies, research and analysis of economic and financial matters.

With regard to the organisational structure of CDP at 31 December 2018, the following units operate exclusively under the Separate Account organisation: Public Entities, International Cooperation, Financial Institutions (reporting to the Enterprises and Financial Institutions Area) and International Financing, R&D, Innovation, Aerospace, Defence and Materials (reporting to the Enterprises Area, which in turn reports to the Enterprises and Infrastructure Area), Transportation & Social Infrastructure - Execution GS and Energy, Utilities & TLC - Execution GS (reporting to the Infrastructure Area).

Ordinary account

All of CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account organisational unit. While not specifically cited in article 5 of Decree Law 269, the Ordinary Account encompasses the other activities of CDP, specifically, those that are not assigned by law to the Separate Account.

Specifically, pursuant to article 5, paragraph 7, letter 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:

- the granting of loans, preferably under joint financing arrangements with credit institutions, for: (i) works, systems, networks and equipment designed for initiatives of public utility; (ii) investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and the green economy;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-bis, of the above mentioned decree law;
- acquiring: (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 receivables deriving from mortgages on residential real estate; (ii) securities issued under law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- providing consultancy services and conducting studies, research and analysis of economic and financial matters.

From an organisational point of view, the following units operate exclusively within the Ordinary Account organisation: Industrial, Automotive, Food&Beverage, Pharma&Shipping (reporting to the Enterprises and Financial Institutions Area), Transportation & Social Infrastructure - Execution GO and Energy, Utilities & TLC - Execution GO (reporting to the Infrastructure Area).

Joint Services

Joint Services include:

- the Corporate Centre Areas that make up CDP's organisational structure;
- specific organisational units reporting directly to CDP Infrastructures, Public Sector and Local Development, CDP Enterprises and CDP International Development Cooperation;
- the Corporate Bodies and the Bodies provided for in the Articles of Association (with the exception of the Parliamentary Supervisory Committee, which concerns the Separate Account);
- the offices of the Chairman and Chief Executive Officer.

For the purposes of accounting separation, costs and revenues of the Chief Investment Officer Department and the Finance Area are allocated to the Separate Account, Ordinary Account and Joint Services depending on the specific business to which they refer.

RECLASSIFIED INCOME STATEMENT

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**2,332**	**24**	**1**	**2,356**
Dividends	1,356	6		1,362
Other net revenues	60	29	(2)	88
Gross income	**3,748**	**59**	**(1)**	**3,807**
Write-downs	(281)	4		(277)
Operating costs	(15)	(1)	(201)	(217)
Operating income	**3,452**	**63**	**(202)**	**3,312**

RECLASSIFIED BALANCE SHEET

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	167,491	454	(1)	167,944
Loans	95,148	6,145		101,293
Debt securities	58,624	1,379		60,004
Equity investments and shares	32,347	228	540	33,114
Funding	334,701	7,894		342,595
of which:				
- *postal funding*	*258,040*			*258,040*
- *funding from banks*	*49,524*	*3,415*		*52,939*
- *funding from customers*	*12,502*	*88*		*12,590*
- *bond funding*	*14,635*	*4,391*		*19,025*

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, as amended (Annual Law for the market and competition) on the transparency of public funding received or granted, according to which:

- companies that receive subsidies, contributions, paid assignments and economic benefits of any kind from government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries, and from publicly-owned companies, including listed companies and their subsidiaries, are required to publish these amounts in the notes to the financial statements and in the notes to any consolidated financial statements prepared (Article 1, paragraph 125);
- the publication obligations established for government agencies by Article 26 of Legislative Decree 33 of 2013 extend to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, which, in the notes to their annual accounting reports, are required to publish the acts of provision of support, grants, subsidies and financial aid to enterprises, and of economic benefits of any kind to persons and public and private entities (Article 1, paragraph 126).

The complexity of the rules has given rise to many problems of interpretation, to which the most recent response has come from Assonime (Association of Italian Joint Stock Companies) with the publication of Circular no. 5 of 22 February 2019 on “Transparency in the system of public funding: analysis of the rules and interpretation guidance”, in which “guidance is provided for the first fulfilment of the obligations established in Article 1, paragraphs 125 and 126 of Law no. 124/2017, based on a systematic interpretation that takes into account the relationships with other rules in force and adherence to the principle of proportionality”. For the aspects where there is greater uncertainty, the Circular “proposes a possible interpretation in the hope that the competent authorities will soon be able to take a position, in order to ensure the correct and uniform fulfilment of the obligations by the parties concerned”.

In the desire to pursue an agreed interpretation of the rules, and while awaiting official instructions on the methods of compliance, we have therefore followed the guidance provided in the above mentioned circular.

In the light of the above, with regard to the subjective scope of the rules, please note that CDP — in relation to the reporting of funding received as set forth in Article 1 paragraph 125 — is subject to the disclosure obligations previously described as it performs business activities, while, with regard to public funding disbursed as set forth in Article 1 paragraph 126, what is relevant is the fact that CDP is an entity controlled by the Public Administration and, more specifically, by the Ministry of the Economy and Finance.

With regard to the objective scope of the rules, we have referred to the definitions provided by IAS 20, according to which transfers of resources relating to transactions “which cannot be distinguished from the normal trading transactions of the entity” are not government grants. This approach is also confirmed by several interpretations provided by the Italian National Anti-Bribery Authority (ANAC) which in its Resolution no. 59 of 2013, with reference to the procedures for implementing the disclosure obligations introduced by Legislative Decree 33 of 2013, clarifies that the objective scope of application should not include the resources recognised as “consideration for the performance of professional services and for the execution of works, public works, services and supplies”.

It follows, therefore, that the disclosure obligations established by Law 124 of 2017 must be limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

In addition, in view of the scope of Law 124/2017, which forms part of the protection for the market and competition, the required disclosure does not include public aid granted on the basis of a general system, i.e. aid that is available to everyone and therefore does not distort the normal rules of competition. Of relevance in this regard, is the statement in the Assonime Circular that "general measures available to all companies and falling within the general structure of the related system established by the government must certainly be excluded from the publication obligation". Moreover, "similar considerations also apply to economic benefits that, although they come under the category of selective advantages and therefore of State aid, are received under an aid scheme. In the case of an aid scheme, the advantages are available to all enterprises that fulfil certain conditions, on the basis of predetermined general criteria".

The interpretation of the rules falls within the regulatory framework in which CDP operates, whose "Separate Account", under paragraph 9 and paragraph 11 of Article 5 of Legislative Decree No. 269/2003 ("Article 5"), is subject to the guidance of the Ministry of the Economy and Finance (MEF). As set forth in Article 5, CDP, inter alia, "provides funds, in any form, to the central and regional government, local authorities, public entities and public-law bodies, using funds repayable in the form of passbook savings accounts and postal savings bonds, backed by state guarantee and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds obtained by issuing securities, borrowing and carrying out other financial transactions, which may be backed by state guarantee". Legislative Decree No. 269/2003 has instructed the MEF to set out the general and financial conditions for fund-raising. With Ministerial Decree of 6 October 2004, the MEF confirmed that postal savings means "the raising of funds, with a repayment obligation backed by state guarantee, carried out by CDP S.p.A. through Poste Italiane S.p.A.", and specified that postal savings are "a service of general economic interest".

With reference to the specific cases involving CDP, they were considered in the unitary nature of the transactions that identify a specific product. For example, loans in which interest is paid by two different parties (some by the borrower and the remainder by the Public Administration) are excluded from the scope of the rules. In addition, the items that must be reported to fulfil the obligations under Law No. 124 of 2017 do not include subsidised loans granted by CDP using third-party funds, with reference to which CDP, acting as intermediary, does not qualify as an entity granting public funding.

In accordance with the guidance provided by the Assonime Circular no. 5/2019, the information provided in application of Law no. 124/2017 is provided in table form, indicating:
- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit.

Therefore, there are no cases related to public funding received.

With reference to subsidies disbursed, the following cases were identified:
- in regard to emergencies generated by earthquakes or other disasters, the suspension of loan instalments, granted to local authorities, whereby the borrowers were offered the option of deferring the payment of the instalments, for principal and interest, to a future date. The table shows the amounts of the instalments due in 2018, for principal and interest, the collection of which was deferred to a future date;
- the concession in free use of facilities and furniture in favour of the project "Agenda per l'Italia Digitale", for which the value of the benefit is measured by taking into account both the portion related to the free use of the facilities and the portion related to connected services, such as maintenance, cleaning, and utilities.

Therefore, the tables below show the subsidies disbursed in 2018 by CDP, broken down by category.

(thousands of euro) Grantor	Beneficiary	Motive	2018 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Genova	Collapse of Genoa Viaduct 2018	16,902
CDP S.p.A.	Comune di Castello D'argile	Earthquake 2012	78
CDP S.p.A.	Comune di Crevalcore	Earthquake 2012	316
CDP S.p.A.	Comune di Galliera	Earthquake 2012	60
CDP S.p.A.	Comune di Malalbergo	Earthquake 2012	246
CDP S.p.A.	Comune di Molinella	Earthquake 2012	1,080
CDP S.p.A.	Comune di Pieve di Cento	Earthquake 2012	333
CDP S.p.A.	Comune di San Giorgio di Piano	Earthquake 2012	279
CDP S.p.A.	Comune di San Giovanni In Persiceto	Earthquake 2012	375
CDP S.p.A.	Comune di San Pietro In Casale	Earthquake 2012	204
CDP S.p.A.	Provincia di Cremona	Earthquake 2012	5,939
CDP S.p.A.	Comune di San Daniele Po	Earthquake 2012	115
CDP S.p.A.	Provincia di Ferrara	Earthquake 2012	2,285
CDP S.p.A.	Comune di Argenta	Earthquake 2012	679
CDP S.p.A.	Comune di Cento	Earthquake 2012	470
CDP S.p.A.	Comune di Vigarano Mainarda	Earthquake 2012	507
CDP S.p.A.	Provincia di Mantova	Earthquake 2012	1,240
CDP S.p.A.	Comune di Borgofranco Sul Po	Earthquake 2012	26
CDP S.p.A.	Comune di Gonzaga	Earthquake 2012	242
CDP S.p.A.	Comune di Moglia	Earthquake 2012	101
CDP S.p.A.	Comune di Motteggiana	Earthquake 2012	87
CDP S.p.A.	Comune di Pegognaga	Earthquake 2012	245
CDP S.p.A.	Comune di Pomponesco	Earthquake 2012	100
CDP S.p.A.	Comune di Quingentole	Earthquake 2012	27
CDP S.p.A.	Comune di Rodigo	Earthquake 2012	358
CDP S.p.A.	Comune di Roncoferraro	Earthquake 2012	188
CDP S.p.A.	Comune di San Benedetto Po	Earthquake 2012	111
CDP S.p.A.	Comune di San Giacomo Delle Segnate	Earthquake 2012	99
CDP S.p.A.	Comune di San Giovanni Del Dosso	Earthquake 2012	75
CDP S.p.A.	Comune di Schivenoglia	Earthquake 2012	70
CDP S.p.A.	Comune di Serravalle a Po	Earthquake 2012	16
CDP S.p.A.	Comune di Sustinente	Earthquake 2012	2
CDP S.p.A.	Comune di Villimpenta	Earthquake 2012	65
CDP S.p.A.	Provincia di Modena	Earthquake 2012	1,407
CDP S.p.A.	Comune di Bastiglia	Earthquake 2012	67
CDP S.p.A.	Comune di Camposanto	Earthquake 2012	107
CDP S.p.A.	Comune di Cavezzo	Earthquake 2012	55
CDP S.p.A.	Comune di Finale Emilia	Earthquake 2012	642
CDP S.p.A.	Comune di Medolla	Earthquake 2012	266
CDP S.p.A.	Comune di Ravarino	Earthquake 2012	111
CDP S.p.A.	Comune di San Felice Sul Panaro	Earthquake 2012	655
CDP S.p.A.	Comune di San Prospero	Earthquake 2012	175
CDP S.p.A.	Comune di Boretto	Earthquake 2012	292
CDP S.p.A.	Comune di Guastalla	Earthquake 2012	205
CDP S.p.A.	Comune di Luzzara	Earthquake 2012	124
CDP S.p.A.	Comune di Reggiolo	Earthquake 2012	155
CDP S.p.A.	Comune di Rio Saliceto	Earthquake 2012	57
CDP S.p.A.	Provincia di Rovigo	Earthquake 2012	1,566
CDP S.p.A.	Comune di Bagnolo di Po	Earthquake 2012	166
CDP S.p.A.	Comune di Bergantino	Earthquake 2012	400
CDP S.p.A.	Comune di Calto	Earthquake 2012	47
CDP S.p.A.	Comune di Canaro	Earthquake 2012	215

(thousands of euro) Grantor	Beneficiary	Motive	2018 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Castelmassa	Earthquake 2012	344
CDP S.p.A.	Comune di Ceneselli	Earthquake 2012	64
CDP S.p.A.	Comune di Ficarolo	Earthquake 2012	121
CDP S.p.A.	Comune di Fiesso Umbertiano	Earthquake 2012	189
CDP S.p.A.	Comune di Gaiba	Earthquake 2012	66
CDP S.p.A.	Comune di Gavello	Earthquake 2012	101
CDP S.p.A.	Comune di Giacciano Con Baruchella	Earthquake 2012	102
CDP S.p.A.	Comune di Melara	Earthquake 2012	87
CDP S.p.A.	Comune di Occhiobello	Earthquake 2012	1,235
CDP S.p.A.	Comune di Salara	Earthquake 2012	45
CDP S.p.A.	Comune di Stienta	Earthquake 2012	292
CDP S.p.A.	Comune di Trecenta	Earthquake 2012	390
CDP S.p.A.	Provincia di Ancona	Central Italy Earthquake	1,606
CDP S.p.A.	Comune di Cerreto D'esi	Central Italy Earthquake	531
CDP S.p.A.	Comune di Fabriano	Central Italy Earthquake	1,960
CDP S.p.A.	Provincia di Ascoli Piceno	Central Italy Earthquake	1,201
CDP S.p.A.	Comune di Ascoli Piceno	Central Italy Earthquake	1,088
CDP S.p.A.	Comune di Acquasanta Terme	Central Italy Earthquake	179
CDP S.p.A.	Comune di Amandola	Central Italy Earthquake	127
CDP S.p.A.	Comune di Appignano Del Tronto	Central Italy Earthquake	65
CDP S.p.A.	Comune di Arquata Del Tronto	Central Italy Earthquake	60
CDP S.p.A.	Comune di Belmonte Piceno	Central Italy Earthquake	39
CDP S.p.A.	Comune di Castel di Lama	Central Italy Earthquake	372
CDP S.p.A.	Comune di Castignano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Castorano	Central Italy Earthquake	108
CDP S.p.A.	Comune di Colli Del Tronto	Central Italy Earthquake	142
CDP S.p.A.	Comune di Comunanza	Central Italy Earthquake	256
CDP S.p.A.	Comune di Cossignano	Central Italy Earthquake	25
CDP S.p.A.	Comune di Falerone	Central Italy Earthquake	142
CDP S.p.A.	Comune di Folignano	Central Italy Earthquake	534
CDP S.p.A.	Comune di Force	Central Italy Earthquake	91
CDP S.p.A.	Comune di Maltignano	Central Italy Earthquake	5
CDP S.p.A.	Comune di Massa Fermana	Central Italy Earthquake	71
CDP S.p.A.	Comune di Monsampietro Morico	Central Italy Earthquake	52
CDP S.p.A.	Comune di Montappone	Central Italy Earthquake	156
CDP S.p.A.	Comune di Monte Rinaldo	Central Italy Earthquake	26
CDP S.p.A.	Comune di Monte Vidon Corrado	Central Italy Earthquake	43
CDP S.p.A.	Comune di Montefalcone Appennino	Central Italy Earthquake	25
CDP S.p.A.	Comune di Montefortino	Central Italy Earthquake	32
CDP S.p.A.	Comune di Montegallo	Central Italy Earthquake	61
CDP S.p.A.	Comune di Montegiorgio	Central Italy Earthquake	346
CDP S.p.A.	Comune di Monteleone di Fermo	Central Italy Earthquake	29
CDP S.p.A.	Comune di Montelparo	Central Italy Earthquake	84
CDP S.p.A.	Comune di Montemonaco	Central Italy Earthquake	4
CDP S.p.A.	Comune di Offida	Central Italy Earthquake	200
CDP S.p.A.	Comune di Ortezzano	Central Italy Earthquake	35
CDP S.p.A.	Comune di Palmiano	Central Italy Earthquake	8
CDP S.p.A.	Comune di Roccafluvione	Central Italy Earthquake	55
CDP S.p.A.	Comune di Santa Vittoria In Matenano	Central Italy Earthquake	31
CDP S.p.A.	Comune di Servigliano	Central Italy Earthquake	71
CDP S.p.A.	Comune di Smerillo	Central Italy Earthquake	32
CDP S.p.A.	Comune di Venarotta	Central Italy Earthquake	96
CDP S.p.A.	Comune di Cagnano Amiterno	Central Italy Earthquake	40
CDP S.p.A.	Comune di Campotosto	Central Italy Earthquake	50

(thousands of euro) Grantor	Beneficiary	Motive	2018 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Montereale	Central Italy Earthquake	86
CDP S.p.A.	Comune di Pizzoli	Central Italy Earthquake	154
CDP S.p.A.	Provincia di Macerata	Central Italy Earthquake	1,274
CDP S.p.A.	Comune di Macerata	Central Italy Earthquake	2,156
CDP S.p.A.	Comune di Apiro	Central Italy Earthquake	226
CDP S.p.A.	Comune di Belforte Del Chienti	Central Italy Earthquake	102
CDP S.p.A.	Comune di Bolognola	Central Italy Earthquake	22
CDP S.p.A.	Comune di Caldarola	Central Italy Earthquake	98
CDP S.p.A.	Comune di Camerino	Central Italy Earthquake	657
CDP S.p.A.	Comune di Camporotondo di Fiastrone	Central Italy Earthquake	23
CDP S.p.A.	Comune di Castelraimondo	Central Italy Earthquake	610
CDP S.p.A.	Comune di Castelsantangelo Sul Nera	Central Italy Earthquake	112
CDP S.p.A.	Comune di Cessapalombo	Central Italy Earthquake	45
CDP S.p.A.	Comune di Cingoli	Central Italy Earthquake	958
CDP S.p.A.	Comune di Colmurano	Central Italy Earthquake	98
CDP S.p.A.	Comune di Corridonia	Central Italy Earthquake	390
CDP S.p.A.	Comune di Esanatoglia	Central Italy Earthquake	278
CDP S.p.A.	Comune di Fiastra	Central Italy Earthquake	77
CDP S.p.A.	Comune di Fiuminata	Central Italy Earthquake	154
CDP S.p.A.	Comune di Gagliole	Central Italy Earthquake	68
CDP S.p.A.	Comune di Gualdo	Central Italy Earthquake	96
CDP S.p.A.	Comune di Loro Piceno	Central Italy Earthquake	202
CDP S.p.A.	Comune di Matelica	Central Italy Earthquake	880
CDP S.p.A.	Comune di Mogliano	Central Italy Earthquake	336
CDP S.p.A.	Comune di Monte Cavallo	Central Italy Earthquake	43
CDP S.p.A.	Comune di Monte San Martino	Central Italy Earthquake	56
CDP S.p.A.	Comune di Muccia	Central Italy Earthquake	38
CDP S.p.A.	Comune di Penna San Giovanni	Central Italy Earthquake	151
CDP S.p.A.	Comune di Petriolo	Central Italy Earthquake	87
CDP S.p.A.	Comune di Pieve Torina	Central Italy Earthquake	386
CDP S.p.A.	Comune di Pioraco	Central Italy Earthquake	102
CDP S.p.A.	Comune di Pollenza	Central Italy Earthquake	308
CDP S.p.A.	Comune di Ripe San Ginesio	Central Italy Earthquake	42
CDP S.p.A.	Comune di San Ginesio	Central Italy Earthquake	292
CDP S.p.A.	Comune di San Severino Marche	Central Italy Earthquake	435
CDP S.p.A.	Comune di Sant'angelo In Pontano	Central Italy Earthquake	109
CDP S.p.A.	Comune di Sarnano	Central Italy Earthquake	400
CDP S.p.A.	Comune di Sefro	Central Italy Earthquake	60
CDP S.p.A.	Comune di Serrapetrona	Central Italy Earthquake	13
CDP S.p.A.	Comune di Serravalle di Chienti	Central Italy Earthquake	94
CDP S.p.A.	Comune di Tolentino	Central Italy Earthquake	1,583
CDP S.p.A.	Comune di Treia	Central Italy Earthquake	336
CDP S.p.A.	Comune di Urbisaglia	Central Italy Earthquake	244
CDP S.p.A.	Comune di Ussita	Central Italy Earthquake	734
CDP S.p.A.	Comune di Visso	Central Italy Earthquake	175
CDP S.p.A.	Provincia di Pescara	Central Italy Earthquake	2,709
CDP S.p.A.	Comune di Farindola	Central Italy Earthquake	47
CDP S.p.A.	Provincia di Perugia	Central Italy Earthquake	4,893
CDP S.p.A.	Comune di Cascia	Central Italy Earthquake	160
CDP S.p.A.	Comune di Cerreto di Spoleto	Central Italy Earthquake	88
CDP S.p.A.	Comune di Monteleone di Spoleto	Central Italy Earthquake	13
CDP S.p.A.	Comune di Norcia	Central Italy Earthquake	311
CDP S.p.A.	Comune di Poggiodomo	Central Italy Earthquake	28
CDP S.p.A.	Comune di Preci	Central Italy Earthquake	35

(thousands of euro) Grantor	Beneficiary	Motive	2018 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Sant'anatolia di Narco	Central Italy Earthquake	44
CDP S.p.A.	Comune di Poggiodomo	Central Italy Earthquake	28
CDP S.p.A.	Comune di Preci	Central Italy Earthquake	35
CDP S.p.A.	Comune di Sant'anatolia di Narco	Central Italy Earthquake	44
CDP S.p.A.	Comune di Scheggino	Central Italy Earthquake	46
CDP S.p.A.	Comune di Spoleto	Central Italy Earthquake	1,350
CDP S.p.A.	Comune di Vallo di Nera	Central Italy Earthquake	7
CDP S.p.A.	Provincia di Rieti	Central Italy Earthquake	988
CDP S.p.A.	Comune di Rieti	Central Italy Earthquake	1,970
CDP S.p.A.	Comune di Accumoli	Central Italy Earthquake	97
CDP S.p.A.	Comune di Amatrice	Central Italy Earthquake	102
CDP S.p.A.	Comune di Antrodoco	Central Italy Earthquake	132
CDP S.p.A.	Comune di Cantalice	Central Italy Earthquake	140
CDP S.p.A.	Comune di Castel Sant'angelo	Central Italy Earthquake	24
CDP S.p.A.	Comune di Cittaducale	Central Italy Earthquake	586
CDP S.p.A.	Comune di Cittareale	Central Italy Earthquake	27
CDP S.p.A.	Comune di Leonessa	Central Italy Earthquake	92
CDP S.p.A.	Comune di Micigliano	Central Italy Earthquake	26
CDP S.p.A.	Comune di Poggio Bustone	Central Italy Earthquake	40
CDP S.p.A.	Comune di Posta	Central Italy Earthquake	7
CDP S.p.A.	Comune di Rivodutri	Central Italy Earthquake	42
CDP S.p.A.	Provincia di Teramo	Central Italy Earthquake	1,008
CDP S.p.A.	Comune di Teramo	Central Italy Earthquake	1,771
CDP S.p.A.	Comune di Campli	Central Italy Earthquake	217
CDP S.p.A.	Comune di Castel Castagna	Central Italy Earthquake	27
CDP S.p.A.	Comune di Castelli	Central Italy Earthquake	132
CDP S.p.A.	Comune di Civitella del Tronto	Central Italy Earthquake	272
CDP S.p.A.	Comune di Colledara	Central Italy Earthquake	151
CDP S.p.A.	Comune di Cortino	Central Italy Earthquake	125
CDP S.p.A.	Comune di Crognaleto	Central Italy Earthquake	223
CDP S.p.A.	Comune di Fano Adriano	Central Italy Earthquake	39
CDP S.p.A.	Comune di Isola del Gran Sasso D'italia	Central Italy Earthquake	151
CDP S.p.A.	Comune di Montorio Al Vomano	Central Italy Earthquake	293
CDP S.p.A.	Comune di Pietracamela	Central Italy Earthquake	57
CDP S.p.A.	Comune di Rocca Santa Maria	Central Italy Earthquake	87
CDP S.p.A.	Comune di Torricella Sicura	Central Italy Earthquake	49
CDP S.p.A.	Comune di Tossicia	Central Italy Earthquake	59
CDP S.p.A.	Comune di Valle Castellana	Central Italy Earthquake	113
CDP S.p.A.	Provincia di Terni	Central Italy Earthquake	1,168
CDP S.p.A.	Comune di Arrone	Central Italy Earthquake	206
CDP S.p.A.	Comune di Montefranco	Central Italy Earthquake	30
CDP S.p.A.	Comune di Polino	Central Italy Earthquake	65
CDP S.p.A.	Provincia di Fermo	Central Italy Earthquake	1,471
CDP S.p.A.	Comune di Casamicciola Terme	Ischia Earthquake	619

(thousands of euro) Grantor	Beneficiary	Motive	Benefit amount (*)
CDP S.p.A.	Agenda per l'Italia Digitale	Spaces granted on free loan for 2018	100

(*) Including the esimate for services.

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

The following table provides a reconciliation of 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.

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

BALANCE SHEET - ASSETS

(millions of euro) ASSETS - Balance sheet items	31/12/2018	Cash and cash equivalents and other treasury investments	Loans	Debt securities, equity securities
10. Cash and cash equivalents				
20. Financial assets measured at fair value through profit or loss	2,765			308
30. Financial assets measured at fair value through other comprehensive income	11,464			11,014
40. Financial assets measured at amortised cost:	323,524			
a) Loans to banks	20,179	8,777	11,383	
b) Loans to customers	303,345	159,167	89,910	48,681
50. Hedging derivatives	679			
60. Fair value change of financial assets in hedged portfolios (+/-)	132			
70. Equity investments	30,316			
80. Property, plant and equipment	323			
90. Intangible assets	21			
100. Tax assets	480			
110. Non-current assets and disposal groups held for sale				
120. Other assets	312			
Total assets	**370,015**	**167,944**	**101,293**	**60,004**

	Equity investments	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
	2,384	71		1	
	414			36	
				19	
				5,586	
		679			
		132			
	30,316				
			323		
			21		
					480
					312
	33,114	**882**	**344**	**5,642**	**793**

BALANCE SHEET - LIABILITIES AND EQUITY

(millions of euro) LIABILITIES AND EQUITY - Balance sheet items	31/12/2018	Funding	Postal Funding	Funding from banks
10. Financial liabilities measured at amortised cost	342,568			
a) Due to banks	30,429	30,403	1,318	28,634
b) Due to customers	293,196	293,166	256,723	24,305
c) Securities issued	18,943	18,525		
20. Financial liabilities held for trading	71			
30. Financial liabilities designated at fair value	500	500		
40. Hedging derivatives	656			
50. Fair value change of financial liabilities in hedged portfolios	26			
60. Tax liabilities	394			
70. Liabilities associated with non-current assets and disposal groups held for sale				
80. Other liabilities	753			
90. Staff severance pay	1			
100. Provisions for risks and charges	251			
110. Valuation reserves	540			
120. Redeemable shares				
130. Equity instruments				
140. Reserves	15,342			
150. Share premium reserve	2,379			
160. Share capital	4,051			
170. Treasury shares	(57)			
180. Net income (loss) for the year	2,540			
Total liabilities and equity	**370,015**	**342,595**	**258,040**	**52,939**

INCOME STATEMENT

(millions of euro) Income statement - Financial statement items	2018	Net interest income	Dividends	Other net revenues (costs)
10. Interest income and similar income	7,849	7,849		
20. Interest expense and similar expense	(4,266)	(4,266)		
40. Commission income	396	300		96
50. Commission expense	(1,537)	(1,527)		(10)
70. Dividends and similar revenues	1,362		1,362	
80. Profits (losses) on trading activities	3			3
90. Net gain (loss) on hedging activities	(17)			(17)
100. Gains (losses) on disposal or repurchase	17			17
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(30)			(1)
130. Net adjustments/recoveries for credit risk	(65)			
140. Gains/losses from changes in contracts without derecognition	(2)			
160. Administrative expenses	(216)			
170. Net accruals to the provisions for risks and charges	(42)			
180. Net adjustments to/recoveries on property, plant and equipment	(4)			
190. Net adjustments to/recoveries on intangible assets	(3)			
200. Other operating income (costs)	6			
220. Gains (losses) on equity investments	(172)			
230. Gains (Losses) on tangible and intangible assets measured at fair value				
240. Goodwill impairment				
250. Gains (losses) on disposal of investments	(0)			
270. Income tax for the year on continuing operations	(738)			
280. Income (loss) after tax on discontinued operations				
Total income statement	**2,540**	**2,356**	**1,362**	**88**

	Funding from customers	Bond Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing assets	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total equity
	452			26			
	12,138			30			
		18,525		417			
			71				
		500					
			656				
			26				
						394	
					753		
						1	
						251	
							540
							15,342
							2,379
							4,051
							(57)
							2,540
	12,590	**19,025**	**753**	**474**	**753**	**646**	**24,794**

	Gross income	Write-downs	Operating costs	Operating income	Net provisions for risks and charges	Income taxes	Net income (loss) for the year
	7,849			7,849			7,849
	(4,266)			(4,266)			(4,266)
	396			396			396
	(1,537)			(1,537)			(1,537)
	1,362			1,362			1,362
	3			3			3
	(17)			(17)			(17)
	17			17			17
	(1)	(29)		(30)			(30)
		(65)		(65)			(65)
		(2)		(2)			(2)
			(216)	(216)			(216)
		(9)		(9)	(34)		(42)
			(4)	(4)			(4)
			(3)	(3)			(3)
			6	6			6
		(172)		(172)			(172)
						(738)	(738)
	3,807	**(277)**	**(217)**	**3,312**	**(34)**	**(738)**	**2,540**

2.2 Details of alternative performance indicators - CDP S.p.A.

In support of the comments on the results for the period, paragraph 4.4.1 of the Report on operations also presents and illustrates the reclassified income statement and balance sheet of CDP S.p.A. A reconciliation between the latter and the Parent Company's financial statements at 31 December 2018 is provided in Annex 2, as required in Consob Communication no. 6064293 of 28 July 2006. With a view to providing further information on the Parent Company's performance, the Report on operations contains financial information and a number of alternative performance indicators, including, for example, the cost/income ratio and Net impaired loans/net loans to customers and banks. In accordance with the guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415), details of the calculation method and the content of the aforementioned indicators are provided below.

Structure ratios

Loans/Total assets: it measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total assets, as shown in the financial statements.

Loans/Postal funding: it measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total Postal funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options.

Equity investments/Final equity: it measures equity investments and shares, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements.

Securities/Equity: it measures debt securities, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements.

Funding/Total liabilities: it measures Total Funding, as shown in the aggregate account (Annex 2), against total liabilities, as shown in the financial statements.

Postal Funding/Total Funding: it measures Postal Funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options, against Total Funding, as shown in the aggregate account (Annex 2).

Profitability ratios

Net Interest Income /Gross Income: it measures Net Interest Income, as shown in the aggregate account (Annex 2), against Gross Income, as shown in the aggregate account (Annex 2).

Dividends/Gross Income: it measures Dividends, as shown in the aggregate account (Annex 2), against Gross Income, as shown in the aggregate account (Annex 2).

Spread on interest-bearing assets and liabilities: it measures the difference between the return on assets (measured as the ratio of interest income to average interest-bearing assets) and the cost of liabilities (measured as the ratio of interest expense to average interest-bearing liabilities).

Average interest-bearing assets are measured as the average at two dates (31 December 2017 and 31 December 2018) of Cash and Cash Equivalents, Loans to customers and banks and Debt securities, as shown in the aggregate account (Annex 2).

Average interest-bearing liabilities are measured as the average at two dates (31 December 2017 and 31 December 2018), of Funding, as shown in the aggregate account (Annex 2).

Cost Income Ratio: it measures the ratio of Operating Costs to Gross Income, net of the cost of risk, as respectively shown in the aggregate account (Annex 2).

Report of the Board of Statutory Auditors

Shareholders,

With this report, prepared pursuant to Article 2429, second paragraph, of the Italian Civil Code, the Board of Statutory Auditors of Cassa depositi e prestiti S.p.A. ("CDP" or the "Company") reports to the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018 on the results of that year and the activities performed by the Board of Statutory Auditors in the performance of its duties, in accordance with the standards of conduct recommended by the National Council of the Italian accounting profession and taking account of the recommendations of Consob in its communications, to the extent compatible with the nature of CDP.

During 2018, the Board of Statutory Auditors had the following members, all appointed by the Ordinary Shareholders' Meeting of 30 May 2016: Carlo Corradini (Chairman), Luciano Barsotti, Alessandra dal Verme, Giusella Finocchiaro and Ines Russo. The Board of Statutory Auditors reaches the end of its term on the occasion of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018.

Statutory audit activities were performed by PricewaterhouseCoopers S.p.A. ("PwC" or the "Audit Firm") on the basis of the engagement granted to the latter by the Ordinary Shareholders' Meeting of 25 May 2011 for the financial years 2011 to 2019.

1. Meetings of the Board of Statutory Auditors

In 2018, the Board of Statutory Auditors held 21 meetings, called and formed in accordance with established procedures. The magistrate designated by the Italian Court of Auditors was invited to all meetings. The Board of Statutory Auditors – as a whole or represented by some of its members – also participated in the four Shareholders' Meetings held in 2018, the 18 meetings of the Board of Directors as well as the meetings of the Risk Committee of the Board of Directors and, when requested, the Compensation Committee.

2. Monitoring of compliance with the law, the articles of association and the principles of sound administration

In accordance with the provisions of Article 2403 of the Italian Civil Code, the Board of Statutory Auditors monitored compliance with the law and the articles of association, with the principles of sound administration and, in particular, the adequacy of the organisational, administrative and accounting arrangements adopted by the Company and their effective operation (see sections 3 and 4 below). This monitoring activity was carried out by the Board also through (i) participation in the meetings of the Board of Directors and the Board Committees, as well as through meetings and exchanges of information with the heads of the main company departments (in particular, the Chief Audit Officer, the Financial Reporting Officer and the Chief Risk Officer's units responsible for anti-money laundering, risk and compliance matters) and with the Audit Firm and the control bodies of the main Group companies.

In this context, the Board received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on general developments in operations and the predictable outcome, as well as on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries (see section 8 below).

The checks performed found no censurable facts with a significant impact.

The Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code.

3. Monitoring of the adequacy of the organisational arrangements and the operation of the internal control and risk management system

The Board of Statutory Auditors monitored the adequacy of the organisational arrangements adopted by the Company and their effective operation also through meetings and exchanges of information with the heads of the main company departments.

With reference to the foregoing, the Board of Statutory Auditors has no particular observations to report.

The Board also monitored the operation of the internal control and risk management systems in order to assess their appropriateness. In particular, the Board, inter alia: (i) monitored control processes for risk management activities; *(ii)* monitored the adequacy of activities to control compliance risk; *(iii)* monitored the adequacy of the internal control system and *(iv)* assessed the effectiveness of the internal quality control and risk management systems of the Company and of internal audit with regard to financial reporting through, inter alia, participation at meetings of the Risk Committee, examination of the report on the internal control and risk management system prepared by the Chief Audit Officer and meetings held with the latter, during which the Chief Audit Officer also reported on information exchange between those involved in the design (second-level controls) and monitoring (third-level controls) of the internal control system.

In this respect, the Board also verified that the report on operations provided the information required under Article 123-bis, paragraph 2, letter b) of Legislative Decree 58/1998 on the main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis.

The checks performed found no issues with a significant impact.

4. Monitoring of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors monitored the financial reporting process and the adequacy of the Company's administrative and accounting system and its reliability in accurately and promptly representing operational events. This activity included meetings with the Financial Reporting Officer, the examination of company documentation and analysis of the results of the activities performed by the Audit Firm.

The Board of Statutory Auditors also verified compliance with the regulations governing the preparation of the financial statements and the report on operations, obtaining information from the Audit Firm where appropriate. In particular, the additional report envisaged under Article 11 of Regulation (EU) no. 537/2014 does not report significant deficiencies in the internal control system for financial reporting. The report was thoroughly discussed in the course of information exchanges between the Board of Statutory Auditors and the Audit Firm.

The checks performed found no issues with a significant impact that could compromise the opinion on the adequacy and the effective application of the administrative and accounting procedures.

5. Financial statements

The Board of Statutory Auditors examined the draft separate financial statements of CDP and the consolidated financial statements of the CDP Group at 31 December 2018, approved by the Board of Directors of CDP at its meeting of 28 March 2019, as well as the report of the Audit Firm.

In this regard, the Board reports the following:

- in application of Legislative Decree 38 of 28 February 2005, the financial statements as at 31 December 2018 have been prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the associated interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established under Regulation (EC) 1606 of 19 July 2002. The financial statements at 31 December 2018 were prepared, to the extent applicable, on the basis of the "Instructions for the preparation of the separate financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy in exercising the powers established by Article 9 of Legislative Decree 38/2005 in the measure of 22 December 2005 issuing Circular no. 262/2005 "Bank financial statements: presentation formats and rules of preparation" as amended in the 5th update on 22 December 2017.[44] The IASs/IFRSs endorsed and in effect as of 31 December 2018 (including SIC and IFRIC interpretations) were applied in the preparation of the financial statements;
- the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been assessed by PwC in the performance of its statutory auditing activities;
- the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, paragraphs 5 and 6, of the decree of the Ministry for the Economy and Finance (MEF) of 6 October 2004, involves the preparation of separate accounting statements

44 The 6th update of the Circular n. 262/2005, issued by the Bank of Italy on 30 November 2018, will apply as from the financial statements for periods ending on or after 31 December 2019.

for the use of the MEF and the Bank of Italy. At the end of the financial 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 financial statements;

- the financial statements at 31 December 2018 report net income of €2,540,463,436 and equity of €24,794,338,321, including net income for 2018;
- the CDP Group consolidated financial statements at 31 December 2018 report net income of €4,333 million (of which €2,891 million pertaining to the Parent Company), substantially in line with 2017 (€4,462 million of which €2,943 million pertaining to the Parent Company).

Pursuant to Article 154-bis of Legislative Decree 58/1998, with a report attached to the draft separate financial statements and the consolidated financial statements at 31 December 2018, the CDP Chief Executive Officer and the Financial Reporting Officer certified: *(i)* the adequacy and effective application of administrative and accounting procedures for the preparation of the financial statements; *(ii)* the compliance of the content of the financial statements with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; *(iii)* the correspondence of the financial statements with the information contained in the accounting books and records and their suitability to provide a true and fair representation of the performance and financial position of the Company and of the companies included in the scope of consolidation; *(iv)* that the report on operations accompanying the financial statements provides a reliable analysis of performance and the results of operations, as well as the situation of the Company and the companies within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

6. Consolidated non-financial statement

The Board of Statutory Auditors examined the consolidated non-financial statement of the CDP Group ("NFS") for the 2018 financial year, prepared pursuant to Legislative Decree 254/2016, and approved by the Board of Directors of CDP at its meeting of 28 March 2019.

In particular, the Board of Statutory Auditors monitored compliance with the provisions established by the decree in the preparation of the NFS, receiving periodic reports on preparatory activities in this regard, in particular ensuring *(i)* that the scope of application was defined in compliance with applicable provisions; *(ii)* that, in accordance with the principle of materiality, the NFS has been prepared at the level necessary to ensure an understanding of the Group's business, developments in that business, performance and its impact and that it contains information on environmental, social and personnel issues, as well as on matters concerning respect for human rights and the fight against active and passive corruption that have been deemed relevant by the Board of Directors, taking account of the activities and characteristics of the Company; *(iii)* that the NFS describes, among other things, the model applied to the management and organization of the Company's activities, the policies applied by the Company, the results achieved through them and the related key non-financial performance indicators, as well as the main risks generated or incurred connected with the aforementioned issues and deriving from the Company's activities, its products, services or commercial relationships, and the related methods for managing them; and *(iv)* that the information has been provided in accordance with the methodologies and principles provided for by the reporting standards used as a reference, namely the Global Reporting Initiative (GRI) Sustainability Reporting Standards in the "GRI-referenced" option.

In addition to the foregoing, note that pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, *(i)* the Audit Firm PwC verified the effective preparation by the Board of Directors, of the non-financial statement; *(ii)* the Audit Firm, as engaged by the Company, performed the limited assurance assessment of the NFS, in line with the provisions of Article 5 of Consob Regulation 20267 of 18 January 2018, issuing on 19 April 2019, a specific report with which PwC certifies that no elements have been brought to its attention suggesting that the NFS has not been drafted, in all significant respects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the reporting standards used by the Company (the GRI standards).

With regard to the organisational arrangements, in 2018 the Company created a corporate unit — denominated Sustainability — to which it entrusted, inter alia, the task of preparing periodic sustainability reports, among which the NFS, in coordination with the Administration, Accounting and Reporting Area. These corporate units, which were involved in the production, reporting, measurement and representation of results of the NFS, were found to be adequate.

In relation to the foregoing, and taking due account of the limited assurance issued by the Audit Firm, it is the view of the Board of Statutory Auditors that the procedures, the process of formation of non-financial disclosures and the support structures were appropriate, without prejudice to the recommendation to continue the implementation of the new provisions on non-financial disclosures launched in the previous period.

7. Monitoring activities pursuant to Article 19 of Legislative Decree no. 39/2010

In its capacity as the internal control and audit committee ("ICAC"), in accordance with Article 19 of Legislative Decree 39/2010, the Board Statutory of Auditors monitored independent audit activities. In this regard, the Board of Statutory Auditors met with the Audit Firm on a number of occasions, including in connection with the provisions of Article 2409 *septies* of the Italian Civil Code, in order to exchange information concerning the Audit Firm's activities. During the periodic exchanges between the Board and the representatives of the Audit Firms, no significant issues emerged that would require reporting. More specifically:

- the Board of Statutory Auditors met with the Audit Firm, PwC, during the year on the occasion of the preparation of the Half-Year Report at 30 June 2018. On 6 August 2018, PwC issued a report containing an unqualified opinion on the limited audit of the condensed consolidated half-year financial statements;
- on 19 April 2019, PwC issued, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014, the audit reports on the financial statements and consolidated financial statements as at 31 December 2018;
- also on 19 April 2019, PwC issued to the Board of Statutory Auditors the additional report envisaged under Article 11 of Regulation (EU) no. 537/2014, which [(i) is consistent, as regards the audit opinion, with the audit report referred to in the previous paragraph; (ii) does not report significant deficiencies in the internal control system for financial reporting or in the accounting system; and (iii) does not contain information that should be highlighted in this report. The additional report will be transmitted by the Board of Statutory Auditors to the Board of Directors, together with any comments it may have, in compliance with the provisions of Article 19, paragraph 1, letter a), of Legislative Decree 39/2010.

The Board of Statutory Auditors also verified and monitored the independence of the Audit Firm, in particular as regards the appropriateness of the provision of non-audit services, in compliance with the provisions of Article 5 of Regulation (EU) no. 537/2014. In this respect, note that in an attachment to the aforementioned additional report, PwC submitted to the Board of Statutory Auditors the certification of independence required under Article 6 of Regulation (EU) no. 537/2014, confirming that there are no circumstances that could compromise its independence or could be a cause of incompatibility.

Pursuant to the Group Policy for "Engagements of audit firms and their networks" (the "Policy"), the Board of Statutory Auditors, in its capacity as the internal control and audit committee (ICAC) of the Parent Company, reports annually to the Shareholders' Meeting on the fees due to the principal auditor, to its network and to the parties connected to the same for non-audit services pursuant to Article 14 of Legislative Decree no. 39/2010. In this regard, in 2018, CDP and the Group companies subject to management and coordination engaged PwC to perform the following non-audit services:

- for CDP

	Service	In euros (before VAT)
1)	Data review for TLTRO-II operation	25,000
2)	Update of DIP (Debt Issuance Program) 2018 Comfort Letter	30,000
3)	Assurance on non-financial statement 2018-2019 (50,000 per year)	100,000
4)	Consent Letter and other services for bond issue in China ("Panda Bond", in 2019) (*)	186,000
	Total	**341,000**

- for CDP RETI

	Service	In euros (before VAT)
5)	Activities for SGIDL Group auditor (minority shareholder of CDP RETI) (*)	17,000
6)	Opinion pursuant to Article 2433-*bis* of Civil Code for interim dividend	20,000
	Total	**37,000**

(*) The engagement, which was awarded after 4 October 2018 (date of approval of the Policy), was previously authorized by the Board of Statutory Auditors of the Parent Company.

- for SIMEST

	Service	In euros (before VAT)
7)	Review of the schedule of costs incurred for the management of public funds operated by SIMEST	10,000
	Total	**10,000**

Total CDP Group	**388,000**

During 2018, CDP engaged PricewaterhouseCoopers Advisory S.p.A. (subject belonging to the PwC network) to perform the following:

	Service	In euros (before VAT)
1)	Technical assistance for the "PMI Emilia-Romagna" operation	48,520
2)	Methodological support for authorization (establishment of asset management company)*	35,000
3)	Methodological support for integrated reporting	35,000
	Total	**118,520**

(*) The engagement, which was awarded after 4 October 2018 (date of approval of the Policy), was previously authorized by the Board of Statutory Auditors of the Parent Company.

Finally, the Board of Statutory Auditors took note of the Transparency Report prepared by PwC and published on its website pursuant to Article 18 of Legislative Decree 39/2010.

8. Most significant transactions, transactions with related parties and atypical or unusual operations

The Board of Statutory Auditors received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries. These transactions are fully discussed in the report on operations prepared by the Board of Directors and in Part H – Transactions with Related Parties in the notes to the financial statements (please see this section for more information on the type of transactions conducted and their related impact on performance and financial position).

In this respect, the Board of Statutory Auditors finds that the information provided by the Board of Directors in the report on operations is adequate. In particular, the Board did not find any atypical and/or unusual transactions that, due to their significance or materiality, the nature of the counterparties, object and/or consideration may give rise to doubts as to the accuracy/completeness of the information in the financial statements or may be considered manifestly imprudent or reckless or undertaken in violation of the provisions on conflicts of interest.

9. Significant events

The Board of Statutory Auditors reports that 2018 was characterised by a number of key themes, both in the separate financial statements of CDP S.p.A., and in the consolidated financial statements of the CDP Group. In particular:

- First-time application of new accounting standards

  2018 was the first year of mandatory application of the new accounting standards IFRS 9 - Financial Instruments and IFRS 15 - Revenues from contracts with customers. The effects deriving from the initial application of these accounting standards (First Time Adoption - FTA) have been recognized in shareholders' equity at 1 January 2018.

  IFRS 9 defines new rules for the classification and measurement of financial instruments, as well as for their impairment. IFRS 15 defines new rules for the recognition of revenues.

  The application of IFRS 9 in CDP financial statements led to a reduction of 322 million euro in shareholders' equity at 1 January 2018. The increase in net impairment losses resulting from the application of the new impairment rules for financial instruments amounted to a gross

negative 486 million euro, partially offset by the positive effect on financial assets mandatorily measured at fair value (+1.9 million euro) previously recognised under financial assets measured at amortized cost, and total tax effects (+162 million euro). The application of the new IFRS 15 did not have any effect on shareholders' equity at 1 January 2018.

At the consolidated level, the application of these standards resulted in an overall increase of 191 million euro of total shareholders' equity as at 1 January 2018. The increase in net impairment losses resulting from the application of the new impairment rules came to a gross negative 597 million euro (to which IFRS 15 effects added a negative 46 million euro), offset by the effects of measurement of financial instruments equal to 678 million euro. Total tax effects came to 156 million euro.

- Performance and financial position of CDP S.p.A.

Net interest income amounted to 2,356 million euro, a significant increase compared with 2017, mainly attributable to (i) an improvement of the return on financial assets, also reflecting the rise in the yield curve, and (ii) initiatives undertaken to reduce the cost of funding. During the period, the process of diversifying funding with new bond issues also continued, together with the increase in hedges on assets with the aim of reducing CDP's exposure to interest rate risk, and the reduction of the residual maturity of the securities portfolio.

Gross income came to about 3,807 million euro, an increase of about 33% from 2,870 million euro in 2017. Due to these developments and despite the increase in write-downs (which went from 57 million euro in 2017 to 277 million euro in 2018) following the initial application of IFRS 9 and the review of the carrying amount of a number of investments, net income for the period amounted to 2,540 million euro, up from 2,203 million euro in 2017 (an improvement of about 15%).

Total assets amounted to 370 billion euro, an increase of about 1% over 2017. Cash and cash equivalents came to about 168 billion euro, a decrease of 4%, mainly attributable to a reduction in short-term investments related to the contraction in OPTES funding. The aggregate includes the balance of the Treasury current account (which came to about 156 billion euro, up by over 8 billion euro from year-end 2017). The loans and receivables with customers and banks came to about 101 billion euro, a slight decrease (-1%) from year-end 2017 due to an increase in the provision for bad debts deriving from the first-time adoption of IFRS 9. "Debt securities" came to about 60 billion euro, a 25% increase over 2017 mainly attributable to purchases of securities classified in the HTC portfolio.

At 31 December 2018, the carrying amount of equity investments, investment funds and shares came to about 33 billion euro, up 3% over 2017. The increase is attributable to the net drawdowns of investment funds and the investment of CDP in Telecom Italia Spa (TIM).

Under liabilities, total funding at 31 December 2018 came to more than 342 billion euro (+1% from the end of 2017), thanks to developments in postal funding and the continuing process of funding diversification. In 2018, the new agreement between CDP and Poste on postal savings funding and management came into force, introducing several important improvements in the contractual relationship. This had a positive impact on postal funding, which increased by 2% in 2018, reflecting positive net funding by CDP of approximately 2 billion euro and accrued interest. The associated stock, which comprises passbook savings accounts and postal savings bonds, amounted to about 258 billion euro at year-end 2018.

Shareholders' equity at 31 December 2018 came to about 25 billion euro, a 1.5% increase over 2017, reflecting the developments in net income which more than offset dividends paid for 2017 and the effects of the first-time application of IFRS 9.

- Impairment of investments held by CDP S.p.A.

Following impairment tests carried out in 2018 for SACE S.p.A., Fintecna S.p.A., Elite S.p.A. and Risparmio Holding S.p.A., write-backs and write-downs were recognised as follows:
- SACE S.p.A., a write-down of 333 million euro, mainly reflecting changes in macroeconomic conditions and the lower profitability of the company;
- Fintecna S.p.A., a write-back of 162 million euro, mainly reflecting final performance and the business plan of Fincantieri (published in March 2018);
- Elite S.p.A., a write-down of 1.5 million euro, mainly reflecting the lower profitability of the company;
- Risparmio Holding S.p.A., a write-back of 0.15 million euro, mainly reflecting the alignment of the value of the shareholding with the pro-rated share of shareholders' equity.

Impairment tests were also conducted for CDP RETI S.p.A., CDP Immobiliare S.r.l., CDP Equity S.p.A., Europrogetti e Finanza S.p.A., CDP Investimenti Sgr S.p.A., Poste Italiane S.p.A. and Eni S.p.A., finding that their recoverable values were in line with or higher than their respective carrying amounts. As a result, no write-backs (within the limits of any previous write-downs), or write-downs were recognised.

With regard to other equity investments, no facts or circumstances indicating a need to carry out an impairment test have emerged.

- Individual and collective impairment of loans granted by CDP S.p.A.

Loans granted by CDP undergo impairment testing at the end of each period to determine whether there is objective evidence of impairment of the recognised asset.

Impairment is assumed when, due to events occurring after the initial recognition of the asset having an impact on the associated future cash flows (e.g. defaulted payments), it is deemed probable that the value of the asset tested will not be recovered in full. The value of an asset subject to impairment can be restored in subsequent periods if the reason for the write-down ceases to exist.

The individual assessment of such loans, carried out at 31 December 2018 on the basis of reasonable repayment assumptions, taking account of any guarantees securing these exposures, prompted net write-downs totalling about 4.1 million euro. With regard the classification of loans, the impaired exposures were identified and presented in the financial statements in accordance with the relevant legislation.

The staging allocation envisaged by IFRS 9 for financial assets determined the classification of net exposures in Stage 1 in the amount of 343.2 billion euro, in Stage 2 in the amount of 13.7 billion euro and in Stage 3 in the amount of about 0.2 billion euro. Stage 3 includes all impaired exposures classified as bad debts (56.7 million euro net), unlikely to be paid (157.1 million euro net) and impaired past due exposures (23.9 million euro net).

With regard to the collective assessment of loans and other credit exposures, the net adjustment recognised in 2018 profit or loss amounted to about 69.5 million euro (of which 86.2 million euro in write-downs of exposures to customers and 16.7 million euro in write-backs of exposures to banks). The provision for collective impairment totalled about 894.2 million euro (of which 49.9 million euro in respect of banks).

The provision for collective impairment at 31 December 2018 was equal to 0.25% of gross on- and off-balance sheet exposures subject to collective impairment.

- Performance and financial position of the CDP Group

Group net income for 2018 amounted to 4,333 million euro (2,891 million euro of which pertaining to the shareholders of the Parent Company), substantially in line with 2017, which included a positive non-recurring component of 594 million euro. Excluding that item net income for 2018 increased compared with 2017. The performance for 2018 significantly reflects the favourable developments in net interest income and the positive performance achieved by companies accounted for using the equity method, in particular Eni and Poste Italiane.

Net interest income came to 2,258 million euro, a significant increase compared with the previous year, mainly attributable to the contribution of the Parent Company, only partially offset by the interest expense on the debt of Snam, Terna, Italgas and Fincantieri.

The measurement at equity of companies subject to significant influence or joint control, included in “Gains (losses) on equity investments”, amounted to 1,120 million euro, compared with 1,653 million euro in 2017. This mainly reflects the effects of the measurement at equity of Eni (873 million euro, compared with 693 million euro in 2017), Poste Italiane (436 million euro, compared with 302 million euro in 2017), SAIPEM (-60 million euro, compared with -63 million euro in 2017), Ansaldo Energia (-239 million euro, compared with 6 million euro in 2017) and valuation gains from the Snam Group investment portfolio (114 million euro, compared with 121 million euro in 2017).

Profit (loss) on insurance business came to 73 million euro, a significant decrease over 2017 (865 million euro), and includes net premiums and other income and expense from insurance operations.

Total assets exceeded 425 billion euro, an increase of about 6 billion euro over the previous year (+1.3% compared with 2017).

Financial assets represented by cash and cash equivalents, loans and securities posted an overall increase of about 3 billion euro due to the performance of items pertaining to the Parent Company. In particular, note the increase in securities, (i.e. debts securities, equity securities and units in collective investment undertakings), mainly attributable to purchases of financial assets classified in the HTC ("Held To Collect") portfolio, partially offset by a decrease in the stock of cash and cash equivalents.

Equity investments increased by approximately 0.6 billion euro, mainly reflecting the positive contribution from the measurement at equity of Eni and Poste (in particular, the latter reflected the performance for the period and the positive effects of the first-time application of IFRS 9 and IFRS 15), partially offset by the negative contribution of the measurement at equity of the investment in Ansaldo Energia (due to the performance of the company).

Property, plant and equipment and intangible assets increased by 1.2 billion euro compared with the previous period, mainly due to investments carried out within the Terna, Snam, Italgas and Fincantieri Groups offset by decreases due to purchase price allocation effects.

Total funding of the CDP Group at 31 December 2018 totalled over 367 billion euro, an increase of about 3 billion euro compared with 2017. The increase, which was mainly driven by the developments in postal funding of the Parent Company and other forms of funding, also includes bank borrowing and bond issues of the Terna, Snam, Italgas and Fincantieri Groups.

Group equity at 31 December 2018 came to about 36.7 billion euro. The increase attributable to net income for the period of 4.3 billion euro and the positive effects of first-time application of the new IFRS 9 and IFRS 15 (0.19 billion euro), were offset by (i) the decrease in valuation reserves, including those relating to investments measured at equity (-0.8 billion euro), (ii) dividends paid (-2.6 billion euro) and other effects (-0.3 billion euro). The increase in total shareholders' equity in the period came to 0.8 billion euro.

Equity pertaining to the shareholders' of the Parent Company also increased slightly, due to the same reasons discussed above, rising to 24.1 billion euro (23.1 billion euro at 31 December 2017).

10. Other activities

In the exercise of the advisory functions attributed by current legislation, the articles of association and other internal provisions on governance, in 2018 the Board of Statutory Auditors:

- issued an opinion[45] on the proposals of the Compensation Committee concerning the remuneration of the corporate bodies, and to the setting and final accounting of the performance objectives related to the variable component of remuneration, to be paid, pursuant to Article 2389, third paragraph, of the Civil Code, to directors vested with special duties in accordance with the articles of association and in particular to the Chief Executive Officer and the General Manager;
- issued an opinion and authorized the award of engagements for a number of non-audit services to the Audit Firm, in compliance with the Group policy "Engagements of audit firms and their networks".

During the period, the Board of Statutory Auditors also participated in induction sessions aimed at providing the newly appointed Board of Directors with an adequate understanding of CDP's business sectors and strategies, also in light of company dynamics and the development of the Group's businesses, as well as issues pertaining to the organization of the Company and the evolution of the relevant regulatory framework. The main induction activities concerned the CDP corporate governance model, the internal control and risk management system, the CDP Business Plan and Group's strategies and the reference framework of legislation and the articles of association.

As from 27 February 2017, the Board of Statutory Auditors performs the functions of the Supervisory Body, pursuant to Legislative Decree 231 of 8 June 2001. In that capacity, during 2018 the Board promoted and monitored the updating of the Organisational, Management and Control Model (Compliance System) as provided for in that legislative decree.

45 Also in accordance with the "CDP and Group Committee Rules".

11. Appointment of the Audit Firm for the 2020-2028 period

The current engagement for the statutory audit of the company accounts, awarded to PwC by the Ordinary Shareholders' Meeting held on 25 May 2011, will expire upon the approval of the financial statements for the 2019 financial year. In view of the foregoing, during 2018 and in the early months of 2019, the Board of Statutory Auditors, which is responsible for the procedure to select the Audit Firm pursuant to Article 19 of Legislative Decree 39/2010, supervised the restricted tender launched by the Company pursuant to Article 61 of Legislative Decree 50 of 18 April 2016 ("Code of Public Contracts") also on behalf of the companies directly or indirectly controlled by CDP and fully consolidated by it in order to select a single Group auditor for the 2020-2028 period. In particular, the Board of Statutory Auditors verified also in coordination with the control bodies and the competent units of the companies participating in the tender procedure that the tender was carried out in compliance with the regulations in force and, at the end of the procedure, validated the report on the conclusions prepared by the Company. Taking account of the outcome of the selection process, the Board of Statutory Auditors therefore prepared the proposal to be submitted to the Ordinary Shareholders' Meeting held on March 19, 2019 containing (i) the recommendation of the Board of Statutory Auditors for the audit engagement, with the indication of two possible alternatives and (ii) the motivated preference of the Board for one of the two firms selected.

12. Conclusions

Within the scope of the supervision activity of the Board of Statutory Auditors, no omissions, censurable facts or irregularities have been found.

As specifically regards the draft financial statements for the year ended 31 December 2018, as prepared by the Board of Directors and submitted for the approval of the Shareholders' Meeting together with the report on operations, the consolidated financial statements and the consolidated non-financial statement – the Board of Statutory Auditors, bearing in mind the specific duties of the Audit Firm with regard to controlling the accounts and verifying the reliability of the annual financial statements, and having considered the reports issued by the Audit Firm as well as the statements jointly issued by the Chief Executive Officer and the Financial Reporting Officer, has no comments for the Shareholders' Meeting.

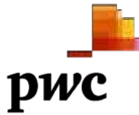
Rome, 23 April 2019

For the Board of Statutory Auditors

The Chairman

Carlo Corradini

Independent Auditor's Report



Independent auditor's report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Cassa depositi e prestiti SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cassa depositi e prestiti SpA (the "Company"), which comprise the balance sheet as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of equity investments in the separate financial statements	
Notes to the separate financial statements *Part A: Accounting policies – Part A.2 The Main financial statement items* *Part B: Information on the Balance Sheet – Section 7 of assets - Equity investments* *Part C: Information on the Income Statement – Section 15: Gains (Losses) on Equity Investments.* The item "Equity investments" at 31 December 2018 showed a balance of Euro 30,316 million equal to about 8 per cent of total assets of the financial statements. Cassa depositi e prestiti's portfolio of equity investments includes investments in subsidiaries, jointly controlled subsidiaries and associates, valued at acquisition cost. If there are indicators that lead to believe that an investment has suffered an impairment loss (impairment indicators), management is required to verify the investment's impairment loss, if any, comparing the book value of the investment with its estimated recoverable amount (impairment test) in accordance with IAS 36. The evaluation of the recoverable amount of equity investments is a complex activity requiring management to make significant estimates mainly regarding the determination of the assumptions and parameters behind the models used in order to estimate the current value of the expected cash flows (value in use) or, alternatively, the fair value less costs to sell.	We focused our audit work on the estimate of the recoverable amount of the equity investments which were considered more significant and showed impairment indicators within the context of the financial statements. Specifically, as part of our audit activities, we performed the following audit procedures, also with the support of PwC network experts: 1 understanding and evaluation of the controls carried out by the Company management in the context of the monitoring of the value of the equity investments, with a specific focus on the controls put in place in the elaboration phase of the impairment tests at the balance sheet date; 2 collection, analysis and understanding of the set of information used by management to support their valuation, including the information reported to the corporate governance bodies; 3 understanding and evaluation of the valuation models used by management; 4 check of the consistency and adequacy of the models used, in order to determine the recoverable amount of the most significant equity investments, considering the specific context, the provisions of the applicable accounting standards, as well as the valuation practices; 5 verification of the reasonableness of the financial parameters adopted for the

purpose of the application of the evaluation method chosen;

6 verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing;

7 independent analyses such as:
   a re-calculation of the valuation parameters and analysis of the reasonability of the results,
   b monitoring of the performance of the stock price, if applicable,
   c collection of additional information and data available in the public domain, which were considered useful in the case;

8 check of the adequacy and exhaustiveness of the disclosures in the notes to the separate financial statements.

First-time adoption of IFRS 9 – "Financial instruments"

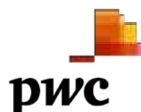
Notes to the separate financial statements Part A: Accounting policies – Part A.1 "General Information" - Section 4 – Other issues - "Transition to IFRS 9 and IFRS 15"

Starting from 1 January 2018 the Company has adopted IFRS 9 – "Financial instruments" which governs the classification and measurement of financial instruments as well as impairment loss calculation. As permitted by the standard, the Company has decided to postpone the application of the new rules envisaged for hedge accounting.

IFRS 9 has introduced new requirements in terms of classification and measurement of financial assets that are based on the methods whereby such assets are managed (Business Model) and on the underlying contractual cash flow characteristics

In performing our audit we paid special attention to understanding and evaluating the activities planned and performed by the Company to implement the new accounting standard (including changes to IT systems), as well as to the related governance and the whole control activities carried out by management and by the control functions.

Considering that IFRS 9 has been applied starting from 1 January 2018, our audit procedures covered the opening balances on that date, in order to verify the transition from IAS 39. Our procedures consisted in, among others, assessing the compliance of the accounting decisions adopted with the new standard, verifying the accounting adjustments made and related disclosures provided.



(Solely Payments of Principal and Interest – "SPPI"); while, for financial assets other than those measured at fair value through profit or loss and for off-balance sheet exposures (guarantees and commitments), the new standard has replaced the model to determine impairment under IAS 39 based on the "incurred loss" with an expected credit loss ("ECL") model.

As a consequence, by introducing significant changes in the classification and measurement criteria, IFRS 9 has determined significant operating impacts, requiring the use of new models, more information, parameters and assumptions, thus determining a higher degree of subjectivity and uncertainty.

Due to the reasons above, and also in the light of the accounting impacts recognised as of 1 January 2018, we considered the first time adoption of IFRS 9 as a key matter in our audit of the separate financial statements of Cassa depositi e prestiti SpA as of 31 December 2018.

With specific reference to classification and measurement, our audit procedures included among others:

1. understanding and critical analysis of policies, procedures and solutions adopted by the Company with reference to relevant aspects (definition of Business Model, analysis of contractual cash flows and measurement methods) aiming at assessing their compliance with the new standard;

2. verification of the completeness and accuracy of the new accounting categories based on the Business Model defined and on the results of the analysis of contractual cash flows ("SPPI test");

3. independent verification of the SPPI test for a sample of financial assets.

With reference to the new impairment requirements, our audit procedures, carried out also with the support of PwC network experts, included among others:

1. understanding and critical analysis of new policies, methodologies and relevant assumptions, as well as models implemented, in order to verify their reasonableness, appropriateness and compliance with the accounting standard. This activity involved both methodologies and models adopted to measure the Significant Increase in Credit Risk ("SICR") and to allocate portfolios to the different risk stages ("Staging"), as well as those adopted to determine the ECL;

2. specific verifications of the new SICR and ECL models defined and of the methods to determine key estimation parameters used as inputs of those models, in order to verify

their adequate implementation and determination;

3 specific verifications of the inputs used in the aforementioned models, the calculation formulas, the determination of key estimation parameters (Probability of Default, Loss Given Default and Exposure at Default), as well as the risk stages identified;

4 verification of the implementation in the IT systems of the estimation parameters determined, as well as verification of the completeness and accuracy of the database used for the ECL calculation;

5 critical analysis of the outcome of controls carried out by the relevant internal functions.

We also verified, with the support of the PwC network experts, the calculation of the related deferred tax and assessed the reasonableness of the assumptions underlying deferred tax assets recoverability.

Finally, we checked the adequacy and exhaustiveness of the disclosures in the notes to the separate financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance 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 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 25 May 2011, the shareholders of Cassa depositi e prestiti SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

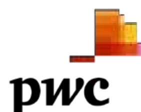
We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Cassa depositi e prestiti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Cassa depositi e prestiti SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Cassa depositi e prestiti SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Cassa depositi e prestiti SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 19 April 2019

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Certification of the separate financial statements

pursuant to Article 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Paolo Calcagnini, in his capacity as Manager in charge with preparing the company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application

   of the administrative and accounting procedures for the preparation of the separate financial statements during 2018.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2018 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the *Internal Control - Integrated Framework* model issued by the *Committee of Sponsoring Organisations of the Treadway Commission*, which is a generally accepted framework at international level.

3. In addition, we certify that:
   3.1 the separate financial statements at 31 December 2018:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) give a true and fair view 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, 19 April 2019

The Chief Executive Officer

Fabrizio Palermo

The Manager in charge with
preparing the company's financial reports

Paolo Calcagnini

3.

Consolidated financial statements 2018

Form and content of the consolidated financial statements at 31 December 2018

The consolidated financial statements at 31 December 2018 have been prepared in compliance with applicable regulations and consist of:
- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated statement of cash flows;
- 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.

The following are also included:
- Annexes;
- Independent Auditor's Report;
- Certification pursuant to Article 154-*bis* of Legislative Decree no. 58/98.

In the section "Annexes", paragraph 1.1 "Scope of consolidation", which forms an integral part of the consolidated financial statements (Annex 1.1) and paragraph 1.2 "Disclosure pursuant to Law 124, 4 August 2017, Article 1, Par. 125-129" (Annex 1.2) have been added.

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CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS* OF LEGISLATIVE DECREE NO. 58/1998 587

Consolidated financial statements at 31 December 2018

CONSOLIDATED BALANCE SHEET

(thousands of euro) Assets			31/12/2018	31/12/2017
10.	Cash and cash equivalents		1,166	1,015
20.	Financial assets measured at fair value through profit or loss:		4,293,623	3,592,249
	a)	financial assets held for trading	1,035,983	894,208
	b)	financial assets designated at fair value		
	c)	other financial assets mandatorily measured at fair value	3,257,640	2,698,041
30.	Financial assets measured at fair value through other comprehensive income		11,582,864	9,523,380
40.	Financial assets measured at amortised cost:		330,074,848	329,687,018
	a)	loans to banks	24,825,040	43,137,745
	b)	loans to customers	305,249,808	286,549,273
50.	Hedging derivatives		722,177	988,655
60.	Fair value change of financial assets in hedged portfolios (+/-)		131,581	(41,503)
70.	Equity investments		20,395,661	19,769,766
80.	Reinsurers' share of technical reserves		851,681	670,812
90.	Property, plant and equipment		37,660,125	37,178,510
100.	Intangible assets		8,804,271	8,050,650
	-	*of which: goodwill*	*659,430*	*653,342*
110.	Tax assets:		1,621,844	1,701,679
	a)	current tax assets	88,949	441,776
	b)	deferred tax assets	1,532,895	1,259,903
120.	Non-current assets and disposal groups held for sale		11,583	23
130.	Other assets		8,931,506	8,411,494
	Total assets		**425,082,930**	**419,533,748**

The data as at 31 December 2017 have been reconciled to the new schemes as described in the Accounting Policies, “Other issues” Section.

(thousands of euro) Liabilities and equity	31/12/2018	31/12/2017
10. Financial liabilities measured at amortised cost:	366,706,687	363,504,066
a) due to banks	40,905,821	25,934,885
b) due to customers	288,788,232	300,331,654
c) securities issued	37,012,634	37,237,527
20. Financial liabilities held for trading	81,747	185,694
30. Financial liabilities designated at fair value	519,413	519,228
40. Hedging derivatives	826,038	667,714
50. Fair value change of financial liabilities in hedged portfolios (+/-)	26,033	32,400
60. Tax liabilities:	3,596,661	3,549,637
a) current tax liabilities	312,307	82,581
b) deferred tax liabilities	3,284,354	3,467,056
70. Liabilities associated with non-current assets and disposal groups held for sale		
80. Other liabilities	10,959,482	9,720,862
90. Staff severance pay	209,449	221,039
100. Provisions for risks and charges:	2,749,453	2,803,941
a) guarantees issued and commitments	229,495	188,131
b) pensions and other post-retirement benefit obligations		
c) other provisions	2,519,958	2,615,810
110. Technical reserves	2,675,499	2,407,786
120. Valuation reserves	479,959	763,663
130. Redeemable shares		
140. Equity instruments		
150. Reserves	14,312,860	12,981,676
160. Share premium reserve	2,378,517	2,378,517
170. Share capital	4,051,143	4,051,143
180. Treasury shares (-)	(57,220)	(57,220)
190. Non-controlling interests (+/-)	12,676,358	12,860,288
200. Net income (loss) for the year	2,890,851	2,943,314
Total liabilities and equity	**425,082,930**	**419,533,748**

The data as at 31 December 2017 have been reconcilied to the new schemes as described in the Accounting Policies, “Other issues” Section.

CONSOLIDATED INCOME STATEMENT

(thousands of euro) Items	2018	2017
10. Interest income and similar income	8,117,598	7,453,288
- *of which: interest income calculated using the effective interest rate method*	*8,174,131*	*7,419,527*
20. Interest expense and similar expense	(4,632,580)	(4,692,597)
30. Net interest income	**3,485,018**	**2,760,691**
40. Commission income	457,061	158,976
50. Commission expense	(1,583,285)	(1,627,417)
60. Net commission income (expense)	**(1,126,224)**	**(1,468,441)**
70. Dividends and similar revenues	11,832	4,884
80. Profits (losses) on trading activities	19,517	(244,026)
90. Fair value adjustments in hedge accounting	(42,997)	8,267
100. Gains (losses) on disposal or repurchase of:	(28,235)	(35,831)
a) financial assets measured at amortised cost	55,704	22,251
b) financial assets at fair value through other comprehensive income	(36,953)	(2,040)
c) financial liabilities	(46,986)	(56,042)
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(60,984)	(196,040)
a) financial assets and liabilities designated at fair value	680	(28,330)
b) other financial assets mandatorily at fair value	(61,664)	(167,710)
120. Gross income	**2,257,927**	**829,504**
130. Net adjustments/recoveries for credit risk relating to:	(111,879)	(29,968)
a) financial assets measured at amortised cost	(110,874)	(29,968)
b) financial assets at fair value through other comprehensive income	(1,005)	
140. Gains/losses from changes in contracts without derecognition	(2,199)	
150. Financial income (expense), net	**2,143,849**	**799,536**
160. Net premium income	202,651	806,793
170. Net other income (expense) from insurance operations	(130,130)	57,986
180. Net income from financial and insurance operations	**2,216,370**	**1,664,315**
190. Administrative expenses:	(7,411,688)	(6,842,174)
a) staff costs	(1,956,925)	(1,809,960)
b) other administrative expenses	(5,454,763)	(5,032,214)
200. Net accruals to the provisions for risks and charges:	(16,343)	5,828
a) guarantees issued and commitments	(11,511)	80,145
b) other net accrual	(4,832)	(74,317)
210. Net adjustments to/recoveries on property, plant and equipment	(1,442,922)	(1,372,552)
220. Net adjustments to/recoveries on intangible assets	(599,116)	(564,187)
230. Other operating income (costs)	11,919,545	11,121,092
240. Operating costs	**2,449,476**	**2,348,007**
250. Gains (losses) on equity investments	1,108,254	1,053,758
260. Gains (losses) on tangible and intangible assets measured at fair value		
270. Gains (losses) on equity investments		
280. Gains (losses) on disposal of investments	18,767	592,352
290. Income (loss) before tax from continuing operations	**5,792,867**	**5,658,432**
300. Income tax for the year on continuing operations	(1,459,412)	(1,196,774)
310. Income (loss) after tax on continuing operations	**4,333,455**	**4,461,658**
320. Income (loss) after tax on discontinued operations		
330. Net income (loss) for the year	**4,333,455**	**4,461,658**
340. Net income (loss) for the year pertaining to non-controlling interests	1,442,604	1,518,344
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,890,851**	**2,943,314**

The data as at 31 December 2017 have been reconciled to the new schemes as described in the Accounting Policies, “Other issues” Section.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro) Items		2018	2017
10.	**Net income (loss) for the year**	**4,333,455**	**4,461,658**
	Other comprehensive income not transferred to income statement	**(259,450)**	**(827)**
20.	Equity securities designated at fair value through other comprehensive income	(268,782)	
70.	Defined benefit	5,393	(2,030)
90.	Share of valuation reserves of equity investments accounted for using equity method	3,939	1,203
	Other comprehensive income transferred to income statement	**(509,688)**	**(1,527,383)**
110.	Exchange rate differences	7,096	(57,322)
120.	Cash flow hedges	(150,059)	115,950
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(213,529)	112,726
160.	Share of valuation reserves of equity investments accounted for using equity method	(153,196)	(1,698,737)
170.	**Total other comprehensive income**	**(769,138)**	**(1,528,210)**
180.	**Comprehensive income (items 10 + 170)**	**3,564,317**	**2,933,448**
190.	Consolidated comprehensive income pertaining to non-controlling interests	1,376,237	1,527,098
200.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**2,188,080**	**1,406,350**

The data as at 31 December 2017 have been reconcilied to the new schemes as described in the Accounting Policies, “Other issues” Section.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: CURRENT FINANCIAL YEAR

(thousands of euro)	Balance at 31/12/2017	Changes in opening balance	Balance at 01/01/2018	Allocation of net income for previous year		Changes for the period		
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions	
							Issues of new shares	Purchase of own shares
Share capital:	7,269,899		7,269,899			(1,561)		
a) ordinary shares	7,269,899		7,269,899			(1,561)		
b) preference shares								
Share premium reserve	4,248,963		4,248,963			(87,673)		
Reserves:	20,033,814	(218,779)	19,815,035	1,824,176		(14,948)		
a) income	19,235,885	(218,779)	19,017,106	1,824,176		13,970		
b) other	797,929		797,929			(28,918)		
Valuation reserves	681,619	409,657	1,091,276			22,870		
Equity instruments								
Interim dividends	(496,111)		(496,111)	496,111				
Treasury shares	(278,461)		(278,461)					(206,085)
Net income (loss)	4,461,658		4,461,658	(2,320,287)	(2,141,371)			
Total Equity	**35,921,381**	**190,878**	**36,112,259**		**(2,141,371)**	**(81,312)**		**(206,085)**
Equity Group	23,061,093	191,217	23,252,310		(1,345,159)	(118,809)		
Equity Non-controlling interests	12,860,288	(339)	12,859,949		(796,212)	37,497		(206,085)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: PREVIOUS FINANCIAL YEAR

(thousands of euro)	Balance at 31/12/2016	Changes in opening balance	Balance at 01/01/2017	Allocation of net income for previous year		Changes for the period		
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions	
							Issues of new shares	Purchase of own shares
Share capital:	7,420,005		7,420,005					
a) ordinary shares	7,420,005		7,420,005					
b) preference shares								
Share premium reserve	4,477,483		4,477,483			(222,626)		
Reserves:	20,751,578		20,751,578	(862,208)		175,579		
a) income	19,948,861		19,948,861	(862,283)		192,436		
b) other	802,717		802,717	75		(16,857)		
Valuation reserves	2,239,203		2,239,203			(4,619)		
Equity instruments								
Interim dividends	(205,133)		(205,133)	205,133				
Treasury shares	(132,348)		(132,348)					(146,113)
Net income (loss)	1,128,422	96,726	1,225,148	657,075	(1,882,223)			
Total Equity	**35,679,210**	**96,726**	**35,775,936**		**(1,882,223)**	**(51,666)**		**(146,113)**
Equity Group	22,528,064	96,726	22,624,790		(986,901)	(33,555)		
Equity Non-controlling interests	13,151,146		13,151,146		(895,322)	(18,111)		(146,113)

Changes for the period							Shareholders' Equity at 31/12/2018	Group's Equity 31/12/2018	Equity Non-controlling interests at 31/12/2018
Equity transactions						Comprehensive income for 2018			
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					(126,669)		7,141,669	4,051,143	3,090,526
					(126,669)		7,141,669	4,051,143	3,090,526
					(10,876)		4,150,414	2,378,517	1,771,897
	(9,382)			1,364	104,598		21,720,843	14,312,860	7,407,983
	(9,382)				104,690		20,950,560	14,311,786	6,638,774
				1,364	(92)		770,283	1,074	769,209
						(769,138)	345,008	479,959	(134,951)
(474,375)							(474,375)		(474,375)
							(484,546)	(57,220)	(427,326)
						4,333,455	4,333,455	2,890,851	1,442,604
(474,375)	**(9,382)**			**1,364**	**(32,947)**	**3,564,317**	**36,732,468**	**24,056,110**	**12,676,358**
					79,688	2,188,080	24,056,110	24,056,110	
(474,375)	(9,382)			1,364	(112,635)	1,376,237	12,676,358		12,676,358

Changes for the period							Shareholders' Equity at 31/12/2017	Group's Equity 31/12/2017	Equity Non-controlling interests at 31/12/2017
Equity transactions						Comprehensive income for 2017			
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					(150,106)		7,269,899	4,051,143	3,218,756
					(150,106)		7,269,899	4,051,143	3,218,756
					(5,894)		4,248,963	2,378,517	1,870,446
	(132,933)		11,672	974	89,152		20,033,814	12,981,676	7,052,138
	(132,933)				89,804		19,235,885	12,980,604	6,255,281
			11,672	974	(652)		797,929	1,072	796,857
					(24,755)	(1,528,210)	681,619	763,663	(82,044)
(496,111)							(496,111)		(496,111)
							(278,461)	(57,220)	(221,241)
						4,461,658	4,461,658	2,943,314	1,518,344
(496,111)	**(132,933)**		**11,672**	**974**	**(91,603)**	**2,933,448**	**35,921,381**	**23,061,093**	**12,860,288**
					50,409	1,406,350	23,061,093	23,061,093	
(496,111)	(132,933)		11,672	974	(142,012)	1,527,098	12,860,288		12,860,288

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	2018	2017
A. OPERATING ACTIVITIES		
1. Operations	**9,061,534**	**8,846,375**
Net income for the year (+/-)	4,333,455	4,461,658
Gains (losses) on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	88,164	148,933
Gains (losses) on hedging activities (-/+)	42,064	(11,336)
Net impairment adjustments (+/-)	111,879	206,026
Net value adjustments to property, plant and equipment and intangible assets (+/-)	2,042,038	1,908,691
Net provisions and other costs/revenues (+/-)	16,343	74,317
Net premiums not received (-)	(14,284)	(89,455)
Other insurance income not received/paid (-/+)	246,352	(251,470)
Unpaid charges, taxes and tax credits (+/-)	(299,469)	39,220
Write-downs/write-backs of equity investments (+/-)	(1,103,473)	(1,541,217)
Other adjustments (+/-)	3,598,465	3,901,008
2. Cash generated by/used in financial assets	**3,878,215**	**(8,986,510)**
Financial assets held for trading	(157,453)	76,531
Financial assets designated at fair value		
Other financial assets mandatorily measured at fair value	(541,507)	
Financial assets measured at fair value through other comprehensive income	(2,322,629)	(2,250,185)
Financial assets measured at amortised cost	7,033,499	(6,930,180)
Other assets	(133,695)	117,324
3. Cash generated by/used in financial liabilities	**1,520,430**	**6,303,857**
Financial liabilities measured at amortised cost	1,962,437	4,660,616
Financial liabilities held for trading	(103,948)	(104,693)
Financial liabilities designated at fair value	865	515,730
Other liabilities	(338,924)	1,232,204
Cash generated by/used in operating activities	**14,460,179**	**6,163,722**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**1,263,576**	**1,576,701**
Sale of equity investments	69,320	330,394
Dividends from equity investments	1,124,797	1,098,769
Sale of property plant and equipment	67,956	137,950
Sale of intangibles	1,503	9,588
Sales of subsidiaries and business units		
2. Cash used in	**(3,335,265)**	**(3,321,261)**
Purchase of equity investments	(490,454)	(319,406)
Purchase of property, plant and equipment	(2,008,343)	(2,157,360)
Purchase of intangible assets	(684,818)	(653,686)
Purchases of subsidiaries and business units	(151,650)	(190,809)
Cash generated by/used in investing activities	**(2,071,689)**	**(1,744,560)**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares		
Issue/purchase of equity instruments		
Dividend distribution and other allocations	(2,625,128)	(2,511,267)
Sale/purchase of third-party control		
Cash generated by/used in financing activities	**(2,625,128)**	**(2,511,267)**
CASH GENERATED/USED DURING THE YEAR	**9,763,362**	**1,907,895**

Reconciliation

Items (*)	2018	2017
Cash and cash equivalents at beginning of year	**151,666,515**	**149,758,620**
Total cash generated/used during the year	9,763,362	1,907,895
Cash and cash equivalents at end of year	**161,429,877**	**151,666,515**

The data as at 31 December 2017 have been reconcilied to the new schemes as described in the Accounting Policies, “Other issues” Section.

(*) 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 and the positive balance of the bank current accounts reported under item 40 “Financial assets measured at amortised cost” net of current accounts with a negative balance reported under item 10 “Financial liabilities measured at amortised cost”” under liabilities.

Notes to the consolidated financial statements

Introduction

Form and content of the financial statements

As in previous years, the consolidated financial statements of the Cassa depositi e prestiti Group ("CDP Group" or " Group") have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the "Credit and Financial Supervision" circular issued on 22 December 2005, in the version updated on 22 December 2017, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IAS/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 order to govern the application of:
- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC);

and interpretation sources adopted by the International Financial Reporting Interpretations Committee ("IFRIC", formerly SIC - Standing Interpretations Committee).

The currency used for the preparation of the consolidated financial statements is the euro. The consolidated financial statements consist of the Consolidated balance sheet, the Consolidated income statement, the Consolidated statement of comprehensive income, the Statement of changes in consolidated equity, the Consolidated statement of cash flows, and these Notes to the consolidated financial statements with the relevant annexes as well as the Board of Directors' Report on operations.

The consolidated financial statements clearly present, and give a true and fair view of, the Group's financial performance and results of operations for the year.

Basis of presentation

The consolidated financial statements and the tables of the notes to the consolidated financial statements are expressed in thousands of euros, unless otherwise specified.

Items with zero balances for both the current and prior financial year have been excluded. In the income statement, income is indicated as positive numbers, while expenses are shown in brackets.

The figures of the items, sub-items, and the "of which" specifications in the consolidated financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than 500 euro and raising fractions greater than 500 euro to the next highest thousand. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

The cash and cash equivalents reported in the Statement of cash flows comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury reported under item 40 b "Loans to customers", and the positive balance on bank accounts reported under item 40 a "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 information required by law, as applicable to CDP and its Group, as well as any supplemental information deemed necessary in order to give a true and fair view of the company's financial performance and standing.

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

With regard to the requirements of the afore-mentioned Circular 262/2005 on presentation of data and information for the scope of "prudential consolidation", we note that, in line with the Italian and EU regulatory framework, the CDP Group is not subject to prudential supervision on a consolidated basis. Therefore, the Parent Company CDP S.p.A. and the following companies, subject to supervision on an individual basis, were included where reference is made to the scope of "prudential consolidation": CDP Investments SGR and SACE Factoring.

Over significant, detailed information has been provided distinguishing between "prudential consolidation" (which can be referred to alternatively as "banking group"), "insurance companies" and "other companies". The scope of "insurance companies" includes SACE S.p.A. and SACE BT. All fully consolidated subsidiaries, other than those already included in the scope of the "prudential consolidation", or "banking group", and in the "insurance companies" scope, are included in the scope of the "other companies" scope.

Pursuant to Art. 5, Decree Law No. 269, 30 September 2003, on the transformation of CDP into a joint-stock company, the provisions of Title V, Legislative Decree No. 385, 1 September 1993 ("Consolidated Law on Banking") for intermediaries in the list referred to in Art. 106 of the same Legislative Decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account […]" shall apply to CDP.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

"Section F – Consolidated capital" was therefore not prepared.

The consolidated financial statements show data for the previous financial year for comparison purposes, as requested by the IFRS, reclassified to the new items under Circular no. 262, 5th update, which incorporates the changes introduced by IFRS 9 and 15, without making any changes in measurement and impairment.

Tables with zero amounts both for the reporting period and for the comparison year were omitted.

Auditing of the financial statements

The consolidated financial statements of the CDP Group are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes to the consolidated financial statements

The consolidated financial statements include Annex 1.1 "Scope of consolidation" and Annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129".

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with the International Financial Reporting Standards

These consolidated financial statements at 31 December 2018 have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2018, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale) L 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005, as amended, which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

Notably, on 22 December 2017, the Bank of Italy published the 5th update to Circular no. 262/2005 ("Bank financial statements: presentation formats and rules"), containing the following main changes:
- incorporation of IFRS 9 "Financial instruments", as well as the consequent amendments introduced in other international accounting and financial reporting standards, including IFRS 7 "Financial instruments: disclosures";
- incorporation of the new IFRS 15 "Revenue from contracts with customers";
- inclusion, within the notes to the financial statements, of the disclosure requirements established by Principle 8 "Disclosure", contained in the EBA document "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" (document EBA/GL/2017/06 of 20 September 2017).

This update to Circular no. 262/2005 is applied from 1 January 2018.

The IFRS applied for preparation of these consolidated financial statements are found in the list given in "Section 5 – Other issues".

Section 2 - General preparation principles

The consolidated financial statements of the GDP Group include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the "indirect method"), and these notes to the financial statements, as well as the Board of Directors' report on operations. These documents, the separate financial statements and the annexes to both separate and consolidated financial statements, make up the annual report.

The consolidated financial statements and tables in the notes to the consolidated financial statements present not only the net amounts for the current financial year but also the corresponding comparative values for the previous financial year.

The consolidated balance sheet, the consolidated income statement, and the consolidated statement of comprehensive income do not contain those items having a zero amount in the reference financial year and the previous financial year.

In the consolidated income statement, the consolidated statement of comprehensive income, and the tables of the notes to the consolidated financial statements, revenues are indicated without sign, while costs are shown in brackets.

For the purposes of interpretation and to provide support in applying the financial reporting standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;

- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);
- documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules.

Where the information required by the IFRS 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 provide supplemental information for such purpose.

These consolidated financial statements have been prepared in accordance with the provisions of IAS 1 - "Presentation of financial statements":
- Going concern basis: pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document no. 2 of 6 February 2009 concerning disclosures on the going concern basis 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 single 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 consolidated financial statements on a going concern basis.
- Accruals basis: operations are recognised in the accounting records and in the consolidated financial statements of the CDP Group (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are taken to profit or loss in accordance with the matching principle.
- Materiality and aggregation: all items containing assets, liabilities, revenues and expense of a similar nature and with similar characteristics are presented separately in the financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation.
- Frequency of reporting: the CDP Group has prepared these consolidated financial statements, presenting the related disclosures, on an annual basis. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- Comparative information: comparative information is disclosed in respect of the previous financial year. Comparative information, at the same reporting date, is provided for each document comprising the financial statements, including the notes thereto.

Use of estimates

The application of International Financial Reporting Standards in preparing the consolidated financial statements requires the CDP Group to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, 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 reference financial year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the consolidated financial statement items and future earnings results.

The main areas in which management is required to make subjective assessments are:
- the calculation of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the calculation of provisions for employees and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the accuracy of the value of goodwill and other intangible assets;
- the technical reserves of the insurance companies;
- the valuation of work in progress and inventories of raw materials, semi-finished and finished goods.

The description of the accounting policies used for the main consolidated 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 equity investments 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 2018, as approved by competent corporate bodies of consolidated companies, adjusted as necessary to harmonise them with 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 2017.

The following statement shows the companies consolidated on a line-by-line basis.

1. Equity investments in subsidiaries

Company name	Headquarters	Registered office	Type of relationship [1]	Equity investment		% of votes [2]
				Investor	holding %	
1. ACE Marine LLC	Green Bay - WI	Green Bay - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
2. Asset Company 2 S.r.l.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
3. Asset Company 4 S.r.l.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
4. Avvenia the Energy Innovator S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
5. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
6. Baranogas Reti Srl	Turin	Turin	1	Italgas Reti SpA	100.00%	100.00%
7. Bonafous S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
8. CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	97.13%	97.13%
				Fintecna S.p.A.	2.87%	2.87%
9. CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
10. CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
11. CDP RETI S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
12. CDP Technologies AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
13. CDP Technologies Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100.00%	100.00%
14. Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
			1	Seaf S.p.A.	15.00%	15.00%
15. Cinque Cerchi S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
16. Cubogas s.r.l.	S. Donato Milanese	S. Donato Milanese	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
17. Delfi S.r.l.	Follo (SP)	Follo (SP)	1	Fincantieri S.p.A.	100.00%	100.00%
18. Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100.00%	100.00%
19. EGN Distribuzione S.r.l.	Turin	Turin	1	European Gas Network – EGN S.r.l.	100.00%	100.00%
20. Enersi Sicilia	Caltanissetta	S. Donato Milanese	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
21. Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50.50%	50.50%
22. European Gas Network – EGN S.r.l.	Turin	Turin	1	Italgas Reti SpA	60.00%	60.00%
23. FIA 2	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
24. Fincantieri Marine Group Llc	Washington, DC	Washington, DC	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
25. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
26. FIT - Fondo Investimenti per il Turismo	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
27. FIT1 - Fondo Investimenti per il Turismo	Rome	Rome	4	FIT - Fondo Investimenti per il Turismo	100.00%	100.00%
28. FIV PLUS	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
29. FIV Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
30. FMSNA YK	Nagasaki	Nagasaki	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
31. FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
32. Favaragas Reti S.r.l.	Turin	Turin	1	Italgas Reti SpA	100.00%	100.00%
33. Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Shanghai	1	Fincantieri S.p.A.	100.00%	100.00%
34. Fincantieri Australia Pty Ltd	Sydney	Sydney	1	Fincantieri S.p.A.	100.00%	100.00%
35. Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri S.p.A.	80.00%	80.00%
			1	Fincantieri Holding B.V.	20.00%	20.00%
36. Fincantieri Europe S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
37. Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100.00%	100.00%
38. Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri Holding B.V.	99.00%	99.00%
			1	Fincantieri S.p.A.	1.00%	1.00%
39. Fincantieri Infrastructure S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%

Company name	Headquarters	Registered office	Type of relationship [1]	Equity investment		% of votes [2]
				Investor	holding %	
40. Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Green Bay - WI	1	Fincantieri USA Inc.	87.44%	87.44%
41. Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Chesapeake - VI	1	Fincantieri Holding B.V.	100.00%	100.00%
42. Fincantieri S.p.A.	Trieste	Trieste	1	Fintecna S.p.A.	71.64%	71.64%
43. Fincantieri SI S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
44. Fincantieri Services Middle East LLC	Doha	Doha	1	Fincantieri S.p.A.	100.00%	100.00%
45. Fincantieri Services USA LLC	Miami	Miami	1	Fincantieri USA Inc.	100.00%	100.00%
46. Fincantieri Sweden AB	Stockholm	Stockholm	1	Fincantieri S.p.A.	100.00%	100.00%
47. Fincantieri USA Inc.	Washington, DC	Washington, DC	1	Fincantieri S.p.A.	100.00%	100.00%
48. Fintecna SpA	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
49. Fondo Sviluppo Export	Milan	Milan	1	SACE S.p.A.	100.00%	100.00%
50. Fontenergia 10	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
51. Fontenergia 11	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
52. Fontenergia 15	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
53. Fontenergia 19	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
54. Fontenergia 26	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
55. Fontenergia 27	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
56. Fontenergia 35	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
57. Fontenergia 37	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
58. Fontenergia 4	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
59. Fontenergia 6	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
60. Fontenergia 7	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
61. Fontenergia 9	Sassari	Sassari	1	Medea S.p.A.	100.00%	100.00%
62. Fontenergia S.r.l.	Lanusei	Lanusei	1	Medea S.p.A.	100.00%	100.00%
63. GNL Italia S.p.A.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
64. Gasrule Insurance D.A.C.	Dublin	Dublin	1	Snam S.p.A.	100.00%	100.00%
65. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
66. Grecanica Gas Srl	Turin	Turin	1	Italgas Reti S.p.A.	100.00%	100.00%
67. IES Biogas s.r.l.	Pordenone	Pordenone	1	Snam 4 Mobility S.p.A.	100.00%	70.00%
68. Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100.00%	100.00%
69. Italgas S.p.A.	Milan	Milan	4	CDP RETI S.p.A.	26.04%	26.04%
			4	Snam S.p.A.	13.50%	13.50%
70. Infrastrutture Trasporto Gas S.p.A.	Milan	S. Donato Milanese	1	Asset Company 2 S.r.l.	100.00%	100.00%
71. Ischia Gas S.r.l.	Ischia	Turin	1	European Gas Network - EGN S.r.l.	100.00%	100.00%
72. Ischia Reti Gas Srl	Turin	Turin	1	Italgas Reti S.p.A.	100.00%	100.00%
73. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
74. Issel Nord S.r.l.	Follo	Follo	1	Delfi S.r.l.	100.00%	100.00%
75. Italgas Acqua S.p.A.	Caserta	Milan	1	Italgas S.p.A.	100.00%	100.00%
76. Marine Interiors S.p.A.	Caneva (PN)	Trieste	1	Seaf S.p.A.	100.00%	100.00%
77. Marigliano Gas S.r.l.	Nola	Turin	1	European Gas Network - EGN S.r.l.	100.00%	100.00%
78. Marinette Marine Corporation	Marinette - WI	Marinette - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
79. Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	100.00%	100.00%
80. Monita Interconnector S.r.l.	Rome	Rome	1	Terna Rete Italia S.p.A.	5.00%	5.00%
			1	Terna S.p.A.	95.00%	95.00%
81. Naturgas S.r.l.	Nola	Turin	1	Italgas Reti S.p.A.	100.00%	100.00%
82. Pentagramma Perugia S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
83. Pentagramma Romagna S.p.A. in liquidazione società unipersonale	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
84. Progas Metano S.r.l.	Turin	Turin	1	Italgas Reti S.p.A.	100.00%	100.00%
85. Resia Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
86. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74.47%	74.47%
87. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
88. Rete Verde 17 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
89. Rete Verde 18 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
90. Rete Verde 19 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
91. Rete Verde 20 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
92. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
93. SACE Fct	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%

Company name	Headquarters	Registered office	Type of rela-tionship [1]	Equity investment		% of votes [2]
				Investor	holding %	
94. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
95. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
96. Snam Rete Gas S.p.A.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
97. Snam S.p.A.	S. Donato Milanese	S. Donato Milanese	4	CDP RETI S.p.A.	30.37%	30.37%
98. SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	Terna Chile S.p.A.	0.01%	0.01%
			1	Terna Plus S.r.l.	99.99%	99.99%
99. SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	Terna Plus S.r.l.	99.99%	99.99%
			1	Terna Chile S.p.A.	0.01%	0.01%
100. SACE do Brasil	San Paolo	San Paolo	1	SACE S.p.A.	100.00%	100.00%
101. Seanergy a Marine Interiors Company S.r.l.	Pordenone	Pordenone	1	Marine Interiors S.p.A.	85.00%	85.00%
102. Seaonics AS	Alesund	Alesund	1	Vard Group AS	56.40%	56.40%
103. Seaonics Polska Sp.zo.o.	Gdansk	Gdansk	1	Seaonics AS	100.00%	100.00%
104. Seaside S.r.l.	Bologna	Bologna	1	Italgas S.p.A.	100.00%	100.00%
105. Seastema S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
106. Siculianagas Reti S.r.l.	Turin	Turin	1	Italgas Reti S.p.A.	100.00%	100.00%
107. SIMEST S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
108. Snam 4 Mobility S.p.A.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
109. Snam International B.V.	Rotterdam	Rotterdam	1	Snam S.p.A.	100.00%	100.00%
110. Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
111. Stogit S.p.A.	S. Donato Milanese	S. Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
112. Terna Crna Gora D.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100.00%	100.00%
113. Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
114. Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
115. Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
116. Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
117. Tep Energy Solution S.r.l.	Rome	Rome	1	Asset Company 4 S.r.l.	100.00%	82.00%
118. Terna Chile S.p.A.	Santiago del Cile	Santiago del Cile	1	Terna Plus S.r.l.	100.00%	100.00%
119. Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
120. Terna Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	65.00%	65.00%
			1	Terna Rete Italia S.p.A.	5.00%	5.00%
121. Terna Peru S.A.C.	Lima	Lima	1	Terna Chile S.p.A.	0.01%	0.01%
			1	Terna Plus S.r.l.	99.99%	99.99%
122. Terna S.p.A.	Rome	Rome	4	CDP RETI S.p.A.	29.85%	29.85%
123. TES Transformer Electro Service Asia Pvt Ltd	Magarpatta City, Pune	Magarpatta City, Pune	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
124. VBD1 AS	Norway	Norway	1	Vard Group AS	100.00%	100.00%
125. Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
126. Vard Accommodation Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro Tulcea S.r.l.	0.23%	0.23%
			1	Vard Accommodation AS	99.77%	99.77%
127. Vard Aqua Chile SA	Puerto Montt	Puerto Montt	1	Vard Aqua Sunndal AS	95.00%	95.00%
128. Vard Aqua Scotland Ltd	Lochgilphead	Lochgilphead	1	Vard Aqua Sunndal AS	100.00%	100.00%
129. Vard Aqua Sunndal AS	Sunndalsøra	Sunndalsøra	1	Vard Group AS	96.42%	96.42%
130. Vard Braila SA	Braila	Braila	1	Vard Group AS	5.88%	5.88%
			1	Vard RO Holding S.r.l.	94.12%	94.12%
131. Vard Contracting AS	Vatne	Vatne	1	Vard Group AS	100.00%	100.00%
132. Vard Design AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
133. Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51.00%	51.00%
134. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Electro AS	99.50%	99.50%
			1	Vard Electro Tulcea S.r.l.	0.50%	0.50%
135. Vard Electro AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
136. Vard Electro Braila S.r.l.	Braila	Braila	1	Vard Electro AS	100.00%	100.00%
137. Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Electro AS	99.00%	99.00%
			1	Vard Group AS	1.00%	1.00%
138. Vard Electro Canada Inc.	Vancouver	Vancouver	1	Vard Electro AS	100.00%	100.00%
139. Vard Electro Italy S.r.l.	Genoa	Genoa	1	Vard Electro AS	100.00%	100.00%

Company name	Headquarters	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	holding %	
140. Vard Electro Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro AS	99.96%	99.96%
141. Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100.00%	100.00%
142. Vard Engineering Constanta S.r.l.	Costanza	Costanza	1	Vard Braila SA	30.00%	30.00%
			1	Vard RO Holding S.r.l.	70.00%	70.00%
143. Vard Engineering Gdansk sp. Z o. o.	Danzica	Danzica	1	Vard Engineering Brevik AS	100.00%	100.00%
144. Vard Group AS	Alesund	Alesund	1	Vard Holdings Limited	100.00%	100.00%
145. Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	95.18%	95.18%
146. Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100.00%	100.00%
147. Vard Marine US Inc.	Houston	Houston	1	Vard Marine Inc.	100.00%	100.00%
148. Vard Niterói Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	0.01%
			1	Vard Group AS	99.99%	99.99%
149. Vard Offshore Brevik AS	Porsgrunn	Porsgrunn	1	Vard Group AS	100.00%	100.00%
150. Vard Piping AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
151. Vard Promar SA	Recife	Recife	1	Vard Group AS	100.00%	100.00%
152. Vard RO Holding S.r.l.	Tulcea	Tulcea	1	Vard Group AS	100.00%	100.00%
153. Vard Seaonics Holding AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
154. Vard Ship Repair Braila SA	Braila	Braila	1	Vard Braila SA	100.00%	100.00%
155. Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Ltd	100.00%	100.00%
156. Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
157. Vard Tulcea SA	Tulcea	Tulcea	1	Vard RO Holding S.r.l.	99.996%	99.996%
			1	Vard Group AS	0.004%	0.004%
158. Vard Vung Tau Ltd	Vung Tau	Vung Tau	1	Vard Singapore Pte Ltd	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 87/92;
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.

Compared with 31 December 2017, the greatest changes in the scope of line-by-line consolidation are represented by:
- the entry into the scope of consolidation of the Energy Service Companies (ESCos), Avvenia The Energy Innovator S.r.l., acquired in February 2018 through Terna Plus, and Seaside, whose entire share capital was acquired on 13 March 2018 through Italgas;
- the entry into the scope of consolidation of TEP Energy Solution and Enersi Sicilia, controlled through Snam;
- the consolidation of Pentagramma Romagna in liquidazione and of Pentagramma Perugia, of which the entire share capital was acquired during the year;
- the entry into the scope of consolidation of the following companies active in gas distribution: Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti, Siculianagas Reti, EGN Distribuzione, Ischia Gas, Marigliano Gas, Fontenergia, and Naturgas.

2. Significant assessments and assumptions to determine whether there is control, joint control or significant influence

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the 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 liabilities 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 equity is provisionally allocated to goodwill if positive or

to liabilities under item 80 “Other liabilities” if negative, net of any goodwill in the balance sheets of the investees. In accordance with IFRS 3.45 et seq., the difference resulting from the transaction is allocated within twelve 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 investee is effectively acquired.

Accounting for companies using the equity method

Associates and companies subject to joint control are accounted for using the equity method.

The equity method involves initial recognition of the equity investment 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 investment 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 equity 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 lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of companies subject to joint control and investments in associates was based on the most recent (annual or interim) financial statements of the companies.

Subsidiaries

Subsidiaries are entities, including structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group’s capacity to exercise powers in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:
- the purpose and structure of the investee, in order to identify the entity’s objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee’s performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:
- direct or indirect ownership — through a subsidiary — of over fifty per cent of voting rights of an entity, unless it can be demonstrated — in exceptional cases — that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders’ Meeting and unilateral ability to govern the main activities through:
  - control of over half of voting rights by virtue of an agreement with other investors;
  - power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
  - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
  - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body. Presence of the aforementioned factors was verified for equity investments in Snam, Terna and Italgas, over which, therefore, de facto control was ascertained.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:
- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

The carrying value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset — against the assets and the liabilities of the investees — as a counterparty of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well profits and losses between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary's revenues and costs are consolidated starting from the date on which control is acquired. Revenues and costs of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, i.e. until the Group no longer controls the investee. The difference between the disposal price for the subsidiary and the carrying value of its net assets at the same date is recorded in the income statement under item 280. "Gains (Losses) on disposal of investments" for companies consolidated on a line-by-line basis.

Non-controlling interests are presented in the balance sheet under item 190. "Non-controlling interests", separately from liabilities and equity pertaining to the Group. In the income statement, non-controlling interests are also presented separately under item 340. "Net income (loss) for the period pertaining to non-controlling interests".

For companies included into the scope of consolidation for the first time, the fair value of the cost incurred to acquire control over the equity investment, including ancillary charges, is measured at the acquisition date.

The difference between the disposal price of an interest held in a subsidiary and the relevant carrying value of net assets is recognised as a balancing entry in Equity, when the disposal does not entail a loss of control.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:
- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, *inter alia* through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;

– participation in the policy-making process, including in decision-making on dividends or other allocations;
– existence of significant transactions;
– exchange of managerial personnel;
– provision of key know-how.

Equity investments in associates are measured at equity.

3. Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- non-controlling 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, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro) Company name	% of non-controlling interests	Availability of votes of non-controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Terna S.p.A.	82.36%	82.36%	371,286
2. Snam S.p.A.	81.13%	81.13%	598,055
3. Italgas S.p.A.	82.06%	82.06%	142,394

(1) Available voting rights at Ordinary Shareholders' Meeting.
(2) Including interim dividend.

3.2 Equity investments in subsidiaries with significant non-controlling interests: accounting data

(thousands of euro) 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.	17,240,311	175	1,960,915	13,763,773	9,571,468	4,044,161	(78,669)	(91,315)	1,092,900	1,007,671	711,618		711,618	(36,672)	674,946
2. Snam S.p.A.	22,989,693	415	1,921,778	17,060,683	13,419,650	5,985,703	(168,871)	(229,045)	1,373,365	1,300,690	960,010		960,010	(18,533)	941,477
3. Italgas S.p.A.	6,926,443	225	138,622	5,641,676	3,973,943	1,329,247	(44,490)	(47,797)	453,385	426,365	313,595		313,595	(2,322)	311,273

4. Significant restrictions

No significant restrictions were found to exist.

5. Other information

No other information to be reported.

Section 4 - Events subsequent to the reporting date

No events requiring changes to the figures approved occurred between the reporting date of these consolidated financial statements and the date of their approval by the Board of Directors.

Significant events after the reporting date

The significant transactions which occurred after 31 December 2018 are summarised below.

CDP

The Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019, awarded the audit engagement for the period 2020-2028 to Deloitte & Touche S.p.A.

CDP's Board of Directors, in the same meeting during which the present consolidated financial statements have been approved, decided the partial demerger to CDP S.p.A. as the beneficiary, of the 2.87% stake held by the subsidiary Fintecna S.p.A. in CDP Equity S.p.A.

Fincantieri

In January 2019, through the subsidiary Fincantieri Infrastructure, in a consortium with Salini Impregilo, the subsidiary Fincantieri was awarded the contract to rebuild the bridge on the Polcevera river in Genoa.

On 21 February 2019, during the 2019 International Defence Exhibition & Conference (IDEX) in Abu Dhabi, Fincantieri and Abu Dhabi Shipbuilding (ADSB) announced that they had reached an agreement in principle to explore future forms of industrial and commercial cooperation in the UAE shipbuilding segment.

Terna

On 10 January 2019, Terna S.p.A. launched the private placement of a fixed-rate green bond issue for a total value of euro 250 million euro, which has been assigned a "BBB+" rating by Standard and Poor's, a "(P)Baa2" rating by Moody's and a "BBB+" rating by Fitch. The net proceeds of the issue will be used to fund the eligible green projects of the Company, confirming Terna's strategy aimed at combining sustainability and growth, to encourage the ongoing energy transition and generate increasing benefits for the country and all stakeholders.

On 15 February 2019, PI.SA.2 S.r.l., a company wholly owned by Terna S.p.A., was set up for the purpose of planning, building, managing, developing, operating and maintaining, also for third parties, line and structure networks and other infrastructures connected to such networks, plants and equipment conducive to operations in the electricity transmission sector; research, consulting and assistance on issues related to the core business.

On 1 March 2019, Snam and Terna signed a memorandum of understanding to define and implement shared initiatives, in particular on research, development and innovation and on the possible synergies between electricity system and gas system. The areas of activity covered by the agreement concern the development of shared national and European energy scenarios, to optimise the synergies between electricity system and gas system in the context of Snam's project to convert its compression and storage plants into dual energy gas-electricity plants, with significant benefits in terms of increased flexibility of the services rendered and reduced environmental impact. In addition, special importance will be given to research and development initiatives, with particular reference to the use of programmable renewable sources for electricity generation and to the new sector coupling technologies, aimed at ever-better use of resources, as well as the testing and development of innovative technological solutions for analysis and monitoring of infrastructures, hydrogeological analysis of territories, monitoring of construction sites, and joint optimisation of electricity grids and gas networks.

Section 5 - Other issues

IFRS endorsed at 31 December 2018 and in force since 2018

As required by IAS 8 - "Accounting policies, changes in accounting estimates and errors", details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2018, are provided below.

- Commission Regulation (EU) no. 2018/519 of 28 March 2018, published in the Official Journal L 87 of 3 April 2018, adopting Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

- Commission Regulation (EU) no. 2018/498 of 22 March 2018, published in the Official Journal L 82 of 26 March 2018, adopting the Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation. The amendments are intended to clarify the classification of particular prepayable financial assets when applying IFRS 9[46].
- Commission Regulation (EU) 2018/400 of 14 March 2018, published in the Official Journal L 72 of 15 March 2018, adopting Amendments to IAS 40 Investment Property – Transfers of investment property. The amendments clarify when a company is allowed to reclassify a property to (or from) the "investment property" category.
- Commission Regulation (EU) 2018/289 of 26 February 2018, published in the Official Journal L 55 of 27 February 2018, adopting Amendments to IFRS 2 Share-based Payments, aimed at clarifying how companies should apply the standard in some specific instances.
- Commission Regulation (EU) 2018/182 of 7 February 2018, published in the Official Journal L 34 of 8 February 2018, adopting Annual Improvements to International Financial Reporting Standards 2014-2016 Cycle that lead to changes to IAS 28 – Investments in associates and joint ventures, IFRS 1 - First-time Adoption of International Financial Reporting Standards and IFRS 12 – Disclosure of Interests in Other Entities (the latter should already be applied for 2017). The objective of the annual improvements is to address non-urgent, but necessary, issues discussed by the IASB during the project cycle on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required.
- Commission Regulation (EU) no. 2017/1988 of 3 November 2017, published in the Official Journal L 291 of 9 November 2017, adopting the Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts replacing IFRS 4 (IFRS 17).
- Commission Regulation (EU) no. 2017/1987 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting the Clarifications to IFRS 15 – Revenue from contracts with customers. The amendments aim to clarify some requirements and provide additional transitional relief for companies that are implementing the Standard.
- Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in the Official Journal L 323 of 29 November 2016, adopting IFRS 9 – Financial Instruments, aimed at improving the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20's call to move to a more forward-looking model for the recognition of expected losses on financial assets.
- Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in the Official Journal L 295 of 29 October 2016, adopting IFRS 15 – Revenue from contracts with customers, which aims to improve the financial reporting of revenue and to improve comparability of the top line in financial statements globally.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2019)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2018 (unless, where permitted, it is chosen to adopt them in advance):

- Commission Regulation (EU) 2019/412 of 14 March 2019, published in Official Journal L 73 of 15 March 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 12 and 23 and International Financial Reporting Standards (IFRS) 3 and 11. Companies should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019. The main amendments concerned:
  - IAS 12 "Income taxes"
    Accounting for all income taxes consequences of dividend payments in the same way;
  - IAS 23 "Borrowing costs"
    The company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale;
  - IFRS 3 "Business combinations"
    The company remeasures its previously held interest in a joint operation when it obtains control of the business;

46 The Regulation establishes that the amendments it contains shall apply from the start of the first financial year that begins on or after 1 January 2019. The text, however, indicates that the Commission considers the following: "Since Commission Regulation (EU) 2016/2067 has become applicable for financial periods starting at the latest on or after 1 January 2018, companies should be able to use International Financial Reporting Standard (IFRS) 9 - Financial Instruments as amended in the Annex to this Regulation as from the date of application of Regulation (EU) 2016/2067. Therefore, companies should be able to apply the provisions of this Regulation for financial periods starting on or after 1 January 2018."

– IFRS 11 "Joint arrangements"
  The company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Commission Regulation (EU) 2019/402 of 13 March 2019, published in Official Journal L 72 of 14 March 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 19. The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. The entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019.
- Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28. The amendments clarify that any entity that does not apply the equity method to financial instruments in associate companies or joint ventures should apply IFRS 9 to long-term equity interests without taking into account any adjustments made to their carrying amount. Entities apply these amendments retroactively, starting from financial periods that start on or after 1 January 2019. Early application is permitted.
- Commission Regulation (EU) 2018/1595 of 23 October 2018, published in the Official Journal L 265 of 24 October 2018, adopting IFRIC 23, which explains how to reflect uncertainty in accounting for income taxes.
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting IFRS 16 – Leases, which aims to improve financial reporting on lease contracts. Companies shall apply IFRS 16, at the latest, as from the commencement date of their first financial year starting on or after 1 January 2019. CDP has not adopted IFRS 16 in advance in its consolidated financial statements.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

On the basis of the analyses carried out, leases identified as having the CDP Group as lessee mainly refer to property leases.

As practical expedients envisaged by the transitional provisions of IFRS 16, the CDP Group opted to apply the standard to leasing contracts previously classified as leasing contracts pursuant to IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease".

Moreover, with reference to leases previously classified as operating leases, it has opted to:
- adopt the standard retrospectively, by recognising the cumulative effect as at the date of initial application, without restating the comparative information, instead posting any cumulative effect as an adjustment to the opening balance of the retained earnings;
- assess the activity consisting in right of use for an amount equal to the initial lease liability net of any prepaid expenses posted in the statement of financial position immediately before the date of initial application;
- not recognize assets and liabilities relating to lease contracts with a duration ending within 12 months of the date of initial application (these contracts will be recognised as short term leases);
- exclude the initial direct costs of assessing the activity consisting in the right of use as at the date of initial application.

The analyses performed during finalisation do not envisage any significant impacts, for the 2019 financial year, on the CDP Group's financial statements as a result of the application of the standard under consideration, limited essentially to the recognition of more assets (rights of use) and liabilities (lease payables).

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2018

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these consolidated financial statements:
- IFRS 17 Insurance Contracts (issued on 18 May 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017);
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018);
- Amendment to IFRS 3: Business Combinations (issued on 22 October 2018);
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018).

Bank of Italy Circular no. 262/2005 – 6th update of 30 November 2018

On 30 November 2018, the Bank of Italy published the 6th update to Circular no. 262/2005 (“Bank financial statements: presentation formats and rules”), which incorporates the changes introduced by IFRS 16 “Leases”. The consequent changes in other international accounting standards, including IAS 40 regarding investment property, introduced to guarantee the overall consistency of the accounting framework, were also incorporated[47]. The opportunity was taken to also implement the amendment to IFRS 12 “Disclosure of Interests in Other Entities”, which clarifies that the disclosure obligations envisaged for equity investments also apply to investments held for sale; the disclosure in the notes on credit risk was also updated with details referring to financial assets classified as “non-current assets and disposal groups held for sale” pursuant to IFRS 5. The changes took into account, on the one hand, the need to incorporate the minimum disclosure required by the new IFRS 16 and the amendments to IAS 40 and IFRS 12; and on the other, to maintain some information on leases currently present in the financial statements which, although not required by international accounting standards, is deemed relevant for correct assessment of intermediaries’ operations by users of the financial statements[48].

This update to Circular no. 262/2005 is applicable as from the financial statements closed or in progress as at 31 December 2019.

Other information

The Board of Directors meeting on 28 March 2019 approved the CDP Group’s 2018 consolidated financial statements, authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP.

Transition to IFRS 9 and IFRS 15

IFRS 9: Financial instruments

Regulatory provisions

From 1 January 2018, the new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, has replaced IAS 39, and governs the classification and measurement of financial instruments.

IFRS 9 is structured in three different areas: classification and measurement of financial instruments, impairment and hedge accounting.

As regards the first area, IFRS 9 envisages that the classification of the financial assets is guided, on the one hand, by the business model under which the assets are held and, on the other, by the characteristics of the contractual cash flows of these financial assets. In place of the four previous accounting categories, financial assets can be classified, according to IFRS 9 and in line with the two drivers mentioned above, into three categories: Financial assets measured at amortised cost, Financial assets measured at fair value through other comprehensive income (for debt instruments, the reserve is transferred to profit or loss if the instrument is sold) and, lastly, Financial assets measured at fair

47 The sphere of application of IAS 40 was extended, which now includes investment property leased amongst investment property. The rights of use acquired through leasing connected to investment properties are therefore governed by this standard, with the exception of some specific provisions, which refer to IFRS 16 (such as for example the rules on classification and initial recognition).

48 In particular, in relation to property investments, IFRS 16 does not require the user to provide some detailed information (see IFRS 16, paragraphs 48 and 56), such as for example presentation of the assets consisting in right of use separately to the other assets and depreciation expenses separated according to ownership title (owned or right of use acquired through lease).

value through profit or loss. Financial assets can be recognised in the first two categories and, therefore, be measured at amortised cost or at fair value through other comprehensive income, only if the relevant business model is, respectively, "Held to collect" (HTC) or "Held to collect and sale" (HTCS), and if it is demonstrated that they pass the "SPPI test" i.e. "Solely Payment of Principal and Interest". Equity securities are always recognised in the third category and are measured at fair value through profit or loss, unless the entity chooses (irrevocably during initial recognition), as regards equities not held for trading, to present the changes in value through other comprehensive income, which will never be transferred to profit or loss, not even if the financial instruments are sold (Financial assets measured at fair value through other comprehensive income without "recycling").

As far as financial liabilities are concerned, no substantial changes have been introduced compared to IAS 39 as regards their classification and measurement. The only new aspect is the accounting for "own credit risk": as regards financial liabilities designated at fair value (known as "liabilities under fair value option"), the standard specifies that changes in fair value due to a change in own credit risk are recognised in other comprehensive income, unless this type of treatment creates or increases an accounting mismatch in profit or loss, whereas the residual amount of fair value changes of the liabilities must be recognised through profit or loss.

With reference to impairment, as regards instruments measured at amortised cost or at fair value through other comprehensive income (other than equity instruments), a model based on "expected loss" is introduced, instead of the "incurred loss" specified in IAS 39, so that any losses may be recognised with greater promptness. IFRS 9 requires companies to account for expected losses in the following 12 months (stage 1) from the initial recognition of the financial instrument. Conversely, the time horizon for calculating the expected loss becomes the remaining life of the asset being measured, when the credit quality of the financial instrument has incurred a "significant" deterioration compared to its initial measurement (stage 2) or when it is "impaired" (stage 3). More specifically, the introduction of the new impairment rules leads to:

- the allocation of performing financial assets into different credit risk stages ("staging"), which correspond to value adjustments based on expected losses over the following 12 months (known as "Stage 1"), or "lifetime", i.e. the residual maturity of the instrument (known as "Stage 2"), in the event of a significant increase in credit risk ("SICR") calculated by comparing the Probabilities of Default on the date of initial recognition and on the reporting date;
- the allocation of non-performing financial assets to "Stage 3", also with value adjustments based on the expected "lifetime" losses;
- the inclusion in the calculation of Expected Credit Losses ("ECL") of forward-looking information associated, among other things, with the trends in the macroeconomic scenario.

Lastly, with reference to hedge accounting, the new hedging model – which however does not concern the so-called "macro hedges" – aims to align the accounting presentation with the risk management activities and to strengthen the disclosure of risk management activities undertaken by the entity that prepares the financial statements.

Choices of the CDP Group

As regards the procedures for representing the effects of first-time adoption of the standard, the Group decided to take advantage of the option provided by paragraph 7.2.15 of IFRS 9 and paragraphs E1 and E2 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which allows entities not to restate comparable figures. According to the instructions contained in the document issuing the 5th update to Circular no. 262 of the Bank of Italy, dated 22 December 2017, banks that take advantage of the exemption in preparing comparative figures must include a statement of reconciliation in the first financial statements prepared in accordance with the update, highlighting the method used and providing reconciliation between the figures in the last approved financial statements and the first financial statements prepared in accordance with the new provisions. Therefore, the date of first-time adoption of the new standard for the CDP Group is 1 January 2018.

The following paragraphs provide a brief analysis of the main effects on the CDP Group arising from the application of IFRS 9, divided according to the three impact areas as defined above.

Classification and measurement

In order to implement the classification and measurement rules laid down by the new Standard and, therefore, to classify financial assets on the basis of the Business Model and the contractual cash flow characteristics, an analysis was conducted on the securities and loans portfolios (within the scope of a Group Project, as regards the Parent Company and the companies subject to management and coordination) to identify and define the related Business Models, i.e. the methods of managing financial assets with regard to the generation of cash flows.

The process of defining the Business Models was therefore implemented by examining the existing management approaches (verifying whether the cash flows generated from financial assets arise from the collection of contractual cash flows or from the sale of the assets or from both), which substantially confirmed the portfolio management strategy conducted so far, in line with the objectives, general policies and Risk Policies, i.e. a management of the loan portfolio ascribable to a HTC) Business Model, and a management of the securities portfolio essentially ascribable to the HTC and HTCS Business Models.

As regards HTC portfolios, the thresholds under which sales may be permitted without affecting classification have been defined and, at the same time, parameters were established for identifying sales that are consistent with this business model as they are attributable to an increase in credit risk, a management of risk concentration or are executed close to maturity.

More specifically, within the scope of the HTC Business Model, sales are permitted:
- in the event of an increase in credit risk; the limits and/or the cases of admissibility have been defined in line with the impairment method;
- when they occur close to the maturity of the financial asset and the revenues from the sale are approximately the same as the collectable value of the remaining contractual financial flows. Specifically, the materiality threshold in terms of proximity to the maturity of the instrument has been established based on the residual duration of the loan;
- when they are not frequent and not significant, given, in particular for the Parent Company, the size, nature, experience and prospects of its portfolio.

The Business Models under which the financial assets are held have been approved by the Board of Directors.

The performance of the SPPI Test, consisting of the analysis of the characteristics of the cash flows for all financial assets, on the other hand, required portfolios to be structured into uniform subcategories that would allow the systematic study of products with similar characteristics, compared to those with special characteristics.

For the loan portfolio, this consisted of identifying the types of “Standard Products” and “Non-Standard Products” for the purposes of IFRS 9, based on whether or not there are contractual clauses that can be attributed to a contractual standard or uniform contractual clauses that are relevant for IFRS 9 purposes. This classification enabled the conduct of a precise analysis, and thus of the SPPI Test, on all the loans held in CDP’s portfolio as at 31 December 2017.

All potentially critical contractual clauses for the purposes of the SPPI Test were carefully and thoroughly analysed. Only one subset of a product of a subsidiary did not pass the test.

The method adopted to conduct the test was based on the use of a specific checklist and a related decision tree.

All the parameters and indexing rules of the loan portfolio were also fully mapped, together with the related frequency of interest payments. This enabled the identification of positions that have a modified time value of money remuneration, for which the significance of the modification needed to be measured (Benchmark Test).

For the securities classified in the HTC and HTCS portfolios, the SPPI Test was conducted with the support of an external provider and the result was subject to review and/or, where necessary, input from the competent areas (Risk Management area and Administration, Accounting and Reporting area).

For the loans segment, the analyses conducted did not result in changes in classification. Whereas, for the securities segment, a very small number of classification and measurement changes were required.

In addition, it should be noted that on the basis of the analyses conducted and clarifications provided by the IFRS Interpretation Committee, units in collective investment undertakings have been classified among the assets that are mandatorily measured at fair value through profit or loss.

The specified classification procedures have been applied as from 1 January 2018.

Impairment

The process of implementing the new accounting provisions has led CDP to define its policies and methods of Stage Allocation and calculation of expected losses so that they are compliant with IFRS 9 and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of the Parent Company’s portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has registered an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical time horizon of its assets and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are ascribed to a master scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the main available information, including information on trends, since the structure of the system is forward-looking and relates to the duration of the exposure. Stage allocation is, therefore, mainly based on the use of these methods that are considered appropriate for managing the CDP assets.

In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within Stage 3. Conversely, as regards performing assets, it is necessary to define criteria for assigning them to Stage 1 or Stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from Stage 1 to Stage 2 takes account, among other things, of the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings).

The decision to use ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in Stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes (known as "watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible deterioration of creditworthiness;
- classification as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to Stage 3 without first passing through Stage 2.

In accordance with the Standard and in line with the Stage Allocation policy, when the conditions that led to a position being attributed to Stage 2 cease to exist, it may return to Stage 1 with the consequent reduction in the associated expected loss.

As regards debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in Stage 2, which require the calculation of the expected losses over a time horizon that corresponds to the residual maturity of the instrument, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE), even though this is permitted by IFRS 9. This possibility consists of classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. The decision not to adopt this exemption takes account of the Basel Committee recommendations, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:

- specific attributes of the debtor, and
- general economic conditions and the assessment of current and forecast conditions (*forward-looking information*).

As regards estimating expected loss, IFRS 9 requires the adoption of the Point – in – Time (PIT) PD instead of the Through – the – Cycle (TTC) PD which CDP uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD drawing on the TTC PD which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios: a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic aspects of each position (i.e. existence of collateral or a "security package"), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed, with reference to the Group Project, by the Risk Management Area, in collaboration with the Administration, Accounting and Reporting Area. The adoption of key choices on the implementation of the Standard was examined by the Internal Risk Committee and Board Risk Committee and was lastly approved by the Board of Directors of the Parent Company.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

Hedge Accounting

As regards Hedge Accounting, IFRS 9 contains provisions relating to the "General Hedge Accounting Model" aimed at providing a greater alignment between the hedge accounting positions and the risk management strategies adopted by the management. The new standard does not envisage the accounting model for collective hedging relationships of loan portfolios (so-called Macro Hedging) which is still being analysed by the IASB research group.

While waiting for new regulatory provisions, the CDP Group has decided to take advantage of the opt-out option in FTA: all hedging transactions will continue to be managed in line with the past according to the (carved out) provisions in IAS 39.

IFRS 15: Revenue from Contracts with Customers

Regulatory provisions

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to

this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:
1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

Choices of the CDP Group

In line with the decisions taken with respect to IFRS 9 and in accordance with IFRS 15 Appendix C, the CDP Group has opted to apply the new standard retrospectively, by recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (IFRS 15 §C7). The date of first-time adoption of the new standard for the CDP Group is 1 January 2018.

Additional reclassifications made on 1 January 2018 in accordance with the 5th Update of Circular no. 262 of the Bank of Italy

The 5th Update of Circular no. 262 of the Bank of Italy clarified the fact that Property, plant and equipment that was recognised in accordance with IAS 2 “Inventories” must be reclassified to item 90 “Property, plant and equipment” and no longer recognised in item 130 “Other assets”.

The same update also specified that the provisions made with respect to off-balance sheet exposures must be recognised in item 100 “Provisions for risks and charges” instead of item 80 “Other liabilities”.

The following statements concerning the effects of first-time adoption of IFRS 9 and IFRS 15 also include the aforesaid reclassifications.

Transition statements

The reference regulatory framework for the consolidated financial statements of CDP saw the introduction, in 2018, of two new relevant standards - IFRS 9 “Financial instruments” (Commission Regulation (EU) 2016/2067 of 22 November 2016) and IFRS 15 “Revenue from contracts with customers” (Commission Regulation (EU) 2016/1905 of 22 September 2016) - and the consequent amendment to Circular no. 262 published by the Bank of Italy in an updated version in December 2017.

These standards incurred two additions such as the clarifications to IFRS 15 published with Commission Regulation (EU) 2017/1987 of 31 October 2017 and the Amendments to IFRS 9 Financial instruments - Prepayment Features with Negative Compensation published with Commission Regulation (EU) 2018/498 of 22 March 2018, both adopted by the Group in these financial statements.

With reference to IFRS 9 and IFRS 15, the CDP Group has decided to apply them retrospectively but without restating the comparative figures for the previous financial year as regards the end-of-period figures or for the previous period regarding the flow data.

Considering the requirements contained in the international financial reporting standards in terms of disclosure in such circumstances, and in particular in IFRS 7, as regards the adoption of IFRS 9 and also the changes made in the updated version of Circular no. 262, the following disclosure information has been prepared, represented by:
- the statements transferring the balance sheet items at 31 December 2017 from the accounting categories with names used in the 2017 consolidated financial statements to the new accounting categories introduced by the updated version of Circular no.262. This statement transfers the carrying amounts to the new items without making any changes in measurement and impairment, keeping the overall closing totals of assets, liabilities and equity items exactly the same;
- the measurement statements concerning the accounting categories introduced to take account of the impacts arising from the adoption of IFRS 9 (measurement and impairment) and IFRS 15 (measurement) and of the related tax effects. This statement highlights the opening balance sheet balances at 1 January 2018 and the subsequent effects on equity at the same date;
- the statement of reconciliation of equity at 31 December 2017 with the opening equity at 1 January 2018;

- the breakdown of exposures at amortised cost that are subject to the impairment process.

The impacts resulting from the adoption of the new standards involve an adjustment to the opening balance of retained earnings. As specified in the updated version of Circular no.262, the impacts on equity resulting from the adoption of IFRS 9 and 15 at 1 January 2018 are highlighted in the section entitled "Changes in opening balances" in the statement of changes in Equity for the year in those items that will incur these effects.

Statements transferring balance sheet figures

The following statements show the transfer of the balance sheet items at 31 December 2017 from the accounting categories with names used in the 2017 consolidated financial statements (and thus as required by the previous version of Circular no.262), to the new accounting categories introduced by the updated version of Circular no.262. These statements show the carrying values resulting from the published 2017 consolidated financial statements that have been transferred to the new items, taking account of the analyses conducted as part of the projects implemented by the Group, without making any changes in measurement and impairment due to the adoption of IFRS 9 and IFRS 15, keeping the overall closing totals of assets, liabilities and equity items exactly the same.

The statement relating to the balance sheet asset items shows the following main changes:

ASSETS

IAS 39 / IFRS9 (thousands of euro)	10. Cash and cash equivalents	20. Financial assets held for trading	30. Financial assets designated at fair value	40. Financial assets available for sale	50. Financial assets held to maturity	60. Loans to banks	70. Loans to customers
10. Cash and cash equivalents	1,015						
20. Financial assets measured at fair value through profit or loss		896,815	182,382	1,074,584	549,627		888,841
30. Financial assets measured at fair value through other comprehensive income				9,523,380			
40. Financial assets measured at amortised cost			73,503		30,181,380	43,137,745	256,294,390
50. Hedging derivatives							
60. Fair value change of financial assets in hedged portfolios (+/-)							
70. Equity investments							
80. Reinsurers' share of technical reserves							
90. Property, plant and equipment							
100. Intangible assets							
110. Tax assets							
120. Non-current assets and disposal groups held for sale							
130. Other assets							
Total assets	**1,015**	**896,815**	**255,885**	**10,597,964**	**30,731,007**	**43,137,745**	**257,183,231**

In particular:

- the financial assets at fair value amounting to 255.9 million euro included the convertible bond (CB) disbursed to Valvitalia, units of UCIs of 10.2 million euro and other financial assets amounting to 73.5 million euro. The first two financial instruments were transferred to financial assets mandatorily measured at fair value through profit or loss: the CB in connection with the disappearance of the conditions that allowed its designation at fair value and its failure to pass the SPPI test because of the existence of options, and the units of UCIs in connection with their nature and structure. The financial asset held by Terna, based on the analysis carried out by the company, was reclassified among the financial assets measured at amortised cost;
- the financial assets available for sale, amounting to 10,597.9 million euro, were transferred to the item "Financial assets measured at fair value through other comprehensive income" whenever these were represented by debt instruments held in a HTCS business model and passed the SPPI test (9,441.1 million euro), along with equities which the holding company irrevocably decided to classify within that cate-

80. Hedging derivatives	90. Fair value change of financial assets in hedged portfolios (+/-)	100. Equity investments	110. Reinsurers' share of technical reserves	120. Property, plant and equipment	130. Intangible assets	140. Tax assets	150. Non-current assets and disposal group held for sale	160. Other assets	Total assets
									1,015
									3,592,249
									9,523,380
									329,687,018
988,655									988,655
	(41,503)								(41,503)
		19,769,766							19,769,766
			670,812						670,812
				35,813,995				1,364,515	37,178,510
					8,050,650				8,050,650
						1,701,679			1,701,679
							23		23
								8,411,494	8,411,494
988,655	**(41,503)**	**19,769,766**	**670,812**	**35,813,995**	**8,050,650**	**1,701,679**	**23**	**9,776,009**	**419,533,748**

gory, given their nature as a stable investment. The remaining financial assets amounting to 1,074.6 million euro were transferred to financial assets mandatorily measured at fair value through profit or loss, of which 1,072.5 million euro relate to units in funds and investment vehicles held by CDP for long-term investment to support specific initiatives and therefore included in this item in relation to their nature and structure. The residual amount of 60.7 million euro relates to equity securities classified as such based on the provisions of IAS 32; an irrevocable decision was made to classify them among financial assets measured at fair value through other comprehensive income;

- the financial assets held to maturity amounting to 30,731 million euro were transferred to the item "Financial assets measured at amortised cost" whenever these were represented by debt instruments held in a HTC business model and passed the SPPI test (30,181.4 million euro), and to the item "Financial assets mandatorily measured at fair value through profit or loss" when they did not pass the SPPI test;
- loans to customers and banks held within a HTC business model and which passed the SPPI test were transferred to financial assets measured at amortised cost. In case of failure in passing the test, i.e. for a limited number of securities and a subset of a type of loans

with significant option components, the loans were classified among financial assets mandatorily measured at fair value through profit or loss;
- in addition, to take account of the provisions in the updated version of Circular no.262, the inventories of property, plant and equipment under IAS 2 (as specified in paragraph 8.5 of Section 8 - 2.7.16 – of the Circular) were transferred from Other assets to Property, plant and equipment.

The statement, relating to the items in the balance sheet liabilities, shows the transfer of the overall net adjustments for guarantees and commitments from other liabilities to provisions for risks and charges (188.1 million euro).

LIABILITIES

IAS 39 / IFRS9 (thousands of euro)	10. Due to banks	20. Due to customers	30. Securities issued	40. Financial liabilities held for trading	50. Financial liabilities designated at fair value
10. Financial liabilities measured at amortised cost	25,934,885	300,331,654	37,237,527		
20. Financial liabilities held for trading				184,354	
30. Financial liabilities designated at fair value					519,228
40. Hedging derivatives					
50. Fair value change of financial liabilities in hedged portfolios (+/-)					
60. Tax liabilities					
70. Liabilities associated with non-current assets and disposal groups held for sale					
80. Other liabilities					
90. Staff severance pay					
100. Provisions for risks and charges					
110. Technical reserves					
Total liabilities	**25,934,885**	**300,331,654**	**37,237,527**	**184,354**	**519,228**

Considering the methods used to prepare the statements transferring balance sheet items as regards assets and liabilities, equity did not incur any changes.

EQUITY

IAS 39 / IFRS9 (thousands of euro)	140. Valuation reserves	150. Share capital repayable on demand
120. Valuation reserves	763,663	
130. Redeemable shares		
140. Equity instruments		
150. Reserves		
160. Share premium reserve		
170. Share capital		
180. Treasury shares (-)		
190. Non-controlling interests (+/-)		
200. Net income (loss) for the year (+/-)		
Total equity	**763,663**	
Total liabilities and equity		

60. Hedging derivatives	70. Fair value change of financial liabilities in hedged portfolios (+/-)	80.Tax liabilities	90. Liabilities associated with non-current assets and disposal groups held for sale	100. Other liabilities	110. Staff severance pay	120. Provisions for risks and charges	130. Technical reserves	Total liabilities
								363,504,066
1,340								185,694
								519,228
667,714								667,714
	32,400							32,400
		3,549,637						3,549,637
				9,720,862				9,720,862
					221,039			221,039
				188,131		2,615,810		2,803,941
							2,407,786	2,407,786
669,054	**32,400**	**3,549,637**		**9,908,993**	**221,039**	**2,615,810**	**2,407,786**	**383,612,367**

160. Equity instrument	165. Interim dividends	170. Reserves	180. Share premium reserve	190. Share capital	200. Treasury share (-)	210. Non-controlling interests (+/-)	220. Net income (loss) for the year	Total equity
								763,663
		12,981,676						12,981,676
			2,378,517					2,378,517
				4,051,143				4,051,143
					(57,220)			(57,220)
						12,860,288		12,860,288
							2,943,314	2,943,314
		12,981,676	**2,378,517**	**4,051,143**	**(57,220)**	**12,860,288**	**2,943,314**	**35,921,381**
								419,533,748

The measurement and impairment statements of balance sheet figures – opening figures at 1 January 2018

The statements below, called “measurement statements”, highlight the impacts resulting from the application of the measurement rules in IFRS 9 and IFRS 15 and the impairment rules in IFRS 9. In particular, taking the transferred balances shown in the previous statements as the starting point, the gross effects as a result of the adoption of the standards were calculated, along with the related tax effects.

The statements also highlight the overall impacts on equity at 1 January 2018.

ASSETS

(thousands of euro)	31/12/2017	IFRS 9			IFRS 15		01/01/2018
Assets		**Classification and measurement**	**Impairment**	**Taxation**	**Measurement**	**Taxation**	
10. Cash and cash equivalents	1,015						1,015
20. Financial assets measured at fair value through profit or loss	3,592,249	63,521					3,655,770
30. Financial assets measured at fair value through other comprehensive income	9,523,380						9,523,380
40. Financial assets measured at amortised cost	329,687,018		(478,407)				329,208,611
50. Hedging derivatives	988,655						988,655
60. Fair value change of financial assets in hedged portfolios (+/-)	(41,503)						(41,503)
70. Equity investments	19,769,766	604,233	(105,455)		(15,646)		20,252,898
80. Reinsurers’ share of technical reserves	670,812						670,812
90. Property, plant and equipment	37,178,510						37,178,510
100. Intangible assets	8,050,650				484,972		8,535,622
110. Tax assets	1,701,679			160,909		8,403	1,870,991
120. Non-current assets and disposal groups held for sale	23						23
130. Other assets	8,411,494		(1,511)		(108,628)		8,301,355
Total assets	**419,533,748**	**667,754**	**(585,373)**	**160,909**	**360,698**	**8,403**	**420,146,139**

LIABILITIES AND EQUITY

(thousands of euro) Liabilities and equity	31/12/2017	IFRS 9			IFRS 15		01/01/2018
		Classification and measurement	Impairment	Taxation	Measurement	Taxation	
10. Financial liabilities measured at amortised cost	363,504,066	(10,102)					363,493,964
20. Financial liabilities held for trading	185,694						185,694
30. Financial liabilities designated at fair value	519,228						519,228
40. Hedging derivatives	667,714						667,714
50. Fair value change of financial liabilities in hedged portfolios (+/-)	32,400						32,400
60. Tax liabilities	3,549,637			13,077			3,562,714
70. Liabilities associated with non-current assets and disposal groups held for sale							
80. Other liabilities	9,720,862				406,354		10,127,216
90. Staff severance pay	221,039						221,039
100. Provisions for risks and charges	2,803,941		12,184				2,816,125
110. Technical reserves	2,407,786						2,407,786
120. Valuation reserves	763,663	397,908	11,672				1,173,243
130. Redeemable shares							
140. Equity instruments							
150. Reserves	12,981,676	254,738	(442,891)		(30,210)		12,763,313
160. Share premium reserve	2,378,517						2,378,517
170. Share capital	4,051,143						4,051,143
180. Treasury shares (-)	(57,220)						(57,220)
190. Non-controlling interests (+/-)	12,860,288	8,784	(2,085)		(7,038)		12,859,949
200. Net income (loss) for the year (+/-)	2,943,314						2,943,314
Total liabilities and equity	**419,533,748**	**651,328**	**(421,120)**	**13,077**	**369,106**		**420,146,139**

The main impacts of IFRS 9 relate to the application of the impairment rules. Since these cover an extremely wide scope and provide for the estimate of lifetime expected credit losses instead of those calculated within twelve months for positions classified in Stage 2, they have led to a significant increase in overall net adjustments to loans and securities (478.4 million euro) and on guarantees and commitments (12.2 million euro).

Overall net adjustments also affected securities classified as financial assets measured at fair value through other comprehensive income (with additional impairment of 9.9 million euro) offset, however, by an equal increase in changes in fair value, resulting in a zero net impact.

Conversely, there was a limited impact resulting from the different classification of financial assets and it substantially related to their transfer to financial assets mandatorily measured at fair value through profit or loss due to their failure to pass the SPPI test.

The main impacts arising from IFRS 15 are substantially related to the subsidiaries Fincantieri and Italgas. Fincantieri established the effects of the new standard on its accounts by analysing a combination of a range of goods and services into a single contractual obligation, the change of timing for the recognition of revenues and the capitalisation of incremental costs for obtaining contracts, with an overall effect of reducing the equity of the CDP Group by 14 million euro after the tax effects.

As regards the subsidiary Italgas, IFRS 15 led to the adoption of a different accounting treatment for connection fees for private users. It emerged that it was necessary to present the remuneration component for the initial installation investment amount (connection fee) as a revenue to be deferred over time in line with the useful life of the asset to which it refers, rather than consider the connection fee as a capital contribution that would be recognised as a reduction of assets. This kind of registration resulted in an increase in assets of 437 million euro, as of 1 January 2018, and a corresponding increase in other liabilities for the portion of revenues from fees that were deferred based on the technical-economic useful life of the plants to which they refer, with no impact on equity[49].

The impact that the two standards had on companies accounted for using equity method was also illustrated and regarded primarily Poste Italiane and Eni. For the former this resulted in an overall increase of 425 million euro, and for the latter of 64 million euro. In both cases, the effect of impairment under the new rules of IFRS 9 was considerable, although it was more than offset by changes in the measurement of financial instruments.

49 The adoption of IFRS 15 for Italgas led to a different representation of its assets and liabilities. For this reason, although this did not generate an effect on equity, it was illustrated in the measurement and impairment statement and not in the transfer statement, precisely in order to keep the value of total balance sheet assets and liabilities, in the latter statement, the same as those published in the 2017 consolidated financial statements.

Statement of reconciliation of equity

The statement of reconciliation of equity is provided below and details the impacts described in the above statement:

(thousands of euro)	Effects of transition to IFRS 9/IFRS 15
IAS 39 Equity at 31/12/2017	**35,921,381**
of which:	
- *Group*	*23,061,093*
- *Non-controlling interests*	*12,860,288*
Classification and measurement	632,200
Adjustment to carrying value of financial assets due to modification of the Business Model	
Adjustment to fair value of financial assets due to failure to pass SPPI test	63,520
Value Adjustment of equity investments measured at equity	604,233
Adjustment to carrying value of financial liabilities	10,102
Adjustment to carrying value of financial liabilities designated at fair value	
Impacts arising from adoption of IFRS 15	(45,655)
Restatement from valuation reserves to income reserves:	
- net change in valuation reserves due to application of new classification and measurement rules	(32,855)
- net change in income reserves due to application of new classification and measurement rules	32,855
Impairment	(597,557)
Application of the new (ECL) impairment model to loans measured at amortised cost:	(445,088)
- performing (Stage 1 and 2)	(429,543)
- non-performing (Stage 3)	(15,545)
Application of the new (ECL) impairment model to trade receivables	(1,512)
Application of the new (ECL) impairment model to equity investments valued at equity	(105,453)
Application of the new (ECL) impairment model to guarantees given and (irrevocable and revocable) commitments to disburse funds	(12,184)
Application of the new (ECL) impairment model to debt securities at amortised cost:	(33,320)
- performing (Stage 1 and 2)	(33,320)
- non-performing (Stage 3)	
Restatement from valuation reserves to income reserves:	
- net change in the valuation reserve due to impairment of financial assets measured at fair value through other comprehensive income	6,369
- net change in the income reserve due to impairment of financial assets measured at fair value through other comprehensive income	(6,369)
Tax effect	156,235
Attribution to equity pertaining to non-controlling interests of the effects of transition to IFRS 9 and IFRS 15	(339)
Total effects on the Group Equity of transition to IFRS 9 and IFRS 15 as at 01/01/2018	191,217
IFRS 9 and IFRS 15 Equity at 01/01/2018	**36,112,259**
of which:	
- *Group*	*23,252,310*
- *Non-controlling interests*	*12,859,949*

Total equity increased by 191 million euro. The greater impairment losses (-597 million euro), integrated by the negative effects of IFRS 15 amounting to -46 million euro, were more than offset by the positive effects of the measurement of financial instruments (+678 million euro) and by the overall tax effects (+156 million euro).

With respect to net adjustments due to impairment, it should be noted that the greater impairment losses, largely attributable to the Parent Company, amounted to 445 million euro.

Breakdown of exposures at amortised cost subject to the impairment process

The statements below show the breakdown of exposures at amortised cost subject to the impairment process according to the existing rules of IAS 39 as at 31 December 2017 and the existing rules of IFRS 9 as at 1 January 2018.

	IAS 39 carrying amount as at 31/12/2017		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure
On-balance sheet loans - To banks - performing	41,973,213	(93,322)	41,879,891
On-balance sheet loans - To banks - non performing	26		26
Total	**41,973,239**	**(93,322)**	**41,879,917**

	IAS 39 carrying amounts as at 31/12/2017		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure
On-balance sheet loans - To customers - performing	244,828,252	(272,160)	244,556,092
On-balance sheet loans - To customers - non performing	717,931	(226,604)	491,327
Total	**245,546,183**	**(498,764)**	**245,047,419**

				IFRS 9 Categories - Balance as at 01/01/2018					
				Debt securities measured at AC					
	IAS 39 carrying amount as at 31/12/2017			First stage			Second stage		
(thousands of euro)	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
Securities held to maturity - performing	30,731,007		30,731,007	30,181,380	(21,856)	30,159,524			
Securities held to maturity - non performing									
Securities held to maturity - Total	**30,731,007**		**30,731,007**	**30,181,380**	**(21,856)**	**30,159,524**			
Securities classified among loans to banks - performing	1,258,918	(1,090)	1,257,828	1,258,918	(5,929)	1,252,989			
Securities classified among loans to banks - non performing									
Securities classified among loans to banks - Total	**1,258,918**	**(1,090)**	**1,257,828**	**1,258,918**	**(5,929)**	**1,252,989**			
Securities classified among loans to customers - performing	12,139,714	(3,902)	12,135,812	11,785,924	(10,527)	11,775,397			
Securities classified among loans to customers - non performing									
Securities classified among loans to customers - Total	**12,139,714**	**(3,902)**	**12,135,812**	**11,785,924**	**(10,527)**	**11,775,397**			
Securities available for sale - performing	9,441,056		9,441,056						
Securities available for sale - non performing									
Securities available for sale - Total	**9,441,056**		**9,441,056**						

IFRS 9 Categories - Balance as at 01/01/2018

Loans to banks (other than debt securities)

First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
39,343,920	(31,040)	39,312,880	2,629,294	(30,605)	2,598,689			
						26		26
39,343,920	**(31,040)**	**39,312,880**	**2,629,294**	**(30,605)**	**2,598,689**	**26**		**26**

IFRS 9 Categories - Balance as at 01/01/2018

Loans to customers (other than debt securities)

First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
230,136,988	(154,383)	229,982,605	13,673,743	(568,031)	13,105,712	489,714	(543)	489,171
						667,308	(209,193)	458,115
230,136,988	**(154,383)**	**229,982,605**	**13,673,743**	**(568,031)**	**13,105,712**	**1,157,022**	**(209,736)**	**947,286**

IFRS 9 Categories - Balance as at 01/01/2018

Debt securities measured at AC			Debt securities measured at FVTOCI								
Third stage			First stage			Second stage			Third stage		
Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure
			9,450,922	(9,866)	9,441,056						
			9,450,922	**(9,866)**	**9,441,056**						

Financial assets and liabilities measured at fair value – breakdown by level of fair value

The statements below show the breakdown by levels of fair value of the portfolios of financial assets and liabilities measured at fair value according to the existing rules of IAS 39 as at 31 December 2017 and the existing rules of IFRS 9 as at 1 January 2018.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 31/12/2017 – LEVELS OF FAIR VALUE

(thousands of euro)	31/12/2017	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss:	3,592,249	1,192,139	344,300	2,055,810
a) financial assets held for trading	894,208	641,881	192,901	59,426
b) financial assets designated at fair value				
c) other financial assets mandatorily measured at fair value	2,698,041	550,258	151,399	1,996,384
Financial assets measured at fair value through other comprehensive income	9,523,380	9,441,056		82,324
Hedging derivatives - assets	988,655		988,655	
Financial liabilities held for trading	185,694		141,595	44,099
Financial liabilities measured at fair value	519,228		501,551	17,677
Hedging derivatives - liabilities	667,714		667,714	

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AT 01/01/2018 – LEVELS OF FAIR VALUE

(thousands of euro)	01/01/2018	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss:	3,655,770	1,243,418	345,666	2,066,686
a) financial assets held for trading	894,208	641,881	192,901	59,426
b) financial assets designated at fair value				
c) other financial assets mandatorily measured at fair value	2,761,562	601,537	152,765	2,007,260
Financial assets measured at fair value through other comprehensive income	9,523,380	9,441,056		82,324
Hedging derivatives - assets	988,655		988,655	
Financial liabilities held for trading	185,694		141,595	44,099
Financial liabilities measured at fair value	(519,228)		501,551	17,677
Hedging derivatives - liabilities	667,714		667,714	

Comparative data

As reported in the section “Comparison and disclosure” of the Notes to the consolidated financial statements, the comparative information for the balance sheet data at 31 December 2017 in presented ad reclassified figures as described in more detail in the “Other issues” section of the accounting policies in the paragraphs “Transition statements”.

The comparative figures at 31 December 2017 included in the statement of cash flows have consequently been reclassified and restated.

The table below shows the statement transferring the income statement items at 31 December 2017 from the accounting categories with names used in the 2017 consolidated financial statements to the new accounting categories introduced by the updated version of Circular no.262. The income statement figures have been restated.

The transfer pertains the figures accounted in the old accounting category named “Net impaired losses/recoveries”.

INCOME STATEMENT

IAS 39 / IFRS9 (thousands of euro)	10. Interest income and similar income	20. Interest expense and similar expense	40. Commission income	50. Commission expense	70. Dividends and similar revenues
10. Interest income and similar income	7,640,903	(187,615)			
20. Interest expense and similar expense		(4,692,597)			
40. Commission income			158,976		
50. Commission expense				(1,627,417)	
70. Dividends and similar revenues					4,884
80. Profits (losses) on trading activities					
90. Fair value adjustments in hedge accounting					
100. Gains (losses) on disposal or repurchase					
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss					
130. Net adjustments/recoveries for credit risk					
160. Net premium income					
170. Net other income (expense) from insurance operations					
190. Administrative expenses					
200. Net accruals to the provisions for risks and charges					
210. Net adjustments to/recoveries on property, plant and equipment					
220. Net adjustments to/recoveries on intangible assets					
230. Other operating income (costs)					
250. Gains (losses) on equity investments					
260. Gains (losses) on tangible and intangible assets measured at fair value					
280. Gains (losses) on disposal of investments					
300. Income tax for the year on continuing operations					
330. Net income (loss) for the year					
340. Net income (loss) for the year pertaining to non-controlling interests					
350. Net income (loss) for the year pertaining to shareholders of the Parent Company					
Total income statement	**7,640,903**	**(4,880,212)**	**158,976**	**(1,627,417)**	**4,884**

80. Profits (losses) on trading activities	90. Fair value adjustments in hedge accounting	100. Gains (losses) on disposal or repurchase	110. Profits (losses) on financial assets and liabilities designated at fair value	130. Net impairment losses/recoveries	150. Net premium income	160. Net other income (expense) from insurance operations	180. Administrative expenses
(244,047)			21				
	8,267						
		(35,831)					
		23,354	(28,618)	(190,776)			
				(29,968)			
					806,793		
						57,986	
							(6,842,174)
				80,145			
		257		(712)			
(244,047)	**8,267**	**(12,220)**	**(28,597)**	**(141,311)**	**806,793**	**57,986**	**(6,842,174)**

Cont'd: **INCOME STATEMENT**

IAS 39 / IFRS9 (thousands of euro)	190. Net accruals to the provisions for risks and charges	200. Net adjustments to/ recoveries on property, plant and equipment	210. Net adjustments to/ recoveries on intangible assets	220. Other operating income (costs)
10. Interest income and similar income				
20. Interest expense and similar expense				
40. Commission income				
50. Commission expense				
70. Dividends and similar revenues				
80. Profits (losses) on trading activities				
90. Fair value adjustments in hedge accounting				
100. Gains (losses) on disposal or repurchase				
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss				
130. Net adjustments/recoveries for credit risk				
160. Net premium income				
170. Net other income (expense) from insurance operations				
190. Administrative expenses				
200. Net accruals to the provisions for risks and charges	(74,317)			
210. Net adjustments to/recoveries on property, plant and equipment		(1,372,552)		
220. Net adjustments to/recoveries on intangible assets			(564,187)	
230. Other operating income (costs)				11,121,547
250. Gains (losses) on equity investments				
260. Gains (losses) on tangible and intangible assets measured at fair value				
280. Gains (losses) on disposal of investments				
300. Income tax for the year on continuing operations				
330. Net income (loss) for the year				
340. Net income (loss) for the year pertaining to non-controlling interests				
350. Net income (loss) for the year pertaining to shareholders of the Parent Company				
Total income statement	**(74,317)**	**(1,372,552)**	**(564,187)**	**11,121,547**

240. Gains (losses) on equity investments	250. Gains (losses) on tangible and intangible assets measured at fair value	270. Gains (losses) on disposal of investments	290. Income tax for the year on continuing operations	310. Income (loss) after tax on disposal groups held for sale	320. Net income (loss) for the year	330. Net income (loss) for the year pertaining to non-controlling interests	340. Net income (loss) for the year pertaining to shareholders of the Parent Company	Total income statement
								7,453,288
								(4,692,597)
								158,976
								(1,627,417)
								4,884
								(244,026)
								8,267
								(35,831)
								(196,040)
								(29,968)
								806,793
								57,986
								(6,842,174)
								5,828
								(1,372,552)
								(564,187)
								11,121,092
1,053,758								1,053,758
		592,352						592,352
			(1,196,774)					(1,196,774)
					4,461,658			4,461,658
						1,518,344		1,518,344
							2,943,314	2,943,314
1,053,758		**592,352**	**(1,196,774)**		**4,461,658**	**1,518,344**	**2,943,314**	**13,384,974**

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group at 31 December 2018 have been prepared by applying the same accounting standards as those used for preparation of the consolidated financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2018, as described in Section 5 – Other issues, A.1 General Information.

The following pages provide a description of the accounting policies adopted in preparing these consolidated financial statements.

1 - Financial assets measured at fair value through profit or loss (FVTPL)

The item "Financial assets measured at fair value through profit or loss" includes:

a) "Financial assets held for trading" represented by debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated under hedge accounting;
b) Financial assets designated at fair value" represented by debt securities and loans, with measurement results entered through profit or loss on the basis of the right accorded to companies by IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce a recognition inconsistency;
c) Other financial assets mandatorily measured at fair value" represented by debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented only by principal repayments and interest payments on the principal to be returned (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated under hedge accounting, operational hedging derivatives, as well as derivatives embedded in complex financial contracts, the host contract of which is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value with their related values recognised through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company wishes to standardise the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can assume both positive and negative values, derivatives are classified among Financial assets held for trading if their fair value is positive and among Financial liabilities held for trading if their fair value is negative.

Other financial assets mandatorily measured at fair value also include units of UCIs subscribed by CDP with the aim of implementing initiatives geared to supporting the economy in the long term. Given the nature of these initiatives, these financial assets are held within a Held to Collect business model, but because of their structure and also in relation to the clarifications provided by the IFRIC, their contractual terms do not enable them to pass the SPPI test.

Financial assets measured at fair value through profit or loss are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item “Profits (losses) on trading activities” in the income statement in relation to financial assets held for trading, including those relating to derivatives associated with the fair value option, or in the item “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss” as regards other types. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The interest arising from debt securities and loans classified as Financial assets measured at fair value through profit or loss are included in interest income and similar income, an item that also includes the positive and negative differentials and margins of operational hedging derivatives. The positive and negative differentials and margins of trading derivatives are included in the “Profits (losses) on trading activities”. Dividends and similar revenues of equity instruments classified among the “Financial assets measured at fair value through profit or loss” (including revenue from units of UCIs) are included in the item “Dividends and similar revenues”.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss 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 transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

The item “Financial assets measured at fair value through other comprehensive income” includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition under this item is also extended to equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of classifying the subsequent changes in the fair value of the instrument within the valuation reserves has been irrevocably exercised, with recognition through other comprehensive income (FVTOCI option[50]).

50 Fair Value Through Other Comprehensive Income option.

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. 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, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised. If the financial assets in question are derecognised, the cumulative gains or losses, previously recognised in the comprehensive income, are transferred from equity to the income statement.

Gains and losses on foreign exchange are included in the income statement among the Profits (losses) on trading activities.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of a value adjustment to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognized on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related adjustment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included under the item “Net adjustments/recoveries for credit risk”. No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument. In particular, CDP includes in that item the investments that are made with strategic objectives over the long term.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:
- the amounts recognised in the valuation reserve are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income 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 transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3 - Financial assets measured at amortised cost

The item “Financial assets measured at amortised cost” includes debt securities and loans that meet both of the following conditions:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:
- loans to banks (current accounts, deposits, security deposits, debt securities, repo transactions and other loans). This includes operating receivables associated with the provision of financial services. This also includes the amounts receivable from Central Banks (such as the reserve requirement), other than demand deposits included in “Cash and cash equivalents”;
- loans to customers (current accounts, mortgage loans, factoring, debt securities, repo transactions and other loans). It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions, in addition to operating receivables associated with the provision of business and financial services. The item also includes cash and cash equivalents held with the Central State Treasury.

Loans disbursed using funds provided by the State or other government agencies and intended for particular uses and operations required and regulated by special laws (“loans with third-party funds in administration”) are recognised under this item, provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. Conversely, loans disbursed using funds administered on behalf of the State or other entities are not included.

The loans granted 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 loan 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.

The special-purpose loans issued by CDP 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 schedule begins on 1 July or 1 January following the execution of the loan agreement. 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 contractually agreed lending rate. The short-term receivable for advances on loans in their grace period is measured at cost as permitted by 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. The receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted by CDP and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognized through profit or loss in the item "Net adjustments/recoveries for credit risk". In particular, an expected loss at one year is recognized on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related adjustment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Impaired assets include those financial instruments that have been attributed the status of bad debts, unlikely to pay or past due and/or overdrawn as defined by the current rules of the Bank of Italy for the purposes of supervisory reporting.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification). The difference between the gross value of the financial instrument before and after the renegotiation of contract terms (modification), is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

4 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged 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 company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Annex A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, 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 hedged item, 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 hedge effectiveness.

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 item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item 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%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item "Fair value adjustments in hedge accounting", relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific "Valuation reserve" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item "Fair value adjustments in hedge accounting". This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedge of a net investment in a foreign operation are accounted for in the same way as cash flow hedge.

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, in the item "Fair value adjustments in hedge accounting".

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 in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

Item 50 of the consolidated balance sheet assets and item 40 of the consolidated balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedge measured with reference to the risk hedged is recognised in Items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under “Fair value adjustments in hedge accounting” in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in “Gains (Losses) on disposal or repurchase” in the income statement.

5 - Equity investments

“Equity investments” includes investments in associates (according to IAS 28) and in joint arrangements (according to IFRS 11).

Associates are companies in which the CDP Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP Group 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.

Joint arrangements involve companies where control is contractually shared between the CDP Group and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method, where the original cost of the equity investment is adjusted (up or down) according to the change in the interest held by the investor in the equity of the investee.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying value of the equity investment (“equity method”).

Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:
- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying amount of the equity investment in the separate financial statements that exceeds the carrying amount, in the consolidated financial statements, of the net assets of the equity investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[51] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:
- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable value is lower than the carrying value, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the book value that would have existed if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement under "Gains (losses) on equity investments".

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - Property, plant and equipment

This item includes the capital assets used in operations governed by IAS 16, the investment property governed by IAS 40 and the inventories of property, plant and equipment governed by IAS 2. These include also assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

"Operating property, plant and equipment" consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

51 The indicator takes into consideration the distribution of a higher dividend than the result in the comprehensive income statement (or overall profitability for financial entities) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the profits for 2016, larger than the total overall profitability for 2017). In order to conduct the impairment test for the reference date of the half-yearly financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual maturity.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP Group at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	2.0%	3.0%
Movables	5.0%	20.0%
Electrical plant	4.0%	33.3%
Other:		
Power lines	2.2%	2.2%
Transformation stations	2.4%	6.7%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	1.7%	20.0%
Regasification	4.0%	4.0%
Industrial and commercial equipment	8.0%	33.3%
Other assets	3.0%	25.0%
Other plant and equipment	2.0%	33.3%

On the contrary, land and art works are not depreciated insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised carrying amount of the operating assets is tested for impairment. If signs of impairment are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on property, plant and equipment". If the reasons for which impairment was recognised cease to exist, the value of the asset is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

"Investment property" consists of real estate property held for investment purposes to be leased to third parties outside the CDP Group. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/ construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the consolidated financial statements is at cost, net of depreciation and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of items of property, plant and equipment 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.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value, on the understanding that one nevertheless compares the carrying amount of the asset and its recoverable amount, where there is some evidence that shows that the asset may have suffered an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - Intangible assets

"Intangible assets" includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:
- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at current values at the date of the acquisition. The value of the storage concessions, determined as indicated by the Ministry for Productive Activities (now the Ministry of Economic Development) in the decree of 3 November 2005, is recorded under the item "Other assets" of intangible assets valued at cost. 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. Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship. Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:
- the project is clearly 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.

If, regardless of the amortisation, there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on intangible assets". If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP Group, CGUs correspond to the individual legal entities. Since it is an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the adequacy of its carrying amount. An impairment test is performed at least annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable value of the CGU, the difference is recognised in the income statement at "Goodwill impairment". Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - Non-current assets and disposal groups held for sale

The balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with disposal groups held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. Disposal processes have been initiated for these assets, whose sale is deemed highly likely.

These non-current assets (or disposal groups) are presented separately from the balance sheet items "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being envisaged.

The individual assets of the companies classified as held for sale are not 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) held for sale through profit or loss. The corresponding balance sheet values for the previous financial 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 coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Income (loss) after tax on disposal groups held for sale".

9 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated asset Item “Tax assets” and consolidated liability Item “Tax liabilities”.

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of 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. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Some of the Group’s Italian companies joined the so-called “national fiscal consolidation” mechanism regulated by articles 117-129 of the Consolidated Income Tax Law (“TUIR”). It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism — inclusive of any tax withholding, deductions and tax credits — is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the allowance 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.

Contingent — not probable — liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pensions plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section "Staff severance pay" in paragraph 16 "Other information".

11 - Financial liabilities measured at amortised cost

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value". This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

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.

Postal savings bonds issued by CDP are reported under the item "Due to banks" and the item "Due to customers", 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 upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from 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 IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws ("third-party funds in administration"), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item "Due to banks", "Due to customers", and "Securities issued" are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company's own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives, and also derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for initial recognition and measurement of these derivatives are illustrated with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of the measurement results through profit or loss. 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 liabilities remain 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 "Profits (losses) on trading activities" in the income statement.

13 - Financial liabilities designated at fair value

This item includes financial liabilities, regardless of their technical form (debt securities, loans etc.), for which the option of measurement at fair value through profit or loss has been exercised ("Fair Value Option") in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;

- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:
- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves.
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it to third parties.

14 - Transactions in a foreign currency

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 annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot rate quoted on the reporting date.
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:
- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in “Profits (losses) on trading activities”. This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss”;
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in “Fair value adjustments in hedge accounting”.

15 - Insurance assets and liabilities

Insurance assets include amounts in respect of risks transferred to reinsurers under contracts governed by IFRS 4 and are classified on the balance sheet under item 80 “Reinsurers’ share of technical provisions”. Reinsurers’ share of technical provisions is determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

Insurance liabilities represented by technical provisions are classified under the item “Technical provisions”.

In accordance with IFRS 4, they may continue to be accounted for in line with local GAAP.

A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts.

Technical provisions also include any accruals made necessary by the liability adequacy test. Provisions for outstanding claims do not include compensation and equalisation provisions as they are not permitted under the IFRS. Provisions continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts) and, specifically, this item includes:

- the provision for unearned premiums, which comprises two sub-items: provision for premium instalments, determined on a *pro rata* basis, pursuant to Article 45 of Italian Legislative Decree no. 173 of 26 May 1997 and the provision for current 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 outstanding claims, which includes the net accruals for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. The provisions for outstanding claims 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.

16 - Other information

Other assets

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production 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. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Contract work in progress

The gross amount due from contract work in progress is shown in the balance sheet assets. When the revenues and costs related to contract work can be reliably estimated, the related contract work costs and revenues are recognised separately in the income statement 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 recognised immediately.

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.

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 financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to 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 financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other liabilities

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:
- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that a number of CDP Group companies with a small number of employees and an immaterial staff severance pay amount continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

Other income statement items

Revenue recognition

The revenue is recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:
- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

The revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Italian Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated fair value option (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from unconsolidated investees are recognised as income in the financial year in which they are approved for distribution.

The dividends from companies accounted for using the equity method reduce the carrying value of the equity investments.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item “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. That estimate is revised 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 for exercise, 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 whether market conditions have been met.

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 are 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 recognised in 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.

Net premium income

This macro-item includes accrued premiums in respect of contracts classifiable 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 re-insurance.

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 emission rights are understood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in “Other income” in the income statement.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the CDP Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement in the years when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete.

In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed.

The following items are an exception and are measured in accordance with their applicable standard:
- deferred tax assets and liabilities;
- assets and liabilities for 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 any equity interest previously held by the acquirer in the acquiree over the fair value at the acquisition date of the net assets acquired and the liabilities assumed. If the fair value at the acquisition date of the net assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree, the excess is recognised in the income statement as a gain from the transaction.

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement method is selected on a transaction basis.

Any contingent consideration provided in the business combination 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 calculating goodwill. Any subsequent changes in that fair value, which qualify as adjustments occurring during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed at the acquisition date, that has been obtained during the measurement period (which shall not exceed one year from the business combination).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the CDP Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, and thus between two or more entities already belonging to the same Group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under common control"). These transactions are in fact considered to have no economic substance.

A.3 - Disclosure of transfers between portfolios of financial assets

There were no transfers between portfolios of financial assets.

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 urgent 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"); 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). An instrument is considered to be traded on an active market 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 executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at 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 residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs 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, for example through the use of statistical or "expert-based" techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Area of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used 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 consistent 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 implemented in the systems.

The market parameters used as inputs for Level 2 valuations are selected 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 listed on active markets.

Specifically, the consolidated financial statements use fair value measurements assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable or readily available market parameters, and for the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

A reference framework for derivative contracts and bonds has been developed. This framework is composed of the valuation criteria and models on which the valuation of each category of instruments 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, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2018. With regard to the embedded derivatives in postal savings bonds, issued by CDP, 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 the consolidated financial statements:

- the valuations 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 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;
- bonds and tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the creditworthiness;
- equity interests and other unlisted 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

Level 3 valuation techniques are also applied consistently over time to consistent 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 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 set out in methodological documents updated on half-yearly basis by the Market Risk and ALM department, within the Risk Management

Area. The valuations are performed through internal systems used 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 on a recurrent basis of instruments classified at Level 3 and the sensitivity 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 to obtain a range of possible and reasonable 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 profile 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 Euro Stoxx 50 index. If the investor asks for early redemption of the bond, they lose the entitlement to receive any component of remuneration linked to the index and, as a result, the equity option sold by CDP lapses. For this category of financial instruments, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, 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 shall not be exceeded.

SENSITIVITY ANALYSIS TO THE REDEMPTION PROFILE

(thousands of euro) Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia and Europa Bonds	267	(266)

NAV Adjustment

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 2018 adjustments of this kind were made to the NAVs of some collective investment undertakings held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

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, the policies adopted by CDP Group require that the transfer from one level to another take 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 non-observability 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, or its estimate is not necessary 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

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euro) Financial assets/liabilities measured at fair value	31/12/2018			31/12/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss:	1,364,648	323,070	2,605,905	1,192,139	344,300	2,055,810
a) financial assets held for trading	777,269	171,415	87,299	641,881	192,901	59,426
b) financial assets designated at fair value						
c) non-trading financial assets mandatorily at fair value	587,379	151,655	2,518,606	550,258	151,399	1,996,384
2. Financial assets at fair value through other comprehensive income	11,486,443		96,421	9,441,056		82,324
3. Hedging derivatives		722,177			988,655	
4. Property, plant and equipment						
5. Intangible assets						
Total	**12,851,091**	**1,045,247**	**2,702,326**	**10,633,195**	**1,332,955**	**2,138,134**
1. Financial liabilities held for trading		63,003	18,744		141,595	44,099
2. Financial liabilities at fair value		500,024	19,389		501,551	17,677
3. Hedging derivatives		826,038			667,714	
Total		**1,389,065**	**38,133**		**1,310,860**	**61,776**

A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Financial assets mandatorily measured at fair value				
1. Opening balance	**2,055,810**	**59,426**		**1,996,384**	**82,324**			
Change in opening balance	10,876			10,876				
2. Increases	**855,963**	**39,217**		**816,746**	**20,209**			
2.1 Purchases	803,225	37,388		765,837	42			
2.2 Profits taken to:	50,599	1,829		48,770	20,166			
2.2.1 Income statement	50,599	1,829		48,770				
- of which: capital gains	*45,424*	*X*	*X*	*45,424*				
2.2.2 Equity		X	X		20,166			
2.3 Transfers from other levels								
2.4 Other increases	2,139			2,139	1			
3. Decreases	**316,744**	**11,344**		**305,400**	**6,112**			
3.1 Sales	549	549						
3.2 Repayments	228,228			228,228	5,617			
3.3 Losses taken to:	77,168			77,168				
3.3.1 Income statement	77,168			77,168				
- of which: capital losses	*77,110*			*77,110*				
3.3.2 Equity		X	X	X				
3.4 Transfers from other levels	*10,163*	10,163						
3.5 Other decreases	636	632		4	495			
4. Closing balance	**2,605,905**	**87,299**		**2,518,606**	**96,421**			

A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**44,099**	**17,677**	
Change in opening balance			
2. Increases	**2,387**	**501,736**	
2.1 Issues			
2.2 Losses taken to:	2,387	1,008	
2.2.1 Income statement	2,387	1,008	
- *of which: capital losses*	*2,387*	*161*	
2.2.2 Equity	X		
2.3 Transfers from other levels		499,863	
2.4 Other increases		865	
3. Decreases	**27,742**	**500,024**	
3.1 Repayments	15,261		
3.2 Buybacks			
3.3 Profits taken to:	12,481		
3.3.1 Income statement	12,481		
- *of which: capital gains*	*7,918*		
3.3.2 Equity	X		
3.4 Transfers from other levels		500,024	
3.5 Other decreases			
4. Closing balance	**18,744**	**19,389**	

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 euro) Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis	31/12/2018				31/12/2017			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	330,074,848	45,917,607	7,016,625	333,026,073	329,687,018	34,442,813	9,208,660	299,188,051
2. Investment property, plant and equipment	32,876		25,844	8,659	52,573		54,933	7,593
3. Non-current assets and disposal groups held for sale	11,583			11,583	23			11
Total	**330,119,307**	**45,917,607**	**7,042,469**	**333,046,315**	**329,739,614**	**34,442,813**	**9,263,593**	**299,195,655**
1. Financial liabilities measured at amortised cost	366,706,687	19,547,230	16,786,295	331,330,985	363,504,066	20,527,115	14,973,524	328,914,897
2. Liabilities associated with non-current assets and disposal groups held for sale								
Total	**366,706,687**	**19,547,230**	**16,786,295**	**331,330,985**	**363,504,066**	**20,527,115**	**14,973,524**	**328,914,897**

A.5 Disclosure of 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 measured 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 measured 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”.

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 Group has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of IFRS 7.28 and other related IFRS provisions.

Part B - Information on the consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	31/12/2018	31/12/2017
a) Cash	1,166	1,015
b) Free deposits with Central Banks		
Total	**1,166**	**1,015**

Section 2 - Financial assets measured at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euro)	31/12/2018									31/12/2017		
	Prudential consolidation			Insurance companies			Other entities					
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets												
1. Debt securities				700,828				99,335	69,453	105,696	91,644	42,860
1.1 Structured securities												
1.2 Other debt securities				700,828				99,335	69,453	105,696	91,644	42,860
2. Equity securities				6,441						6,207		
3. Units in collective investment undertakings				70,000						529,978	370	
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
Total A				**777,269**				**99,335**	**69,453**	**641,881**	**92,014**	**42,860**
B. Derivatives												
1. Financial derivatives		62,401			495			9,184	17,846		100,887	16,566
1.1 Trading		56,470			495			9,184	17,846		100,793	16,566
1.2 Associated with fair value option		75									94	
1.3 Other		5,856										
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
Total B		**62,401**			**495**			**9,184**	**17,846**		**100,887**	**16,566**
Total (A + B)		**62,401**		**777,269**	**495**			**108,519**	**87,299**	**641,881**	**192,901**	**59,426**

The financial derivatives relating to the Prudential consolidation include:

- the value of the options purchased as a hedge, for operational purposes, of the embedded option component of bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading;
- the positive fair value of interest rate derivatives.

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

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
A. On-balance sheet assets					
1. Debt securities		**700,828**	**168,788**	**869,616**	**240,200**
a) Central banks		7,765		7,765	104
b) General governments		663,727		663,727	82,114
c) Banks		9,481		9,481	8,634
d) Other financial companies		1,352	168,788	170,140	
- *of which: insurance companies*		*236*		*236*	
e) Non-financial companies		18,503		18,503	149,348
2. Equity securities		**6,441**		**6,441**	**6,207**
a) Banks		500		500	934
b) Other financial companies		177		177	
- *of which: insurance companies*		*177*		*177*	
c) Non-financial companies		168		168	
d) Other issuers		5,596		5,596	5,273
3. Units in collective investment undertakings		**70,000**		**70,000**	**530,348**
4. Loans					
Total A		**777,269**	**168,788**	**946,057**	**776,755**
B. Derivatives					
a) Central Counterparties					16,566
b) Others	62,401	495	27,030	89,926	100,887
Total B	**62,401**	**495**	**27,030**	**89,926**	**117,453**
Total (A + B)	**62,401**	**777,764**	**195,818**	**1,035,983**	**894,208**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2018			31/12/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	587,201	151,278	304,682	550,258	151,399	373,976
1.1 Structured securities						172,216
1.2 Other debt securities	587,201	151,278	304,682	550,258	151,399	201,760
2. Equity securities	178		4,112			2,076
3. Units in collective investment undertakings			1,662,282			1,082,674
4. Loans		377	547,530			537,658
4.1 Repurchase agreements						
4.2 Other		377	547,530			537,658
Total	**587,379**	**151,655**	**2,518,606**	**550,258**	**151,399**	**1,996,384**

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Equity securities			**4,290**	**4,290**	**2,076**
of which:					
- *banks*					
- *other financial companies*			*3,609*	*3,609*	
- *non-financial companies*			*681*	*681*	*2,076*
2. Debt securities	**309,174**	**587,201**	**146,786**	**1,043,161**	**1,075,633**
a) Central banks					
b) General governments	151,278	521,346		672,624	652,488
c) Banks		52,671		52,671	
d) Other financial companies	157,896	13,184	146,786	317,866	202,391
- *of which: insurance companies*					
e) Non-financial companies					220,754
3. Units in collective investment undertakings	**1,652,131**		**10,151**	**1,662,282**	**1,082,674**
4. Loans		**202,689**	**345,218**	**547,907**	**537,658**
a) Central banks					
b) General governments		68		68	
c) Banks		2,852		2,852	2,158
d) Other financial companies		5,043		5,043	
- *of which: insurance companies*					
e) Non-financial companies		194,726	345,218	539,944	535,500
f) Households					
Total	**1,961,305**	**789,890**	**506,445**	**3,257,640**	**2,698,041**

This item, which mainly includes the contribution of the Parent Company, consists of debt securities (approximately 1,043 million euro), loans (approximately 548 million euro) and units in collective investment undertakings (approximately 1,662 million euro) which, upon first-time adoption of IFRS 9, were classified in this item following the failure to pass the SPPI[52] test.

The item includes the convertible bond (CB) issued to Valvitalia by the subsidiary CDP Equity (formerly FSI) and sold to FSI Investimenti as part of the contribution completed in 2014. The CB has an original maturity of 7 years. It can be fully converted at any time and at FSI Investimenti's sole discretion (or compulsorily in the case of an IPO or other liquidity event) and has a coupon of at least 2%. This instrument has been measured at fair value, which amounted to 147 million euro at 31 December 2018.

Loans of 345 million euros to non-financial companies represented on behalf of other companies refer to receivables owed by the subsidiary SIMEST to its partners in connection with investment transactions in investee companies, which must be measured at fair value in accordance with IFRS 9 since they do not pass the SPPI test.

52 The SPPI test is a qualitative, and in some cases quantitative, analysis of the cash flows generated by the financial asset aimed at verifying whether or not they consist exclusively in payments of capital and interests accrued on the amount of the principal to be repaid and are compatible with a credit lending arrangement (IFRS 9 § 4.1.2 and 4.1.2 A (lett.b), 4.1.3 and § B4.1.7 – B 4.1.9E).

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro)	31/12/2018			31/12/2017		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	11,123,871			9,441,056		
1.1 Structured securities						
1.2 Other debt securities	11,123,871			9,441,056		
2. Equity securities	362,572		96,421			82,324
4. Loans						
Total	**11,486,443**		**96,421**	**9,441,056**		**82,324**

3.1 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2018			31/12/2017		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	10,720,944			9,441,056		
1.1 Structured securities						
1.2 Other debt securities	10,720,944			9,441,056		
2. Equity securities	362,475		51,134			32,695
4. Loans						
Total	**11,083,419**		**51,134**	**9,441,056**		**32,695**

The financial assets relating to the Prudential consolidation at 31 December 2018 include:

- debt securities for a value of 10,720.9 million euro. Taking into account the securities that were recorded under "Financial assets available for sale", in the published financial statements as at 31 December 2017 and that were included under this item on first-time adoption of IFRS 9, the figure shows an increase compared to the end of 2017. This item includes Italian government securities with a value of approximately 9,195 million euro;
- investments in equity securities for approximately 414 million euro (+381 million euro with respect to the end of 2017) and include the measurement at 31 December 2018 (362.5 million euro) of the 4.933% interest in TIM S.p.A., which was purchased in the first half of 2018.

3.1 of which: pertaining to Other companies

(thousands of euro)	31/12/2018			31/12/2017		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	402,927					
1.1 Structured securities						
1.2 Other debt securities	402,927					
2. Equity securities	97		45,287			49,629
4. Loans						
Total	**403,024**		**45,287**			**49,629**

Financial assets pertaining to other companies essentially include Government securities maturing in December 2019 purchased by the Terna Group (402.9 million euro) during the year.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Debt securities	**10,720,944**		**402,927**	**11,123,871**	**9,441,056**
a) Central banks					
b) General governments	9,472,928		402,927	9,875,855	8,540,363
c) Banks	889,817			889,817	900,693
d) Other financial companies	129,067			129,067	
- *of which: insurance companies*					
e) Non-financial companies	229,132			229,132	
2. Equity securities	**413,609**		**45,384**	**458,993**	**82,324**
a) Banks	41,881			41,881	23,676
b) Other issuer:	371,728		45,384	417,112	58,648
- other	4,253			4,253	9,183
of which: insurance companies					
- non-financial companies	367,475		298	367,773	5,303
- other			45,086	45,086	44,162
3. Loans					
Total	**11,134,553**		**448,311**	**11,582,864**	**9,523,380**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

	Gross value				Accumulated impairment			Accumulated partial write-off (*)
(thousands of euro)	Stage 1	Of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	10,700,156		434,586		(9,400)	(1,471)		
Loans								
Total 31/12/2018	**10,700,156**		**434,586**		**(9,400)**	**(1,471)**		
Total 31/12/2017	**9,441,056**							**9,441,056**
- *of which: impaired financial assets acquired or originated*	X	X			X			

(*) Value to be shown for information purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro)	Total 31/12/2018						Total 31/12/2017					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
Type of transactions/values	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks	7,713,798					7,713,798	23,997,985					23,997,985
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	7,713,798			X	X	X	23,997,985			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	17,111,242			667,747		15,575,324	19,139,734	26		973,890	3,138	18,534,748
1. Loans	16,139,329					15,273,323	17,881,906	26			3,138	18,230,249
1.2 Current deposit and demand deposit	3,198,509			X	X	X	4,065,690			X	X	X
1.2 Fixed-term deposits	640,139			X	X	X	1,109,268			X	X	X
1.3 Other financing:	12,300,681			X	X	X	12,706,948	26		X	X	X
- Repurchase agreements												
- Finance lease				X	X	X				X	X	X
- Other	12,300,681			X	X	X	12,706,948	26		X	X	X
2. Debt securities	971,913			667,747		302,001	1,257,828			973,890		304,499
2.1 Structured												
2.2 Other debt securities	971,913			667,747		302,001	1,257,828			973,890		304,499
Total	24,825,040			667,747		23,289,122	43,137,719	26		973,890	3,138	42,532,733

Loans to banks are primarily composed of:

- balance of the Parent Company on the management account for the Reserve Requirement for 7,714 million euro (-16,284 million euro approximately with respect to the end of 2017) against a minimum Reserve Requirement equal to 2.7 billion euro, with a maintenance period ended on 29 January 2019: the cash balance on the management account was produced by short-term funding on the collateralised money market (repurchase agreements);
- other loans of approximately 12,301 million euro, mostly attributable to loans granted by the Parent Company to the banking system as part of initiatives to support SMEs, with approximately 1,870 million euro deriving from the contribution of Snam;
- term deposits for approximately 640 million euro, of which about 639 million euro in respect of Credit Support Annexes (cash collateral) opened by the Parent Company to hedge counterparty credit risk on derivatives;
- current account balances amounting to around 3,199 million euro.

4.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Type of transactions/values	Total 31/12/2018						Total 31/12/2017					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks	7,713,798					7,713,798	23,997,985					23,997,985
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	7,713,798			X	X	X	23,997,985			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	12,559,932			667,747		11,775,526	14,630,221	26		973,890		14,028,424
1. Loans	11,588,019					11,473,525	13,372,393	26				13,723,925
1.2 Current deposit and demand deposit	518,360			X	X	X	473,476			X	X	X
1.2 Fixed-term deposits	639,436			X	X	X	191,969			X	X	X
1.3 Other financing:	10,430,223			X	X	X	12,706,948	26		X	X	X
- repurchase agreements												
- finance lease				X	X	X				X	X	X
- other	10,430,223			X	X	X	12,706,948	26		X	X	X
2. Debt securities	971,913			667,747		302,001	1,257,828			973,890		304,499
2.1 Structured												
2.2 Other debt securities	971,913			667,747		302,001	1,257,828					
Total	20,273,730			667,747		19,489,324	38,628,206	26		973,890		38,026,409

4.1 of which: pertaining to Insurance companies

(thousands of euro) Type of transactions/values	Total 31/12/2018						Total 31/12/2017					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 & 2	Stage 3 Acquired or originated	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks												
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	X
4. Other				X	X	X				X	X	X
B. Loans to banks	91,816					91,816	59,668				3,138	56,530
1. Loans	91,816					91,816	59,668				3,138	56,530
1.2 Current deposit and demand deposit	91,816			X	X	X	42,991			X	X	X
1.2 Fixed-term deposits				X	X	X	16,677			X	X	X
1.3 Other financing:				X	X	X				X	X	X
- repurchase agreements												
- finance lease				X	X	X				X	X	X
- other				X	X	X				X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	91,816					91,816	59,668				3,138	56,530

4.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/values	Total 31/12/2018						Total 31/12/2017					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks												
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	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**4,459,494**					**3,707,982**	**4,449,845**					**4,449,794**
1. Loans	4,459,494					3,707,982	4,449,845					4,449,794
1.2 Current deposit and demand deposit	2,588,333			X	X	X	3,549,223			X	X	X
1.2 Fixed-term deposits	703			X	X	X	900,622			X	X	X
1.3 Other financing:	1,870,458			X	X	X				X	X	X
- repurchase agreements												
- finance lease				X	X	X				X	X	X
- other	1,870,458			X	X	X				X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	**4,459,494**					**3,707,982**	**4,449,845**					**4,449,794**

Loans and advances to banks attributable to other companies include:

- current accounts and demand deposits (2,588.3 million euro), mainly relating to the Terna group (1,390.1 million euro), the Fincantieri group (675.9 million euro), the Italgas group (138.3 million euro) and CDP Equity (125.9 million euro);
- other loans (1,870.5 million euro) refer to the Snam Group and refer mainly to short-term liquidity investments with maturities of less than three months.

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro) Type of transactions/values	Total 31/12/2018						Total 31/12/2017					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
1. Loans	**250,142,692**	**715,002**				**305,900,293**	**243,625,020**	**960,851**			**8,000**	**254,881,932**
1. Current accounts	489,527			X	X	X	488,818			X	X	X
1.1 Cash and cash equivalents held with Central State Treasury	158,265,776			X	X	X	149,097,764					
2. Repurchase agreements	53,126			X	X	X				X	X	X
3. Loans	88,780,589	225,382		X	X	X	90,646,578	245,929		X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	278			X	X	X	347			X	X	X
5. Finance lease				X	X	X				X	X	X
6. Factoring	1,185,186	81,650		X	X	X	1,423,331	213,003		X	X	X
7. Other	1,368,210	407,970		X	X	X	1,968,182	501,919		X	X	X
2. Debt securities	**54,392,114**			**45,249,860**	**7,016,625**	**2,333,634**	**41,963,402**			**33,468,923**	**9,197,522**	**1,773,386**
2.1 Structured securities												
2.2 Other debt securities	54,392,114			45,249,860	7,016,625	2,333,634	41,963,402			33,468,923	9,197,522	1,773,386
Total	**304,534,806**	**715,002**		**45,249,860**	**7,016,625**	**308,233,927**	**285,588,422**	**960,851**		**33,468,923**	**9,205,522**	**256,655,318**

Loans to customers, which essentially include the contribution of the Parent Company, mainly relate to:
- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

During 2018, the MEF, with decree dated 28 November 2018, reviewed the method of remuneration of the treasury current account no. 29814, which since the second half of 2018 has equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs. In the first half of 2018, the remuneration condition set out by the decree of 12 May 2016 applies, i.e. the yield on 6-month BOTs for 20% and the yield on 10-year BTPs for 80%.

The volume of mortgage loans amounted to approximately 89,006 million euro (-1,887 million euro compared to the end of 2017).

Reverse repurchase agreements amounted to approximately 53 million euro (there were no reverse repurchase agreements outstanding at the end of 2017).

The volume of debt securities included in this item amounted to approximately 54,392 million euro, of which approximately 52,106 million euro pertaining to the Parent Company (of which 48,281 million euro in Italian government securities).

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(thousands of euro) Type of transactions/values	Total 31/12/2018 Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated	Total 31/12/2017 Stage 1 & 2	Stage 3	Of which: impaired financial assets acquired or originated
1. Debt securities	54,392,114			41,963,402		
a) General governments	50,827,466			39,244,139		
b) Other financial companies	1,370,799			812,451		
- *of which: insurance companies*						
c) Non-financial companies	2,193,849			1,906,812		
2. Loans	250,142,692	715,002		243,625,020	960,851	
a) General governments	235,924,512	429,348		230,182,690	562,934	
b) Other financial companies	2,196,311			2,502,880		
- *of which: insurance companies*	*62*					
c) Non-financial companies	11,979,733	282,204		10,900,278	392,922	
d) Households	42,136	3,450		39,172	4,995	
Total	**304,534,806**	**715,002**		**285,588,422**	**960,851**	

4.5 Financial assets measured at amortised cost: gross value and accumulated impairment

(thousands of euro)	Gross value Stage 1	Of which: Instruments with low credit risk	Stage 2	Stage 3	Accumulated impairment Stage 1	Stage 2	Stage 3	Accumulated partial write-offs (*)
Debt securities	55,407,440				(43,413)			
Loans	258,946,545		15,892,914	961,454	(176,116)	(667,524)	(246,452)	
Total 31/12/2018	**314,353,985**		**15,892,914**	**961,454**	**(219,529)**	**(667,524)**	**(246,452)**	
Total 31/12/2017	**312,799,607**		**16,376,541**	**1,143,857**	**(273,023)**	**(176,984)**	**(182,980)**	
- *of which: impaired financial assets acquired or originated*	*X*	*X*			*X*			

(*) Value to be shown for information purposes.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2018 Level 1	Level 2	Level 3	Notional value 31/12/2018	Fair value 31/12/2017 Level 1	Level 2	Level 3	Notional value 31/12/2017
A. Financial derivatives:		722,177		25,565,894		988,655		23,519,284
1) Fair value		600,425		23,242,877		717,098		21,111,738
2) Cash flow		121,752		2,323,017		271,557		2,407,546
3) Investment in foreign operation								
B. Credit derivatives								
Total		**722,177**		**25,565,894**		**988,655**		**23,519,284**

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Operation/Type of hedging	Fair value							Cash flow		Investment in foreign operation
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Others				
1. Financial assets at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets at amortised cost	212,858	X			X	X	X	76,720	X	X
3. Portfolio	X	X	X	X	X	X	36,555	X		X
4. Other			2,547				X	41,227	X	
Total assets	**212,858**		**2,547**				**36,555**	**117,947**		
1. Financial liabilities	347,693	X	772	X			X	3,805	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**347,693**		**772**					**3,805**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios/Values	31/12/2018	31/12/2017
1. Positive fair value change	**138,026**	**16,645**
1.1 Of specific portfolios:	138,026	16,645
a) financial assets measured at amortised cost	138,026	16,645
b) financial assets measured at fair value through other comprehensive income		
1.2 Overall		
2. Negative fair value change	**(6,445)**	**(58,148)**
2.1 Of specific portfolios:	(6,445)	(58,148)
a) financial assets measured at amortised cost	(6,445)	(58,148)
b) financial assets measured at fair value through other comprehensive income		
2.2 Overall		
Total	**131,581**	**(41,503)**

Section 7 - Equity investments - Item 70

7.1 Information on equity investments

Company name	Registered office	Operational headquarters	Type of relationship [1]	Equity investment		% of votes [2]
				Investor	% holding	
A. Companies subject to joint control						
1. Alfiere S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
2. Ansaldo Energia	Genoa	Genoa	7	CDP Equity S.p.A.	59.94%	59.94%
3. AS Gasinfrastruktur Beteiligung GmbH	Wien	Wien	7	Snam S.p.A.	40.00%	40.00%
4. BUSBAR4F S.c.ar.l.	Trieste	Trieste	7	Fincantieri S.p.A.	10.00%	10.00%
			7	Fincantieri SI S.p.A.	50.00%	50.00%
5. Consorzio F.S.B.	Marghera (VE)	Marghera (VE)	7	Fincantieri S.p.A.	58.36%	58.36%
6. CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Hong Kong	7	Fincantieri S.p.A.	40.00%	40.00%
7. CSSC Fincantieri (Shanghai) Cruise Design Limited	Shanghai	Shanghai	7	CSSC - Fincantieri Cruise Industry Development Limited	100.00%	100.00%
8. ELMED Etudes S.a.r.l.	Tunis	Tunis	7	Terna S.p.A.	50.00%	50.00%
9. Etihad Ship Building LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
10. Fincantieri Clea Buildings S.c.ar.l.	Verona	Verona	7	Fincantieri Infrastructure S.p.A.	51.00%	51.00%
11. FSIA Investimenti S.r.l.	Milan	Milan	7	FSI Investimenti SpA	70.00%	70.00%
12. Hotelturist S.p.A.	Padua	Padua	7	CDP Equity S.p.A.	45.90%	45.90%
13. IQ Made in Italy Investment Company S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	50.00%	50.00%
14. Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Abu Dhabi	7	Issel Nord S.r.l.	49.00%	49.00%
15. Luxury Interiors Factory s.r.l.	Naples	Naples	7	Marine Interiors S.p.A.	40.00%	40.00%
16. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	62.50%	62.50%
17. Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
18. Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Sant'Angelo Lodigiano	7	Italgas S.p.A.	50.00%	50.00%
19. Open Fiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
20. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
21. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
22. Pergenova	Genoa	Genoa	7	Fincantieri S.p.A.	50.00%	50.00%
23. Saipem S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Equity S.p.A.	12.55%	12.55%
24. Terega Holding S.a.s.	Pau	Pau	7	Snam S.p.A.	40.50%	40.50%
25. Toscana Energia S.p.A.	Florence	Florence	7	Italgas S.p.A.	48.09%	48.09%
26. Trans Austria Gasleitung GmbH [4]	Wien	Wien	7	Snam S.p.A.	84.47%	84.47%
27. Umbria Distribuzione Gas S.p.A.	Terni	Terni	7	Italgas S.p.A.	45.00%	45.00%
28. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	7	Seaf S.p.A.	20.00%	20.00%
29. Valvitalia Finanziaria S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	0.50%	0.50%
B. Companies subject to significant influence						
1. African Trade Insurance Company	Nairobi	Nairobi	4	SACE S.p.A.	4.43%	4.43%
2. Albanian Gas Service Company Sh.a.	Tirana	Tirana	4	Snam S.p.A.	25.00%	25.00%
3. Arsenal S.r.l.	Trieste	Trieste	4	Fincantieri Oil & Gas S.p.A.	24.00%	24.00%
4. AS Dameco	Skien	Skien	4	Vard Offshore Brevik AS	34.00%	34.00%
5. B.F. S.p.A.	Milan	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	21.49%	21.49%
6. Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34.00%	34.00%
7. Castor Drilling Solution AS	Kristiansand S	Kristiansand S	4	Seaonics AS	34.13%	34.13%
8. Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)		4	Fincantieri S.p.A.	10.93%	10.93%
9. CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
10. CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%
11. CORESO S.A.	Brussels	Brussels	4	Terna S.p.A.	15.84%	15.84%
12. CSS Design Limited	Isole Vergini Britanniche (GB)		4	Vard Marine Inc.	31.00%	31.00%
13. DOF Iceman AS	Storebø	Storebø	4	Vard Group AS	50.00%	50.00%
14. Elite S.p.A.	Milan	Milan	4	CDP S.p.A.	15.00%	15.00%
15. Eni S.p.A.	Rome	Rome	4	CDP S.p.A.	25.76%	25.76%
16. Europrogetti & Finanza S.r.l. in liquidazione	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
17. Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	43.00%	43.00%
18. FSI SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	39.00%	39.00%

Company name	Registered office	Operational headquarters	Type of relationship (1)	Equity investment		% of votes (2)
				Investor	% holding	
19. Gruppo PSC S.p.A.	Maratea (PZ)	Maratea (PZ)	4	Fincantieri S.p.A.	10.00%	10.00%
20. Interconnector (UK) Ltd	London	London	4	Snam International B.V.	23.54%	23.54%
21. Interconnector Zeebrugge Terminal S.C./C.V. S.c.r.l.	Brussels	Brussels	4	Snam International B.V.	25.00%	25.00%
22. Island Diligence AS	Stålhaugen	Stålhaugen	4	Vard Group AS	39.38%	39.38%
23. Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
24. Latina Biometano S.r.l.	Rome	Latina	4	IES Biogas S.r.l.	32.50%	32.50%
25. Ligestra Due S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
26. Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40.00%	40.00%
27. Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36.00%	36.00%
28. Olympic Challenger KS	Fosnavåg	Fosnavåg	4	Vard Group AS	35.00%	35.00%
29. Olympic Green Energy KS	Fosnavag	Fosnavag	4	Vard Group AS	29.50%	29.50%
30. Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
31. Quattror SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	40.00%	40.00%
32. Rem Supply AS	Fosnavag	Fosnavag	4	Vard Group AS	26.66%	26.66%
33. Risparmio Holding S.p.A.	Rome	Rome	4	CDP S.p.A.	20.00%	20.00%
34. Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	23.00%	23.00%
35. Senfluga energy infrastructure holdings S.A.	Athens	Athens	4	Snam S.p.A.	60.00%	60.00%
36. Taklift AS	Skien	Skien	4	Vard Group AS	25.47%	25.47%
37. Tep Energy Solution Nordest S.r.l.	Udine	Udine	4	Tep Energy Solution S.r.l.	50.00%	50.00%
38. Trans Adriatic Pipeline AG	Baar	Baar	4	Snam S.p.A.	20.00%	20.00%
39. Trevi Finanziaria Industriale S.p.A.	Cesena	Cesena	4	FSI Investimenti S.p.A.	16.86%	16.86%
C. Unconsolidated subsidiaries (3)						
1. Asset Company 5 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
2. Asset Company 6 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
3. Asset Company 7 B.V.	Amsterdam	Amsterdam	1	Snam S.p.A.	100.00%	100.00%
4. Cagliari 89 S.c.ar.l. in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%
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 Italtecnasud in liquidazione	Rome	Rome	1	Fintecna S.p.A.	75.00%	75.00%
9. Consorzio MED.IN. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
10. Copower S.r.l.	Rome	Rome	1	Tep Energy Solution S.r.l.	51.00%	51.00%
11. XXI Aprile S.r.l. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D. Unconsolidated associates (3)						
1. Consorzio Condif in liquidazione	Rome	Rome	4	CDP Immobiliare S.r.l.	33.33%	33.33%
2. Consorzio Edinca in liquidazione	Naples	Naples	4	Fintecna S.p.A.	47.32%	47.32%
3. Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
4. Quadrifoglio Genova S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
5. Quadrifoglio Modena S.p.A in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
6. Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
7. Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
8. Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
9. Sviluppo Turistico Culturale Golfo di Napoli S.c.ar.l.	Naples	Naples	4	CDP Immobiliare S.r.l.	25.00%	25.00%

Key
(1) Type of relationship:
1 = Majority of voting rights in ordinary shareholders' meeting;
2 = Dominant influence in ordinary shareholders' meeting;
3 = Agreements with other shareholders;
4 = Other form of control;
5 = Unitary management pursuant to Article 26,1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92;
7 = Joint control.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.
(3) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities.
(4) Participation in financial rights is equal to 89,2%.
(5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method.

The figure at 31 December 2018 was 20,396 million euro, compared to 19,770 million euro at 31 December 2017. At 1 January 2018, this figure increased by 483 million euro due to the adoption of IFRS 9 and IFRS 15 by Group companies subject to significant influence and by jointly controlled companies.

The highest impacts of the adoption of IFRS 9 were seen by the Eni and Poste Italiane groups. These impacts also concerned the related equity investments, recognised and accounted for using the equity method. Both groups recognised a positive impact from the transition to the new financial reporting standard. The decreasing effect of the adoption of the impairment rules is more than offset by the measurement at fair value of certain financial instruments.

In addition to these effects, the aforesaid equity investments produced the following effects:
- Eni - the positive income for the period pertaining to the Group (873 million euro, taking into account consolidation effects) was offset by the change in valuation reserves, the reversal of the dividend and other changes, contributing a total of -377 million euro;
- Poste Italiane - positive income for the period pertaining to the Group (436 million euro, taking into account consolidation effects) was offset by the change in valuation reserves, the reversal of the dividend and other changes, contributing a total of -721 million euro.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date the Group checks the presence of objective evidence that may give it reason to believe that the carrying amount of the equity investments is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

The analysis aimed at detecting the presence of impairment indicators is carried out, first of all, with regard to the separate financial statements of the company holding the integrated equity investment. For equity investments in listed companies, this analysis also involves verifying the existence of a market price at least 40% below the carrying amount of the equity investment in the consolidated financial statements.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

The impairment tests conducted are considered in order to evaluate any results in the consolidated financial statements. At the reporting date there were certain indicators that therefore required the conduct of the impairment tests. Some elements related to the main equity investments are described below.

Eni

The interest in Eni in CDP's equity portfolio is very significant in quantitative terms. CDP's risk profile is therefore linked to the main factors that determine the value and profitability of the associated company.

Specifically, the value in use was determined on the basis of IAS 36, by using the Discounted Cash Flow (DCF) method as provided for in the accounting standard.

The information needed to estimate the cash flows and the other information needed to calculate the DCF was taken from public sources. The impairment test found that the value in use was higher than the carrying value and, consequently, the carrying amount of the equity investment in Eni was confirmed.

Poste Italiane

Significant indicators of impairment were identified for the purpose of the separate financial statements and, accordingly, an impairment test was conducted on the equity investment in Poste Italiane. The test took account of the fair value determined according to the internal policies, which was higher than the carrying value and, consequently, the carrying amount of the equity investment in Poste Italiane was confirmed.

Saipem

The equity investment held in Saipem had already been tested for impairment in previous years. Specifically, in the consolidated financial statements at 31 December 2017, it was written down by a total of 22 million euro. At 31 December 2018, the equity investment was tested again for impairment. The results of this test, taking into account the value in use determined using the DCF method based on information taken from public sources, identified a value in use higher than the carrying value of the equity investment.

The impairment test and the accuracy of the results obtained were subject to a Fairness Opinion provided by an independent expert.

Ansaldo Energia

Indicators of impairment were identified for the equity investment in Ansaldo Energia and, accordingly, an impairment test was conducted. The value in use calculated with the DCF method based on internal and external information was compared with the carrying amount of the equity investment, which, as a result of the application of the equity method, was affected by the losses for the period and the value adjustments on the assets recognised as a result of PPA. Therefore, the value in use turned out to be higher than the carrying amount of the equity investment.

The impairment test and the accuracy of the results obtained were subject to a Fairness Opinion provided by an independent expert.

Open Fiber

For the equity investment in Open Fiber, already tested for impairment in 2017, the analysis produced a recoverable amount, estimated with the multiples method (determined as part of the more complex measurement of the investor by an independent expert), which was higher than the carrying value in the consolidated financial statements. As a consequence, the carrying amount of the equity investment was confirmed.

Trevi

The impairment test on the equity investment, previously subject to impairment, was carried out taking as recoverable amount the fair value and carrying out an additional adjustment equal to 8 million euro.

Impairment indicators were also found on other minor equity investments with minor impairment losses being recognised.

The following summary table lists the methods used to calculate the recoverable amount determined for the purpose of the impairment test on the equity investments above:

Equity Investment	Relationship	Recoverable amount	Methodology used
Eni	Associate	Value in use	DCF
Poste Italiane	Associate	Fair value	Listing
Saipem	Joint control	Value in use	DCF
Ansaldo Energia	Joint control	Value in use	DCF
Open Fiber	Joint control	Fair value	Multiples
Trevi	Associate	Fair value	Listing

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees.

In the separate financial statements, impairment tests were carried out also on subsidiaries, such as SACE, CDP Equity, CDP RETI, Fintecna and CDP Immobiliare. In this case, the estimate of the recoverable amount was used to assess the existence of possible impairments of the net assets pertaining to the respective cash flows generating units (CGUs). These assessments, which were carried out in compliance with the provisions of IAS 36.104 and 36.105, did not result in adjustments.

7.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euro) Company name	Carrying amount	Fair value	Dividends received
A. Companies subject to joint control			
1. Saipem S.p.A.	516,557	414,347	
B. Companies subject to significant influence			
1. Eni S.p.A.	13,365,636	12,870,595	767,667
2. Poste Italiane S.p.A.	2,659,797	3,192,655	191,998

7.3 Significant equity investments: accounting data

(millions of euro) 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 discontinued operations	Income (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Companies subject to joint control														
1. Saipem S.p.A.	1,674	86	9,917	2,951	4,690	8,538	(59)	(811)	(216)	(410)		(410)	(44)	(454)
B. Companies under significant influence														
1. Eni S.p.A.	X	8,105	99,432	25,865	41,317	76,938	X	X	10,107	4,137		4,137	1,576	5,713
2. Poste S.p.A.	X	190,864	14,824	66,929	133,849	10,864	X	X	1,490	1,399		1,399	(1,511)	(112)

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees at 31 December 2018.

(thousands of euro) Company name	Net assets	% holding	Net assets held	Goodwill	Other adjustments	Book value
A. Companies subject to joint control						
1. Saipem S.p.A.	3,962,000	12.74%	504,707	11,849		516,557
B. Companies subject to significant influence						
1. Eni S.p.A.	51,016,000	26.00%	13,262,503		103,133	13,365,636
2. Poste Italiane S.p.A.	8,104,852	35.00%	2,836,698		(176,901)	2,659,797

7.4 Non-significant equity investments: accounting data

(thousands of euro) 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 year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Companies subject to joint control	2,984,811	11,897,348	8,424,176	2,768,785	(125,057)		(142,546)	(48,061)	(190,607)
Companies subject to significant influence	868,671	9,404,447	6,733,336	773,035	94,436	(7)	84,347	(3,870)	80,477
Unconsolidated subsidiaries	191	2,648	2,354	766	65		46		46

The accounting figures for non-significant equity investments in joint arrangements and associates were produced based on the information provided by the investees.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2018	31/12/2017
A. Opening balance	**19,769,766**	**20,666,813**
Change in opening balance	483,130	
B. Increases	**2,406,086**	**2,423,404**
B.1 Purchases	490,698	319,406
B.2 Write-backs	3,754	2,117
B.3 Revaluations	1,484,383	1,638,089
B.4 Other increases	427,251	463,792
C. Decreases	**2,263,321**	**3,320,451**
C.1 Sales	69,320	330,394
C.2 Write-downs	9,137	38,788
C3 Impairment	375,547	
C.4 Other decreases	1,809,317	2,951,269
D. Closing balance	**20,395,661**	**19,769,766**
E. Total revaluations	**4,805,399**	**3,478,851**
F. Total write-downs	**669,235**	**431,720**

7.6 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.

7.7 Commitments relating to joint operations

The most significant commitments in respect of joint operations comprise:

- the acquisition of Edicima S.p.A. from Leonardo (formerly Finmeccanica) for 10.2 million euro by Fincantieri;
- in August 2018, CDP Equity, together with the other shareholder Enel, the EIB and a pool of commercial banks, underwrote a seven-year loan of up to 3.5 billion euro in favour of Open Fiber (475 million euro of which provided by CDP Equity), aimed at the implementation of the business plan. The first draw-down of the loan, of which the share provided by the Group was equal to 125 million euro, was carried out in October 2018;

- with regard to Manifatture Milano, the commitment taken towards the lending banks of the investee for the conversion of loans into equity if the company were to find itself in any of the situations set forth in Article 2446 or 2447 of the Italian Civil Code;
- the commitment taken with regard to the equity investment in Alfiere, to capitalise the company up to a maximum amount and to cover any losses by waiving the shareholders' loans;
- FSIA holds an interest in SIA S.p.A. equal to 49.484% of the share capital. Under the current shareholders' agreements, the governance applied to the investment is such that this can be classified as a jointly-owned equity investment. FSIA, by virtue of these shareholders' agreements, also has an option right which allows it to buy additional SIA shares, *pro rata* with other shareholders, up to a maximum of 7.9%. This right may be exercised if two events occur: the failure to renew the shareholders' agreements and the failure to start the SIA listing (right that can be exercised unilaterally also by other shareholders until 27 May 2019). The listing represents a common investors' objective under the shareholders' agreement. In the light of the above, it is possible to conclude that the option right is conditional on a non-financial variable (the decision of another shareholder taking part in the agreement), which, based on the provisions of IFRS 9 (both in Appendix A in the definition of "derivative" and in paragraph BA.5), deprives it of the nature of financial derivative and therefore of financial asset of which the fair value should be measured, assuming this can be determined or is not zero. The decision by FSIA to exercise the option right cannot therefore be independently significant as long as this has not been expressed according to the procedures contractually agreed by the parties and the conditions specified have not finally occurred. On 14 March 2019, FSIA has stated its intention to exercise the option right for the maximum 7.9% interest. If the other shareholders taking part in the agreement exercise their own option right by 27 May 2019, the interest in the share capital held by FSIA would fall to 5.2%. Under the clauses of the shareholders' agreements there are, indeed, additional points of extreme vagueness related, for example, to the precise definition of the exercise price or the interpretation of the effects of the exercise of the option specified by the agreement, which make us reasonably assume the need for a new and more precise agreement among the shareholders. In any case, the CDP Group continues to be committed to adding value to its investment, aware that the full execution of the acquisition is conditional on the required authorisations being granted by the Bank of Italy and the Antitrust Authority and on the other shareholders taking part in the agreement expressing their decision. At the date of these consolidated financial statements, it is therefore impossible to predict if and when the transfer of all or part of the shares object of option right will be carried out, as this is subordinate to conditions precedent being met, which does not depend on FSIA's will.

7.8 Commitments relating to companies under significant influence

The most significant commitments relating to companies under significant influence comprise:

- the commitments related to the investment in Kedrion 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 in the event of changes in the ownership structure of the investee, if the value of the investment rises significantly. At 31 December 2018, the value of the option was negative by approximately 5,717 thousand euro;
  b) FSI Investimenti has undertaken to provide Kedrion with a loan of up to 50 million euro to service the general financial requirements of the Kedrion Group, to be made through one or more draw-downs upon request of the company. Kedrion will pay a gross annual interest rate of 6%, on an arm's length basis, and will be allowed to repay the loan (principal and interest) within 120 days of its disbursement, 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 2018, this loan had not been drawn down and was 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;
- the commitment undertaken by Snam S.p.A. vis-à-vis Trans Adriatic Pipeline AG (TAP) as the shareholder financing the project, given the percentage of investment held in TAP, equal to 20%. The commitment relates to the overall costs of the project, including the financial expenses accounted for in the work creation phase and deriving from the loan agreement, completed by TAP in December 2018. We note that, as a result of the finalisation of TAP's Project Financing, the lending banks will fund approximately 75% of the project costs. On the basis of the Project Financing concluded, the commitment of Snam S.p.A. vis-à-vis TAP may be gradually reduced as the loans granted by the lending banks are disbursed to TAP. During the construction and entry into operation of the plant, the loan agreement of the associate TAP will be, *inter alia*, accompanied by a demand guarantee ("Debt Service Guarantee"), up to a maximum amount for Snam equal to 1,129 million euro. At 31 December 2018, the value of the debt guaranteed by Snam was equal to approximately 566 million euro. The guarantee will be released as certain requirements agreed with the lending banks are met, among which, in particular, the completion and entry into operation of the plant. At the completion of the project, during the operation of the plant, a mechanism has been envisaged to support the repayment of the debt issued by shareholders ("Debt Payment Undertaking"), which would be activated as specific conditions are met. The

structure of the Project Financing concluded for TAP provides for some restrictions for the shareholders, typical of this type of transaction, such as: (i) the restriction on the sale of TAP shares, according to a certain schedule; (ii) establishment of a pledge for the shares held by Snam in TAP in favour of the lenders for the entire duration of the loan;
- the commitment undertaken by FSI Investimenti to subscribe (subject to certain conditions), for a share equal to 38.7 million euro, a capital increase for Trevi Finanziaria aimed at supporting the restructuring and relaunch plan of the company as part of a debt restructuring agreement as set forth in Article 182-*bis* of the Italian Bankruptcy Law.

7.9 Significant restrictions

Significant restrictions on equity investments, as envisaged in IFRS 12.13 and 22, refer to the subsidiary Ligestra Due S.r.l. This vehicle, measured using the equity method, manages, on behalf of Fintecna, the separate asset pools of the "dissolved entities" acquired by the MEF under Article 41 of Law No. 14 of 14/02/2009. Based on the regulations that established separate asset pools, most economic benefits that can be achieved through the management of the separate asset pool refer to the Ministry of Economy and Finance, including without an equity investment in the company's share capital. Therefore, the influence of Fintecna S.p.A. over this company can be considered as significant and, as a result, based on IFRS, it is considered an associate to be measured at equity.

7.10 Other information

The financial statements or reports of associates or joint operations with a reporting date of more than three months from 31 December 2018 was used in limited cases. The table below shows the reporting date of the year used to apply the equity method:

Company name	Type of relationship	Reporting date
Valvitalia Finanziaria S.p.A.	Joint control	30/09/2018
Kedrion S.p.A.	Significant influence	30/09/2018
Rocco Forte Hotels Ltd.	Significant influence	31/10/2018
Hotelturist S.p.A.	Joint control	30/04/2018

Furthermore, when the accounting data of an associate or a joint operation used to apply the equity method is different from 31 December 2018, adjustments are made to reflect the effects of the significant transactions or facts that occurred between said date and the reporting date of the consolidated financial statements of the CDP Group.

Section 8 - Reinsurers' share of technical provisions - Item 80

8.1 Reinsurers' share of technical provisions: breakdown

(thousands of euro)	31/12/2018	31/12/2017
A. Non-life insurance	**851,681**	**670,812**
A.1 Reserves for unearned premiums	757,215	580,581
A.2 Reserves for claims outstanding	63,012	53,520
A.3 Other	31,454	36,711
B. Life insurance		
B.1 Mathematical reserves		
B.2 Reserves for claims outstanding		
B.3 Other		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices		
C.2 Reserves from the operation of pension funds		
D. Total reinsurers' share of technical provisions	**851,681**	**670,812**

At 31 December 2018, the reinsurers' share of technical provisions was 852 million euro, up by 181 million euro compared to the previous financial year. This value is affected by the increased disposals carried out in 2018, to support the development of the business.

8.2 Change in item 80 "Reinsurers' share of technical provisions"

(thousands of euro)	Non-life insurance		
	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	**687,292**	**53,520**	**36,711**
a) Increases	70,517	9,492	
b) Decreases	(594)		(5,257)
Closing balance	**757,215**	**63,012**	**31,454**

Section 9 - Property, plant and equipment - Item 90

9.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Owned	**322,785**	**61,071**	**35,861,828**	**36,245,684**	**35,753,595**
a) Land	117,406	49,800	450,346	617,552	604,861
b) Buildings	55,547	9,497	2,350,978	2,416,022	2,311,664
c) Movables	2,584	1,565	6,753	10,902	11,426
d) Electrical plant	1,542	156	418,615	420,313	406,500
e) Other	145,706	53	32,635,136	32,780,895	32,419,144
2. Acquired under finance leases			**7,099**	**7,099**	**7,827**
a) Land					
b) Buildings			844	844	1,120
c) Movables					
d) Electrical plant					
e) Other			6,255	6,255	6,707
Total	**322,785**	**61,071**	**35,868,927**	**36,252,783**	**35,761,422**
- *of which: obtained via the enforcement of the guarantees received*					

Other property, plant and equipment refer primarily to the investments by Terna and Snam in plants instrumental for the performance of their business activity. In detail, the item includes mainly:

- investments by Terna for approximately 13.3 billion euro, referring to power lines for 6.3 billion euro and transformation stations for 4.7 billion euro;
- investments by Snam for approximately 19 billion euro for transport (gas pipelines, gas reduction regulation stations and plants), storage (wells, processing and compression stations, pipelines) and regasification;
- assets under construction and advances for 2.6 billion euro, of which 1.8 billion euro ascribable to Terna and 0.8 billion euro to Snam.

9.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Items/Values	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3
1. Owned	32,876		25,844	8,659	52,573		54,933	7,593
a) Land	4,378		4,500		16,578		22,444	
b) buildings	28,498		21,344	8,659	35,995		32,489	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	**32,876**		**25,844**	**8,659**	**52,573**		**54,933**	**7,593**
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Insurance companies

(thousands of euro) Items/Values	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3
1. Owned	12,706		14,333		31,877		41,830	
a) Land	4,378		4,500		16,578		22,444	
b) buildings	8,328		9,833		15,299		19,386	
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	**12,706**		**14,333**		**31,877**		**41,830**	
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3
1. Owned	20,170		11,511	8,659	20,696		13,103	7,593
a) Land								
b) buildings	20,170		11,511	8,659	20,696		13,103	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	**20,170**		**11,511**	**8,659**	**20,696**		**13,103**	**7,593**
- *of which: obtained via the enforcement of the guarantees received*								

9.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

9.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

(thousands of euro) Items/Values	Total 31/12/2018	Total 31/12/2017
1. Inventories of property, plant and equipment from the recovery of non performing loans		
a) Loans		
b) Buildings		
c) Furniture		
d) Electrical systems		
e) Others		
2. Other inventories of property, plant and equipments	1,374,466	1,364,515
Total	**1,374,466**	**1,364,515**
- *of which measured at fair value, less costs of disposal*		

Inventories of property, plant and equipment comprise property owned by CDP Immobiliare and the mutual funds included in the scope of consolidation.

9.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**639,644**	**3,388,489**	**32,645**	**841,780**	**51,005,554**	**55,908,112**
A.1 Total net write-downs	(34,783)	(1,075,705)	(21,219)	(435,280)	(18,579,703)	(20,146,690)
A.2 Opening net balance	**604,861**	**2,312,784**	**11,426**	**406,500**	**32,425,851**	**35,761,422**
B. Increases	**17,724**	**203,477**	**2,216**	**104,251**	**2,041,452**	**2,369,120**
B.1 Purchases	5,165	40,374	1,216	22,048	1,898,991	1,967,794
- *of which: business combinations*	*142*	*14*			*2,484*	*2,640*
B.2 Capitalized improvement costs		84				84
B.3 Write-backs						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences					93	93
B.6 Transfers from investment property			X	X	X	
B.7 Other changes	12,559	163,019	1,000	82,203	142,368	401,149
C. Decreases	**5,033**	**99,395**	**2,740**	**90,438**	**1,680,153**	**1,877,759**
C.1 Sales	960	2,084	140	225	11,066	14,475
C.2 Depreciation		88,193	1,866	83,178	1,215,618	1,388,855
C.3 Write-downs for impairment recognised in:	355	243			21,015	21,613
a) equity						
b) income statement	355	243			21,015	21,613
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	370	1,798		4,865		7,033
C.6 Transfers to:	105	3,661			7,817	11,583
a) investment property			X	X	X	
b) assets held for sale	105	3,661			7,817	11,583
C.7 Other changes	3,243	3,416	734	2,170	424,637	434,200
D. Closing net balance	**617,552**	**2,416,866**	**10,902**	**420,313**	**32,787,150**	**36,252,783**
D.1 Total net write-downs	(34,983)	(1,153,908)	(22,223)	(511,225)	(19,716,531)	(21,438,870)
D.2 Closing gross balance	**652,535**	**3,570,774**	**33,125**	**931,538**	**52,503,681**	**57,691,653**
E. Measurement at cost						

9.6 of which: pertaining to the Prudential consolidation

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**92,065**	**14,847**	**12,568**	**149,960**	**386,846**
A.1 Total net write-downs		(33,812)	(11,978)	(10,951)	(24,421)	(81,162)
A.2 Opening net balance	**117,406**	**58,253**	**2,869**	**1,617**	**125,539**	**305,684**
B. Increases		**30**	**949**	**523**	**22,335**	**23,837**
B.1 Purchases			134	343	22,330	22,807
B.2 Capitalized improvement costs						
B.3 Write-backs						
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		30	815	180	5	1,030
C. Decreases		**2,736**	**1,234**	**598**	**2,168**	**6,736**
C.1 Sales						
C.2 Depreciation		2,736	524	544	591	4,395
C.3 Write-downs 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			710	54	1,577	2,341
D. Closing net balance	**117,406**	**55,547**	**2,584**	**1,542**	**145,706**	**322,785**
D.1 Total net write-downs		(36,548)	(11,794)	(11,441)	(25,007)	(84,790)
D.2 Closing gross balance	**117,406**	**92,095**	**14,378**	**12,983**	**170,713**	**407,575**
E. Measurement at cost						

9.6 of which: pertaining to Insurance companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**85,323**	**17,724**	**4,143**	**2,519**	**53**	**109,762**
A.1 Total net write-downs	(33,429)	(4,285)	(2,693)	(2,344)		(42,751)
A.2 Opening net balance	**51,894**	**13,439**	**1,450**	**175**	**53**	**67,011**
B. Increases			**650**	**118**		**768**
B.1 Purchases			648	2		650
B.2 Capitalized improvement costs						
B.3 Write-backs						
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			2	116		118
C. Decreases	**2,094**	**3,942**	**535**	**137**		**6,708**
C.1 Sales						
C.2 Depreciation		1,433	520	66		2,019
C.3 Write-downs 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	2,094	2,509	15	71		4,689
D. Closing net balance	**49,800**	**9,497**	**1,565**	**156**	**53**	**61,071**
D.1 Total net write-downs	(33,429)	(5,528)	(3,206)	(2,251)		(44,414)
D.2 Closing gross balance	**83,229**	**15,025**	**4,771**	**2,407**	**53**	**105,485**
E. Measurement at cost						

9.6 of which: pertaining to Other companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**436,915**	**3,278,700**	**13,655**	**826,693**	**50,855,541**	**55,411,504**
A.1 Total net write-downs	(1,354)	(1,037,608)	(6,548)	(421,985)	(18,555,282)	(20,022,777)
A.2 Opening net balance	**435,561**	**2,241,092**	**7,107**	**404,708**	**32,300,259**	**35,388,727**
B. Increases	**17,724**	**203,447**	**617**	**103,610**	**2,019,117**	**2,344,515**
B.1 Purchases	5,165	40,374	434	21,703	1,876,661	1,944,337
- *of which: business combinations*	*142*	*14*			*2,484*	*2,640*
B.2 Capitalized improvement costs		84				84
B.3 Write-backs						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences					93	93
B.6 Transfers from investment property						
B.7 Other changes	12,559	162,989	183	81,907	142,363	400,001
C. Decreases	**2,939**	**92,717**	**971**	**89,703**	**1,677,985**	**1,864,315**
C.1 Sales	960	2,084	140	225	11,066	14,475
C.2 Depreciation		84,024	822	82,568	1,215,027	1,382,441
C.3 Write-downs for impairment recognised in:	355	243			21,015	21,613
a) equity						
b) income statement	355	243			21,015	21,613
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	370	1,798		4,865		7,033
C.6 Transfers to:	105	3,661			7,817	11,583
a) investment property						
b) assets held for sale	105	3,661			7,817	11,583
C.7 Other changes	1,149	907	9	2,045	423,060	427,170
D. Closing net balance	**450,346**	**2,351,822**	**6,753**	**418,615**	**32,641,391**	**35,868,927**
D.1 Total net write-downs	(1,554)	(1,111,832)	(7,223)	(497,533)	(19,691,524)	(21,309,666)
D.2 Closing gross balance	**451,900**	**3,463,654**	**13,976**	**916,148**	**52,332,915**	**57,178,593**
E. Measurement at cost						

9.7 Investment property: changes for the year

(thousands of euro)	Banking group		Insurance companies		Other entities	
	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance			16,578	15,299		20,696
B. Increases				7,831		254
B.1 Purchases						11
B.2 Increases in internally-generated intangible assets						
B.3 Fair value gains						
B.4 Write-backs						8
B.5 Positive exchange rate differences						
B.6 Transfers from operating property						
B.8 Other changes				7,831		235
C. Decreases			12,200	14,802		780
C.1 Sales			12,200	14,800		318
C.2 Depreciation						
C.3 Fair value losses						
C.4 Write-downs for impairment						227
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) operating property						
b) non-current assets and disposal groups held for sale						
C.7 Other changes				2		235
D. Closing balance			4,378	8,328		20,170
E. Measurement at fair value			4,500	9,833		20,170

9.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

(thousands of euro)	Inventories of property, plant and equipment from the recovery of impaired loans					Other inventories of property, plant and equipment	Total
	Land	Buildings	Movables	Electrical plant	Other		
A. Opening gross balance							
Change in opening balance						1,364,515	1,364,515
B. Increase						74,706	74,706
B.1 Purchase						42,973	42,973
B.2 Write-backs						6,357	6,357
B.3 Positive exchange rate differences							
B.4 Other changes						25,376	25,376
C. Decreases						64,755	64,755
C.1 Sales						26,163	26,163
C.2 Write-downs for impairment						38,592	38,592
C.3 Negative exchange rate differences							
B.4 Other changes							
D. Closing gross balance						1,374,466	1,374,466

9.9 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment refer mainly to:

- the Fincantieri Group which, at 31 December 2018, had commitments for the purchase of property, plant and equipment for approximately 76 million euro, referring mainly to investing activities in property, plant and equipment;
- the Snam Group, whose purchase commitments with respect to property, plant and equipment amounted to approximately 1.7 billion euro.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by category

(thousands of euro) Assets/values	Prudential consolidation		Insurance group		Other entities		31/12/2018		31/12/2017	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X		X		X	659,430	X	659,430	X	653,342
A.1.1 Pertaining to Group	X		X		X	659,430	X	659,430	X	653,342
A.1.2 Non-controlling interests	X		X		X		X		X	
A.2 Other intangible assets	22,602		7,833		8,098,248	16,158	8,128,683	16,158	7,381,882	15,426
A.2.1 Assets carried at cost:	22,602		7,833		8,098,248	16,158	8,128,683	16,158	7,381,882	15,426
a) internally-generated in-tangible assets			4,300		154,176		158,476		132,940	
b) other assets	22,602		3,533		7,944,072	16,158	7,970,207	16,158	7,248,942	15,426
A.2.2 Assets carried at fair value:										
a) internally-generated in-tangible assets										
b) other assets										
Total	22,602		7,833		8,098,248	675,588	8,128,683	675,588	7,381,882	668,768

Other intangible assets include the recognition of intangible assets resulting from business combinations involving the various companies of the Group.

They mainly regard:

- concessions and licences worth 975,576 thousand euro, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth 6,323,015 thousand euro, of which 6,216,961 thousand euro refers to Italgas, 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 infrastructure 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 119,953 thousand euro;
- trademarks worth 6,470 thousand euro;
- technological know-how worth 10,400 thousand euro;
- software licences worth 30,325 thousand euro.

10.2 Intangible assets: changes for the year

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**653,342**	**354,403**		**12,526,656**	**15,426**	**13,549,827**
A.1 Total net write-downs		(221,463)		(5,277,714)		(5,499,177)
A.2 Opening net balance	**653,342**	**132,940**		**7,248,942**	**15,426**	**8,050,650**
B. Increases	**7,567**	**86,986**		**1,533,831**	**732**	**1,629,116**
B.1 Purchases	7,567	8,755		888,184		904,506
B.2 Increases in internally-generated intangible assets	X			67,928		67,928
B.3 Write-backs	X			61		61
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences					732	732
B.6 Other changes		78,231		577,658		655,889
C. Decreases	**1,479**	**61,450**		**812,566**		**875,495**
C.1 Sales				1,503		1,503
C.2 Write-downs:		46,710		552,467		599,177
- Amortisation	X	46,710		551,093		597,803
- Impairment:				1,374		1,374
+ equity	X					
+ income statement				1,374		1,374
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	1,479	200		399		2,078
C.6 Other changes		14,540		258,197		272,737
D. Closing net balance	**659,430**	**158,476**		**7,970,207**	**16,158**	**8,804,271**
D.1 Total net write-downs		(282,662)		(5,592,315)		(5,874,977)
E. Closing gross balance	**659,430**	**441,138**		**13,562,522**	**16,158**	**14,679,248**
F. Measurement at cost						

10.2 Of which: pertaining to the Prudential consolidation

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance				**40,799**		**40,799**
A.1 Total net write-downs				(28,481)		(28,481)
A.2 Opening net balance				**12,318**		**12,318**
B. Increases				**14,213**		**14,213**
B.1 Purchases				14,210		14,210
B.2 Increases in internally-generated intangible assets	X					
B.3 Write-backs	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes				3		3
C. Decreases				**3,929**		**3,929**
C.1 Sales						
C.2 Write-downs:				3,443		3,443
- Amortisation	X			3,443		3,443
- 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				486		486
D. Closing net balance				**22,602**		**22,602**
D.1 Total net write-downs				(31,921)		(31,921)
E. Closing gross balance				**54,523**		**54,523**
F. Measurement at cost						

10.2 Of which: pertaining to Insurance companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance		**6,757**		**3,146**		**9,903**
A.1 Total net write-downs		(1,334)		(735)		(2,069)
A.2 Opening net balance		**5,423**		**2,411**		**7,834**
B. Increases		**13,533**		**6,577**		**20,110**
B.1 Purchases		841		2,228		3,069
B.2 Increases in internally-generated intangible assets	X					
B.3 Write-backs	X					
B.4 Fair value gains						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes		12,692		4,349		17,041
C. Decreases		**14,656**		**5,455**		**20,111**
C.1 Sales						
C.2 Write-downs:		597		1,083		1,680
- Amortisation	X	597		1,083		1,680
- Impairment:						
+ equity	X					
+ income statement						
C.3 Fair value losses:						
- equity	X					
- income statement						
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes		14,059		4,372		18,431
D. Closing net balance		**4,300**		**3,533**		**7,833**
D.1 Total net write-downs		(14,706)		(6,180)		(20,886)
E. Closing gross balance		**19,006**		**9,713**		**28,719**
F. Measurement at cost						

10.2 Of which: pertaining to Other companies

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
(thousands of euro)		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**653,342**	**347,646**		**12,482,711**	**15,426**	**13,499,125**
A.1 Total net write-downs		(220,129)		(5,248,498)		(5,468,627)
A.2 Opening net balance	**653,342**	**127,517**		**7,234,213**	**15,426**	**8,030,498**
B. Increases	**7,567**	**73,453**		**1,513,041**	**732**	**1,594,793**
B.1 Purchases	7,567	7,914		871,746		887,227
B.2 Increases in internally-generated intangible assets	X			67,928		67,928
B.3 Write-backs	X			61		61
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences					732	732
B.6 Other changes		65,539		573,306		638,845
C. Decreases	**1,479**	**46,794**		**803,182**		**851,455**
C.1 Sales				1,503		1,503
C.2 Write-downs:		46,113		547,941		594,054
- Amortisation	X	46,113		546,567		592,680
- Impairment:				1,374		1,374
+ equity	X					
+ income statement				1,374		1,374
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	1,479	200		399		2,078
C.6 Other changes		481		253,339		253,820
D. Closing net balance	**659,430**	**154,176**		**7,944,072**	**16,158**	**8,773,836**
D.1 Total net write-downs		(267,956)		(5,554,214)		(5,822,170)
E. Closing gross balance	**659,430**	**422,132**		**13,498,286**	**16,158**	**14,596,006**
F. Measurement at cost						

Impairment testing of goodwill

Goodwill, recognised in the amount of 659 million euro, mainly consists of:

- 243 million euro for the Snam Group;
- 215 million euro for the Terna Group;
- 68 million euro for the Italgas Group;
- the companies headed by the Vard group, included in the scope of consolidation since 2013, in relation to which goodwill of 133 million euro was recognised directly by the subsidiary Fincantieri.

In relation to TERNA, Snam and Italgas, 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 respective prices for December 2018, weighted with the relevant volumes.

The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation and goodwill.

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

11.1 Deferred tax assets: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
Deferred tax assets recognised in income statement	**331,086**	**162,221**	**910,497**	**1,403,804**	**1,201,714**
Losses carried forward			23,657	23,657	14,134
Grants			68,205	68,205	68,709
Sundry write-downs			39,154	39,154	57,589
Financial instruments		247	1,496	1,743	2,568
Debts	15			15	15
Dismantling and site restoration			168,911	168,911	171,087
Provisions for risks and charges	49,926	15,382	125,555	190,863	149,338
Write-downs of receivables	221,096	20,791	34,417	276,304	128,065
Equity investments					382
Property, plant and equipment/intangible assets	2,566	399	254,334	257,299	238,493
Product guarantee			9,512	9,512	10,857
Employee benefits	300	21	26,577	26,898	40,093
Technical provisions		84,948		84,948	46,582
Exchange rate differences	19,790	21,289		41,079	42,485
Other temporary differences	37,393	19,144	158,679	215,216	231,317
Deferred tax assets recognised in equity	**94,099**		**34,992**	**129,091**	**58,189**
Financial assets measured at fair value through other comprehensive income	93,657		8,815	102,472	42,943
Exchange rate differences					
Cash flow hedge	411		15,460	15,871	5,269
Other assets	31		10,717	10,748	9,977
Total	**425,185**	**162,221**	**945,489**	**1,532,895**	**1,259,903**

11.2 Deferred tax liabilities: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
Deferred tax liabilities recognised in income statement	**122,784**	**263,416**	**2,833,103**	**3,219,303**	**3,300,330**
Capital gains taxed in instalments			660	660	1,118
Severance pay		180	3,875	4,055	4,047
Leasing			1,304	1,304	1,305
Property, plant and equipment		2,858	2,541,889	2,544,747	2,537,576
Own securities portfolio		13,833		13,833	4,361
Equity investments	89,549	792	26,371	116,712	114,985
Other financial instruments	1,786	3,845	463	6,094	7,255
Technical provisions		192,100		192,100	169,517
Exchange rate differences		28,649	40	28,689	57,788
Other temporary differences	31,449	21,159	258,501	311,109	402,378
Deferred tax liabilities recognised in equity	**59,037**	**159**	**5,855**	**65,051**	**166,726**
Financial assets measured at fair value through other comprehensive income	55,728			55,728	117,535
Reserve L. 169/83					
Reserve L. 213/98					
Other reserves			2,455	2,455	23
Other liabilities	3,309	159	3,400	6,868	49,168
Total	**181,821**	**263,575**	**2,838,958**	**3,284,354**	**3,467,056**

11.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Opening balance	**217,717**	**121,079**	**862,918**	**1,201,714**	**1,230,703**
Change in opening balance	199,010	(5,672)	9,651	202,989	
2. Increases	**59,120**	**74,126**	**98,144**	**231,390**	**194,007**
2.1 Deferred tax assets recognised during the year:	59,120	74,126	87,411	220,657	186,743
a) in respect of previous periods					286
b) due to change in accounting policies					
c) write-backs					
d) other	59,120	74,126	87,411	220,657	186,457
2.2 New taxes or increases in tax rates					246
2.3 Other increases			10,733	10,733	4,563
2.4 Business combinations					2,455
3. Decreases	**144,761**	**27,312**	**60,216**	**232,289**	**222,996**
3.1 Deferred tax assets derecognised during the year:	144,761	27,312	50,479	222,552	185,784
a) reversals	10,723	26,691	40,113	77,527	177,991
b) write-downs for supervening non-recoverability			1,085	1,085	
c) due to change in accounting policies	120,713			120,713	
d) other	13,325	621	9,281	23,227	7,793
3.2 Reduction in tax rates			193	193	6,072
3.3 Other decreases:			9,544	9,544	31,140
a) trans formation in tax credits under Law 214/2011					
b) other			9,544	9,544	31,140
4. Closing balance	**331,086**	**162,221**	**910,497**	**1,403,804**	**1,201,714**

11.5 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Opening balance	**99,414**	**268,839**	**2,932,077**	**3,300,330**	**3,383,715**
Change in opening balance	49,430	6,928	356	56,714	
2. Increases	**33,241**	**36,130**	**53,570**	**122,941**	**207,286**
2.1 Deferred tax liabilities recognised during the year:	33,241	36,125	17,420	86,786	179,696
a) in respect of previous periods	553			553	
b) due to change in accounting policies					
c) other	32,688	36,125	17,420	86,233	179,696
2.2 New taxes or increases in tax rates					
2.3 Other increases		5	36,150	36,155	5,905
2.4 Business combinations					21,685
3. Decreases	**59,301**	**48,481**	**152,900**	**260,682**	**290,671**
3.1 Deferred tax liabilities derecognised during the year:	59,300	48,481	144,599	252,380	224,247
a) reversals	17,552	37,450	117,443	172,445	224,247
b) due to change in accounting policies	41,748			41,748	
c) other		11,031	27,156	38,187	
3.2 Reduction in tax rates			22	22	47,319
3.3 Other decreases	1		8,279	8,280	19,105
4. Closing balance	**122,784**	**263,416**	**2,833,103**	**3,219,303**	**3,300,330**

11.6 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Opening balance	**41,346**		**16,843**	**58,189**	**73,363**
Change in opening balance	(33,677)			(33,677)	
2. Increases	**90,853**		**19,564**	**110,417**	**13,507**
2.1 Deferred tax assets recognised during the year:	90,846		7,291	98,137	12,287
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	90,846		7,291	98,137	12,287
2.2 New taxes or increases in tax rates					
2.3 Other increases	7		12,273	12,280	1,220
2.4 Business combinations					
3. Decreases	**4,423**		**1,415**	**5,838**	**28,681**
3.1 Deferred tax assets derecognised during the year:	4,423		1,026	5,449	25,862
a) reversals	4,423		1,026	5,449	15,812
b) write-downs for supervening non-recoverability					
c) due to changes in accounting policies					
d) other					10,050
3.2 Reduction in tax rates					
3.3 Other decreases			389	389	2,819
3.4 Business combinations					
4. Closing balance	**94,099**		**34,992**	**129,091**	**58,189**

11.7 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Opening balance	**127,163**	**98**	**39,465**	**166,726**	**88,284**
Change in opening balance	(45,861)		2,223	(43,638)	
2. Increases	**24,439**	**61**	**256**	**24,756**	**105,657**
2.1 Deferred tax liabilities recognised during the year:	24,439	61	232	24,732	104,632
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	24,439	61	232	24,732	104,632
2.2 New taxes or increases in tax rates					
2.3 Other increases			24	24	1,025
2.4 Business combinations					
3. Decreases	**46,704**		**36,089**	**82,793**	**27,215**
3.1 Deferred tax liabilities derecognised during the year:	46,704		36,089	82,793	26,767
a) reversals	46,704		36,089	82,793	26,763
b) due to change in accounting policies					
c) other					4
3.2 Reduction in tax rates					
3.3 Other decreases					448
3.4 Business combinations					
4. Closing balance	**59,037**	**159**	**5,855**	**65,051**	**166,726**

Section 12 - Non-current assets and disposal groups held for sale and associated liabilities - Item 120 of the assets and Item 70 of the liabilities

12.1 Non-current assets and disposal groups held for sale: breakdown by category

(thousands of euro)	31/12/2018	31/12/2017
A. Individual assets held for sale		
A.1 Financial assets		
A.2 Equity investments		
A3 Property, plant and equipment	11,583	12
- *of which: obtained via the enforcement of the guarantees received*		
A4 Intangible assets		
A.5 Other non-current assets		
Total (A)	11,583	12
of which:		
- *carried at cost*	*11,583*	*12*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
B. Groups of assets (discontinued operations)		
B.1 Financial assets measured at fair value through profit or loss:		
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2 Financial assets measured at fair value through other comprehensive income		
B.3 Financial assets measured at amortised cost		
B.4 Equity investments		
B.5 Property, plant and equipment		11
- *of which: obtained via the enforcement of the guarantees received*		
B.6 Intangible assets		
B.7 Other assets		
Total (B)		11
of which:		
- *carried at cost*		*11*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total (C)		
D. Liabilities associated with disposal groups held for sale		
D.1 Financial liabilities measured at amortised cost		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities designated at fair value		
D.6 Provisions		
D.7 Other liabilities		
Total (D)		

12.2 Other information

Assets held for sale at 31 December 2018 refer to the sales already contractually agreed of motor vehicles and buildings of Italgas.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
Payments on account for withholding tax on postal passbooks	89,634			89,634	98,615
Other tax receivables	888	6,008	153,262	160,158	180,572
Leasehold improvements	1,292		5,700	6,992	5,993
Receivables due from investees	513		151,057	151,570	171,121
Trade receivables and advances to public entities	154,538		25,881	180,419	33,242
Construction contracts			2,638,551	2,638,551	2,032,230
Advances to suppliers	2,370	1,607	467,850	471,827	421,826
Inventories			948,189	948,189	910,490
Advances to personnel	82	2,067	13,831	15,980	13,817
Other trade receivables	104	114,480	3,496,954	3,611,538	3,953,719
Other items	3,100	4,738	397,671	405,509	339,724
Accrued income and prepaid expenses	5,558	1,101	244,480	251,139	250,145
Total	**258,079**	**130,001**	**8,543,426**	**8,931,506**	**8,411,494**

The item includes assets that are not classified under the previous items.

The most significant amounts refer to:

- trade receivables for 3,612 million euro, referred mainly to Snam for 1,240 million euro, Terna for 1,082 million euro, Fincantieri for 610 million euro, Italgas for 522 million euro and SACE and SACE BT for 114 million euro;
- contract work in progress for 2,639 million euro, mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and work in progress in the amount of 948 million euro, which include:
  - mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
  - semi-finished products of the Fincantieri Group, amounting to about 432 million euro.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of amounts due to banks

(thousands of euro) Types of operations/values	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3
1. Due to central banks	**2,486,727**	**X**	**X**	**X**	**2,498,984**	**X**	**X**	**X**
2. Due to banks	**38,419,094**	**X**	**X**	**X**	**23,435,901**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	35,574	X	X	X	1,375,201	X	X	X
2.2 Fixed-term deposits	2,270,691	X	X	X	2,383,641	X	X	X
2.3 Loans	34,015,643	X	X	X	19,505,424	X	X	X
2.3.1 Repurchase agreements	21,320,482	X	X	X	6,670,880	X	X	X
2.3.2 Other	12,695,161	X	X	X	12,834,544	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Other payables	2,097,186	X	X	X	171,635	X	X	X
Total	**40,905,821**			**40,541,848**	**25,934,885**			**25,820,598**

"Due to central banks", which refer exclusively to the Parent Company CDP, mainly relate to the credit facilities granted by the ECB under the Targeted Longer-Term Refinancing Operations (TLTRO II). The balance of approximately 2,475 million euro is unchanged compared to 31 December 2017.

"Repurchase agreements", which refer to the Parent Company, amount to approximately 21,320 million euro, up by roughly +14,649 million euro on 31 December 2017, due to the particularly low market rates and to the variability of other short-term funding sources.

Term deposits, which also refer to the Parent Company, amount to approximately 2,271 million euro and mainly comprise:

- the balance of passbook savings accounts and postal savings bonds held by banks of around 1,769 million euro (+281 million euro on 2017);
- the amounts referred to Credit Support Annex contracts to hedge counterparty risk on derivatives of around 501 million euro (-190 million euro on 2017).

Loans payable refer mainly to:

- loans granted to the Parent Company, equal to 4,351 million euro (approximately -722 million euro on 2017), relating to credit lines received mainly from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB);
- loans granted by the banking system to Snam for approximately 4,748 million euro, to Fincantieri for approximately 1,393 million euro and to Italgas for 887 million euro.

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro) Types of operations/values	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3
1. Current accounts and demand deposits	3,411,495	X	X	X	13,111	X	X	X
2. Time deposits	256,056,557	X	X	X	273,972,332	X	X	X
3. Loans:	24,529,477	X	X	X	21,349,863	X	X	X
3.1 repurchase agreements	24,270,854	X	X	X	21,088,764	X	X	X
3.2 other	258,623	X	X	X	261,099	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Other payables	4,790,703	X	X	X	4,996,348	X	X	X
Total	**288,788,232**		**14,103**	**288,774,128**	**300,331,654**		**2,053**	**300,320,289**

The amounts due to customers mainly consist of the Parent Company's term deposits, which include the balance of passbook savings accounts, equal to 105,774 million euro, and of postal savings bonds, equal to 150,773 million euro.

The balance related to loans refers to the repurchase agreements of the Parent Company, of around 24,271 million euro, with a 3,182 million euro increase on the 2017 year-end balance.

Sub-item "5. Other payables" refers to the amounts not yet disbursed at year-end on loans being repaid granted by the Parent Company to public bodies and public-law bodies, equal to around 4,381 million euro (around -296 million euro on 2017).

Lastly, again with reference to the Parent Company, the balance of the MEF's liquidity management transactions (OPTES) was equal to approximately 3,000 million euro, with a substantial decrease on 2017 (-19,498 million euro).

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (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, when also taking into account early redemption options.

The effect of these differences may 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 forecasts on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market conditions at 31 December 2018. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low or, for many maturities, even negative. 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.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro) Types of operations/values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	35,228,625	19,547,230	16,772,192	231,000	34,463,517	20,527,115	14,971,471	
1.1 Structured	49,911		43,289		50,038		46,727	
1.2 Other	35,178,714	19,547,230	16,728,903	231,000	34,413,479	20,527,115	14,924,744	
2. Other securities	1,784,009			1,784,009	2,774,010			2,774,010
1.1 Structured								
1.2 Other	1,784,009			1,784,009	2,774,010			2,774,010
Total	**37,012,634**	**19,547,230**	**16,772,192**	**2,015,009**	**37,237,527**	**20,527,115**	**14,971,471**	**2,774,010**

1.3 of which: pertaining to the Prudential consolidation

(thousands of euro) Types of operations/values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	15,424,807		16,695,502		14,498,858		14,820,696	
1.1 Structured	49,911		43,289		50,038		46,727	
1.2 Other	15,374,896		16,652,213		14,448,820		14,773,969	
2. Other securities	1,784,009			1,784,009	2,774,010			2,774,010
1.1 Structured								
1.2 Other	1,784,009			1,784,009	2,774,010			2,774,010
Total	**17,208,816**		**16,695,502**	**1,784,009**	**17,272,868**		**14,820,696**	**2,774,010**

With respect to the Prudential consolidation, the balance of securities issued at 31 December 2018 refers to the Parent Company and includes:

- the bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of approximately 11,133 million euro (+519 million euro on the 2017 year-end balance). In 2018, as part of the "Debt Issuance Programme", new issues were made, in euro and foreign currencies, for a total equivalent nominal value of 1,627 million euro in support of the Separate and Ordinary Account;
- 6 bonds guaranteed by the Italian government, for a total carrying amount of 4,550 million euro (+2,042 million euro compared to the end of 2017), entirely subscribed by Poste Italiane S.p.A. (of which 2 issued in December 2015 for a total nominal value of 1,500 million euro, 2 issued in December 2017 for a total nominal value of 1,000 million euro, and another 2 issued in March 2018 for a total nominal value of 2,000 million euro);
- the first bond for retail investors issued in March 2015 for a carrying amount of approximately 1,476 million euro, with a view to diversifying the source of funding for the development of public interest projects (for the Separate Account);
- the stock of commercial paper, with a carrying amount of around 1,784 million euro (-990 million euro on the 2017 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.3 of which: pertaining to Insurance companies

(thousands of euro) Types of operations/values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	531,564	476,689			531,545	542,881		
1.1 Structured								
1.2 Other	531,564	476,689			531,545	542,881		
2. Other securities								
1.1 Structured								
1.2 Other								
Total	**531,564**	**476,689**			**531,545**	**542,881**		

Securities issued pertaining to the insurance undertakings refer to SACE's subordinated bond issues placed with institutional investors in January 2015, with an annual coupon of 3.875% for the first 10 years and indexed to the 10-year swap rate plus 318.6 basis points for the following years. The bonds can be redeemed by the issuer initially after 10 years and then at every subsequent coupon payment date.

1.3 of which: pertaining to Other companies

(thousands of euro) Types of operations/values	31/12/2018				31/12/2017			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	19,272,254	19,070,541	76,690	231,000	19,433,114	19,984,234	150,775	
1.1 Structured								
1.2 Other	19,272,254	19,070,541	76,690	231,000	19,433,114	19,984,234	150,775	
2. Other securities								
1.1 Structured								
1.2 Other								
Total	**19,272,254**	**19,070,541**	**76,690**	**231,000**	**19,433,114**	**19,984,234**	**150,775**	

Securities issued by other companies mainly refer to the bond placements by Snam, Terna and Italgas on active markets (Level 1), amounting to 8,446 million euro, 7,266 million euro and 2,913 million euro, respectively.

1.4 Breakdown of subordinated debts/securities

(thousands of euro)	Total 31/12/2018	Total 31/12/2017
A.1 Subordinated debts		
- banks		
- customers		
A.2 Subordinated securities	14,365	
- banks		
- customers	14,365	

At 31 December 2018, subordinated securities issued, for a total amount of 14,365 thousand euro, refer to the aforementioned issues by insurance companies.

1.5 Breakdown of structured debts

Structured debts amount to approximately 3,168 million euro at 31 December 2018 (-1,864 million euro on 2017), of which 0.5 million euro due to banks, and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.6 Due to banks for finance leases

(thousands of euro)	Minimum payments
Up to 3 months	
From 3 months to 1 year	210
From 1 year to 5 years	26
More than 5 years	
Present value of minimum payments gross/net	**236**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro) Type of transactions/values	31/12/2018					31/12/2017				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
Total A										
B. Derivatives										
1. Financial derivatives			63,003	18,744				141,595	44,099	
1.1 Trading	X		61,961	16,863	X	X		140,255	14,476	X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		1,042	1,881	X	X		1,340	29,623	X
2. Credit derivatives										
2.1 Trading	X				X	X				X
2.2 Associated with fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	**X**		**63,003**	**18,744**	**X**	**X**		**141,595**	**44,099**	**X**
Total (A + B)	**X**		**63,003**	**18,744**	**X**	**X**		**141,595**	**44,099**	**X**

(*) Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date.

The item includes mainly:

- the value of the optional component of bonds indexed to equity baskets that were separated from the host contract (approximately 2 million euro), issued by the Parent Company;
- the negative fair value of interest rate swaps (around 69 million euro) related to the Parent Company's contribution to the consolidated financial statements;
- the derivatives of SACE (mainly currency forward purchase/sale contracts) for 3.4 million euro and of FSI Investimenti for approximately 6 million euro;
- the fair value of the earn-out liability, equal to approximately 11 million euro, related to the investment in Open Fiber made by the subsidiary CDP Equity during 2016.

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

This item has a nil balance.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by type

(thousands of euro) Types of operations/values	31/12/2018					31/12/2017				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks										
2. Due to customers										
3. Debt securities	519,389		500,024	19,389	519,413	517,677		501,551	17,677	519,228
3.1 Structured	500,000		500,024		X	500,000		501,551		X
3.2 Other	19,389			19,389	X	17,677			17,677	X
Total	519,389		500,024	19,389	519,413	517,677		501,551	17,677	519,228

(*) Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date.

The contribution of this item mainly refers to 2 securities issued by the Parent Company during the year (total nominal value 500 million euro) under the Debt Issuance Programme ("DIP"), which were not separated from the embedded derivative.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

This item has a nil balance.

Section 4 - Hedging Derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Nominal or notional value 31/12/2018	Fair value 31/12/2018			Nominal or notional value 31/12/2017	Fair value 31/12/2017		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	22,665,565		826,038		17,970,140		667,714	
1) Fair value	16,911,113		681,372		14,205,991		574,362	
2) Cash flow	5,754,452		144,666		3,764,149		93,352	
3) Investment in foreign operation								
B. Credit derivatives								
Total	22,665,565		826,038		17,970,140		667,714	

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Transactions/Type of hedging	Fair value							Cash flow		Investment in foreign operation
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Others				
1. Financial assets at fair value through other comprehensive income	71,700				X	X	X		X	X
2. Financial assets at amortised cost	394,469	X			X	X	X		X	X
4. Portfolio	X	X	X	X	X	X	170,283	X		X
5. Other	6,085	34,530					X	21,920	X	
Total assets	**472,254**	**34,530**					**170,283**	**21,920**		
1. Financial liabilities	4,305	X					X	100,613	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**4,305**							**100,613**		
1. Forecast transactions	X	X	X	X	X	X	X	22,133	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 5 - Fair value change of financial liabilities in hedged portfolios - Item 50

5.1 Fair value change of hedged financial liabilities

(thousands of euro) Adjustment of hedged liabilities/Components of the group	31/12/2018	31/12/2017
1. Positive adjustments of financial liabilities	26,033	32,400
2. Negative adjustments of financial liabilities		
Total	**26,033**	**32,400**

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 termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

Section 6 - Tax liabilities - Item 60

For more information concerning this item, please see Section 11 of “Assets”.

Section 7 - Liabilities associated with non-current assets and disposal groups held for sale - Item 70

For more information concerning this item, please see Section 12 of “Assets”.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

(thousands of euro) Type of transactions/values	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
Items being processed	34,657	28,558		63,215	54,440
Amounts due to employees	4,840	1,656	121,550	128,046	126,535
Charges for postal funding service	440,465			440,465	382,600
Tax payables	175,360	2,887	70,334	248,581	221,085
Construction contracts			1,603,630	1,603,630	1,353,298
Trade payables	22,021	85,148	5,261,679	5,368,848	5,147,107
Due to social security institutions	5,106	2,431	114,284	121,821	115,172
Accrued expenses and deferred income	1,589	21	1,205,360	1,206,970	437,114
Liabilities for premiums to be reimbursed		1,647		1,647	30,051
Processing expenses		216		216	299
Collections from factoring being processed	4,405			4,405	40,471
Other	3,308	29,055	1,739,275	1,771,638	1,812,690
Total	**691,751**	**151,619**	**10,116,112**	**10,959,482**	**9,720,862**

This item reports other liabilities not otherwise classified under the previous items and is broken down as follows.

For the Prudential consolidation, the main items under this heading are:

- the payable to Poste Italiane of about 440 million euro, relating to the portion of commissions due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 175 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products.

With regard to Other Group entities, the item mainly regards:

- trade payables of around 5 billion euro, mainly related to Terna (around 2.5 billion euro), Fincantieri (around 1.8 billion euro), Snam (around 0.5 billion euro), and Italgas (around 0.4 billion euro);
- contract work in progress for 1.6 billion euro, regarding the activities of Fincantieri;
- other Snam items for approximately 1.2 billion euro, referred to payables for investing activities for 337 million euro and liabilities to Cassa per i Servizi Energetici e Ambientali for 570 million euro. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

Section 9 - Staff severance pay - Item 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
A. Opening balance	**1,728**	**5,525**	**213,786**	**221,039**	**230,629**
B. Increases	**297**	**666**	**6,040**	**7,003**	**11,041**
B.1 Provision for the year	146	151	4,054	4,351	4,831
B.2 Other increases	151	515	1,986	2,652	6,210
- *of which: business combinations*					
C. Decreases	**141**	**1,184**	**17,268**	**18,593**	**20,631**
C.1 Severance payments	137	783	8,914	9,834	18,077
C.2 Other decreases	4	401	8,354	8,759	2,554
- *of which: business combinations*					
D. Closing balance	**1,884**	**5,007**	**202,558**	**209,449**	**221,039**

The provision for staff severance pay of other companies mainly refers to Italgas (66 million euro), Fincantieri (57 million euro), Terna (44 million euro) and Snam (26 million euro).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Components	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
1. Provisions for credit risk relating to commitments and financial guarantees issued	**120,005**	**109,305**	**185**	**229,495**	**188,131**
2. Provisions on other guarantees issued and other commitments					
3. Company pensions and other post-retirement benefit obligations					
4. Other provisions	**133,058**	**123,818**	**2,263,082**	**2,519,958**	**2,615,810**
4.1 Fiscal and legal disputes	58,576	3,627	603,403	665,606	637,867
4.2 Staff costs	73,746	7,403	189,335	270,484	229,249
4.3 Other	736	112,788	1,470,344	1,583,868	1,748,694
Total	**253,063**	**233,123**	**2,263,267**	**2,749,453**	**2,803,941**

10.2 Provisions for risks and charges: changes for the year

	Prudential consolidation			Insurance companies			Other entities			31/12/2018		
(thousands of euro) Items/Components	Provisions on other guarantees issued and other commit-ments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commit-ments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commit-ments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commit-ments	Pensions and other post-retirement benefit obligations	Other provisions
A. Opening balance			43,909			136,634			2,435,267			2,615,810
B. Increases			106,972			8,439			256,244			371,655
B.1 Provision for the year			36,417			7,633			194,699			238,749
B.2 Changes due to passage of time			26						11,754			11,780
B.3 Changes due to changes in discount rate									1,238			1,238
B.4 Other increases			70,529			806			48,553			119,888
C. Decreases			17,823			21,255			428,429			467,507
C.1 Use during the year			16,844			11,791			308,996			337,631
C.2 Changes due to changes in discount rate									8,067			8,067
C.3 Other decreases			979			9,464			111,366			121,809
D. Closing balance			133,058			123,818			2,263,082			2,519,958

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued			
(thousands of euro)	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	131,440	5,430	3,679	**140,549**
Financial guarantees issued	87,579	185	1,182	**88,946**
Total	**219,019**	**5,615**	**4,861**	**229,495**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

Items/Values (thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2018	31/12/2017
4. Other provisions	**133,058**	**123,818**	**2,263,082**	**2,519,958**	**2,615,810**
4.1 Legal and fiscal disputes	58,576	3,627	603,403	665,606	637,867
4.2 Staff costs:	73,746	7,403	189,335	270,484	229,249
- early retirement	55,000		102,039	157,039	123,731
- loyalty bonus			4,627	4,627	4,544
- electricity discount			5,202	5,202	13,030
- other	18,746	7,403	77,467	103,616	87,944
4 .3 Other risks and charges	736	112,788	1,470,344	1,583,868	1,748,694

The accruals included in the item 4.3 “Other risks and charges”, totalling approximately 1,584 million euro at 31 December 2018, consist mainly:

- of approximately 607 million euro relating to the provisions for the dismantling and reclamation of sites, recognised mainly for liabilities that are likely to be incurred to remove the structures and reclaim natural gas storage and transportation sites;
- of about 301 million euro relating to the provisions for the reclamation and preservation of properties, as well as provisions for commitments in respect of contracts. 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;
- of around 49 million euro relating to liabilities for contractual guarantees issued to customers in line with market practices and conditions.

Section 11 - Technical provisions - Item 110

11.1 Technical provisions: breakdown

(thousands of euro)	Direct business	Indirect business	Total 31/12/2018	Total 31/12/2017
A. Non-life insurance	**2,520,796**	**154,703**	**2,675,499**	**2,407,786**
A.1 Reserves for unearned premiums	2,100,656	121,357	2,222,013	2,016,881
A.2 Reserves for claims outstanding	419,292	33,346	452,638	389,749
A.3 Other	848		848	1,156
B. Life insurance				
B.1 Mathematical reserves				
B.2 Provision for claims outstanding				
B.3 Other				
C. Technical provisions where the investment risk is borne by the insured				
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices				
C.2 Reserves from the operation of pension funds				
D. Total technical provisions	**2,520,796**	**154,703**	**2,675,499**	**2,407,786**

11.2 Technical provisions: changes for the year

(thousands of euro)	31/12/2018	31/12/2017
A. Non-life insurance	**2,675,499**	**2,407,786**
Opening balance	2,407,786	2,794,066
Business combinations		
Change in reserve (+/-)	267,713	(386,280)
B. Life insurance and other technical provisions		
Opening balance		
Business combinations		
Change in premiums		
Change in payments		
Change in income and other bonuses paid to policy holders (+/-)		
Change in exchange rate (+/-)		
Change in other technical reserves (+/-)		
C. Total technical provisions	**2,675,499**	**2,407,786**

Section 12 - Redeemable shares- Item 130

This item has a nil balance.

Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Share capital” and “Treasury shares”: breakdown

The share capital of the Parent Company of 4,051,143,264 euro at 31 December 2018 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2018, the Parent Company held treasury shares with a value of 57,220,116 euro.

13.2 Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year		
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**337,979,752**	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	342,430,912	
- fully paid	342,430,912	
- partly paid		

13.3 Share capital: Other information

There is no other relevant information on the share capital.

13.4 Income reserves: additional information

(thousands of euro) Items/Types	31/12/2018	31/12/2017
Income reserves	**14,311,786**	**12,980,604**
Legal reserve	810,229	783,134
Other reserves	13,501,557	12,197,470

13.5 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

Section 14 - Non-controlling interests - Item 190

14.1 Breakdown of item 190 “Non-controlling interests”

(thousands of euro) Company name	31/12/2018	31/12/2017
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	3,573,392	3,579,200
2. Snam S.p.A.	5,734,027	6,620,959
3. Italgas S.p.A.	1,301,927	1,253,811
Other equity investments	2,067,012	1,406,318
Total	**12,676,358**	**12,860,288**

14.2 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

Other information

1. Commitments and financial guarantees issued

	Prudential consolidation			Insurance companies			Other entities			31/12/2018	31/12/2017
	Notional value on commitments and financial guarantees issued			Notional value on commitments and financial guarantees issued			Notional value on commitments and financial guarantees issued				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
1. Commitments to disburse funds	**19,979,590**	**183,444**	**16,585**					**3,428,900**		**23,608,519**	**18,613,708**
a) Central Banks											
b) General Government	6,725,329	162,213								6,887,542	6,948,947
c) Banks	76,437	568								77,005	347,430
d) Other financial companies	639,404									639,404	242,741
e) Non-financial companies	12,537,277	19,887	16,585					3,428,900		16,002,649	11,073,212
f) Households	1,143	776								1,919	1,378
2. Financial guarantees issued	**1,352,353**		**1,988**				**1,164,269**	**272,300**	**516**	**2,791,426**	**1,196,189**
a) Central Banks											
b) General Government	166,059						23,441			189,500	50,281
c) Banks							1,129,000			1,129,000	10,875
d) Other financial companies	1,950									1,950	
e) Non-financial companies	1,184,344		1,988				11,828	272,300	516	1,470,976	1,135,033
f) Households											

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value 31/12/2018	Nominal value 31/12/2017
Other guarantees issued	**512,016**	**797,637**
- *of which: non-performing credit exposure*		
a) Central Banks		
b) General Government	1,544	11,143
c) Banks	32,371	55,943
d) Other financial companies		
e) Non-financial companies	478,101	730,551
f) Households		
Other commitments	**8,138,046**	**5,059,630**
- *of which: non-performing credit exposure*		
a) Central Banks		
b) General Government	23,441	23,441
c) Banks	98,376	274,432
d) Other financial companies	2,555,727	2,883,294
e) Non-financial companies	5,460,502	1,878,463
f) Households		

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	Prudential consolidation	Insurance group	Other entities	31/12/2018	31/12/2017
1. Financial assets measured at fair value through profit or loss	150,000			150,000	150,000
2. Financial assets measured at fair value through other comprehensive income	7,283,154			7,283,154	4,614,900
3. Financial assets measured at amortised cost	73,822,618			73,822,618	62,478,935
4. Property, plant and equipment			644,137	644,137	658,533
- *of which: property, plant and equipment classified as inventory*			*401,100*	*401,100*	*394,867*

4. Information on operating leases

(thousands of euro)	31/12/2018	31/12/2017
Information from lessee perspective: future non-cancellable operating lease payments	**86,747**	**107,974**
Up to 3 months		
From 3 months to 1 year	16,897	30,406
From 1 year to 5 years	43,277	50,777
More than 5 years	26,573	26,791
Information from lessor perspective: future non-cancellable operating lease payments		
Up to 3 months		
From 3 months to 1 year		
From 1 year to 5 years		
More than 5 years		

5. Breakdown of investments related to unit-linked and index-linked policies

This item has a nil balance.

6. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2018
1. Order execution on behalf of customers	
a) purchases	
1. settled	
2. not yet settled	
b) sales	
1. settled	
2. not yet settled	
2. Asset management	1,765,279
a) individual	
b) collective	1,765,279
3. Securities custody and administration	69,889,369
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	3,615,734
1. securities issued by consolidated companies	
2. other securities	3,615,734
c) third-party securities deposited with third parties	3,615,734
d) own securities portfolio deposited with third parties	66,273,635
4. Other	85,358,869
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of MEF (1)	65,281,243
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	4,242,211
- Payment PA payable - Decree Law 8 April 2013, no. 35 (3)	5,942,659
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,656,308
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	448,084
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Order 1058/1919 and Law no. 1041/1971 (4)	946,770
- Fondo Kyoto (3)	626,814
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	120,253
- MIUR Student Accomodation - Law 388/00 (4)	92,094
- Minimum Environmental Impact Fund (4)	27,670
- Revolving Fund for development cooperation (3)	4,856,858
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for cooperation	85,901
- MIPAAF Fund - Ministry of Agricultural and Forestry Policies - guarantee platform to support olive oil producers (4)	8,109
- EURECA Fund - guarantee platform to support SMEs in the Emilia-Romagna Region (4)	1,700
- Other funds (4)	22,195

(1) The figure represents the amount at the reporting date of the financial statements.
(2) The figure represents the remaining principal, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(3) The figure represents the sum of the remaining principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(4) The figure represents the remaining balances of the funds 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.

7. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial assets (A)	Amount of financial liabilities offset in financial statements (B)	Net amount of financial assets reported in balance sheet (C = A - B)	Correlated amounts not offset in financial statements		Net amount 31/12/2018 (F = C - D - E)	Net amount 31/12/2017
				Financial instruments (D)	Cash deposits received as guarantee (E)		
1. Derivatives	725,344		725,344	389,559	296,599	**39,186**	7,717
2. Repurchase agreements	53,126		53,126			**53,126**	
3. Securities lending							
4. Other							
Total 31/12/2018	**778,470**		**778,470**	**389,559**	**296,599**	**92,312**	**X**
Total 31/12/2017	**925,943**		**925,943**	**444,388**	**473,838**	**X**	**7,717**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C = A - B)
1. Derivatives		725,344
	20. a) Financial assets held for trading	60,671
	50. Hedging derivatives	664,673
2. Repurchase agreements		53,126
	40. a) Loans to banks	53,126
3. Securities landing		
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.

8. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial liabilities (A)	Amount of financial assets offset in financial statements (B)	Net amount of financial liabilities reported in balance sheet (C = A - B)	Correlated amounts not offset in financial statements		Net amount 31/12/2018 (F = C - D - E)	Net amount 31/12/2017
				Financial instruments (D)	Cash deposits given as guarantee (E)		
1. Derivatives	725,533		725,533	389,560	335,134	839	21,780
2. Repurchase agreements	45,591,336		45,591,336	45,522,803	68,532	1	4,017
3. Securities lending							
4. Other							
Total 31/12/2018	**46,316,869**		**46,316,869**	**45,912,363**	**403,666**	**840**	**X**
Total 31/12/2017	**28,444,361**		**28,444,361**	**28,153,894**	**264,670**	**X**	**25,797**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C = A - B)
1. Derivatives		725,533
	10. a) Due to banks	
	10. b) Due to customers	
	20. Financial liabilities held for trading	69,100
	40. Hedging derivatives	656,433
2. Repurchase agreements		45,591,336
	10. a) Due to banks	45,591,336
3. Securities landing		
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.

9. Securities lending transactions

This item has a nil balance.

10. Disclosure on joint operations

At 31 December 2018, this item has a nil balance.

Part C - Information on the consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Loans	Other	2018	2017
1. Financial assets measured at fair value through profit or loss	**38,369**	**21,782**		**60,151**	**9,125**
1.1 Financial assets held for trading	20,121			20,121	5,866
1.2 Financial assets designated at fair value					3,259
1.3 Other financial assets mandatorily measured at fair value	18,248	21,782		40,030	
2. Financial assets measured at fair value through other comprehensive income	**86,893**	**17**	**X**	**86,910**	**85,911**
3. Financial assets measured at amortised cost	**1,281,200**	**6,739,303**		**8,020,503**	**7,333,616**
3.1 Loans to banks	10,794	228,713	X	239,507	252,305
3.2 Loans to customers	1,270,406	6,510,590	X	7,780,996	7,081,311
4. Hedging derivatives	**X**	**X**	**(227,827)**	**(227,827)**	**(187,615)**
5. Other assets	**X**	**X**	**20,943**	**20,943**	**8,372**
6. Financial liabilities	**X**	**X**	**X**	**156,918**	**203,879**
Total	**1,406,462**	**6,761,102**	**(206,884)**	**8,117,598**	**7,453,288**
- *of which: interest income on non-performing assets*	*187*	*6,321*		*6,508*	*13,565*

Interest income accrued in 2018 amounted to approximately 8,118 million euro. It substantially refers to the Parent Company and mainly comprises:

- interest income on loans to banks and customers, classified as assets measured at amortised cost, totalling 8,021 million euro (7,334 million euro in 2017);
- interest income on financial assets measured at fair value through other comprehensive income, of around 87 million euro (86 million euro in 2017);
- interest income on financial assets measured at fair value through profit or loss, of around 60 million euro (9 million euro in 2017).

Sub-item “4. Hedging derivatives” includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjusts the interest income recognised on the hedged financial instruments. At 31 December 2018, this amount is a negative figure of around 228 million euro, reducing interest income.

Sub-item “6. Financial liabilities” includes, amongst others, interest accrued on financial liabilities which, due to negative remuneration, gave rise to an income (interest income). This is in line with the EBA’s instructions where the sign of the economic component prevails over the nature of the balance sheet item.

The item includes interest income on impaired financial assets of approximately 6.5 million euro.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about 42.2 million euro (35.3 million euro in 2017).

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Securities	Other	2018	2017
1. Financial liabilities measured at amortised cost	4,062,820	647,533		4,710,353	4,776,279
1.1 Due to central banks		X	X		
1.2 Due to banks	167,382	X	X	167,382	133,471
1.3 Due to customers	3,895,438	X	X	3,895,438	3,993,764
1.4 Securities issued	X	647,533	X	647,533	649,044
2. Financial liabilities held for trading			288	288	
3. Financial liabilities designated at fair value	3,137			3,137	
4. Other liabilities and provisions	X	X	14,386	14,386	20,522
5. Hedging derivatives	X	X	(129,299)	(129,299)	(161,900)
6. Financial assets	X	X	X	33,715	57,696
Total	4,065,957	647,533	(114,625)	4,632,580	4,692,597

Interest expense at 31 December 2018 amounts to 4,633 million euro, and is mainly attributable to:
- remuneration of the Parent Company's postal funding, amounting to approximately 3,941 million euro;
- interest expense accrued on securities issued by the Parent Company of 343 million euro, by the industrial companies of 277 million euro and by the SACE Group companies of 20 million euro.

Sub-item "5. Hedging derivatives" includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjusts the interest expense recognised on the hedged financial instruments. At 31 December 2018, this amount is a negative figure of around 129 million euro, reducing interest expense.

Sub-item "6. Financial assets" includes interest accrued on financial assets which, due to negative remuneration, gave rise to a charge (interest expense).

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense accrued on financial liabilities accounted for in foreign currency, totalling about 2 million euro.

1.4.2 Interest expense for finance leases

The interest expense for finance leases totals about 6 thousand euro.

1.5 Differences on hedging transactions

(thousands of euro) Items	2018	2017
A. Positive differences on hedging transactions	159,152	188,969
B. Negative differences on hedging transactions	(257,680)	(214,684)
C. Balance (A - B)	(98,528)	(25,715)

The balance of differences on hedging transactions at 31 December 2018 was negative and approximately equal to 99 million euro.

Section 2 – Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2018	2017
a) Guarantees issued	17,639	24,553
b) Credit derivatives		
c) Management, intermediation and advisory services:	4,324	5,547
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios:	4,324	5,547
3.1 individual		
3.2 collective	4,324	5,547
4. Custody and administration of securities		
5. Custodian bank		
6. Placement of securities		
7. Receipt and transmission of orders		
8. Advisory services		
9. Distribution of third party services		
d) Collection and payment services		
e) Servicing for securitisations		
f) Factoring services	12,569	12,187
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	422,529	116,689
Total	**457,061**	**158,976**

Commission income at 31 December 2018 amounts to 457 million euro, mostly deriving from the contribution of the Parent Company, which during the year accrued commission income of 394 million euro in relation to:

- structuring and disbursement of loans for around 75 million euro;
- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 303 million euro, of which 300 million euro relating to the management of the MEF Bonds, in accordance with the provisions of Article 7 of the new CDP-MEF agreement relating to the MEF Bonds renewed on 23 February 2018;
- guarantees issued of around 17 million euro.

The balance of this item also includes commissions earned for the management of the Revolving Fund for Development Cooperation, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI) and the commissions earned under the agreement signed with Italian Ministry for Foreign Affairs and International Cooperation for international cooperation activities and other services rendered.

The balance also includes commission income of 16.6 million euro received by the subsidiary SIMEST for the management of Public Funds, 12.5 million euro for commissions for services related to factoring transactions of the subsidiary SACE Fct, and commission income of 4.3 million euro accrued by the subsidiary CDPI SGR for the performance of its own institutional portfolio management activity.

2.2 Commission expense: breakdown

(thousands of euro) Services/Amounts	2018	2017
a) Guarantees received	28,099	18,147
b) Credit derivatives		
c) Management and intermediation services:	1,542,077	1,594,820
1. Trading of financial instruments	1,227	
2. Trading of currencies		
3. Management of portfolios:	1,445	1,022
3.1 own portfolio	1,153	1,022
3.2 third-party portfolio	292	
4. Custody and administration of securities	3	1
5. Placement of financial instruments	1,539,402	1,593,797
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,919	1,588
e) Other services	11,190	12,862
Total	**1,583,285**	**1,627,417**

Commission expense is almost exclusively attributable to the Parent Company and is mainly related to the amount for the year, of around 1,526 million euro, of the remuneration paid to Poste Italiane S.p.A. for managing postal savings products.

The commission expense for the postal savings service recognised during the year accrued under the agreement signed in December 2017 between CDP and Poste Italiane S.p.A., for the three-year period 2018-2020.

Commission expense of 19 million euro was recognised by the Fincantieri Group and is mainly related to commissions due on guarantees received.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro) Items/Revenues	2018		2017	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	221	2,633	240	
B. Other financial assets mandatorily measured at fair value		5,642		
C. Financial assets measured at fair value through other comprehensive income	3,336		53	4,591
D. Equity investments				
Total	**3,557**	**8,275**	**293**	**4,591**

Section 4 - Profits (losses) on trading activities - Item 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro) Type of operations/P&L Items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets held for trading	**4,150**	**62,331**	**11,944**	**53,633**	**904**
1.1 Debt securities	4,150	23,069	6,397	23,297	(2,475)
1.2 Equity securities		6,017	1,267	11,476	(6,726)
1.3 Units in collective investment undertakings		33,245	4,280	18,860	10,105
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
Other financial assets and liabilities: exchange rate differences	X	X	X	X	**18,177**
3. Derivatives	**21,974**	**255,125**	**33,448**	**242,576**	**436**
3.1 Financial derivatives:	21,974	255,125	33,448	242,576	436
- on debt securities and interest rates	10,390	54,291	13,672	55,822	(4,813)
- on equity securities and equity indices	9,216	13,751	15,534	7,222	211
- on currencies and gold	X	X	X	X	(639)
- other	2,368	187,083	4,242	179,532	5,677
3.2 Credit derivatives					
Total	**26,124**	**317,456**	**45,392**	**296,209**	**19,517**

Profits (losses) on trading activities consist of profits amounting to approximately 20 million euro. They mainly arise from exchange rate differences on financial assets and liabilities recorded during the year, 18 million euro in total, and attributable to insurance companies (34 million euro) and industrial companies (-16 million euro).

The profits (losses) on trading activities on units in Collective investment undertakings recognised by insurance companies consist of profits amounting to approximately 10 million euro. This balance was offset by the losses on trading activities on debt securities (-2 million euro) and equity securities (-7 million euro) recognised by insurance companies.

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) Type of operations/P&L Items	2018	2017
A. Income on:		
A.1 Fair value hedges	91,214	511,819
A.2 Hedged financial assets (fair value)	335,417	22,427
A.3 Hedged financial liabilities (fair value)	59,929	135,780
A.4 Cash flow hedges	250	1,007
A.5 Assets and liabilities in foreign currencies	40,360	67,469
Total income on hedging activities (A)	**527,170**	**738,502**
B. Expense on:		
B.1 Fair value hedges	407,104	158,724
B.2 Hedged financial assets (fair value)	31,512	443,807
B.3 Hedged financial liabilities (fair value)	64,474	50,809
B.4 Cash flow hedges	27,094	9,382
B.5 Assets and liabilities in foreign currencies	39,983	67,513
Total expense on hedging activities (B)	**570,167**	**730,235**
C. Net gain (loss) on hedging activities (A - B)	**(42,997)**	**8,267**
- *of which: resulting from hedging of net positions*		

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro)	2018			2017		
Type of operations/P&L Items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets at amortised cost	61,344	(5,640)	55,704	24,098	(1,847)	22,251
1.1 Loans to banks	6,273		6,273	826		826
1.2 Loans to customers	55,071	(5,640)	49,431	23,272	(1,847)	21,425
2. Financial assets measured at fair value through other comprehensive income	23,685	(60,638)	(36,953)	20,572	(22,612)	(2,040)
2.1 Debt securities	23,685	(60,638)	(36,953)	20,572	(22,612)	(2,040)
2.2 Loans						
Total assets	**85,029**	**(66,278)**	**18,751**	**44,670**	**(24,459)**	**20,211**
Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued		(46,986)	(46,986)		(56,042)	(56,042)
Total liabilities		**(46,986)**	**(46,986)**		**(56,042)**	**(56,042)**

The balance of this item is negative by approximately 28 million euro.

The Parent Company contributed gains for approximately 17 million euro, mainly due to the fees received from customers for the early repayment of mortgage loans (48 million euro) and to the net negative imbalance of profits/losses recorded on the sale of debt securities (-31 million euro).

The losses on the repurchase of securities issued (-47 million euro) arise from the liability management transaction completed by Snam in December 2018, which repurchased bonds with a total nominal amount of 538 million euro on the market.

Section 7 - Profits (losses) on financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(thousands of euro) Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets					
1.1 Debt securities					
1.4 Loans					
2. Financial liabilities	**1,527**		**847**		**680**
2.1 Securities issued	1,527		847		680
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities exchange rate differences	X	X	X	X	
Total	**1,527**		**847**		**680**

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro) Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A + B) - (C + D)]
1. **Financial assets**	50,278	7,912	119,811	43	(61,664)
1.1 Debt securities			44,532	43	(44,575)
1.2 Equity securities	2,671		463		2,208
1.3 Units in collective investment undertakings	46,090		46,751		(661)
1.4 Loans	1,517	7,912	28,065		(18,636)
2. **Financial assets: exchange rate differences**	X	X	X	X	
Total	50,278	7,912	119,811	43	(61,664)

Section 8 – Net adjustments/recoveries for credit risk - Item 130

This item shows a loss of around 112 million euro and almost exclusively relates to the net balance between write-downs and write-backs for credit risk calculated on an individual and collective basis and related to financial assets measured at amortised cost.

For financial assets that are performing (stages 1 and 2) value adjustments are calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of an impairment loss (stage 3), the amount of the loss is measured as the difference between the contractual cash flows and all the cash flows that one would expect to receive, discounted at the original effective interest rate.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of euro) Type of operations/P&L Items	Write-downs			Write-backs		2018	2017
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. **Loans to banks**	(4,466)			20,856		16,390	16,969
Loans	(4,388)			16,377		11,989	17,816
Debt securities	(78)			4,479		4,401	(847)
- *of which: impaired loans acquired or originated*							
B. **Loans to customers**	(125,969)		(71,911)	52,174	18,442	(127,264)	(46,937)
Loans	(115,198)		(57,090)	50,174	18,442	(103,672)	(44,778)
Debt securities	(10,771)		(14,821)	2,000		(23,592)	(2,159)
- *of which: impaired loans acquired or originated*							
Total	(130,435)		(71,911)	73,030	18,442	(110,874)	(29,968)

Key:
A = From interest.
B = Other write-backs.

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro) Type of operations/P&L Items	Write-downs			Write-backs		2018	2017
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt securities	(3,649)			2,644		(1,005)	
B. Loans							
Customers							
Banks							
- *of which: impaired financial assets acquired or originated*							
Total	(3,649)			2,644		(1,005)	

Section 9 – Gains/losses from changes in contracts without derecognition - Item 140

9.1 Gains/losses from changes in contracts: breakdown

(thousands of euro)	Gains	Losses	Net gain (loss)
Financial assets measured at fair value through other comprehensive income			
Loans			
Debt securities			
Loans to banks			
Loans			
Debt securities			
Loans to customers		(2,199)	(2,199)
Loans		(2,199)	(2,199)
Debt securities			
Total		(2,199)	(2,199)

Section 10 - Net premium income - Item 160

10.1 Net premium income: breakdown

(thousands of euro) Premiums from insurance activity	Direct work	Indirect work	2018	2017
A. Life insurance				
A.1 Gross premium income recognised (+)				
A.2 Premiums transferred to reinsurance (-)		X		
A.3 Total				
B. Non-life insurance				
B.1 Gross premium income recognised (+)	537,849	33,338	571,187	706,726
B.2 Premiums transferred to reinsurance (-)	(153,548)	X	(153,548)	(126,691)
B.3 Change in gross amount of provision for unearned premiums (+/-)	(259,636)	(14,282)	(273,918)	193,696
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	58,549	381	58,930	33,062
B.5 Total	183,214	19,437	202,651	806,793
C. Total net premium income	**183,214**	**19,437**	**202,651**	**806,793**

Section 11 - Net Other income (expense) from insurance operations - Item 170

11.1 Net Other income (expense) from insurance operations: breakdown

(thousands of euro)	2018	2017
1. Net change in technical provisions	(4,950)	(5,369)
2. Claims accrued and paid during the year	(128,829)	78,777
3. Other net profit (loss) on insurance operations	3,649	(15,422)
Total	**(130,130)**	**57,986**

11.2 Breakdown of sub-item “Net change in technical provisions”

(thousands of euro) Net change in technical reserves	2018	2017
1. Life insurance		
A. Mathematical reserves		
B. Other technical provisions		
C. Technical provisions where the investment risk is borne by the insured		
Total “life insurance reserves”		
2. Non-life insurance	(4,950)	(5,369)
Changes in other technical provisions for life insurance other the claims provisions net of cessions in reinsurance	(4,950)	(5,369)

11.3 Breakdown of sub-item “Claims accrued during the year”

(thousands of euro) Incurred claims	2018	2017
Life insurance: expenses for claims, net of cessions in reinsurance		
A. Amounts paid		
B. Change in the reserve for sums to be paid		
Total life insurance claims		
Non-life insurance: expenses for claims, net of recoveries and cessions in reinsurance		
C. Amounts paid	(242,773)	(371,989)
C.1 Gross annual amount	(276,150)	(413,821)
C.2 (-) Amounts borne by reinsurers	33,377	41,832
D. Change in recoveries net of amounts borne by reinsurers	167,341	235,135
E. Changes in claims reserve	(53,397)	215,631
E.1 Gross annual amount	(62,888)	224,540
E.2 (-) Amounts borne by reinsurers	9,491	(8,909)
Total non-life insurance claims	**(128,829)**	**78,777**

11.4 Breakdown of item “Net Other income (expense) from insurance operations”

(thousands of euro)	2018	2017
Life insurance		
Other gains		
Other losses		
Non-life insurance	3,649	(15,422)
Other gains	73,997	38,535
Other losses	(70,348)	(53,957)
Total	**3,649**	**(15,422)**

Section 12 - Administrative expenses - Item 190

12.1 Staff costs: breakdown

(thousands of euro) Type of expenses/Sectors	Prudential consolidation	Insurance companies	Other entities	2018	2017
1) Employees	**166,661**	**76,698**	**1,685,856**	**1,929,215**	**1,784,762**
a) Wages and salaries	79,231	48,800	1,157,326	1,285,357	1,198,876
b) Social security costs	340	119	30,699	31,158	30,058
c) Staff severance pay	495	1,035	25,033	26,563	24,829
d) Pension costs	18,362	11,368	327,837	357,567	363,097
e) Allocation to staff severance pay	146	151	4,054	4,351	4,831
f) Allocation to provision for post-employment benefits					
g) Payments to external supplementary pensions funds:	5,593	4,066	48,802	58,461	56,860
- defined contribution	5,420	4,066	45,933	55,419	54,113
- defined benefit	173		2,869	3,042	2,747
h) Costs arising from share-based payment arrangements			3,722	3,722	3,330
i) Other employee benefits	62,494	11,159	88,383	162,036	102,881
2) Other personnel in service	**562**	**419**	**6,356**	**7,337**	**8,484**
3) Board of Directors and Board of Auditors	**2,433**	**763**	**17,177**	**20,373**	**16,714**
4) Retired personnel					
Total	**169,656**	**77,880**	**1,709,389**	**1,956,925**	**1,809,960**

12.2 Average number of employees by category

(number)	Prudential consolidation	Insurance companies	Other entities	2018	2017
Employees	**847**	**712**	**30,461**	**32,020**	**32,256**
a) Senior management	97	45	638	780	799
b) Middle management	414	321	9,322	10,057	9,592
c) Other employees	336	346	20,501	21,183	21,865
Other personnel	**8**		**120**	**128**	**116**

12.3 Defined benefit pension funds: costs and revenues

This item has a nil balance.

12.4 Other employee benefits

(thousands of euro) Type of expenses/Values	Prudential consolidation	Insurance companies	Other entities	2018	2017
Food coupons	1,612	899	6,418	8,929	9,027
Insurance policies	2,941	2,506	1,941	7,388	6,307
Contributions to mortgage loan interest	524	331	2	857	708
Leaving incentives	55,000	2,799	29,483	87,282	37,746
Bonus energia			(7,378)	(7,378)	(10,139)
Length of service bonuses		75	587	662	247
Other benefits	2,417	4,549	57,330	64,296	58,985
Total	**62,494**	**11,159**	**88,383**	**162,036**	**102,881**

"Other employee benefits" amount to approximately 162 million euro. The positive balance of "Bonus energia" is due to the release of the electricity discount provision, to the extent of the portion related to retired employees, by the Terna Group during the financial year.

12.5 Other administrative expenses: breakdown

(thousands of euro) Type of expenses/Values	Prudential consolidation	Insurance companies	Other entities	2018	2017
IT costs	26,341	5,210	68,417	99,968	131,842
General services	4,983	2,564	4,590,694	4,598,241	4,158,349
Professional and financial services	13,919	11,139	404,352	429,410	447,359
Publicity and marketing expenses	2,167	2,264	29,836	34,267	30,829
Other personnel-related expenses	2,708	2,377	30,390	35,475	31,600
Utilities, duties and other expenses	13,094	7,940	225,628	246,662	225,303
Information resources and databases	4,761		5,360	10,121	6,394
Corporate bodies	363		256	619	538
Total	**68,336**	**31,494**	**5,354,933**	**5,454,763**	**5,032,214**

The following table shows the fees paid for statutory auditing and non-audit services.

	PricewaterhouseCoopers		Total
(thousands of euro)	Parent company	Other Group companies	
Auditing	429	4,483	4,912
Certification services	105	253	358
Tax consultancy services		38	38
Other services	154	347	501
Ancillary expenses (non-deductible VAT and Consob contribution)	182	395	577
Total	**870**	**5,516**	**6,386**

Section 13 - Net provisions for risks and charges - Item 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Accruals		Reversal of excess		Net result
(thousands of euro)	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	
Commitments to disburse funds	(12,867)	(557)	6,979	453	(5,991)
Financial guarantees issued	(2,303)	(3,434)	217		(5,520)
Total	**(15,169)**	**(3,991)**	**7,196**	**453**	**(11,511)**

13.2 Net provisions for other commitments and other guarantees issued: breakdown

During the year, no accruals for other commitments and guarantees were made.

13.3 Net provisions to other provisions for risks and charges: breakdown

(thousands of euro)	Accruals	Reversal of excess	2018
Net provisions for legal and fiscal disputes	(54,624)	8,342	(46,282)
Net provisions for sundry expenses for personnel	(2,250)		(2,250)
Net sundry provisions	(143,003)	186,703	43,700
Total	**(199,877)**	**195,045**	**(4,832)**

13.3 of which: pertaining to the Prudential consolidation

(thousands of euro)	Accruals	Reversal of excess	2018
Net provisions for legal and fiscal disputes	(34,298)	228	(34,070)
Net provisions for sundry expenses for personnel			
Net sundry provisions			
Total	**(34,298)**	**228**	**(34,070)**

13.3 of which: pertaining to Insurance companies

(thousands of euro)	Accruals	Reversal of excess	2018
Net provisions for legal and fiscal disputes	(538)	312	(226)
Net provisions for sundry expenses for personnel			
Net sundry provisions		14,689	14,689
Total	**(538)**	**15,001**	**14,463**

13.3 of which: pertaining to Other companies

(thousands of euro)	Accruals	Reversal of excess	2018
Net provisions for legal and fiscal disputes	(19,788)	7,802	(11,986)
Net provisions for sundry expenses for personnel	(2,250)		(2,250)
Net sundry provisions	(143,003)	172,014	29,011
Total	**(165,041)**	**179,816**	**14,775**

Section 14 - Net adjustments to/recoveries on property, plant and equipment - Item 210

14.1. Net adjustments to/recoveries on property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(1,387,905)	(60,432)	6,365	(1,441,972)
- for operations	(1,387,905)	(21,613)		(1,409,518)
- for investment		(227)	8	(219)
- inventories	X	(38,592)	6,357	(32,235)
A.2 Acquired under finance leases:	(950)			(950)
- for operations	(950)			(950)
- for investment				
Total	**(1,388,855)**	**(60,432)**	**6,365**	**(1,442,922)**

14.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(4,395)			(4,395)
- for operations	(4,395)			(4,395)
- for investment				
- inventories	X			
A.2 Acquired under finance leases:				
- for operations				
- for investment				
Total	**(4,395)**			**(4,395)**

14.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(2,019)	(1)		(2,020)
- for operations	(2,019)			(2,019)
- for investment				
- inventories	X	(1)		(1)
A.2 Acquired under finance leases:				
- for operations				
- for investment				
Total	**(2,019)**	**(1)**		**(2,020)**

14.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(1,381,491)	(60,431)	6,365	(1,435,557)
- for operations	(1,381,491)	(21,613)		(1,403,104)
- for investment		(227)	8	(219)
- inventories	X	(38,591)	6,357	(32,234)
A.2 Acquired under finance leases:	(950)			(950)
- for operations	(950)			(950)
- for investment				
Total	**(1,382,441)**	**(60,431)**	**6,365**	**(1,436,507)**

Section 15 - Net adjustments to/recoveries on intangible assets - Item 220

15.1 Net adjustments to/recoveries on intangible assets: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(597,803)	(1,374)	61	(599,116)
- internally generated by the company	(46,710)			(46,710)
- other	(551,093)	(1,374)	61	(552,406)
A.2 Acquired under finance leases				
Total	**(597,803)**	**(1,374)**	**61**	**(599,116)**

15.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(3,443)			(3,443)
- internally generated by the company				
- other	(3,443)			(3,443)
A.2 Acquired under finance leases				
Total	**(3,443)**			**(3,443)**

15.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(1,680)			(1,680)
- internally generated by the company	(597)			(597)
- other	(1,083)			(1,083)
A.2 Acquired under finance leases				
Total	**(1,680)**			**(1,680)**

15.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Write-backs (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(592,680)	(1,374)	61	(593,993)
- internally generated by the company	(46,113)			(46,113)
- other	(546,567)	(1,374)	61	(547,880)
A.2 Acquired under finance leases				
Total	**(592,680)**	**(1,374)**	**61**	**(593,993)**

Section 16 - Other operating income (costs) - Item 230

16.1 Other operating costs: breakdown

(thousands of euro) Type of costs/Figures	Prudential consolidation	Insurance companies	Other entities	2018	2017
Depreciation of leasehold improvements	125		1,017	1,142	1,052
Ordinary maintenance costs of buildings for investment use					
Other	1,238	4,051	97,330	102,619	347,638
Total	**1,363**	**4,051**	**98,347**	**103,761**	**348,690**

16.2 Other operating income: breakdown

(thousands of euro) Type of costs/Figures	Prudential consolidation	Insurance companies	Other entities	2018	2017
Income for company engagements to employees	521		413	934	1,006
Recovery of expenses	428		31,118	31,546	20,805
Rental income and other income from property management	1,475	690	19,767	21,932	100,981
Revenues from industrial management			11,811,907	11,811,907	11,171,977
Reimbursement expenses incurred for MIUR Agreement					
Other	1,508	2,017	153,462	156,987	175,013
Total	**3,932**	**2,707**	**12,016,667**	**12,023,306**	**11,469,782**

Other operating income amounts to 12,023 million euro (11,444 million euro in 2017) and consists almost entirely of revenues from industrial operations.

Revenues from industrial operations mainly derive from:
- Fincantieri, in the amount of 5,366 million euro;
- Snam, in the amount of 2,559 million euro;
- Terna, in the amount of 2,301 million euro;
- Italgas, in the amount of 1,587 million euro.

Section 17 - Gains (losses) on equity investments - Item 250

17.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L components/Sectors	2018	2017
1. Companies subject to joint control		
A. Income	166,177	181,809
1. Write-backs	159,836	180,964
2. Gains on disposal	3,695	153
3. Write-backs	2,646	
4. Other		692
B. Expenses	(362,153)	(111,850)
1. Impairment	(361,552)	(88,835)
2. Write-downs for impairment	(581)	(23,015)
3. Losses on disposal		
4. Other	(20)	
Net result	(195,976)	69,959
2. Enterprises subject to significant influence		
A. Income	1,326,761	1,007,940
1. Write-backs	1,324,547	1,002,585
2. Gains on disposal		9
3. Write-backs	1,108	2,117
4. Other	1,106	3,229
B. Expenses	(22,531)	(24,141)
1. Impairment	(13,975)	(8,037)
2. Write-downs for impairment	(8,556)	(15,769)
3. Losses on disposal		
4. Other		(335)
Net gain (loss)	1,304,230	983,799
Total	1,108,254	1,053,758

Net gains on equity investments, of approximately 1,108 million euro, comprise the results of the measurement at equity of investments subject to significant influence or joint operations and are mainly due to:

- the positive effect of the measurement at equity of the investment in Eni (872.7 million euro), Poste Italiane (436 million euro), TAG (74 million euro), TIGF Holdings S.A.S. (28 million euro) and Toscana Energia (20 million euro);
- the negative effect of the measurement at equity of Ansaldo Energia (239 million euro), Open Fiber (49 million euro), and Saipem (approximately 60 million euro).

Section 18 - Gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 260

This item has a nil balance.

Section 19 - Goodwill impairment - Item 270

19.1 Goodwill impairment: breakdown

This item has a nil balance for 2017 and 2018.

Section 20 - Gains (losses) on disposal of investments - Item 280

20.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) P&L components/Sectors	2018	2017
A. Land and buildings	**5,492**	**281**
- Gains on disposal	8,011	281
- Losses on disposal	(2,519)	
B. Other assets	**13,275**	**592,071**
- Gains on disposal	16,910	601,408
- Losses on disposal	(3,635)	(9,337)
Net gain (loss)	**18,767**	**592,352**

This item shows gains of 18.7 million euro and consists of gains on the disposal of investment property and other assets.

Section 21 - Income tax for the year on continuing operations - Item 300

21.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) P&L components/Sectors	2018	2017
1. Current taxes (-)	(1,644,685)	(1,292,816)
2. Change in current taxes from previous years (+/-)	18,455	7,614
3. Reduction of current taxes for the year (+)	3,290	1,425
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 (+/-)	(2,088)	(4,867)
5. Change in deferred tax liabilities (+/-)	165,616	91,870
6. Taxes for the year (-) (-1+/-2+3+3.*bis* +/-4+/-5)	**(1,459,412)**	**(1,196,774)**

21.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2018	Tax rate
Income (loss) before taxes	**5,792,867**	
IRES theoretical tax liability (rate 27.5%)	**(1,593,038)**	**-27.50%**
Increases in taxes:		
- non-deductible interest expense	(6,988)	-0.12%
- write-downs of equity investments	(7,689)	-0.13%
- other non-deductible costs	(35,702)	-0.62%
- adjustments on receivables (+)	(2,748)	-0.05%
- non-deductible temporary differences	(174,333)	-3.01%
- non-deductible permanent differences	(155,860)	-2.69%
- other changes	(129,143)	-2.23%
Decreases in taxes:		
- ACE benefit	48,448	0.84%
- exchange rate differences	21,352	0.37%
- non-taxable income	369,826	6.38%
- use of accruals	39,232	0.68%
- technical reserves	5,548	0.10%
- other changes	296,812	5.12%
IRES Actual tax liability	**(1,324,283)**	**-22.86%**

(thousands of euro)	2018	Tax rate
IRAP tax amount	7,752,767	
IRAP theoretical tax liability (5.57% rate)	(431,829)	-5.57%
Increases in taxes:		
- non-deductible interest 4%	(368)	0.00%
- other non-deductible costs	(16,416)	-0.21%
- different regional rates	(4,192)	-0.05%
Decreases in taxes:		
- deductible costs for staff costs	30,933	0.40%
- different regional rates	62,347	0.80%
- other decreases	39,123	0.50%
IRAP Actual tax liability	**(320,402)**	**-4.13%**

Section 22 - Income (loss) after tax on discontinued operations - Item 320

22.1 Income (loss) after tax on discontinued operations: breakdown

This item has a nil balance for 2017 and 2018.

22.2 Breakdown of income taxes on discontinued operations

This item has a nil balance for 2017 and 2018.

Section 23 - Net income (loss) for the year pertaining to non-controlling interests - Item 340

23.1 Breakdown of item 340 “Net income (loss) for the year pertaining to non-controlling interests”

Net income pertaining to non-controlling interests amounts to 1,442,604 thousand euro.

(thousands of euro) Company name	2018	2017
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	562,404	547,434
2. Snam S.p.A.	669,364	616,375
3. Italgas S.p.A.	207,900	193,674
Other equity investments	2,936	160,861
Total	**1,442,604**	**1,518,344**

Section 24 - Other information

There is no additional information to report.

Section 25 - Earnings per share

The necessary conditions for the disclosure required by IAS 33 are not met.

Part D - Consolidated comprehensive income

Analytical statement of comprehensive income

(thousands of euro) Items		2018	2017
10.	**Net income (loss)**	**4,333,455**	**4,461,658**
	Other comprehensive income not transferred to income statement	**(259,450)**	**(827)**
20.	Equity securities at fair value through other comprehensive income:	(268,100)	
	a) fair value changes	(268,100)	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)		
40.	Hedges on equity securities designated at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	7,328	(2,512)
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	3,939	1,203
100.	Income tax relating to other comprehensive income not transferred to income statement	(2,617)	482
	Other comprehensive income transferred to income statement	**(509,688)**	**(1,527,383)**
110.	Hedging of foreign investments		
120.	Exchange rate differences:	5,672	(59,292)
	a) changes in value	(3,146)	(52,262)
	c) other changes	8,818	(7,030)
130.	Cash flow hedges:	(204,412)	162,964
	a) fair value changes	(133,309)	155,620
	c) other changes	(71,103)	7,344
140.	Hedging instruments (non-designated items)		
150.	Financial assets (other than equity securities) at fair value through other comprehensive income:	(316,717)	158,094
	a) fair value changes	(306,046)	182,482
	b) transfer to income statement:	(12,115)	(24,388)
	- impairment adjustments		3,122
	- gains (losses) on disposal	(12,115)	(27,510)
	c) other changes	1,444	
160.	Non-current assets and disposal groups held for sale		
170.	Share of valuation reserves of equity investments accounted for using equity method:	(153,196)	(1,698,737)
	a) fair value changes	(153,196)	(1,698,737)
180.	Income tax relating to other comprehensive income transferred to income statement	158,965	(90,412)
190.	**Total other comprehensive income**	**(769,138)**	**(1,528,210)**
200.	**Comprehensive income (items 10 + 190)**	**3,564,317**	**2,933,448**
210.	Consolidated comprehensive income pertaining to non-controlling interests	1,376,237	1,527,098
220.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**2,188,080**	**1,406,350**

Part E - Information on risks and related hedging policies

To ensure an efficient risk management system, the Parent Company and the companies belonging to the prudential consolidation perimeter have set-up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that could be assumed - in the different segments.

Risk management considers the specific characteristics of the activity performed by each entity of the group, and is implemented in compliance with the requirements established by the laws and regulations applicable to each company.

Within the organisational structure of the Parent Company, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and for the clear presentation of the overall risk profile and solidity of CDP to the Board of Directors. As a part of this mandate, the CRO coordinates the activities of the Risk Management Area (RM), the Risk Governance Area, the Compliance and Anti-Money Laundering Area and the Risk Operations Area. RM is responsible for supporting the CRO with the management and monitoring of all types of risks, providing a clear view of the overall risk profile of CDP and of the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They can be classified in market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which include concentration and counterparty risks), operational risks, and reputation risks. The risk policy is updated semi-annually and is made up by a main document (the Risk Policy itself) and its related annexes, 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 define the risk appetite of CDP, the thresholds, risk limits, risk management policies, and the framework of the corresponding organisational processes.

The guidelines for the risk management of the Parent Company are expressed in the Risk Policy and envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

Within the Board of Director's the Board Risk Committee has control and guidance functions with respect to risk management and the assessment of the adoption of new products. To support the CEO a specific Internal Risk Committee has been set-up. This collegiate technical and advisory body provides opinions on policy and control issues concerning the overall risk profile of CDP and operational assessment for particularly relevant matters.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending to the Risk Committee corrective measures that might be necessary to ensure compliance with the Risk Policy and with the risk profile chosen by CDP, monitoring the usage of economic capital and contributing to the capital management activities.

Within the companies pertaining to the prudential consolidation perimeter, the bodies participating in the risk and control management systems consist not only of top management but also of second-level control functions (Risk Management, Compliance, Anti-Money Laundering) and third-level control functions (Internal Auditing).

Section 1 - The risks of accounting consolidation

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNTS)

(thousands of euro) Portfolios/quality	Bad debts	Unlikely to pay	Non-performing past-due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets measured at amortised cost	74,256	203,361	437,387	137,739	329,222,105	330,074,848
2. Financial assets measured at fair value though other comprehensive income					11,123,871	11,123,871
3. Financial assets designated at fair value						
4. Financial assets mandatorily measured at fair value	17,614		217,234	5,890	1,350,330	1,591,068
5. Financial assets being divested						
Total 31/12/2018	**91,870**	**203,361**	**654,621**	**143,629**	**341,696,306**	**342,789,787**
Total 31/12/2017	**38,438**	**243,724**	**839,335**	**154,530**	**339,465,338**	**340,741,365**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

FORBORNE CREDIT EXPOSURES: BREAKDOWN BY PORTFOLIO AND CREDIT QUALITY

(thousands of euro) Type of exposition/value	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure at 31/12/2018	Net exposure at 31/12/2017
Forborne loans to customers:					
Bad debts			X		
Unlikely to pay	94,230	(46,754)	X	47,476	
Non-performing past-due exposures	39	(1)	X	38	
Other non-performing exposures	55	X	(1)	54	
Performing exposures	750,155	X	(313,617)	436,538	
Total forborne exposures at 31/12/2018	**844,479**	**(46,755)**	**(313,618)**	**484,106**	**X**
Total forborne exposures at 31/12/2017	**856,922**	**(42,913)**	**(136,479)**	**X**	**677,530**

A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

(thousands of euro) Portfolios/quality	Non performing assets				Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Accumulated partial write-offs	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets measured at amortised cost	955,991	(240,987)	715,004		330,245,130	(885,286)	329,359,844	330,074,848
2. Financial assets measured at fair value though other comprehensive income					11,134,760	(10,889)	11,123,871	11,123,871
3. Financial assets designated at fair value					X	X		
4. Financial assets mandatorily measured at fair value	262,910	(28,062)	234,848		X	X	1,356,220	1,591,068
5. Financial assets being divested								
Total 31/12/2018	**1,218,901**	**(269,049)**	**949,852**		**341,379,890**	**(896,175)**	**341,839,935**	**342,789,787**
Total 31/12/2017	**1,347,859**	**(226,362)**	**1,121,497**		**338,617,204**	**(450,007)**	**339,619,868**	**340,741,365**

(thousands of euro) Portfolios/Quality	Assets with markedly poor credit quality		Other assets
	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			89,926
2. Hedging derivatives			722,177
Total 31/12/2018			**812,103**
Total 31/12/2017			**1,108,715**

B. Disclosure of structured entities (other than securitisation companies)

Not present at 31 December 2018.

Section 2 - The Risks of the prudential consolidation

In compliance with the national and EU legislative framework, the CDP Group is not subject to prudential supervision on a consolidated basis. In this section, where reference is made to the scope of "prudential consolidation", the Parent Company CDP S.p.A. and the following companies, subject to supervision on an individual basis, are deemed to be included:
- CDP Investimenti SGR;
- SACE Factoring.

Article 5 of Decree Law no. 269 of 30 September 2003, relating to the transformation of CDP into a joint-stock company, specifies that one must apply to CDP the provisions of Title V of Legislative Decree no. 385 of 1 September 1993 provided for intermediaries registered in the list referred to in Article 106 of the same Legislative Decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account [...]". The transformation decree, therefore, provides for a specific set of supervisory regulations for CDP, since the provisions relating to non-banking financial intermediaries cannot be directly applicable to it.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

It should also be noted that:
- CDP is classified in the harmonised statistics of the European System of Central Banks as "other monetary financial institution" (MFI), falling into the category of credit institutions and, as such, it is subject to the Eurosystem's minimum reserve requirement; and
- CDP is one of the counterparties admitted to the Eurosystem monetary policy operations and, as such, sends the Bank of Italy quarterly management figures on capital adequacy.

1.1 Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity – both under the Separate Account and the Ordinary Account – and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, to which has the largest quota of the assets pertains, primarily features exposures to the Italian Government and Local Authorities. Since 2018, CDP has been authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This line of activity, still in a starting phase, is aimed at municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional form of financing operations.

Over the last several years, exposures to the main banking groups operating in Italy under the Separate Account have grown to a larger role, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential 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 (FRI – Fondo Rotativo per le Imprese), which at present are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under the International Financing and Export Bank lines of activity. The Separate Account may also finance energy efficiency improvement projects and loans granted to support international development cooperation activities. This last kind of activity is still in the implementation phase for what pertains to the use of own funds.

Under the Ordinary Account CDP grants corporate and project financing drawing on non-government-backed funding, 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.

During 2018, CDP has continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), already undertaken in 2017, while maintaining alignment with CDP's typical risk profile.

SACE Fct is exposed to credit risk in connection with its factoring activity. This is a type of financing whereby a company sells, pursuant to the rules dictated by Law 52 of 1991 or the Italian Civil Code, the trade receivables that accrue from the operation of its own activity vis-à-vis all or certain of its customers (debtors) to a company specialising in this field (factor).

The factoring agreement may perform different functions, for which the factor provides different services, such as (i) management, where the factor performs certain activities on behalf of the transferor; (ii) financing, when the factor pays a price for the sold receivables; (iii) guarantee, when the transfer is made with recourse and the factor assumes the risk of default by the transferred debtor. These activities expose the factor to credit risk in different and gradually increasing ways. The risk is mitigated through the introduction of specific contractual clauses. Another type of activity is final purchase of the receivable. In this case, the risks/benefits deriving from the receivable are transferred by the transferor to the Company pursuant to IAS 39 ("recognition").

CDP Investimenti SGR is exposed to credit risk in the sense of counterparty risk, in connection with the fees received as fund manager. The exposure exists with regard to managed funds and, indirectly, their subscribers, who might be unable to comply with subscriptions (i.e. fully/ partially unable to deposit funds for the subscribed investments). In this respect, it shall be noticed that the funds currently managed are mainly subscribed by the Parent Company.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also govern the lending process and the roles of the units involved.

The Risk Operations Area assesses the proposals formulated by the CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for issuing the internal ratings and estimating of the Loss Given Default rates. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document, approved by the CEO, provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing transactions. The Risk Operations Area is also responsible for the periodic review of the loan portfolio, with regard to the evolution of each counterparty's financial situation and to developments in their specific industry.

The Risk Governance Area contributes towards the definition of risk policy guidelines for implementation both at CDP and at Group level and manages and monitors Non performing assets exposures. The area is responsible for the analysis of counterparties for the purpose of management or regulatory classification.

The Risk Management Area is responsible for the methods used to determine the risk-adjusted pricing, for monitoring the risk-adjusted return, and for measuring portfolio concentration. The Risk Management Area regularly monitors the overall evolution of the credit risk of the port-

folio, also to identify corrective measures designed to optimise the risk/return profile. The credit risk responsibilities of the Risk Management Area also include:

- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- preparing opinions on specific loan transactions, in the specific cases detailed in the policies in effect from time to time;
- defining, selecting and implementing the models, methods, and instruments of the internal rating system.

With regard to non-performing counterparties, the Risk Operations Area reviews any proposals made for restructuring – where necessary with the support of other Areas for more complex cases – while the Risk Management Area performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the Transactions Management Area.

The Credit Committee is a technical and advisory body acting in support of the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on loan transactions, both in regard to creditworthiness and to the adequacy of the contractual terms. The composition of the Credit Committee includes members of the Risk Operations Area and the Risk Management Area, as well as the Legal, Compliance and Finance Areas.

Where predetermined concentration thresholds are exceeded or if the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is required on lending transactions.

To monitor the risks at group level a specific governance process for the most significant transactions in terms of risk is foreseen. A non-binding opinion from the Parent Company must be obtained in these cases. In particular, there has been a further implementation of the governance and coordination guidelines at a Group level by the Risk Governance Area, whereas the Group Risk Committee has provided its opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a relevant impact.

The management of credit risk connected with the factoring activities carried out by SACE Fct is governed by internal corporate regulations. These apply from the initiation of contact and preliminary assessment of the counterparty, to possible management of credit collection.

The factoring process is broken down into the following phases: (i) an investigation aimed at preparing an initial assessment of the counterparty; (ii) a decision based on the thresholds and delegations of authority deriving from assessment of its creditworthiness; (iii) execution of the agreement; (iv) revision of the expiring credit facilities, with a new review and decision-making process; (v) operating management and management of anomalous loans, which calls for the determination of the relevant value adjustments, the commencement of judicial or extra-judicial proceedings for credit recovery or, if it is decided not to pursue legal action, the preparation of an irrecoverable credit report.

2.2 Management, measurement and control systems

The companies within the prudential consolidation scope adopt procedures for the credit risk management and measurement aimed at assessing the quality of credit assets. This is done both when the loan is first granted/approved and through the lifetime of the loan, by monitoring the performance of portfolio positions.

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type and size of entity.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds in support of the economy via the banking system, CDP uses a validated proprietary model to calculate portfolio credit risk. CDP also uses this system to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

The Risk Management Area monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

The Risk Management Area also carries out 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 increased correlation parameters.

The Risk Management Area regularly monitors the net current and potential future net exposure to swap counterparties in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The Risk Management Area also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, the Risk Management Area provides for the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process CDP uses specific benchmark tools, developed by specialised providers, chosen on the basis of the principal classes of CDP counterparties, based on their size, legal form, and sector of activity.

The master scale of ratings adopted by CDP is, similarly to those used by rating agencies, foresee 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used to denote counterparties in default. Given the limited number of historical defaults in the CDP portfolio, keeping into account the nature of the borrowers, default probabilities are calibrated on the basis of long-term default rates (*through the cycle*) calculated using data acquired from a specialised provider.

In 2018, when implementing IFRS 9, the CDP Group defined a methodology to derive point-in-time default probabilities.

Default is defined in accordance with the supervisory regulations for banks issued by the Bank of Italy.

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), to monitor loan performance, to calculate provisions, within the limits framework and to measure the consumption of economic capital. The risk assessment assigned to the counterparty is updated at least annually or at any time during the year whenever events occur or information is acquired that may significantly affect the credit rating.

In accordance with its own operations, SACE Fct has developed an internal scoring model for the assessment of public counterparties and, more specifically, of municipalities and provincial authorities. In that area, the Company complements the qualitative rating given by the AIDA PA rating tool with other indicators, representing the creditworthiness of the public counterparties. The internally determined score is compared with the appropriate thresholds. Scores higher than those thresholds qualify the analysed counterparty for a positive rating.

An EWS algorithm was also developed whose objective is to analyse the portfolio positions which are not in a state of default or probable default (i.e. performing and past due) in order to identify the signs of anomalies they show that might precede payment behaviours not in line with expectations which, if not properly monitored and managed, could lead to the position moving to a default condition. The EWS algorithm is based on the calculation of the statistically sustainable, overview monitoring indicator which is capable of predicting the development of a worsening risk of the position.

2.3 Measurement methods of expected credit losses

From 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the "Standard"), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The Standard introduces numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred but not reported loss. The aim of this new approach to impairment is to ensure more prompt recognition of losses compared to the previous IAS 39-compliant model, in which the losses are recognised if objective evidence is found of impairment losses after initial recognition of the asset. Correspondingly, the new model envisages that the financial assets are allocated in three distinct “stages” (Stage Allocation):

- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are provisioned on the basis of the expected loss over a time horizon of up to one year;
- stage 2: this stage involves the financial assets whose credit quality has Non performing assets significantly since initial recognition. These financial assets are provisioned based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves credit - impaired financial assets which, having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

The Parent Company has defined its policies and methods of Stage Allocation and calculation of expected losses in a way compliant with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of its own, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has recorded an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of its business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are assumed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant deterioration in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The chosen method involves the definition of staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes account, among other things, of the age of the individual instrument and its rating on the reporting date. The first element allows to capture the expectations regarding changes in PD (migration in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an non-linear manner as the rating worsens (variation of the default probabilities in line with the ratings).

The decision to use the internal ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP’s loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes (known as “watchlists”, which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to stage 3 without having first been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, cease to hold, it may return to stage 1 with the consequent reduction in the associated expected loss.

As regards debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by the Parent Company does not envisage the use of the “low credit risk exemption” (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option permitted by IFRS 9. This exemption would involve classifying all positions with “low” credit risk (substantially similar to the “investment grade” threshold, i.e. from the “BBB-” rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, while taking account the recommendations by the Basel Committee recommendations, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without undue costs or effort), which might influence the credit risk of a financial instrument. The available information must include:
- specific attributes of the debtor, and
- general economic conditions and the assessment of current and forecast conditions (“forward-looking information”).

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PD instead of the Through-the-Cycle (TTC) PD which CDP routinely uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD starting from TTC PD which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a “security package”), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed by the Risk Management function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed within the Internal Risk Committee and Board Risk Committee and was lastly approved by the Board of Directors.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders to the Treasures ("Delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, 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 Plafond), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP.

The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure of the bank (and any group that it might belong to) in relation to the Shareholders' Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP usually takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is materialised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

During 2018, the credit quality monitoring system was further developed, to ensure, through an early warning system, the prompt flagging up of credit events that indicate potential problems (based on information from both internal and external sources), and to assign the counterparty a specific management Watch List class depending on the level of importance of the signals identified. In particular, the additional features concerned the widening of the set of indicators used to assign the management classes, with the recalibration of the indices and the fine tuning of the management classification rules. In addition, the features of the engine were also extended to the regulatory statuses, thanks to the introduction of specific indicators that allow for the processing of classification proposals to "Unlikely to Pay".

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also systematically used to strengthen CDP credit risk mitigation.

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

Securities financing transactions utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

As regards factoring, techniques are adopted to mitigate credit risk based on continuous monitoring of positions, assessing early warning signs tied to the payment behaviour of debtors, and the specific characteristics of transactions, such as: (i) notification to the debtor that the loan has been sold; (ii) recognition of the debt by the transferor, and (iii) certification of the loan by the debtors.

When deemed appropriate, SACE Fct also assesses the possibility of acquiring collateral and unsecured guarantees to mitigate credit risk. Unsecured guarantees generally consist of bank guarantees given by individuals and companies.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2018 the trend in gross non-performing credit exposures was substantially steady and in line with expectations. The incidence of the stock of non-performing exposures was confirmed as completely marginal in respect to the overall loan portfolio.

Non-performing financial assets are measured and classified in accordance with the supervisory regulations for banks issued by the Bank of Italy.

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, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans receivable considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

Non-performing 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 – the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures.

In the pre-litigation stage, non-performing exposures are monitored and handled by the Risk Governance organisational unit, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising earnings and financial results, by pursuing extra-judicial actions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-offs

Credit exposures are written off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it, and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:
- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;
- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:
- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called "forborne" exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities (which is one of the main activities historically performed by CDP), over the last few years CDP has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities, and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by CDP, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent "massive renegotiations".

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the "substantial" nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, accumulated impairment, changes and economic distribution

A.1.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS BY PAST-DUE BANDS (CARRYING AMOUNTS)

(thousands of euro) Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	34,872	1,249	60,544	15,614	4,502	20,958	976	2,555	219,615
Total al 31/12/2018	**34,872**	**1,249**	**60,544**	**15,614**	**4,502**	**20,958**	**976**	**2,555**	**219,615**
Total al 31/12/2017	**37,877**	**7,411**	**25,625**	**8,383**	**8,575**	**42,286**	**19,998**	**1,808**	**273,912**

A.1.2 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: CHANGES IN ACCUMULATED IMPAIRMENT AND PROVISIONS

(thousands of euro) Items/risk stages	Accumulated impairment													Total provisions for commitments to disburse funds and financial guarantees issued			Total
	Assets in stage 1				Assets in stage 2				Assets in stage 3								
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: Individual Impairment	Of which: Collective Impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: Individual Impairment	Of which: Collective Impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Of which: Individual Impairment	Of which: Collective Impairment	Of which: impaired financial assets acquired or originated	Stage 1	Stage 2	Stage 3	
Opening accumulated impairment and provisions	181,072			180,919	176,984			176,984	172,328		172,483			10,927	783	4,278	546,372
Changes in opening balance	39,064	9,866		48,930	419,662			419,662	15,158		8,856	476		7,132	4,957	396	496,235
Increases resulting from financial assets acquired or originated	25,837	3,415		29,252	17,566			17,567	888		869	19		11,357	317	560	59,940
Derecognitions other than write-offs	(12,279)	(1,262)		(13,541)	(19,278)			(19,278)	(656)		(599)	(57)		(5,778)	(1,356)	(83)	(40,692)
Net adjustments/recoveries for credit risk (+/-)	(12,821)	(2,601)		(15,422)	58,060	1,471		59,308	26,743		26,720	23		2,576	729	(303)	73,854
Contractual amendments without derecognition									(1,008)		(1,008)						(1,008)
Other changes	(7,288)			(7,288)	4,730			4,730	(843)		(843)			68			(3,333)
Closing accumulated impairment and provisions	**213,585**	**9,418**		**222,850**	**657,724**	**1,471**		**658,973**	**212,610**		**206,478**	**461**		**26,282**	**5,430**	**4,848**	**1,131,368**

A.1.3 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

(thousands of euro) Items/risk stages	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage	From stage 3 to stage 1
1. Financial assets measured at amortised cost	1,343,287	356,941	15,927	4,874	35,188	43,324
2. Financial assets measured at fair value through other comprehensive income	31,659					
3. Commitments to disburse funds and financial guarantees issued	13,752	304		956	503	2,706
Total 31/12/2018	**1,388,698**	**357,245**	**15,927**	**5,830**	**35,691**	**46,030**

A.1.4 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS

(thousands of euro) Type of exposures/values	Gross exposure		Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write-off
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad debts		X			
- *of which: forborne exposures*		*X*			
b) Unlikely to pay		X			
- *of which: forborne exposures*		*X*			
c) Non-performing past due positions		X			
- *of which: forborne exposures*		X			
d) Performing past due positions	X	512	(2)	510	
- *of which: forborne exposures*	*X*				
e) Other performing positions	X	21,215,925	(52,888)	21,163,037	
- *of which: forborne exposures*	*X*				
Total (A)		**21,216,437**	**(52,890)**	**21,163,547**	
B. Off-balance sheet credit exposures					
a) Non-performing		X			
b) Others	X	21,803,967	(254)	21,803,713	
Total (B)		**21,803,967**	**(254)**	**21,803,713**	
Total (A + B)		**43,020,404**	**(53,144)**	**42,967,260**	

A.1.5 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS

(thousands of euro) Type of exposures/values	Gross exposure		Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write-offs
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad debts	141,703	X	(79,705)	61,998	
- *of which: forborne exposures*		*X*			
b) Unlikely to pay	326,178	X	(122,817)	203,361	
- *of which: forborne exposures*	*94,230*	*X*	*(46,754)*	*47,476*	
c) Non-performing past due positions	53,365	X	(10,088)	43,277	
- *of which: forborne exposures*	*39*	*X*	*(1)*	*38*	
d) Performing past due positions	X	138,084	(855)	137,229	
- *of which: forborne exposures*	*X*	*55*	*(1)*	*54*	
e) Other performing positions	X	314,630,171	(828,453)	313,801,718	
- *of which: forborne exposures*	*X*	*750,155*	*(313,617)*	*436,538*	
Total (A)	**521,246**	**314,768,255**	**(1,041,918)**	**314,247,583**	
B. Off-balance sheet credit exposures					
a) Non-performing	18,573	X	(4,817)	13,756	
b) Others	X	49,994,999	(31,553)	49,963,446	
Total (B)	**18,573**	**49,994,999**	**(36,370)**	**49,977,202**	
Total (A + B)	**539,819**	**364,763,254**	**(1,078,288)**	**364,224,785**	

A.1.6 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET EXPOSURES TO BANKS: CHANGES IN GROSS NON-PERFORMING POSITIONS

(thousands of euro) Items/categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A. Opening gross exposure			26
- *of which: exposures assigned but not derecognised*			
Changes in opening balance			
B. Increase			
B.1 Transfers from performing loans			
B.2 Transfers from impaired financial assets acquired or originated			
B.3 Transfers from other categories of impaired exposures			
B.4 Changes in contracts without derecognition			
B.5 Other increases			
C. Decreases			26
C.1 Transfers to performing loans			26
C.2 Write-off			
C.3 Collections			
C.4 Gains on disposal			
C.5 Losses on disposal			
C.6 Transfers to other categories of non-performing positions			
C.7 Changes in contracts without derecognition			
C.8 Other decreases			
D. Closing gross exposure			
- *of which: exposures assigned but not derecognised*			

A.1.6*BIS* PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

There are no forborne credit exposures to banks.

A.1.7 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS NON-PERFORMING POSITIONS

(thousands of euro) Items/Categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A. Opening gross exposure	**103,118**	**343,167**	**188,872**
- *of which: exposures assigned but not derecognised*			
B. Increases	**48,659**	**113,698**	**29,481**
B.1 Transfers from performing loans	53	53,732	28,792
B.2 Transfers from impaired financial assets acquired or originated			
B.3 Transfers from other categories of impaired exposures	47,701	21,401	
B.4 Changes in contracts without derecognition			
B.5 Other decreases	905	38,565	689
C. Decreases	**10,074**	**130,687**	**164,988**
C.1 To performing loans		862	108,516
C.2 Write-offs			
C.3 Collections	9,441	50,758	23,715
C.4 Gains on disposal			
C.5 Losses on disposal			
C.6 Transfers to other categories of impaired exposures		47,696	21,406
C.7 Other decreases		2,199	
C.8 Other decreases	633	29,172	11,351
D. Closing gross exposure	**141,703**	**326,178**	**53,365**
- *of which: exposures assigned but not derecognised*			

A.1.7*BIS* PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**74,003**	**782,919**
- *of which: exposures assigned but not derecognised*		
Changes in opening balance		
B. Increase	**34,586**	**22,431**
B.1 Transfers from performing loans not forborne		3
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	
B.4 Other increases	34,586	22,428
C. Decreases	**14,320**	**55,140**
C.1 Transfers to non-forborne performing loans	X	
C.2 Transfers to forborne performing loans		X
C.3 Transfers to forborne non-performing loans	X	
C.4 Write-off		
C.5 Collections	9,451	53,982
C.6 Gains on disposal		
C.7 Losses on disposal		
C.8 Other decreases	4,869	1,158
D. Closing gross exposure	**94,269**	**750,210**
- *of which: exposures assigned but not derecognised*	*92,204*	*750,155*

A.1.8 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO BANKS: CHANGES IN ACCUMULATED IMPAIRMENT

There are no non-performing credit exposures to banks.

A.1.9 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN ACCUMULATED IMPAIRMENT

	Bad debts		Unlikely to pay		Impaired past-due exposures	
(thousands of euro) Items/Categories	Total	Of which forborne exposures	Total	Of which forborne exposures	Total	Of which forborne exposures
A. Opening accumulated impairment	**63,208**	**2,660**	**99,443**	**40,252**	**9,832**	**1**
- *of which: exposures assigned but not derecognised*						
Changes in opening balance	1,237		4,913		9,072	
B. Increases	**23,510**	**45**	**37,780**	**10,189**	**16,034**	
B.1 Write-downs on impaired financial asset acquired or originated		X		X		X
B.2 Other write-downs	11,712	45	28,456		2,038	
B.3 Losses on disposal						
B.4 Transfers to other categories of impaired positions	11,557		3,252			
B.5 Changes in contracts without derecognition		X		X		X
B.6 Other increases	241		6,072	10,189	13,996	
C. Decreases	**8,250**	**2,705**	**19,319**	**3,687**	**24,850**	
C.1 Write-backs from valuations	3,736		2,301		7,215	
C.2 Write-backs from collection	108		4,013	3,632	237	
C.3 Gains on disposal						
C.4 Write-offs						
C.5 Transfers to other categories of impaired positions			11,494		3,315	
C.6 Changes in contracts without derecognition		X		X		X
C.7 Other decreases	4,406	2,705	1,511	55	14,083	
D. Closing accumulated impairment	**79,705**		**122,817**	**46,754**	**10,088**	**1**
- *of which: exposures assigned but not derecognised*						

A.2 Classification of exposures based on external and internal ratings

A.2.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING CLASSES (GROSS AMOUNTS)

(thousands of euro) Type of exposures	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**830,917**	**2,160,780**	**256,524,284**	**15,276,401**	**2,360,325**	**34,422**	**47,948,538**	**325,135,667**
- Stage 1	830,917	2,152,527	250,197,842	14,056,842	2,360,305	13,764	40,744,440	310,356,637
- Stage 2		8,248	6,321,209	1,218,390	20	20,658	6,689,259	14,257,784
- Stage 3		5	5,233	1,169			514,839	521,246
B. Financial assets measured at fair value through other comprehensive income	**21,130**	**31,628**	**10,022,540**	**253,268**	**140,661**	**31,659**	**560,211**	**11,061,097**
- Stage 1	21,130	31,628	10,022,540	253,268	140,661		560,211	11,029,438
- Stage 2						31,659		31,659
- Stage 3								
Total (A + B)	**852,047**	**2,192,408**	**266,546,824**	**15,529,669**	**2,500,986**	**66,081**	**48,508,749**	**336,196,764**
- *of which: impaired financial assets acquired or originated*								
C. Commitments to disburse funds and financial guarantees issued								
- Stage 1	2,313,415	2,282,239	6,815,611	296,438	27,713		11,191,101	22,926,517
- Stage 2		50	6	152,375		568	30,445	183,444
- Stage 3			637				17,936	18,573
Total (C)	**2,313,415**	**2,282,289**	**6,816,254**	**448,813**	**27,713**	**568**	**11,239,482**	**23,128,534**
Total (A + B + C)	**3,165,462**	**4,474,697**	**273,363,078**	**15,978,482**	**2,528,699**	**66,649**	**59,748,231**	**359,325,298**

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

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 Breakdown of secured exposures by type of guarantee

A.3.1 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

(thousands of euro)	Gross exposure	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
							Credit derivatives					Guarantees				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General government	Banks	Other financial companies	Other	
1. Secured on-balance sheet credit exposures:																
1.1 fully secured	9,267,557	9,225,647				3,601,346						5,624,301				**9,225,647**
- *of which: non-performing*																
1.2 partially secured	318,809	315,720				127,088										**127,088**
- *of which: non-performing*																
2. Secured off-balance sheet credit exposures:																
2.1 fully secured	549,326	549,306				423,281						126,025				**549,306**
- *of which: non-performing*																
2.2 partially secured	350,237	350,237				183,818										**183,818**
- *of which: non-performing*																

A.3.2 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

(thousands of euro)	Gross exposure	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
							Credit derivatives					Guarantees				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General government	Banks	Other financial companies	Other	
1. Secured on-balance sheet credit exposures:																
1.1 fully secured	7,779,029	7,425,672	245,723		1,125,818	1,650,373						2,626,548	177,922		1,599,288	**7,425,672**
- *of which: non-performing*	*164,043*	*153,256*	*71,693*			*17,210*						*50,533*	*554*		*13,266*	*153,256*
1.2 partially secured	4,198,901	4,189,253				68,900						3,944,612	34,784			**4,048,296**
- *of which: non-performing*	*40,500*	*34,807*				*17,457*						*17,350*				*34,807*
2. Secured off-balance sheet credit exposures:																
2.1 fully secured	7,550,585	7,541,136	70,460			237,774						7,023,135	2,513		207,254	**7,541,136**
- *of which: non-performing*	*4,979*	*4,751*	*1,845*			*29*						*2,051*			*826*	*4,751*
2.2 partially secured	2,780,282	2,778,110				32,932						2,350,846	150			**2,383,928**
- *of which: non-performing*																

B. Breakdown and concentration of credit exposures

B.1 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

	General Government		Financial companies		Financial companies (of which: insurance undertakings)		Non financial companies		Households	
(thousands of euro) Exposure/counterparties	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts	3,617	(4,444)					58,147	(75,044)	234	(217)
- *of which: forborne exposures*										
A.2 Unlikely to pay	13,076	(39,156)		(10)			188,132	(83,496)	2,153	(155)
- *of which: forborne exposures*	*1,221*	*(805)*		*(10)*			*45,540*	*(45,860)*	*715*	*(79)*
A.3 Non-performing past-due positions	18,548	(8,689)					23,256	(1,273)	1,473	(126)
- *of which: forborne exposures*	*38*	*(1)*								
A.4 Performing exposures	294,101,055	(476,563)	4,451,561	(3,466)			15,351,536	(348,182)	34,795	(1,097)
- *of which: forborne exposures*	*54*	*(1)*					*436,538*	*(313,617)*		
Total (A)	294,136,296	(528,852)	4,451,561	(3,476)			15,621,071	(507,995)	38,655	(1,595)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures							13,756	(4,817)		
B.2 Performing exposures	7,035,309	(13,297)	3,903,116	(729)			14,590,120	(17,512)	23,606	(15)
Total (B)	7,035,309	(13,297)	3,903,116	(729)			14,603,876	(22,329)	23,606	(15)
Total 31/12/2018	**301,171,605**	**(542,149)**	**8,354,677**	**(4,205)**			**30,224,947**	**(530,324)**	**62,261**	**(1,610)**
Total 31/12/2017	**284,101,278**	**(152,384)**	**4,336,131**	**(2,155)**			**25,873,358**	**(293,610)**	**49,651**	**(811)**

B.2 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts	61,998	(79,705)								
A.2 Unlikely to pay	197,654	(122,186)	700	(88)	2,017	(146)	2,818	(379)	172	(18)
A.3 Non-performing past-due positions	43,109	(10,073)			168	(13)				
A.4 Performing exposures	308,173,814	(824,696)	2,004,020	(1,921)	1,723,963	(1,304)	1,393,443	(1,031)	643,707	(360)
Total (A)	308,476,575	(1,036,660)	2,004,720	(2,009)	1,726,148	(1,463)	1,396,261	(1,410)	643,879	(378)
B. Off-balance sheet exposures										
B.1 Non-performing exposures	13,756	(4,817)								
B.2 Performing exposures	14,846,590	(23,743)	1,024,137	(612)	6,721,323	(5,021)	2,358,652	(1,762)	601,449	(415)
Total (B)	14,860,346	(28,560)	1,024,137	(612)	6,721,323	(5,021)	2,358,652	(1,762)	601,449	(415)
Total (A + B) 31/12/2018	**323,336,921**	**(1,065,220)**	**3,028,857**	**(2,621)**	**8,447,471**	**(6,484)**	**3,754,913**	**(3,172)**	**1,245,328**	**(793)**
Total (A + B) 31/12/2017	**302,339,826**	**(444,797)**	**1,290,757**	**(1,957)**	**6,837,003**	**(1,064)**	**3,157,715**	**(663)**	**735,117**	**(479)**

B.3 PRUDENTIAL CONSOLIDATION - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	20,706,330	(52,852)	455,267	(38)					1,950	
Total (A)	20,706,330	(52,852)	455,267	(38)					1,950	
B. Off-balance sheet exposures										
B.1 Non-performing exposures										
B.2 Performing exposures	76,751	(254)	37,863						118,376	
Total (B)	76,751	(254)	37,863						118,376	
Total (A + B) 31/12/2018	**20,783,081**	**(53,106)**	**493,130**	**(38)**					**120,326**	
Total (A + B) 31/12/2017	**39,721,896**	**(96,591)**	**154,684**		**39,845,514**					

C. Securitisations

Qualitative disclosures

At the end of 2002, Cassa depositi e prestiti, 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 consortia operated by local authorities, consortia of local authorities, and public or private limited companies operating public services (extinguished portfolio);
2. departments of the State, the regions, autonomous provinces or local authorities (extinguished portfolio);
3. A2A S.p.A. (extinguished portfolio);
4. Acea Distribuzione S.p.A. (extinguished portfolio);
5. RFI S.p.A.;
6. Poste Italiane S.p.A. (extinguished portfolio).

At 31 December 2018, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 PRUDENTIAL CONSOLIDATION - SERVICER ACTIVITIES - OWN SECURITISATIONS: COLLECTIONS ON SECURITISED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY THE SECURITISATION VEHICLE

	Securitisation vehicle	Securitised assets		Collections in the year		% of redeemed securities (end-period figure)					
		Non-performing	Performing	Non-performing	Performing	Senior		Mezzanine		Junior	
(thousands of euro) Servicer						Non-performing assets	performing assets	Non-performing assets	performing assets	Non-performing assets	performing assets
CDP S.p.A.	CPG - Società di cartolarizzazione a r.l.		115,224		47,706						

D. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

D.1 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED RECOGNISED IN FULL AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNT

	Financial assets assigned recognised in full				Financial liabilities associated		
(thousands of euro)	Carrying amount	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements	Of which: impaired	Carrying amount	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				X			
B. Other financial assets mandatorily measured at fair value							
C. Financial assets designated at fair value							
D. Financial assets measured at fair value through other comprehensive income	**5,817,568**		**5,817,568**		**5,732,762**		**5,732,762**
1. Debt securities	5,817,568		5,817,568		5,732,762		5,732,762
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**39,538,180**		**39,538,180**		**38,727,807**		**38,727,807**
1. Debt securities	39,538,180		39,538,180		38,727,807		38,727,807
2. Loans							
Total 31/12/2018	**45,355,748**		**45,355,748**		**44,460,569**		**44,460,569**
Total 31/12/2017	**26,429,136**		**26,429,136**		**27,759,644**		**27,759,644**

D.2 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED PARTIALLY RECOGNISED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

There are no financial assets assigned partially recognised.

D.3 PRUDENTIAL CONSOLIDATION - DISPOSALS WITH LIABILITIES WITH RECOURSE ONLY ON DIVESTED ASSETS BUT NOT DERECOGNISED: FAIR VALUE

	Fully recognised	Partially recognised	Total	
(thousands of euro)			31/12/2018	31/12/2017
A Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value				
C. Financial assets designated at fair value				
D. Financial assets measured at fair value through other comprehensive income	**5,817,568**		**5,817,568**	**3,969,726**
1. Debt securities	5,817,568		5,817,568	3,969,726
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**39,655,300**		**39,655,300**	**24,133,378**
1. Debt securities	39,655,300		39,655,300	24,133,378
2. Loans				
Total financial assets	**45,472,868**		**45,472,868**	**28,103,104**
Total financial liabilities associated	**44,465,570**		**X**	**X**
Net value 31/12/2018	**1,007,298**		**45,472,868**	**X**
Net value 31/12/2017	**343,460**		**X**	**28,103,104**

B. Financial assets assigned and derecognised with recognition of continuing involvement

There were no existing transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

D.4 PRUDENTIAL CONSOLIDATION - COVERED BOND TRANSACTIONS

At the reporting date, no covered bond transactions have been carried out by Banking group companies.

1.2 Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

In 2018, the prudential consolidation companies did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative disclosures

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

As a result of its operations, the Parent Company is exposed to interest rate risk under 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 in the banking book.

These risks can affect both the earnings 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 its assets and liabilities structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing those balance sheet items that are sensitive to interest rates, by quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the underlying risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed to ensure that the company stays solvent given its risk profile.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP measures using historical simulation methods.

To quantify and monitor the interest rate risk in the banking book, CDP computes VaR figures both over short time horizons — such as over one day or ten days — and annually, the latter being well-suited for the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for evaluating balance sheet items and measuring sensitivities; moreover, they use the same input data. The daily VaR is then used for backtesting, thanks to its larger pool of figures available over that interval.

VaR summarises in a single monetary amount the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite these limits, common to any composite metric based on historical scenarios, VaR has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes possible, through the backtesting process, to check the hypotheses underpinning the calculations, not only of the daily VaR but also of the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. 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. Furthermore, more granular limits set by the Chief Executive Officer are in place.

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

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Therefore, hedging regards subsets of those items, depending on the sign of the net exposure, with a view on containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Department.

The measurement and the monitoring of interest rate risk are performed by the Risk Management Department and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methodology and receives periodic reporting on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with stocks, 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.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not accounted at their current fair value – do not recover any impairment over time. It is calculated based on hypotheses about the statistical distribution of the prices of the shares, the related derivatives (when 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 in the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of "Premia" and "Europa" postal savings bonds, whose yield is linked to the performance of the Euro Stoxx 50 index. The Risk Management monitors the net exposure to such risk.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Risk management is ensured by the Budget and Treasury Department, in close collaboration with the Risk Management Department, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

The Company carefully monitors any mismatching between assets and liabilities. Interest risk originates especially from final purchases of receivables (where the consideration to be paid is determined by discounting the face value of the acquired receivables at the pre-determined interest rate), generated by short-term funding against the granting of fixed-rate loans over a longer term.

The interest rate risk associated with standard transactions with and without recourse is minimal. The reason is that these are variable rate transactions with monthly repricing financed through floating or fixed rate funding with short-term maturities (from 1 to 3 months).

CDP Investimenti SGR has no direct (i.e. resulting from its primary activity) exposure to interest rate risk and inflation risk; a marginal exposure is detected in connection with investments of the available liquidity (mainly, fixed-rate securities issued by the Italian Government and postal savings bonds guaranteed by the Parent Company).

In 2018, SACE Fct and CDPI SGR not set up any interest-rate-hedging strategy.

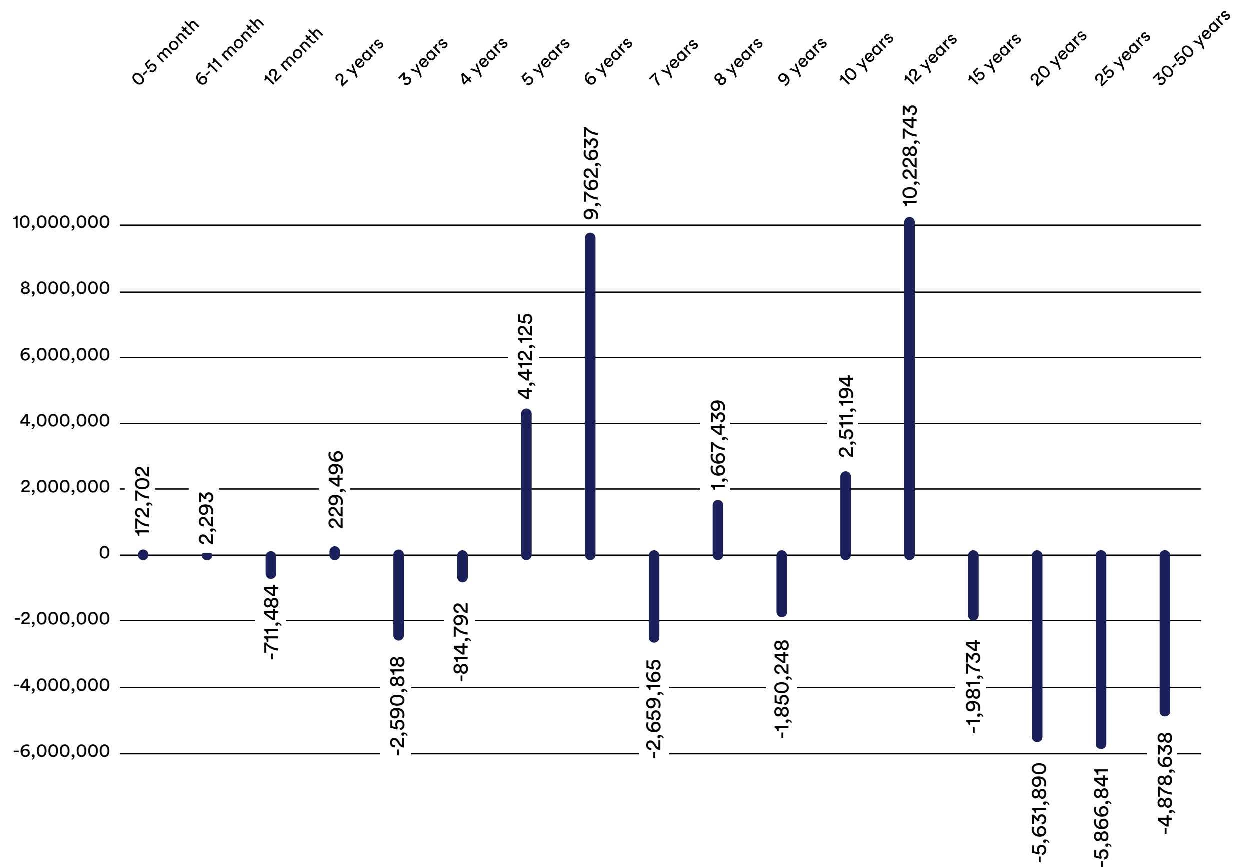
Quantitative disclosures

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 of the Parent Company developed on the basis of internal models.

SENSITIVITY TO EURO ZERO-COUPON RATES BY MATURITY (INCREASE OF 1 BASIS POINT)

MARKET FIGURES AT 31/12/2018



1.2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability and/or the 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, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

SACE Fct undertakes purchasing activities of commercial paper denominated in foreign currency, almost all of which were in US dollars. In this instance, the "Exchange Rate Risk Policy" defines the roles and responsibilities of the corporate bodies and units involved in the process and the methods used to measure, manage, and monitor exchange rate risk.

To date, CDP Investimenti SGR assumes no exchange rate risk in its own activity.

B. Hedging exchange rate risk

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) were hedged. The Italian Republic bonds issued in Yen were hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in euro.

On CDP's liabilities side, there is also a Yen-denominated bond that is hedged.

Finally, a residual component of unhedged exchange rate risk existed at 31 December 2018. This was tied mainly to transactions to refinance exposures in US dollars, in the short and medium term.

SACE Fct manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, largely through the acquisition of funding in the same currencies of loans made in currencies other than the euro. A general alignment between the time profile of loans and the time profile of the related funding is also required. Moreover, to maintain exposure within levels that are consistent with management policy and to avoid concentration risks on specific currencies, appropriate ceilings (maximum volume of exposure) are defined by foreign currency.

Quantitative disclosures

1. BREAKDOWN BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

(thousands of euro) Items	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss francs	Other currencies
A. Financial assets	**1,813,315**		**470,055**			
A.1 Debt securities	138,955		470,055			
A.2 Equity securities						
A.3 Loans to banks	16,439					
A.4 Loans to customers	1,647,245					
A.5 Other financial assets	10,676					
B. Other assets						
C. Financial liabilities	**1,550,791**		**59,805**			
C.1 Due to banks	1,132,672					
C.2 Due to customers	329,284					
C.3 Debt securities	88,835		59,805			
C.4 Other financial liabilities						
D. Other liabilities	**4,822**					
E. Financial derivatives						
- Other derivatives:						
+ long positions			59,805			
+ short positions	200,873		476,963			
Total assets	**1,813,315**		**529,860**			
Total liabilities	**1,756,486**		**536,768**			
Difference (+/-)	**56,829**		**(6,908)**			

1.3 The financial derivatives and hedging policies

1.3.1 Financial derivatives held for trading

A. Financial derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: PERIOD-END NOTIONAL VALUES

(thousands of euro) Underlying assets/Types of derivatives	31/12/2018				31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates		**3,167,824**	**40,000**			**3,342,890**	**40,000**	
a) Options								
b) Swaps		3,167,824	40,000			3,342,890	40,000	
2. Equity securities and equity indices		**4,664,350**	**3,927,136**			**9,626,950**	**8,612,039**	
a) Options		4,664,350	3,927,136			9,626,950	8,612,039	
3. Foreign currencies and gold		**200,873**						
c) Forwards		200,873						
4. Commodities								
5. Other underlyings								
Total		**8,033,047**	**3,967,136**			**12,969,840**	**8,652,039**	

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

(thousands of euro) Type of derivatives	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties: With netting arrangements	31/12/2018 Over the counter Without central counterparties: Without netting arrangements	31/12/2018 Organised markets	31/12/2017 Over the counter Central counterparties	31/12/2017 Over the counter Without central counterparties: With netting arrangements	31/12/2017 Over the counter Without central counterparties: Without netting arrangements	31/12/2017 Organised markets
1. Positive fair value								
a) Options		3,106				24,005		
b) Interest rate swap		57,566	10,354			59,342	10,221	
e) Forward								
Total		**60,672**	**10,354**			**83,347**	**10,221**	
2. Negative fair value								
a) Options			1,881				29,622	
b) Interest rate swap		69,058				97,974		
e) Forward		42						
Total		**69,100**	**1,881**			**97,974**	**29,622**	

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
Notional value	X			40,000
Positive fair value	X			10,354
Negative fair value	X			
2) Equity securities and equity indices				
Notional value	X			3,927,136
Positive fair value	X			
Negative fair value	X			1,881
3) Foreign currencies and gold				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
4) Commodities				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
5) Other				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
Notional value		1,905,189	1,237,635	25,000
Positive fair value		43,034	8,771	5,761
Negative fair value		69,058		
2) Equity securities and equity indices				
Notional value		4,552,600	111,750	
Positive fair value		3,093	13	
Negative fair value				
3) Foreign currencies and gold				
Notional value		200,873		
Positive fair value				
Negative fair value		42		
4) Commodities				
Notional value				
Positive fair value				
Negative fair value				
5) Other				
Notional value				
Positive fair value				
Negative fair value				

A.4 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES: NOTIONAL VALUES

(thousands of euro) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	653,474	2,474,350	80,000	3,207,824
A.2 Financial derivatives on equity securities and equity indices	7,108,308	1,483,178		8,591,486
A.3 Financial derivatives on exchange rates and gold	200,873			200,873
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2018	**7,962,655**	**3,957,528**	**80,000**	**12,000,183**
Total 31/12/2017	**9,135,489**	**12,018,331**	**468,059**	**21,621,879**

B. Credit derivatives held for trading

There were no credit derivatives.

1.3.2 Accounting hedges

Qualitative disclosures

A. Fair value hedges

Within the scope of its Asset Liability Management policies, the Parent Company, where possible, makes use of "operational hedges" between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives.

Moreover, CDP's transactions in derivatives have the sole purpose of hedging risks, principally equity, interest rate and liquidity risks. Derivatives are designated as accounting hedges under IAS 39 or as operational hedges; the latter are monitored according to a framework established under the provisions of the EMIR regulation.

A fair value hedge is applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses.

As regards the activity of fair value hedging, the Parent Company has implemented the following types of hedges:
- micro fair value hedges of fixed-rate loans in the Separate Account and Ordinary Account;
- micro fair value hedges of asset and liability bonds in the Separate Account and Ordinary Account;
- partial term hedges of fixed-rate loans and bonds in the Separate Account;
- macro fair value hedges of specifically selected uniform portfolios, exposed to interest rate risk within the scope of the Separate Account.

With the micro fair value hedges, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives.

Within the scope of partial term hedges, the hedged item is defined as a subset of the cash flows of one or more contracts, specifically selected according to duration and/or the amount.

In case of hedging of portfolios exposed to interest rate risk, the hedged item consists of loan portfolios which have the same sort of characteristics. These hedges differ from micro hedges since the hedged item does not identify the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the univocal relationship (tie) between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate Swap derivatives, which provide for the exchange of fixed rate interest payments with floating rate interest payments that are linked to the Euribor 6M index or, to a lesser extent and for specific ALM purposes, to the Euribor 3M index.

Within the scope of the prudential consolidation, no further accounting hedges have been undertaken.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. With reference to the activities implemented by the Parent Company, at 31 December 2018 the following cash flow hedges exist in relation to the exchange rate risk and inflation risk:

- EUR/JPY exchange rate risk hedge of asset and liability bonds;
- Inflation risk hedge associated with the issue of Index-linked Postal Savings Bonds.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the JPY cash flows of the securities with fixed-rate cash flows in euro.

With reference to the inflation risk hedges resulting from the issues of Italian inflation-linked bonds indexed to the IT CPI, these were part of a hedging programme established in 2010, which almost reached its natural maturity.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

Hedging instruments used for the fair value hedge strategy are usually vanilla Interest Rate Swaps which exchange fixed-rate flows against floating-rate flows linked to Euribor plus the market spread. For some specific hedges, such as those on inflation-linked securities, it is likely that the derivatives also provide for the collection or payment of upfront premiums.

The hedging swaps of loans in micro hedging relationships have amortising profiles that mirror those of the loans or groups of similar loans hedged, generally with spot starting. The partial term relationships are used in particular to hedge specific curve segments, in particular in the section ranging from 10Y to 30Y. These have amortising or bullet profiles and forward starting.

All swaps have payment frequencies that are the same as the refixing frequency except for the initial or final periods, if necessary.

Cash flow hedges referring to exchange rate risk, are performed using Cross Currencies with amortising profiles and payment frequencies that mirror those of hedged securities.

Given the uncertainty as regards the amortising profile of the Italian inflation-linked postal savings bonds, associated with the investors' early redemption option, cash flow hedges on these bonds have been created through the closure of zero-coupon swaps with a nominal value equal to a portion of the issued notional value of the bond which CDP conservatively estimates will reach maturity.

All derivatives are of the Over the Counter type, stipulated with market counterparties with whom ISDA agreements, related to the 2002 ISDA agreement, have been entered into beforehand, where netting is used to reduce exposure. High frequency exchanges of collateral are also provided for within the scope of executed CSA agreements.

E. Hedged items

The existing accounting hedges at the end of 2018 are all carried out on asset and liability items, such as loans and receivables, bonds and postal savings bonds. There are also some operational hedges of equity risk resulting from the issue of bonds linked to the EuroStoxx 50 index, through the purchase of options with financial and payoff characteristics that mirror those embedded in the issued bonds.

Within the scope of fair value accounting hedges, loans and securities are represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. For loans and securities this produces an item which has:

- capital flows of the loan or of the hedged bond;
- interest flows of the loan or hedged bond net of the hedge spread;
- in the event of IRS with forward starting, an initial capital outflow, equal to the nominal value of the swap on the start date.

In cash flow hedges, the hedged items are generally represented with the hypothetical derivative method, namely instruments that mirror the executed derivatives less the credit risk embedded in the real derivatives.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING: PERIOD-END NOTIONAL VALUES

(thousands of euro) Underlying assets/Type of derivatives	Total 31/12/2018				Total 31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates		39,396,679				34,983,915		
a) Options								
b) Swaps		39,396,679				34,983,915		
2. Equity securities and equity indices								
a) Options								
b) Swaps								
3. Foreign currencies and gold		533,927				644,695		
a) Options								
b) Swaps		533,927				644,695		
4. Commodities								
5. Other underlyings								
Total		**39,930,606**				**35,628,610**		

A.2 FINANCIAL DERIVATIVES HELD FOR HEDGING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

(thousands of euro) Type of derivatives	Positive and negative fair value							
	Total 31/12/2018				Total 31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
Positive fair value								
a) Options								
b) Interest rate swap		602,962				697,061		
c) Cross currency swap		76,192				145,535		
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**679,154**				**842,596**		
Negative fair value								
a) Options								
b) Interest rate swap		656,433				586,743		
c) Cross currency swap								
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**656,433**				**586,743**		

A.3 FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
2) Equity securities and equity indices				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
3) Foreign currencies and gold				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
4) Commodities				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
5) Other				
Notional value	X			
Positive fair value	X			
Negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
Notional value		37,681,605	1,715,074	
Positive fair value		591,606	11,356	
Negative fair value		614,709	41,724	
2) Equity securities and equity indices				
Notional value				
Positive fair value				
Negative fair value				
3) Foreign currencies and gold				
Notional value		533,927		
Positive fair value		76,192		
Negative fair value				
4) Commodities				
Notional value				
Positive fair value				
Negative fair value				
5) Other				
Notional value				
Positive fair value				
Negative fair value				

A.4 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES

(thousands of euro) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,821,008	11,105,342	25,470,329	39,396,679
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold	476,758		57,169	533,927
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2018	**3,297,766**	**11,105,342**	**25,527,498**	**39,930,606**
Total 31/12/2017	**1,577,911**	**9,796,761**	**24,253,938**	**35,628,610**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

1.3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

(thousands of euro)	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
Notional value		39,586,794	2,952,709	65,000
Positive fair value		266,298	12,503	16,115
Negative fair value		315,425	34,100	
2) Equity securities and equity indices				
Notional value		4,552,600	111,750	3,927,136
Positive fair value		3,093	13	
Negative fair value				1,881
3) Foreign currencies and gold				
Notional value		734,800		
Positive fair value		76,192		
Negative fair value		42		
4) Commodities				
Notional value				
Positive fair value				
Negative fair value				
5) Other				
Notional value				
Positive fair value				
Negative fair value				
B. Credit derivatives				
1) Protection purchases				
Notional value				
Positive fair value				
Negative fair value				
2) Protection sales				
Notional value				
Positive fair value				
Negative fair value				

1.4 Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of "asset liquidity risk[53]" and "funding liquidity risk[54]".

Since the banking group does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for the Parent Company liquidity risk becomes significant mainly in the form of funding liquidity risk. In order to ensure that any uncontrolled redemptions scenario 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 postal savings reputation 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, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has 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 money 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 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 department, and monitoring liquidity gaps at short, medium and long term horizon, performed by Risk Management.

Management of treasury activities by the Finance department 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.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario, through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

In regard to the activity of SACE Fct, the liquidity risk connected with factoring operations is mitigated by the recourse to diversified forms of financing, through: i) the activation of revolving credit lines granted by major banking groups, ii) short-term loans granted by the Parent Company and iii) re-assignment of receivables with recourse towards leading factoring companies. In this context, the "Liquidity Risk Policy" defines the roles and responsibilities of the corporate bodies and corporate units involved in the process and the methods of measuring, managing, and monitoring liquidity risk. Moreover, a Contingency Funding Plan defines the strategies for management of a possible liquidity crisis and the specific procedures to be implemented in response to adverse fund-raising situations.

53 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.
54 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

As far as liquidity risk is concerned, CDPI SGR is potentially exposed to a cash shortfall risk, caused by, among others, lower management fees due to fluctuations in values of the real estate Alternative Investment Fund (AIF) units and/or real estate direct assets held by the portfolios it manages, as management fees are actually calculated as a percentage of either the Net Asset Value (FIA[55]) or the Gross Asset Value (FIV, FIT, FT1[56] and FIA 2). At present, such risk appears not relevant.

From an operational point of view, liquidity risk is monitored through a careful planning of Company cash flows ("financial forecast"), prepared by the Planning organisational unit and updated on a monthly basis.

Quantitative disclosures

1. BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

(thousands of euro) Items/Maturities	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
A. On-balance sheet assets	**163,390,827**	**68,972**	**54,432**	**267,754**	**2,761,622**	**2,703,688**	**10,952,630**	**43,043,933**	**104,223,963**	**7,925,038**
A.1 Government securities			25,876	50,001	778,922	2,048,001	7,445,258	17,869,034	29,662,420	
A.2 Other debt securities				107,446	7,636	56,878	114,451	3,344,498	2,966,791	
A.3 Units in collective investment undertakings	2,384,449									
A.4 Loans:	161,006,378	68,972	28,556	110,307	1,975,064	598,809	3,392,921	21,830,401	71,594,752	7,925,038
- banks	523,052				31,839	243,353	1,025,670	3,968,195	5,854,028	7,713,799
- customers	160,483,326	68,972	28,556	110,307	1,943,225	355,456	2,367,251	17,862,206	65,740,724	211,239
B. On-balance sheet liabilities	**117,521,178**	**4,359,947**	**12,762,163**	**8,627,740**	**21,505,402**	**8,684,179**	**10,337,911**	**144,515,453**	**15,462,936**	
B.1 Deposits and current accounts:	117,377,202	190,532	3,358,000	1,624,392	1,387,450	2,815,813	6,069,027	134,045,397	4,771,967	
- banks	453,838	2,262		240,000		509		1,314,046		
- customers	116,923,364	188,270	3,358,000	1,384,392	1,387,450	2,815,304	6,069,027	132,731,351	4,771,967	
B.2 Debt securities			250,000	240,000	1,050,000	340,000	2,860,000	7,591,336	6,748,595	
B.3 Other liabilities	143,976	4,169,415	9,154,163	6,763,348	19,067,952	5,528,366	1,408,884	2,878,720	3,942,374	
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions						198,368	538,624		59,595	
- short positions						204,213	476,758		57,169	
C.2 Financial derivatives without exchange of capital:										
- long positions			4,032	1,554	50,274	107,143	109,692			
- short positions				769	11,663	56,183	283,146			
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	19,900,256									
- short positions	19,900,256									

55 Fondo investimenti per l'Abitare
56 Respectively: Fondo Investimenti per la Valorizzazione, Fondo Investimenti per il Turismo and Fondo Turismo 1.

1.5 Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

The Banking Group has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, 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 tortious liability or from other disputes.

System for managing operational risks

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company’s actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for more targeted mitigation measures and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Department, operating within the Risk Management Area, is the unit responsible for designing, implementing and monitoring the methodological and organizational framework for (i) the assessment of the exposure to operational risks, (ii) the monitoring of the implementation of the remediation measures proposed by the Risk Owners, and (iii) the preparation of reporting to the top management.

The adopted framework involves the inclusion 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);
- system loss data (external data);
- data on contingent losses (assessment of level of exposure to operational risks);
- key factors of the business environment and internal control systems.

The main elements of the operational risk management system implemented within CDP are presented below.

Loss Data Collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the activity of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within 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 operational risk data — relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) — and filing of the supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant data on losses, in order not to affect the reliability and accuracy of the assessment of operational risk.

CDP has developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of the information collected. This application enables the centralized, secure management of the following activities:
- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

Apart from reducing the cost and the risk related to manual data management, this tool also guarantees the (i) integrity, confidentiality and availability of the information collected, as well as (ii) the traceability of the entire process, thanks to the user identification system, and (iii) a high level of control, thanks to a customizable system of automated messages and alerts.

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that have taken place in other financial institutions; this enables CDP to improve its estimates regarding operational losses and to compare itself against the best practices used by other main banking groups.

Mapping of business process related risks

The mapping activity of business process adverse events — including risks linked to the introduction of new products/processes — is a preliminary step for the assessment of the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by Risk Owners and by experts appointed by them, stems from the need to understand the origin of potential losses associated with operational risks — identifying the events and causes that might generate them — and to assess 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 (i) compliance risk, (ii) 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 acting in its interest), (iii) the risk governed by Legislative Decree no. 231 of 21 November 2007, (Implementing Directive no. 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive no. 2006/70/EC laying down implementing measures), (iv) the risk governed by Law no. 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), (v) the risk of disruption or malfunction of IT systems and (vi) the outsourcing risk.

Assessment of level of exposure to operational risks (Risk Self-Assessment)

The qualitative Risk Self-Assessment method for the assessment of the Company's level of exposure to potential operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The Company's level of exposure to potential operational risks is estimated through a self-assessment exercise carried out by the parties involved in the processes analysed.

The assessment is performed under the supervision of the Operational Risk Department, whose role is to ensure the process is conducted systematically, in order to reduce the natural 'cognitive distortions', (bias) of the officers interviewed, and thus ensure greater reliability of the assessment performed.

The objective of the Risk Self-Assessment process is to define the so-called Risk map, a summary of the identification and assessment of risks and the related controls. The Risk map is a tool to dynamically monitor the trend of the company's risk profile, aiming to:
- ensure an overall view of the main areas of risk of the company by process and by nature of the risk;
- strengthen the line controls;
- monitor the actions to prevent and mitigate risks.

Based on the risk perception of the officers interviewed (Organizational Unit Managers, Risk owners, other employees who are 'experts' in the relevant processes, individuals representing specialist and control functions), suitably 'weighted' with that of Risk Management and supplemented by additional relevant considerations, forward-looking indications are provided to the Company's management on events that have not yet occurred but could take place as a result of 'latent' risks in corporate processes.

Risk Self-Assessment findings, therefore, are used for management purposes (use test): the operational risk management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

The objectives of Risk Assessment include:
- the identification of the most critical processes and/or operational areas - in terms of exposure to operational risks - to be analysed in greater depth;
- the estimate of the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of operational risks linked to a certain process and (ii) of the adequacy of the relevant control centres;
- the assessment of potential exposure to operational risks linked to the introduction of new products, processes and activities, allowing Management to take appropriate countermeasures in terms of processes, systems and human resources, for sound and prudent management of the new activity.

The main players involved in assessing exposure to operational risks are:
1. Operational Risk Department:
   - 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 risk owners and experts:
   - identify and assess main risks in the processes under their remit;
   - propose actions to mitigate the risks identified;
   - periodically monitor the evolution of those risks and the emergence of new risks;
3. Compliance Unit:
   - 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 the risks identified;
4. Anti-Money Laundering Department:
   - 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 the risks identified;
5. The staff of the Manager in charge with preparing the Financial Reports:
   - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law no. 262 of 28 December 2005);
   - supports the owners in identifying control centres;
   - proposes actions to mitigate the risks identified;

6. The Chief Audit Officer:
- recommends the mapping of all those risks that – while not identified by the owner and experts – have been detected in corporate processes during audit activities;
- assesses the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001.

CDP has developed a proprietary application (OpRA) to perform the Risk Self-Assessment and follow-up activities on the mitigating actions adopted to address the operational risks identified.

Risk management and mitigation

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Self-Assessment and Loss Data Collection, a dedicated Working Group has been established for the discussion of the corrective measures identified to control operational risks.

The Operational Risk Department monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

Monitoring and reporting

The results of the activities performed are shared and disseminated through dedicated reports, which detail operational risk exposures and detected losses. In this way, information on operational risks is provided to the Top Management and the managers of the business units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:
- Loss Data Collection, for which a “management” report is prepared half-yearly and sent to the Top Management, together with “operational” reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk Self-Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant control centres is produced, with an indication of the most vulnerable areas;
- Management of mitigation actions, for which details of the measures defined for the most significant risks detected by Loss Data Collection and Risk Self-Assessment activities are provided.

Operational Risk Culture

In line with the mission of the Operational Risk Department, which is to develop and disseminate awareness of operational risks within the Company, during 2018 training courses addressed to all the staff involved in the analyses were organised.

Other periodical actions organised by the Operational Risk Department for the staff concerned include training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

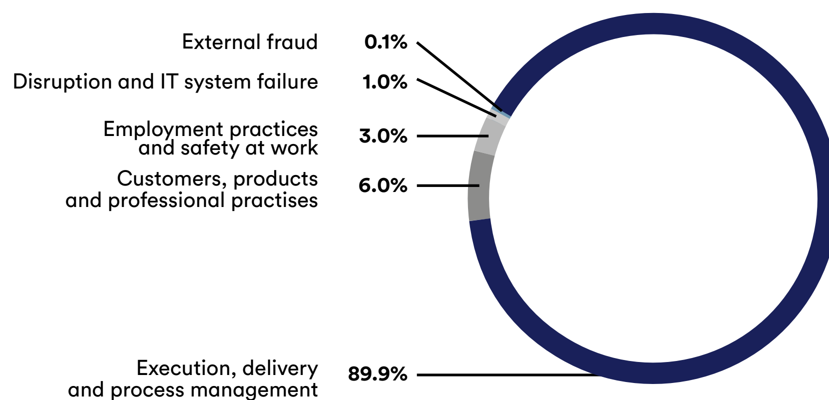
Quantitative disclosures

We provide below the percentage composition of operational risk losses by type of event, as defined by the New Basel Capital Accord. The types of operational risk events are the following:
- internal fraud: losses due to unauthorized acts, acts with intent to defraud, misappropriation of assets or infringement of laws, regulations or company policy involving at least one internal party;
- external fraud: losses due to acts with intent to defraud, misappropriation of assets or infringement of laws by a third party;
- employment practices and workplace safety: losses arising from acts not conforming to employment or employee health and 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 to physical assets: losses arising from external events, such as natural disasters, terrorism and vandalism;
- business disruption and system failures: losses arising from disruption, malfunction or non-availability of systems;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

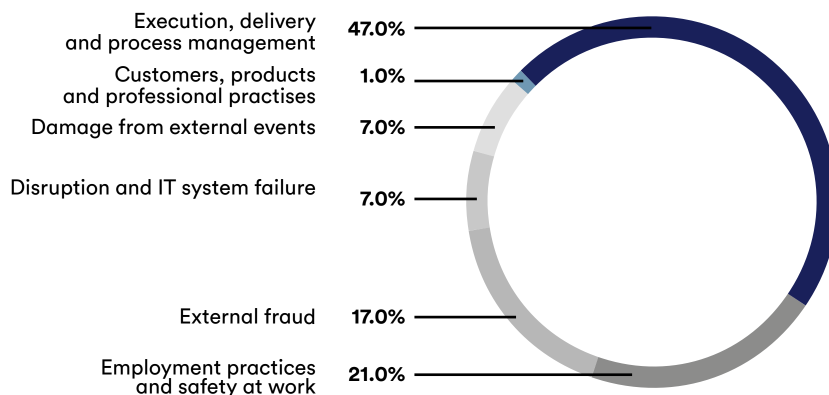
Referring specifically to CDP S.p.A., during 2018, the main class, in terms of economic impact, was ‘Execution, delivery and process management’.

OPERATIONAL LOSSES RECORDED IN 2018 SORTED BY RISK CATEGORY FOR CDP S.P.A.



We also show hereunder the percentage composition of all the losses recorded by means of Loss Data Collection from process start.

OPERATIONAL LOSSES RECORDED IN THE LDC DATABASE SORTED BY RISK CATEGORY FOR CDP S.P.A.



Legal disputes

At 31 December 2018, there were 72 pending disputes in civil matters (including 17 labour disputes) and administrative matters in which CDP was a defendant, for a total amount of approximately 850 million euro.

In particular, the most significant dispute in civil matters related to the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona. The dispute, initiated by the Foundation in June 2013 before the Court of Rome, amounted to approximately 432 million euro and was subsequently increased to 651 million euro when the parties' conclusions were presented. The proceedings are currently pending at first instance before the Court of Rome for the main claim and at appeal before the Court of Appeal of Rome for the preliminary rulings.

With reference to the above-mentioned dispute with the Foundation, in relation to the proceedings before the Court of Rome, CDP's defence team considered the risk of a ruling against the company to be probable. The defence team has also stated that, considering the complexity and particular nature of the lawsuit and the state of the proceedings, any reliable estimate of CDP obligations would currently be arbitrary. With regard to the proceedings pending before the Court of Appeal of Rome, the defence team considered the risk of a ruling against the company to be possible. In relation to the proceedings considered at the various instances, the defence team considers it reasonable to expect a favourable outcome to the proceedings.

With reference to all the above-mentioned pending disputes in civil and administrative matters, provisions have been made for a total of approximately 33 million euro.

Section 3 - The risks of insurance companies

3.1 Insurance risks

Key risks for the insurance business include technical risk, meant as underwriting and credit risk. The former, relating to the portfolio of policies, refers to the risk of losses arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default of the counterparties and of changes in their creditworthiness. Both risks are managed by the adoption of prudent pricing and reserve policies defined using the best market practices, underwriting criteria, monitoring techniques and active portfolio management.

The total exposure of SACE S.p.A., calculated as the sum of loans and guarantees issued (principal and interest) amounted to 61.1 billion euro, up 20.8% from 2017. This is a continuation of the growth trend already recorded in 2017 and 2016, mainly as a result of the guarantee portfolio that accounts for 99.0% of total exposure. The receivables portfolio fell from 2017, by 5.4%, mainly due to sovereign debt, which fell by 20.0%. Sovereign debt represents 61.6% of the total receivables portfolio. The commercial component, which represents 34.1% of the portfolio, increased by 42.2%, up from 143.4 million euro to 203.9 million euro.

SACE BT's total exposure as at 31 December 2018 amounted to 51.9 billion euro, an increase over the 2017 year-end figure (+25.8%).

(millions of euro; %) Portfolio	31/12/2018	31/12/2017	Change (+/-)	Change (%)
SACE	**61,078**	**50,562**	**10,516**	**20.8%**
Outstanding guarantees	60,480	49,930	10,550	21.1%
of which:				
- *principal*	*53,579*	*43,790*	*9,789*	*22.4%*
- *interest*	*6,901*	*6,140*	*761*	*12.4%*
Loans	598	632	(34)	-5.4%
SACE BT	**51,937**	**41,284**	**10,653**	**25.8%**
Short-term credit	9,703	9,696	7	0.1%
Surety Italy	6,299	6,235	64	1.0%
Other property damage	35,935	25,353	10,582	41.7%

SACE

The geo-economic area analysis confirms its greater exposure to European Union countries (26.9% compared to 25.6% in 2017). By country, the first in terms of exposure is Qatar, with a concentration of 15.9%. Next in line are the MENA countries, accounting for 26.5% of the portfolio (up from 2017 when it was 24.1%) and the Americas, accounting for 18.3% of the portfolio, down 4.2% from 23.1% in 2017. The other geo-economic areas had a total weight of 28.3% in the portfolio: Other European countries and CIS (Commonwealth of Independent States) rose by 26.6% (with their portfolio weight increasing slightly from 15.4% in 2017, to 16.1% in 2018). Sub-Saharan Africa saw an increase of 27.3% (with its portfolio weight up slightly from 6.5% in 2017, to 6.8% in 2018), and the East Asia and Oceania area saw an increase of 21.8% from the previous year (with the portfolio weight stable at 5.3% in line with 2017).

The proportion of loans in US dollars decreased from 53.3% to 46.4% compared with the previous year, with 34.0% of SACE S.p.A.'s guarantee portfolio denominated in that currency (versus 38.9% in 2017). The US dollar appreciated against the euro, moving from 1.1993 in 2017 to 1.145 in 2018. The exchange rate risk in respect of the loan portfolio and the guarantee portfolio is mitigated in part by the natural hedge provided by the unearned premium provision and in part through asset-liability management techniques implemented by the company.

The level of sector concentration remains high, with the top five sectors accounting for 82.0% of the total private portfolio. The cruise line sector represented the single largest exposure sector, accounting for 41.4% of the total, up 39.5% from 2017, when it was 33.5% of the private portfolio. The Oil&Gas sector remained in second place in terms of exposure, increasing slightly by 3.7%, with its weight falling from 19.6% to 18.0% of the private portfolio. The infrastructure and construction sector came in third place, with a fall of 4.7% (and a portfolio weight that dropped from 11.8% to 10.0%). Then came the chemical/petrochemical sector, which saw an increase of 11.3% (its portfolio weight fell from 7.0% to 6.9%). The electrical sector increased by 10.9% and the banking sector fell by 20.1%.

SACE BT

Credit insurance business

The policies in place under the credit insurance business as at 31 December 2018 were 115,120 (+1.2% compared to 2017), for an overall value of 9.7 billion euro. The current portfolio, in terms of policy limits, was primarily concentrated in EU countries (85.9%), with Italy accounting for 66.5%.

Wholesale Trade, Agri-food and Retail Trade were the top three industries for this line of business, accounting for 23.5%, 11.3% and 8.4% of total exposure respectively.

Surety business

Exposure to the Surety business (amounts of capital insured), totalled 6.3 billion euro (+1.0% compared to 2017).

Guarantees in tenders represent 69.1% of the exposure, followed by guarantees for tax payments and reimbursements (24.7%).

Construction/Other property damage business

Nominal exposure (limits and capital insured) of the Construction/Other property damage business was equal to 35.9 billion euro (+41.7% compared to the previous financial year).

The number of existing policies was 7,983 (+2.4% versus 2017). CAR and EAR policies accounted for 35.5% of the nominal exposure, 10-year Posthumous insurance policies accounted for 25.8% and Non-life policies for 38.7%.

Reinsurance

In the context of the integrated risk management and control system, reinsurance is a tool of fundamental importance. In this regard, with a view to protecting their portfolios and achieving their strategic objectives, SACE S.p.A and SACE BT S.p.A. make use of reinsurance cover, in accordance with the market standards and best practice in use in the export credit sector.

The main aims of reinsurance are: improved equilibrium of the portfolio, greater financial soundness of the company, sharing the risk with reliable insurance counterparties, stability of financial performance and increasing the underwriting capacity.

The selection of the type of reinsurance is based on the foregoing criteria, specifically:

- Quota share reinsurance: mainly aimed at increasing the underwriting capacity. This type of cover is also used when the structure of the cession (and, in particular, of the ceding commission) is such as to render the cession economically advantageous;
- Surplus share reinsurance: aimed at increasing the underwriting capacity for debtors/countries/sectors in relation to which the company has reached its underwriting limits;
- Excess of Loss or Stop Loss reinsurance: non-proportional reinsurance aimed at making SACE's guarantee portfolio more efficient in terms of capital relief or ensuring the stability of the technical account.

The Reinsurance Service of SACE S.p.A manages operations and monitors the risks involved in using reinsurance, verifying the consistency between the cessions plan and the reinsurance strategies approved by the Board of Directors. In 2018, there was a significant increase in the proportion of the portfolio subject to reinsurance: the overall value of cessions was in fact 25 billion euro, of which, the most relevant part was ceded to the Ministry for the Economy and Finance (MEF) pursuant to the Agreement between SACE and the MEF approved with Italian Prime Minister's Decree of 20 November 2014, registered at the State Audit Court on 23 December 2014, for MEF's reinsurance of the risks that could determine high levels of concentration for SACE S.p.A. The remaining part was ceded almost entirely to the private reinsurance market, to leading companies operating at international level.

3.2 Financial risks

Financial management aims to achieve the following two 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, concludes a number of hedging transactions in order to offset the negative changes in the guarantee and loan portfolio in the event of adverse changes of risk factors;
- contributing to the achievement of corporate financial goals.

This activity confirmed that values were in line with the limits defined for each company and each type of investment.

(millions of euro) Asset Class	Financial assets measured at FVPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Total	%
Bonds	3,013		1,761	4,774	64.81%
Units in collective investment undertakings	193			193	2.62%
Shares	6	5		11	0.15%
Money market			2,388	2,388	32.42%
Total	**3,212**	**5**	**4,149**	**7,366**	**100.00%**

The table is gross of the positions between SACE group companies.

Portfolio composition is as follows: 64.8% bonds and other debt securities, 2.6% units in collective investment undertakings mainly invested in bonds or shares, 0.2% shares and the remaining 32.4% monetary instruments.

With regard to the credit risk of its securities portfolio, SACE S.p.A. and its 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 THE SECURITIES PORTFOLIO BY RATING GRADES

Rating grades	%
AAA	4.2%
AA	1.5%
A	0.1%
BBB	93.8%
Others	0.4%

2.3 Legal disputes

At 31 December 2018, SACE S.p.A. was involved in 22 disputes, mainly relating to insurance commitments undertaken before 1998. Moreover, 59 lawsuits were pending for recognition of the legal privilege granted under Legislative Decree no. 123/98, in addition to 5 labour disputes. With regard to subsidiaries, SIMEST S.p.A. has 2 legal proceedings under way, SACE BT S.p.A. is party to 181 insurance disputes and 8 generic disputes, while SACE Fct S.p.A. is party to 44 active lawsuits for credit recovery.

Section 4 - The risks of other entities

Terna group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2018 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. 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 group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the parent company.

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 with respect to the instruments to be used and the precise operating limits in managing them.

	31/12/2018			31/12/2017	
(millions of euro)	Loans carried at amortized cost	Hedging derivatives	Total	Loans carried at amortized cost	Total
Assets					
Derivative financial instruments		1.3	1.3		
Cash and equivalent	1,328.9		1,328.9	1,989.2	1,989.2
Trade receivables	1,189.7		1,189.7	1,265.9	1,265.9
Total	**2,518.6**	**1.3**	**2,519.9**	**3,255.1**	**3,255.1**

	31/12/2018			31/12/2017		
(millions of euro)	Payables carried ad amortised cost	Hedging derivatives	Total	Payables carried ad amortised cost	Hedging derivatives	Total
Liabilities						
Long-term debt	9,458.2		9,458.2	9,555.9		9,555.9
Derivative financial instruments		59.2	59.2		10.5	10.5
Trade payables	2,514.1		2,514.1	2,497.9		2,497.9
Total	**11,972.3**	**59.2**	**12,031.5**	**12,053.8**	**10.5**	**12,064.3**

Financial risks

Market risk

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

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate *Risk Management* policy. Speculative activity is not envisaged in the corporate mission.

The 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 execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

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 models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates 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 derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. Considering the low level of interest rates, total group debt has been shifted to a fixed rate.

As at 31 December 2018 interest rate derivatives are *cash flow hedge* derivatives, used to hedge the risk of changes in the cash flows associated with long-term loans.

The following table shows the notional amounts and the *fair value* of derivatives entered into by the Terna group:

	31/12/2018		31/12/2017		Change (+/-)	
(millions of euro)	Notional	Fair value	Notional	Fair value	Notional	Fair value
CFH derivatives	3,245.2	(59.2)	2,566.0	(10.5)	679.2	(48.7)

Sensitivity to interest rate risk

To manage its interest rate risk, after restructuring its derivatives portfolio, Terna has implemented a *floating-to-fixed interest rate swap* (CFH) to neutralise the risk inherent in expected future cash flows.

Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna 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 recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for FVH derivatives, the *fair value* changes in 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" (under Equity, immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. 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 of *fair value* changes on the income statement.

The following table shows: the amounts recognised in the income statement and in "Other comprehensive income" in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative *shift* in the market

yield curve; and the differential impact of those changes recognisable in the income statement and in “Other comprehensive income”. A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

	Equity		
(millions of euro)	Current rates +10%	Current values	Current rates -10%
31 December 2018			
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(48.5)	(59.2)	(69.9)
Hypothetical change	*10.7*		*(10.7)*
31 December 2017			
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(12.3)	(12.8)	(13.3)
Hypothetical change	*0.5*		*(0.5)*

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.

These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the Company used an inflation-linked bond issue, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company’s profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group’s exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, e.g. forward contracts and options. The group’s existing 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.

As at 31 December 2018, the group’s Income Statement exposure to exchange rate risk was residual and due to the currency flows from investments in Latin America.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity.

As at 31 December 2018, the group had approximately 805.8 million euro available in short-term credit lines and 2,450 million euro in revolving credit lines.

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 the group’s trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.

Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit *standing*, and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked 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 turnover), 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 to be defined by the Authority where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2018	31/12/2017	Change (+/-)
Cash and cash equivalents and other financial assets	1,328.9	1,989.2	(660.3)
Trade receivables	1,189.7	1,265.9	(76.2)
Total	**2,518.6**	**3,255.1**	**(736.5)**

The overall credit risk exposure as at 31 December 2018 is represented by the carrying amount of trade receivables and cash and cash equivalents.

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

For more information on the contractual provisions of outstanding loans at 31 December 2018, please see the section "Loans and financial liabilities" in the Notes to the financial statements of the Terna group.

Litigation

We describe below the main off-balance sheet commitments and risks at 31 December 2018, related to the parent company Terna, its subsidiary Terna Rete Italia S.p.A. and the Tamini Group companies, as there were no significant commitments and risks for the other subsidiaries at the reporting date.

Environmental and town planning disputes

The disputes involving environmental issues linked to the construction and operation of power plants under Terna's responsibility refer, in part, to legal actions brought against the alleged adverse effects of exposure to electric and magnetic fields generated by the power lines. In general, these disputes require the parent company to be involved, as owner of the plants in question. It cannot in any case be excluded that the subsidiary Terna Rete Italia S.p.A. may also be summoned, as the electromagnetism generated by the power lines concerns not only the owner of the plant, but also its operation and the quantity/quality of the electricity in transit.

However, it should be noted that the issue of the Prime Minister's Decree of 8 July 2003, which set in practice the values of the three parameters (exposure limits, warning values and quality targets) specified by Framework Law No. 36 of 22 February 2001, with which power plants must comply, resulted in a significant decrease in the number of pending disputes in this regard. There are other pending environmental and town planning disputes involving Terna S.p.A. that are not related to electromagnetic fields, but to the operation of some plants owned by Terna. An unfavourable outcome of these disputes could have immediate effects also on Terna Rete Italia S.p.A., as agent of Terna S.p.A. both for the construction and for the operation of the plants. These effects are in any case unforeseeable at this date, and therefore were not included in the "Provision for disputes and other risks". In particular, Terna Rete Italia S.p.A. might incur costs related to the need to modify the plants involved in these disputes as well as to their temporary unavailability. Terna S.p.A. and the outside legal consultants engaged by the latter have reviewed the disputes in question and concluded that a negative outcome is unlikely.

Disputes concerning the validity of authorisations to build and operate plants

Other disputes related to the plants owned by the Parent Company arise out of legal actions brought before the administrative courts to render null and void authorisations granted to build and operate the plants.

Disputes concerning activities granted under concession arrangements

As the holder of a transmission and despatching concession as of 1 November 2005, the parent company is a party to a number of legal proceedings involving such activities - mostly appeals against measures of the energy networks and environment Regulator ARERA and/or the Ministry of Economic Development and/or of Terna itself.

Where the appellants have alleged not only the flawed nature of the measures challenged, but also a violation by Terna of the rules set by the aforementioned Authorities, that is, in the cases in which the proceedings may have an impact on Terna, the Company has appeared in court. In the context of these disputes, even though some proceedings have ended, in first and/or in second instance, with the cancellation of the ARERA resolutions and, if applicable, of the resulting measures issued by Terna, we believe a negative outcome for the Company to be unlikely, as these usually are pass-through items.

Disputes related to supply agreements

These disputes refer only to the Tamini Group companies and are related to supply agreements executed by the Tamini Group companies with their customers for the supply of transformers and/or their components. These disputes concern also some compensation claims filed against the companies, for alleged damage caused by the machinery and/or components supplied by them. In regard to these proceedings, at this date we cannot absolutely exclude a negative outcome for which, when it is believed to be likely, a special provision has been made.

Snam group

Although it has a limited economic and financial risk profile, since it focuses on regulated environments, Snam has adopted a structured and systematic management system for all risks that may impact the conditions for value creation.

The risk identification, assessment, management and control system, implemented throughout the company, is subdivided into three levels, each with different objectives and responsibilities. The Chief Executive Officer is responsible for structuring and maintaining the entire system as mandated by the Board of Directors.

Risk assessment methods are integrated, cross-functional and dynamic, and leverage the management systems already in place in individual business processes, starting from those pertaining to fraud and corruption prevention and health, environmental safety and quality.

Snam has created a dedicated corporate function - the Enterprise Risk Management function (ERM) - to monitor the integrated management of enterprise risks for all group companies.

In 2018, the risk assessment cycles were completed and an initial mapping of corporate opportunities was carried out - in line with the ERM model and in accordance with the guidelines approved in March by the Board of Directors - with the involvement of the entire Snam group. At the end of 2018, around 138 enterprise risks had been mapped across all business processes. Furthermore, within the scope of mapping the risks and opportunities of 2018, the new activities were considered as part of new unregulated businesses, against the acquisitions made during the year.

A trial of the integrated Risk Assurance and Compliance project was also launched in 2018 with the aim of defining and implementing an integrated risk assessment model that, through use of a single information technology tool and a single database, streamlines and integrates all information flows of second-level controls under a common approach aimed at maximum overall efficiency.

Strategic Risks

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns mainly the rules applicable to the gas industry. The resolutions of the Regulatory Authority for Energy, Networks and the Environment (ARERA) and National Regulatory Authority of the countries where the foreign affiliates operate, the directives and other legislation issued by the European Union and the Italian government and, more generally, changes to the reference regulatory framework may have a significant impact on Company operations, earnings and financial stability. It is impossible to envisage the effect that future changes in legislative and tax policies might have on the business of Snam and on the industrial sector in which it operates. Considering the specific nature of its business and the context in which Snam operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Macroeconomic and geopolitical risk

In view of the specific nature of its business sector, Snam is also exposed to risks linked to political, social and economic instability in natural gas supplying countries, mainly affecting the gas transport sector. Most of the natural gas transported on the Italian national transport network is imported from or transits through countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in light of TANAP-TAP, Turkey combined with the States which overlook the eastern Mediterranean) and in the former Soviet Bloc. Those regions are particularly sensitive to political, social and economic change, with underlying currents of instability, and could possibly develop into future crisis scenarios.

Commodity risk connected with gas price changes

As concerns the risk of changes in the price of natural gas, under the current regulatory framework, the fluctuation in the price of natural gas to hedge fuel gas and network leaks does not represent a significant risk factor for Snam because all the gas for technical activities is supplied in kind by the Shippers. Similar risk hedging is ensured by the regulations of the countries where the foreign affiliates operate or by the related transport contracts. However, as concerns transport, starting from the third regulatory period 2010-2013, the Regulatory Authority for Energy, Networks and the Environment (ARERA) laid down the methods for payment in kind by service users to the major transmission operators of gas quantities to cover unaccounted-for gas (UFG) due as a percentage of the inputs and outputs from the gas transmission network. Specifically, in the Resolution (514/2013/R/gas), the ARERA established the allowed level of UFG taking into account the mean value recorded over the past two years, and has decided to keep such value fixed for the entire regulatory period in order to encourage the main gas transmission system operator to achieve further efficiency gains. Indeed, no extra tariffs would be paid for amounts of UFG in excess of the level allowed for the reference regulatory period. This criterion was subsequently confirmed also for the years 2018 and 2019 of the transitional tariff period. In view of the above-mentioned mechanism for the payment in kind of UFG, uncertainty persists about possible quantities of UFG recorded in excess of the quantities paid for in kind by service users. In general, the changes in the current regulatory framework on the payment in kind of natural gas might have adverse impact on the Snam group's business and balance sheet, income and financial position.

As part of the process of review of the criteria for the determination of the recognised revenue of the natural gas transport service for the fifth settlement period (expected to start in 2020), the criteria to recognise the UFG will also be defined. The resolution to approve the new settlement criteria is set for the end of February 2019.

Market risk

Lastly, as to the risk linked to gas demand, under the current tariff system applied by the ARERA to natural gas transport, Snam's revenues, through its directly controlled transport subsidiaries, are partly correlated to volumes transported. However, ARERA has introduced a guarantee mechanism covering the share of revenues correlated with volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with volumes transported. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities. Under the current tariff system applied by ARERA to natural gas storage, Snam's revenues, through Stogit, are correlated to the use of infrastructure. However, ARERA has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. For the years 2018 and 2019, the minimum guaranteed level of authorised revenues is about 97%. ARERA is currently studying integration of this mechanism which, in the coming years, may link the minimum guaranteed level of revenues also to the efficiency of the storage company in managing capacity allocation procedures and in the manner of service delivery. In general, the changes in the current regulatory framework might have adverse impacts on the Snam group's business, financial position and results.

Abroad, protection against market risk is offered by French and Greek regulations, long-term TAP agreements and Austria (different deadlines for TAG and Gas Connect starting from 2023). In Austria and the United Kingdom (relating to Interconnector UK) the regulations do not guarantee the hedging of the volume risk.

Climate change risk

In the future, to maintain compliance with the rules on greenhouse gases, Snam might be required to upgrade its plants and to control or restrict its emissions or take other steps which might increase its regulatory compliance costs and hence affect negatively the Snam group's business, financial position and results.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with rules and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it performs. The violation of such rules and regulations may result in criminal, civil and/or administrative penalties, as well as damage to its financial position, economic results and/ or reputation. Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). With regard to the Risk of Fraud and Corruption, it is a top priority for Snam to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. Snam's management is fully engaged in implementing an anti-corruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts. Since 2014, Snam has collaborated with Transparency International Italia and has joined the Business Integrity Forum (BIF). In 2016, it was the first Italian company to become a member of the "Global Corporate Supporter Partnership".

As part of this cooperation, in October Snam renewed its partnership with Transparency International, Secretariat General of Berlin, during the 18th International Anti-Corruption Conference of Transparency International held in Copenhagen. In this occasion Snam participated in a reserved round table which included, for the first time, the participation of 4 companies of the private sector, including Snam as the only Italian company.

In addition, during 2018 Snam, in cooperation with Transparency International Italia and the OECD, participated in a series of events dedicated to the subject of transparency and integrity as well as the best practices of good governance and preventing corruption at a global level, such as the 27th Session of the UN Commission on Crime Prevention and Criminal Justice organised by the Italian Ministry for Foreign Affairs and International Cooperation at the United Nations Office in Vienna, and seminars organised by the OECD in Saint Petersburg and Moscow, intervening on the subjects of integrity and the fight against corruption.

Finally, following the International Anti-corruption Day 2018, held at the Farnesina, Snam was requested by the Ministry of Foreign Affairs and International Cooperation to participate in the assessment and review of the initial draft of the G20 High-Level Principles, regarding the prevention of corruption and the promotion of integrity in the Public or investee companies (SOEs), a draft circulated by the Argentine Presidency and whose completion is set for 2019, during the Japanese Presidency.

Financial risks

Market risk

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges. Snam's objective is to optimise interest rate risk whilst pursuing the objectives set out in its Financial Plan. The Snam group has adopted a centralised organisational model. Under this model, Snam's business units cover their

financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits. As at 31 December 2018, the Snam group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other financial institutions, in the form of medium — and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) — or at fixed rates.

As at 31 December 2018, exposure to interest rate risk amounted to approximately 22% of total group exposure (unchanged from 31 December 2017). As at 31 December 2018, Snam had six Interest Rate Swaps (IRSs), for an overall value of 1,650 million euro, hedging the entire notional value on three floating-rate bond loans totalling 1,000 million euro, with maturities in 2020, 2022 and 2024, and on two floating-rate bilateral loans totalling 650 million euro, with maturities in 2021 and 2023. The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

In addition, at 31 December 2018, Snam had IRS Forward Starting derivative contracts for an aggregate notional value of 750 million euro, with a medium-/long-term tenor, to cover highly likely prospective financial liabilities that will be assumed until 2021 to cover financial requirements.

Exchange rate risk

Snam's exposure to the exchange rate risk pertains to both transaction risk and translation risk related to exchange rates. Transaction risk arises from the conversion of trade or financial receivables (payables) into currencies other than the functional one and is due to the impact of adverse exchange rate fluctuations in the time interval between entering into and settling the transaction. Translation risk consists in the fluctuation of the exchange rates of currencies other than the consolidation currency (Euro), which may result in changes in consolidated equity. Snam's Risk Management objective is that of minimising the transaction risk, also through derivative financial instruments. A negative impact on the business, financial position and results of the Snam group caused by significant future changes in exchange rates cannot be ruled out, regardless of the risk hedging policies implemented by Snam to cover exchange rate fluctuations using the financial instruments available on the market.

As at 31 December 2018, Snam held foreign currency items consisting essentially of a bond for an amount of 10 billion Japanese Yen maturing in 2019, for a value of approximately 75 million euro on the issue date, fully converted into Euro through a Cross Currency Swap hedging derivative (CCS) with notional amounts and maturities mirroring those of the hedged component. This contract has been defined as a cash flow hedge. Snam holds no currency derivatives for speculative purposes.

Snam's equity interest in the associate UK Interconnector is exposed to the EUR/GBP exchange rate risk. However, Snam believes that such risk is limited given the historically low volatility of the EUR/GBP exchange rate, even considering the increased fluctuation following the Brexit referendum. Snam's equity interest in the associate TAP is exposed to a EUR/CHF exchange rate risk on the equity cash calls based on the shareholders' contractual commitments towards the company, but these are limited in amount following the positive conclusion of the Project Financing. Moreover, such risk has been adequately hedged with derivatives (e.g. forward contracts).

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact Snam's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Snam's business units and of its centralised functions in charge of debt collection and dispute management. Snam provides its business services to nearly 200 gas sector operators. The top 10 operators account for about 70% of the whole market (Eni, Edison and Enel hold the top three positions in the ranking). The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties providing the services and the contractual clauses reducing the risk of non-compliance by customers. In specific cases, the Codes provide for the issue of guarantees covering partly the obligations entered into when the customer does not possess a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources need-

ed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network. These rules also call for Snam to meet its residual needs by drawing on Users' stocking resources to cover system imbalances and their economic settlement.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable 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, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam's Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

As highlighted in the paragraph "Interest rate risk", the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB and bond loans).

Snam's objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam's business profile and regulatory framework.

As at 31 December 2018, Snam had unused long-term committed credit facilities totalling approximately 3.2 billion euro. Moreover, at the same date Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 10 billion euro, used for approximately euro 8.0 billion euro[57], as well as a Euro Commercial Paper (ECP) programme for an overall maximum nominal value of 1 billion euro, used for approximately 225 million euro at 31 December 2018.

Default risk and debt covenants

The risk of default consists in the possibility that under certain conditions the lender might invoke contractual clauses allowing it to demand early loan repayment, thereby generating a potential liquidity risk.

As at 31 December 2018, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these agreements include, *inter alia*, certain commitments commonly applied in international practice, some of which are subject to specific threshold values, such as, for instance (i) negative pledge commitments under which Snam and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change of control clauses; (iii) limitations on certain non-recurring transactions that the Company and its subsidiaries may carry out; and (iv) limitations on subsidiary debt.

As at 31 December 2018, the bonds issued by Snam are subject to covenants typically used in international practice including, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with these covenants or the occurrence of other events, e.g. 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 falls below BBB (S&P's/Fitch Ratings Limited) or Baa2 (Moody's) with at least two of the three rating agencies.

Occurrence of one or more of the above scenarios might have adverse impacts on the Snam group's business, financial position and results, generating additional costs and/or liquidity problems. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

57 It should be noted that the convertible bond issued in March 2017, for a value of 400 million euro, is not part of the EMTN programme.

Rating risk

As regard to the rating risk, Snam's long-term rating is: (i) Baa2 with stable outlook, confirmed on 29 October 2018 by Moody's Investors Services Ltd ("Moody's"); (ii) BBB+ with negative outlook, confirmed on 27 November 2018 by Standard & Poor's Rating Services ("S&P"); (iii) BBB+ with stable outlook, confirmed on 12 December 2018 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, S&P's and Fitch is one notch above that of the Italian Republic. Based on the methodology adopted by Moody's and S&P, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of Snam's current rating.

Snam's short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody's, A-2 for S&P and F-2 for Fitch.

A downgrade in the Snam group's rating might limit its access to the capital market and raise the cost of funding and/or refinancing of current debt, hence negatively affecting the Snam group's business, financial position and results.

Operational risks

These consist mainly in service malfunction and sudden outages due to unforeseeable events, such as accidents, breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events that fall outside Snam's control. Such events may cause a drop in revenues as well as result in significant damage to persons, with possible compensation obligations. 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.

For Snam, the risk connected with keeping the storage concession stems from the business operated by its subsidiary Stogit, on the basis of concessions awarded by the Ministry of Economic Development. Eight of the ten concessions expired on 31 December 2016 and may be extended no more than twice for ten years each time. With regard to those concessions, Stogit submitted application for their renewal to the Ministry of Economic Development; the procedure is currently pending. While the renewal procedure is under way and until its completion, Stogit will continue to operate under the old concessions, whose expiry is automatically extended until completion of the renewal process.

Moreover, Snam may incur delays in infrastructure work progress due to the many unknown factors linked to operational, financial, regulatory, authorisation and competition aspects over which it has no control.

Finally, operational risks include environmental risks. Snam and the sites where it operates are subject to laws and regulations covering pollution, environmental protection, and the use and disposal of hazardous substances and waste. These laws and regulations expose Snam to contingent costs and liability connected with operation and its assets. The costs linked to potential environmental remediation obligations are subject to uncertainty in terms of the extent of the contamination, the appropriate corrective actions and the share of responsibility. They are therefore difficult to estimate.

Legal disputes

Snam is a party to civil, administrative and criminal proceedings and is involved in lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, Snam believes that those proceedings and lawsuits will not produce significant adverse impacts on its consolidated financial statements.

Italgas Group

The main risks subject to analysis and monitoring by the Italgas group are following detailed.

Financial 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. The Italgas group has adopted a centralised organisational model. In accordance with this model, Italgas' various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile is contained within set limits.

At 31 December 2018, 14.4% of the financial debt was carried at a floating rate and 85.6% was carried at a fixed rate.

At the same date, the Italgas group was using external financial resources in the following forms: bond issues subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium- to long-term loans, and, lastly, bank credit lines indexed to benchmark market rates, in particular the Europe Interbank Offered Rate (Euribor).

Italgas' aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates. To this end, in 2018 the Company successfully completed the reopening, on 30 January 2018, of the bond originally issued on 18 September 2017 (500 million euro, maturing on 18 January 2029 and with coupon of 1.625%) for an amount of 250 million euro and with a yield of 1.631%. The issue enabled the full repayment of the term loan of 200 million euro and the continuation of the optimisation of the debt structure, by increasing its average maturity and percentage at fixed rate. In January 2018, an interest rate swap transaction with maturity in 2024 was also completed, which converted the entire amount of the 360 million euro EIB Gas Network Upgrade loan from floating to fixed rate.

Therefore, any increase in interest rates not included wholly or partly in the regulatory WACC could have negative effects on the business, financial position and results of the Italgas group for the variable component of the outstanding debt and for future loans.

Credit risk

Credit risk is the Company's exposure to potential losses arising from a counterparty defaulting on its obligations. Default or delayed payment of receivables may have a negative impact on the revenue and financial situation of Italgas.

With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Italgas' business units and of its centralised functions in charge of debt collection and dispute management.

The rules governing customers' access to the services offered are established by the Authority and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and specify the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable 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, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Italgas had signed credit facility agreements in excess of its financing needs at 31 December 2018. These credit facilities (1.1 billion euro) may be used to meet any potential liquidity needs, where required, if the actual financial requirement is higher than estimated. Moreover, at the same date, in addition to and complementing the use of bank credit, the Euro Medium Term Notes (EMTN) programme ap-

proved by the Italgas Board of Directors on 5 November 2018 allows the issue of another 600 million euro to be placed with institutional investors.

The financial objective of Italgas is to set up a financial structure that, consistently with its business goals, will guarantee an adequate level for the group in terms of duration and composition of the debt. That financial structure will be realised by monitoring certain key indicators, such as the ratio between debt and RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed-rate and floating-rate debt, and the ratio between firm commitment bank credit and used bank credit.

Rating risk

On 1 August 2018, Fitch confirmed its rating assigned to Italgas S.p.A. (BBB+ with stable outlook) for the long-term debt of the company. On 23 October 2018, following the downgrade announced by Moody's of the rating of Italian government bonds to Baa3, with stable outlook from Baa2, a corresponding action was also taken on Italgas' long-term rating, which was downgraded to Baa2, with stable outlook from the previous Baa1, in view of the connection with the sovereign credit rating.

Based on the methodologies adopted by the rating agencies, a downgrade by one notch of the Italian Republic's current rating could trigger a downgrade in Italgas' current rating.

Default risk and debt covenants

At 31 December 2018 there were no loan agreements containing financial covenants and/or secured by collateral. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2018, these commitments had been met.

The bonds issued by Italgas on 31 December 2018 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.

The failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, result in defaults by Italgas and could cause the related loan to become immediately due.

As concerns EIB financing, the contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, this must be notified to the EIB, leading to a consultation period after which the EIB may demand early repayment of the loan.

Fincantieri Group

Financial risk management

The key financial risks to which the group is exposed are credit risk, liquidity risk and market risk (particularly, exchange rate, interest rate and commodity risk).

The management of the aforementioned risks is co-ordinated by Fincantieri S.p.A., which assesses the implementation of suitable hedges in liaison with its Operating Units.

Credit risk

The Fincantieri group's receivables consist largely of receivables from private ship operators for work in progress, from the Italian Government for receivable grants and supplies to Italian military units, and from the US Navy and the US Coast Guard for work in progress.

With specific reference to trade receivables from private ship operators, the Fincantieri group constantly monitors the counterparties' credit rating, exposure and payment timeliness. Note that in the cruise sector ships are delivered only against payment of the balance of the price.

The tables below show receivables by risk class and nominal value at 31 December 2018 and 2017, without considering any impairment for estimated losses.

	31/12/2018					
	Not yet due	Past due				
(thousands of euro)		0 – 1 month	1 – 4 months	4 – 12 months	beyond 1 year	Total
Trade receivables:						
- from public entities	2,504	1,048	4,449	8,416	26,451	42,868
- indirectly from public entities (*)	399	17	527	5,031	13,649	19,623
- from private customers	381,544	88,606	20,294	26,128	64,339	580,911
Total trade receivables	**384,447**	**89,671**	**25,270**	**39,575**	**104,439**	**643,402**
Government grants financed by BIIS	12,513					12,513
Other government grants	6,672	2,149				8,821
Receivables from associates	9,865					9,865
Receivables from companies subject to joint control	146,680			66	517	147,263
Receivables from controlling companies	2,926		32			2,958
Receivables from other companies	2					2
Other receivables	167,278	2,755			23,732	193,791
Other financial receivables	66,545					66,545
Gross total	**796,954**	**94,575**	**25,302**	**39,641**	**128,688**	**1,085,160**
Provision for impairment of receivables						(50,230)
Net total						**1,034,930**
Advances, prepayment and accrued income						152,993
Total						**1,187,923**

	31/12/2017					
	Not yet due	Past due				
(thousands of euro)		0 – 1 month	1 – 4 months	4 – 12 months	beyond 1 year	Total
Trade receivables:						
- from public entities	9,685	8,583	3,156	11,894	12,780	46,098
- indirectly from public entities (*)	16,541			13,907		30,448
- from private customers	507,094	91,657	15,707	27,667	64,541	706,666
Total trade receivables	**533,320**	**100,240**	**18,863**	**53,468**	**77,321**	**783,212**
Government grants financed by BIIS	19,981					19,981
Other government grants	4,475	3,758				8,233
Receivables from associates	5,562					5,562
Receivables from companies subject to joint control	151,950				66	152,016
Receivables from controlling companies	20,327					20,327
Receivables from other companies						
Other receivables	114,997	2			21,125	136,124
Other financial receivables	150,889					150,889
Gross total	**1,001,501**	**104,000**	**18,863**	**53,468**	**98,512**	**1,276,344**
Provision for impairment of receivables						(42,174)
Net total						**1,234,170**
Advances, prepayment and accrued income						127,289
Total						**1,361,459**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

Liquidity risk

Liquidity risk refers to Fincantieri group's ability to discharge its obligations in respect of financial liabilities.

As at 31 December 2018, the group showed a loss of 494 million euro (against a loss of 314 million euro as at 31 December 2017). The change is largely influenced by the typical financial dynamics of the cruise ship business, which were characterised during the year by the absorption of financial resources generated by the increase in production volumes, partly offset by the receipt of the final instalment on units delivered in the period. The table below shows the contractual maturities of trade and financial liabilities, other than derivatives, calculated gross of interest which, according to the loans, may be fixed or floating.

	31/12/2018					
(thousands of euro)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling companies	14	58,367	36,954	4,013	99,348	98,574
Payables to associates	2,524	3,272	54		5,850	5,850
Payables to companies subject to joint control	5,214	1,720			6,934	7,088
Bank loans and credit facilities	21,956	860,933	708,767	53,324	1,644,980	1,590,576
BIIS loans		8,146	4,866		13,012	12,513
Payables to suppliers	133,544	1,298,979	32,199	100	1,464,822	1,464,822
Payables to suppliers for reverse factoring	6,704	370,783			377,487	377,487
Finance lease obligations		210	26		236	236
Bond and commercial papers		231,000			231,000	231,000
Other financial liabilities		20,344	4,191	2,041	26,576	26,373
Other liabilities	3,456	190,383	7,537	127	201,503	201,397
Total	**173,412**	**3,044,137**	**794,594**	**59,605**	**4,071,748**	**4,015,916**
Advances, prepayment and accrued income						52,394
Total						**4,068,310**

	31/12/2017					
(thousands of euro)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling companies		7,870	38,187	11,440	57,497	56,574
Payables to associates		311			311	311
Payables to companies subject to joint control	3,801	3,862	579		8,242	8,242
Bank loans and credit facilities	609	758,882	215,065	64,013	1,038,569	999,578
BIIS loans		8,146	13,016		21,162	19,981
Payables to suppliers	188,792	1,247,938	37,541	25	1,474,296	1,474,296
Payables to suppliers for reverse factoring		271,964			271,964	271,964
Finance lease obligations		253	200		453	453
Bond and commercial papers		311,250			311,250	299,239
Other financial liabilities		22,971	3,941	47	26,959	26,916
Other liabilities	1,431	208,068	1,063	1,044	211,606	211,519
Total	**194,633**	**2,841,515**	**309,592**	**76,569**	**3,422,309**	**3,369,073**
Advances, prepayment and accrued income						50,639
Total						**3,419,712**

Market risk

The group's financial risks refer mainly to the risk that the fair value or future cash flows of assets/liabilities may fluctuate due to exchange rate changes affecting their commercial or financial transactions in foreign currency, to changes in market interest rates or to changes in the prices of raw materials.

In pursuing corporate objectives, the group does not intend to take on any financial risks. Where this is not possible, the group takes on such risks only if they are linked to its core business, neutralising their impact (where possible) through the use of hedging instruments.

In order to hedge exchange rate risk, apart from resorting to financial instruments, it may enter into loan agreements in the same currency as that of the sales agreement, or establish cash deposits in the same currency as that used in supply agreements.

Exchange Rate Risk

Exposure to currency risk arises in connection with shipbuilding contracts denominated in foreign currency and, to a lesser extent, with sourcing supplies in currencies other than the functional currency.

Exchange rate risk hedging transactions, for which the group makes use of forward contracts or option structures, are conducted with regard to the expected time horizon of foreign currency flows; whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but only focuses on larger amounts in payments.

In 2018, the group was exposed to exchange rate risk mainly in connection with some contracts in the cruise sector. Such risk was mitigated by using financial hedging instruments.

Interest Rate Risk

Interest rate risk is linked to:
- the uncertainty as to the cash flows relating to group assets and liabilities due to interest rate fluctuations; this risk is mitigated through cash flow hedge transactions;
- the variability of the fair value of group assets and liabilities linked to the change in the interest rate market value; this risk is mitigated through fair value hedge instruments.

Assets and liabilities exposed to exchange rate variances are subject to the first risk, while fixed-rate assets and liabilities are subject to the second risk.

During 2018, the company negotiated three interest rate swaps to hedge the interest rate risk of a floating-rate medium-/long-term loan executed during the year and two forms of short-term loans expected to be used during 2019 (pre-hedging). The derivative instruments have been recognised under cash flow hedge.

Other Market Risks

Production costs are influenced by the price trend for the main raw materials used, such as steel, copper and fuels. The group mitigates these risks by adopting contractual hedges, where possible, and/or financial cover. In 2018, the group entered into swap contracts to fix the purchase price of a substantial part of its gasoil and fuel oil supplies to 2022.

Main risks and uncertainties

Business risk management

In the normal course of its business activities, the Fincantieri group is exposed to various financial and non-financial risk factors that, were they to materialise, could have an impact on the group's financial position, results and cash flows.

Risks connected to operational complexity

Description of the risk

Given the operational complexity characterising the shipbuilding industry, geographical and product diversification and the group's inorganic growth strategy, the group is exposed to the risk of:
- being unable to adequately control project management activities;
- being unable to adequately manage the group's operational, logistic and organisational complexity;

- over-estimating the synergies deriving from acquisitions or suffering the consequences of slow and/or weak integration;
- being unable to adequately manage the complexity arising from its product diversification;
- being unable to distribute workloads efficiently according to production capacity (plants and workforce) or being in a situation of production overcapacity, affecting profitability;
- being unable to meet market demand due to insufficient own or suppliers' production capacity.

Impact

Should the group fail to deploy robust project management, with adequate and effective procedures and actions to ensure the control of the correct completion and efficiency of its shipbuilding processes, or should it fail to adequately manage the group synergies and the complexity of its product range or be unable to distribute workloads efficiently based on the production capacity (plants and workforce) available at the various production sites from time to time, it might incur a drop in revenues and profitability with possible negative effects on its financial position, results and cash flows.

Remediation actions

In order to manage processes of such complexity, the group adopts procedures and activity plans aimed at managing and monitoring the implementation of each project over its entire life cycle. In order to protect the integration processes, constant dialogue channels are established among the group entities, sometimes with the entry of resources of Fincantieri S.p.A. Moreover, the group has adopted a flexible production structure so as to adapt to the fluctuation in ship demand in its various business areas. This flexible approach enables it to overcome the limitations of each plant's capacity and pursue several contractual opportunities in parallel, guaranteeing compliance with delivery schedules. The group implements actions aiming to improve the production and design processes to strengthen competitiveness and increase productivity.

Risks linked to market structure

Description of the risk

The shipbuilding industry has historically been characterised by cyclical performance, being sensitive to the trends in the industry served. The group's offshore and cruise customers base their investment plans on demand by their own customers. In the case of offshore, the main influence is energy demand and oil price forecasts, which in turn drive investment in exploration and production, while in the cruise market the main influence is performance of the leisure market. In the military business area, the demand for warships is heavily affected by government military spending policies.

Impact

Postponement of fleet renewal programmes or other events affecting the order backlog with the Fincantieri group's principal cruise ship customer could impact capacity utilisation and business profitability. Similarly, a downturn in the offshore market can lead and has in fact led to a reduction in the level of orders in this sector for the subsidiary VARD, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defence spending on fleet modernisation programmes is a variable that could influence the group's financial position, results and cash flows.

Remediation actions

In order to mitigate the impact of the shipbuilding market cycle, the group has pursued a diversification strategy in recent years, expanding its business in terms of products and geographical coverage. Since 2005 the group has expanded into the businesses of offshore, mega yachts, ship systems and components, repairs, refitting and after-sales service. In parallel, the group has expanded its activities, also at international level, through acquisitions or by setting up new companies dedicated to specific businesses, such as the manufacture of steel items.

Given the current decline in offshore market volumes, the subsidiary VARD is successfully working to diversify its products and target new market segments such as expedition cruise (a market in which to date VARD has already signed orders for 13 ships since 2016) and ships specialising in fishing and aquaculture, in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry.

Risks linked to maintaining competitiveness in core markets

Description of the risk

The production of standard merchant ships is now dominated by Asian shipyards. This means that competitiveness can only be maintained by specialising in high value-added markets. With regard to civilian vessels, Fincantieri S.p.A. has been focusing for several years on the cruise ship and cruise ferry segments, where it has a long track record. Following the acquisition of VARD, it has recently extended its focus to the production of offshore support vessels and specific sectors, such as fishing and aquaculture. Additional factors that may affect competitiveness are the risk of not paying sufficient attention to customer needs, or of non-compliance of product quality and safety levels with market requirements and the new applicable standards and regulations. Moreover, aggressive commercial policies, development of new products and technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness.

Impact

Inattentive monitoring of the group's markets and slow responses to the challenges posed by competitors and customer needs may lead to a reduction in competitiveness, with an associated impact on production volumes, and/ or less remunerative pricing, resulting in a drop in profit margins.

Remediation actions

The group endeavours to maintain its competitive position in its business areas by delivering high standards of product quality and innovation, and by seeking optimal costing as well as flexible technical and financial solutions, so as to make attractive commercial offers vis-à-vis its competitors. In addition to its commercial initiatives to penetrate new market segments, the subsidiary VARD has developed several new shipbuilding projects, leveraging the engineering and design know-how in the offshore sector and the Fincantieri group's know-how.

Description of the risk

The difficult political and economic context and worsening regulatory environment of countries in which the group operates may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defence sector, leads to increased exposure to country risk and/or risk of international bribery and corruption.

Impact

Situations involving country risk may have negative effects on the group's financial position, results and cash flows, with the loss of customers, profits and competitive edge, and from the reputational point of view in the case of possible legal actions and sanctions.

Remediation actions

In pursuing business opportunities in emerging markets, the group safeguards itself by favouring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organisation, appropriate safeguards to monitor the processes at risk.

Risks related to contract management

Description of the risk

The shipbuilding contracts managed by the group are mostly multi-year contracts for a fixed consideration and any change in price must be agreed with the customer. At the time the contract is signed, price-setting can only take place through a careful assessment of raw material, machinery, component, tender prices and all costs linked to production (including labour and general expenses), which is more complex for prototype or particularly complex ships.

Impact

Cost overruns not foreseen in the pre-contractual stage and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned.

Remediation actions

The group takes into consideration expected increases in the components of contract costs when determining the offer price. In addition, at the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components.

Description of the risk

Many factors can influence production schedules, as well as capacity utilisation, and thus impact agreed vessel delivery dates with possible penalties payable by the group. These factors include, *inter alia*, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies.

Impact

When the causes of late delivery are not recognised by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay.

Remediation actions

The group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting). In contracts with suppliers, penalties might be set for delays or disruptions attributable to them.

Description of the risk

The operational management of contracts carries the risk that one or more counterparties with which the group is doing business may be unable to meet their commitments. Specifically, customers might default on contractual payments, or suppliers might fail to discharge their obligations for operational or financial reasons. In the offshore sector, characterised by a deeply Non performing assets global market situation affecting all operators, a significant number of ship owners are pursuing restructuring processes which tend to increase counterparty risk. In particular, as concerns VARD, the deterioration of the financial situation of many customers in the offshore sector has led to the cancellation or rescheduling of some orders.

Impact

Bankruptcy of one or more counterparties, be they customers or suppliers, can have serious effects on the group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process. In particular, the cancellation of orders by customers during the shipbuilding process would expose the group to the risk of having to sell those ships in unfavourable market conditions or, potentially, to prices lower than what would be necessary to recover the construction costs. Moreover, postponement of the delivery dates might seriously worsen borrowing requirements caused by working capital, with a consequent increase in indebtedness and financial expenses.

Remediation actions

When acquiring orders, where deemed necessary, the group performs checks on the financial strength of its counterparties, including by obtaining information from major credit rating agencies. Suppliers are subject to qualification procedures, which include assessment of potential counterparty risks. As regards the financial aspect, the group offers suppliers the opportunity to use instruments that facilitate their access to credit. To face the difficult offshore market situation, the subsidiary VARD worked with customers and financial institutions and managed to ensure the deliveries for most of the offshore ships in the portfolio, and is continuing the initiatives under-

taken to provide a commercial solution to the few offshore projects currently remaining in the portfolio. Where possible, VARD is also assessing all the technical and commercial opportunities for converting and repositioning built ships whose orders were cancelled for sale on new markets.

Description of the risk

A significant number of the group's shipbuilding contracts (in general, for merchant vessels such as cruise ships and offshore support vessels) require that customers pay only a part of the contract price during ship construction; the balance of the price is paid upon delivery.

As a result, the group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its customers and thus having to finance the working capital absorbed by ships during construction.

Impact

Should the group be unable to offer its customers sufficient financial guarantees against the advances received, or to meet the working capital needs of ships during construction, it might not be able to complete contracts or secure new ones, with negative effects on its financial position, results and cash flows.

Moreover, the cancellation or postponement of orders by customers in distress might have significant impacts on the group's financial structure and margins, thus entailing the risk that banks might limit the group's access to credit, denying it necessary forms of working capital financing such as construction loans, or that banks might grant financing at more expensive conditions.

Remediation actions

The group implements a financing strategy aimed at diversifying its technical financing methods and lenders as much as possible with the ultimate objective of maintaining a credit capacity greater than what would be sufficient to guarantee coverage of its working capital requirements generated by the operating business.

Description of the risk

The group's customers often rely on loans to finalise the placement of orders.

Overseas customers may be eligible for export finance schemes structured in accordance with OECD rules.

Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A., while in Norway it is GIEK.

The availability of export finance is therefore a key condition for allowing overseas customers to award contracts to the group, especially for cruise ship construction.

Impact

The lack of available finance for the group's customers or the poor competitiveness of their conditions could have a highly negative impact on the group's ability to obtain new orders as well as on the ability of customers to comply with the contractual terms of payment.

Remediation actions

Fincantieri supports overseas customers during the process of finalising export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, SIMEST and the banks). Moreover, the loan structuring process is managed in parallel with the process of finalising the commercial contract, the enforceability of which is often subject to the ship owner's receipt of the commitment by SACE and the banks to provide an export credit guarantee. The subsidiary VARD is also working actively with Norway's export credit agency GIEK, especially in a new sector for the Norwegian market such as the expedition cruise sector.

To further protect the group, in the event of customer default on its contractual obligations, Fincantieri reserves the right to terminate the contract. In this case, the group may keep the payments received and the ship under construction. The customer may also be held liable for any costs advanced by the group.

Risks linked to production outsourcing and relations with suppliers and local communities

Description of the risk

The Fincantieri group's decision to outsource some of its business activities is dictated by strategic considerations based on two criteria: a) outsource activities for which it has the skills but insufficient in-house resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop.

Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery deadlines, the acquisition of excessive contractual power by suppliers, and lack of access to new technologies.

In addition, the significant presence of suppliers in the production process has an impact on local communities, which might require the group to address social, political and legality issues.

Impact

A negative performance by suppliers in terms of quality, timing or costs would cause production costs to rise, and the customer's perception of the quality of the Fincantieri product to Non performing assets. With respect to other local counterparties, sub-optimal relationships can reflect on the group's ability to compete.

Remediation actions

The group has specific units in charge of coordinating the assembly of internal ship systems and managing specific areas of outsourced production. In addition, the Fincantieri group carefully selects its key suppliers, who must meet the highest standards of performance. Fincantieri S.p.A. has developed a precise programme of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and timeliness of delivery, to the strict observation of safety regulations, in line with the group's "Towards Zero Accidents" plan. In addition, particular attention is paid in general to relations with the local communities that interact with the group's shipyards, through appropriate relations with the authorities and sometimes, where appropriate, by entering into legality and/or transparency agreements with the local authorities. These agreements enabled the promotion of the National Legality Framework Protocol signed in 2017. The subsidiary VARD has paid great attention to the assessment and management process of contracts with the new suppliers operating in the new sectors into which the group entered following its diversification strategy.

Risks related to knowledge management

Description of the risk

The Fincantieri group has developed significant expertise, know-how and business knowledge. With respect to workers, the domestic labour market is not always able to satisfy the need for adequately skilled production workers, either in terms of numbers or expertise. The effective management of the group's business is also linked to its ability to attract highly professional resources for key roles, and the ability to retain such talents within the group. This requires adequate resources and skills management based on a continuous improvement model, achieved by investing in staff training and performance evaluation.

Impact

The skills gap of the domestic labour market, the group's inability to acquire the necessary profiles and the failure to transfer specific knowledge within the group's human resources, particularly in the technical area, might have negative effects on product quality.

Remediation actions

The Human Resources Department constantly monitors the labour market and maintains frequent contacts with universities, vocational schools and training institutes. The group also makes a significant investment in training its staff, not only in technical-specialist and managerial-relational skills, but also regarding safety and quality. Lastly, specific training activities are planned to ensure that key and management positions are covered in the event of staff turnover. The subsidiary VARD has implemented an internal reorganisation programme to favour diversification in the new markets, with a focus on the development of new concepts and changes in production processes. At the same time, actions to find qualified manpower were launched in the Romanian construction sites with the purpose of increasing the technical-quality control to achieve production efficiency, in order to support the production plan of Fincantieri S.p.A. and ensure an improved management of the additional projects in the portfolio.

Risks related to the legislative framework

Description of the risk

The Fincantieri group is subject to laws applicable in the countries where it operates, including environmental protection and occupational health and safety laws and regulations, as well as tax and privacy protection laws. Any violation of these laws may result in civil, tax, administrative and criminal penalties along with an obligation to take actions to achieve compliance, the costs and liability for which could have a negative impact on the group's business and results.

Impact

Any non-compliance with tax regulations, safety or environmental protection standards, changes to the applicable regulatory framework, or the occurrence of unforeseeable or exceptional events could cause the Fincantieri group to incur extraordinary costs relating to tax, the environment or occupational health and safety. Finally, the violation of privacy protection laws would imply the application of the penalties introduced by EU Regulation 2016/679 regarding the protection of personal data.

Remediation actions

The group actively encourages compliance with all regulations to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, Fincantieri S.p.A. has adopted an Organisation, Management and Control Model under Italian Legislative Decree no. 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, Fincantieri S.p.A. has implemented the provisions of Italian Legislative Decree no. 81/2008 - "Implementation of Article 1 of Law 123 of 3 August 2007, concerning health and safety at work" ("Consolidated Law on Occupational Health and Safety"). Fincantieri has adopted suitable organisation models for preventing breach of these regulations, and ensures that such models are reviewed and updated on an ongoing basis. The commitment to pursuing and promoting environmental sustainability principles has been reaffirmed in the Fincantieri S.p.A.'s Environmental Policy document, which binds the company to maintain regulatory compliance and to monitor working activities so as to ensure effective observance of the rules and regulations. The subsidiary VARD is also committed to minimising the impact of its activities on the environment, with measures in terms of resources, policies and procedures for the improvement of its environmental performance. Fincantieri and VARD implemented an Environmental Management System at their sites with the goal of becoming certified under the UNI EN ISO 14001:2004 standard and also started updating to the 2015 standard. The group constantly monitors the evolution of existing laws and regulations to mitigate tax risks. Compliance with the privacy protection laws is ensured via a system of internal rules adopted in order to ensure the protection of the personal data collected and processed as part of the operating processes of the corporate business.

Description of the risk

Working in the defence and security sector, the group is exposed to the risk that the current trend in this sector could lead in the near future to restrictions on the currently permitted exceptions to competition law, with consequent limitations on the direct award of business in order to ensure greater competition in this particular market.

Impact

Possible limitations on the direct award of business could prevent the group from being awarded work through negotiated procedures, without the prior publication of a public tender notice.

Remediation actions

The group is monitoring the possible evolution of national and EU legislation that could open up the possibility of competing in the defence and security sector in other countries too.

Risks related to access to information and to operation of the IT system

Description of the risk

Group activity could be negatively impacted by:
- inadequate management of the group's sensitive data, due to ineffective protection measures, enabling unauthorised third parties to access and use confidential information;
- improper access to information, involving the risk of accidental or intentional data alterations or cancellations by unauthorised persons;
- an IT infrastructure (hardware, networks, software) whose security and reliability are not guaranteed, resulting in possible disruption of the computer system or network or in illegal attempts to gain unauthorised access or breaches of the company's data security system, including coordinated attacks by groups of hackers.

Impact

IT system failures, any data loss or corruption, also as a result of external attacks, IT solutions that do not meet business requirements or updates of some IT solutions not in line with user requirements may compromise the group's operations determining errors in the performance of transactions, inefficiencies and procedural delays or other activity outages, impacting on the group's ability to compete on the market.

Remediation actions

The group believes it has taken all necessary steps to minimise these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. Access methods and the ability to operate on the IT system are managed and maintained so as to guarantee correct segregation of roles and responsibilities. Separation of duties has been reinforced by adoption of a new access management procedure using special software, enabling prior identification and management of Segregation of Duties (SoD) risks arising from inappropriate allocation of access credentials.

Risks connected to exchange rate changes

Description of the risk

The group is exposed to exchange rate risks deriving from commercial and financial transactions denominated in currencies other than the functional one (economic and transaction risk). Moreover, the exchange rate risk arises in the preparation of the group's financial statements, due to the translation of the Income Statement and Balance Sheet of consolidated subsidiaries that use a functional currency other than the euro (mainly NOK, USD and BRL) (translation risk).

Impact

The absence of a suitable currency risk management may increase the volatility of the group's financial performance. In particular, a weakening of the currencies in which shipbuilding contracts are denominated may have a negative effect on the group's margins and cash flows.

Remediation actions

The group has adopted a policy for the management of financial (economic and transaction) risks that defines reporting tools, responsibilities and methods, with which the group mitigates the risks deriving from the performance of the foreign exchange market. With reference to the translation risk, the group constantly monitors its main exposures, which are usually not subject to hedging.

In the same way, the subsidiary VARD issued a management policy that is inspired by the fundamental principles defined by the Fincantieri S.p.A., though with some distinctions due to the peculiar needs of the company.

Risks connected to financial debt

Description of the risk

Some loan contracts signed by the group include financial and legal clauses, commitments and obligations (such as the occurrence of default events, including potential ones, cross-default clauses and covenants) for the group or some group companies, which may entail an immediate repayment of the loan in the event of default. Moreover, future interest rate increases may result in greater costs and charges depending on outstanding debt. The group may not be able to access loans to the extent required to finance its activities (for instance in the event of particularly unsatisfactory performance) or may be able to do so only at particularly onerous conditions. As regards the offshore sector, worsening of the financial situation which has led to widespread restructuring among sector operators is leading banks to decrease their lending to those operators; this might impact the access to construction loans by subsidiary VARD, necessary to finance not only offshore projects but also those intended for the new markets.

Impact

Should the ability to access loans be limited, also due to the group's financial performance, or in the event of interest rate increases or early repayment of debts, the group might be forced to delay funding or incur greater financing costs, with negative impacts on its financial position, results and cash flows.

Remediation actions

In order to guarantee access to adequate funding both in terms of amounts and conditions, the group monitors on an ongoing basis both its current and future financial position, results and cash flows and the circumstances that may negatively impact them. In particular, to mitigate liquidity risk and maintain an appropriate level of financial flexibility, the group diversifies its sources of financing in terms of maturities, counterparties and technical form. Furthermore, in order to limit the impact of interest rate fluctuations on the group's medium-/long-term profitability, the group may negotiate derivatives, usually in the form of interest rate swap.

Legal disputes

Foreign Disputes

In regard to the "Iraq" dispute, which was extensively reported starting from the Notes to the Financial Statements at 31 December 2014 and for which various updates were subsequently provided, the lawsuit pending before the Paris Court of Appeal against the arbitration award in favour of Fincantieri was resumed by the Iraqi Government while the operating agreements (Refurbishment Contract and Combat System Contract) were pending pursuant to the Settlement Agreement. The Paris Court of Appeal rejected the opponent's claims on 18 January 2018. On 20 June 2018, the Iraqi Government notified Fincantieri of the appeal before the French Court of Cassation against the decision of the Paris Court of Appeal. The proceedings are still pending.

As regards the "Serene" dispute, in July 2015 Fincantieri lodged its opposition with the Trieste Court of Appeal (against the ship-owner's request for recognition of the foreign arbitration awards in Italy) asking the Court to find the awards contrary to domestic and international public order and to revoke the awards themselves on grounds of procedural fraud. The Court issued its ruling on the case in late January 2017, unexpectedly rejecting the appeal by Fincantieri. An appeal against the rejection of that appeal was lodged with the Court of Cassation, in the attempt to reveal the various defects in the Court of Appeal decision. In any event, the company has accrued a specific provision for risks

for this case (see the information provided in Note 19).

The movable and immovable property execution proceedings undertaken in Italy by the company's opponent have been suspended in anticipation of the decision of the Court of Cassation.

At the same time, the verification action brought in early February 2015 before the Court of Venice (Corporate Affairs Division) seeking confirmation that the ship owner is not the owner of any intellectual property rights (erroneously recognised by the Arbitration Panel and placing a latent constraint on Fincantieri's freedom to do business), was closed, with no related examination, with the rejection of the company's claims, regarding which the Court stated the lack of interest to act.

On 24 May 2017, the Court of Amsterdam recognised the English awards concerning the proceedings for execution of the arbitration awards in the Netherlands. However, it conditioned their execution on the claimant submitting a bond covering the compensation that would be owed to Fincantieri if it subsequently won. To date that bond is yet to be given. Fincantieri filed its appeal against the decision by the Court of Amsterdam on 20 July 2017. On 9 October 2018, the Amsterdam Court of Appeal acknowledged the *exequatur* of the English awards in the Netherlands.

The "Papanikolaou" lawsuit was lodged with the Court of Patras in Greece by Mr Papanikolaou and his wife against the company, Minoan Lines and others after the injury that the claimant suffered in 2007 while on board the Europa Palace, which was built by Fincantieri: (i) in the lawsuit on the alleged loss of income until 2012, the Greek Court of Cassation conformed to the main conclusions made in the appeal judgment (which had acknowledged Fincantieri's liability), however referring the case to the Court of Appeal with regard to a relatively minor point, while (ii) the lawsuit on the alleged loss of income from 2012 to 2052 is currently postponed. The company has accrued a specific provision for risks for the estimated charges in relation to the dispute in question.

In regard to the "Yuzwa" lawsuit lodged before the District Courts of California and Florida by Mr Yuzwa against Fincantieri, Carnival and others for the injuries suffered by the claimant in consequence of an accident on board the Oosterdam in 2011, the Florida Court of Appeal upheld the motion for the exclusion of Fincantieri due to the lack of jurisdiction, and rejected the request for review and the extraordinary appeal lodged by the opponent.

The lawsuit for compensation undertaken by the Brazilian subsidiary Vard Promar S.A. against Petrobras Transpetro S.A. consequent to the losses it suffered in connection with eight shipbuilding contracts is still under way. In December 2015, Petrobras Transpetro S.A. requested termination of the contracts for the construction of two vessels and demanded repayment of its previous advance payments. This demand is being disputed before the Court of the State of Rio de Janeiro. VARD did not recognise any receivables for the disputes with Transpetro in the financial statements at 31 December 2018.

Italian legal disputes

Proceedings for collection of receivables from customers

With regard to pending rulings with respect to customers involved in insolvency, bankruptcy or other insolvency procedures with whom disputes have arisen, it should be noted that judicial proceedings initiated against Tirrenia and Siremar in Amministrazione Straordinaria continued.

The receivables claimed by the company have been appropriately written down in those cases where the likelihood of recovery is lower than the amount of those receivables.

Litigation with suppliers

These are disputes to oppose supplier and contractor claims deemed unfounded by the company (alleged contractual liability, alleged receivables for non-payable invoices or additional amounts not due), or to recover greater costs and/or damages suffered by the company due to default by suppliers or contractors. In some cases, it has been considered appropriate to bring suit for dismissal of those alleged claims. One such claim concerned an allegedly excessive price discount applied to a relationship qualified by the claimant as a tender contract. Another concerned claims following the termination of orders already placed and the conclusion of a settlement.

A provision for risks and charges has been recognised for those disputes felt likely to end with costs for the group.

Labour disputes

These disputes concern cases brought by employees and former employees of contractors and subcontractors, which involve the company under the "customer co-liability" principle (Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree no. 276/2003).

Litigation relating to asbestos continued to be settled both in and out of court in 2018.

Other litigation

Other litigation includes: i) claims against general government bodies for environmental expenses, including disputes with the City of Ancona and the dispute with the Ministry of the Environment involving the shipyard in Muggiano (meanwhile, the dispute relating to the shipyard in Castellammare di Stabia was closed due to lack of interest); ii) appeals against claims by social security authorities, including litigation against INPS (the Italian Social Security Agency) for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; iii) compensation for direct and indirect damages arising from the production process; and iv) civil actions for injury compensation claims.

Whenever the outcome of such litigation is likely to result in charges, suitable provisions for risks and charges have been made.

Criminal proceedings pursuant to Italian Legislative Decree no. 231 of 2001

The group is currently involved in six criminal cases pursuant to Italian Legislative Decree no. 231 of 2001 before the Court of Gorizia.

- In January 2014, Fincantieri S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under Article 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Article 256(1) (a) and (b) of Legislative Decree no. 152/2006, and investigation into the Company, under Article 25-undecies of Legislative Decree no. 231/2001 for the alleged management of hazardous waste sorting and temporary storage areas at the Monfalcone shipyard without the required authorisation, and the alleged dispatch of such waste for disposal with documents not allowing its traceability. As part of these proceedings, in October 2017 the former Managers of the Monfalcone shipyard, the former General Managers of the Company, the former Safety Manager and the former Staff Manager of the Company were notified of the completion of the preliminary investigations for the offence under Article 256(1) (a) and (b) of Legislative Decree no. 152/2006 ("Unauthorised waste management"); in April 2018, also the Company was informed of the completion of the investigations for the offence under Article 25 *undecies* of Legislative Decree no. 231/2001 ("Environmental offences"). In September 2018, all those investigated were directly served with a writ of summons.
- Between March and April 2014, 21 individuals were notified of the completion of preliminary investigations into an accident incurred by an employee on 13 December 2010 at the Monfalcone shipyard during the lifting of two bundles of iron pipes. The notified persons (who included the members of the Board of Directors and of the Supervisory Body, and several employees of the Company at the date of the event, some of whom are still in office or employed by the Company), were investigated in different capacities for the offences of "wilful removal or omission of precautions against workplace accidents" and "bodily harm" under Articles 437 and 590 of the Italian Criminal Code and for violation of certain provisions of Legislative Decree no. 81/2008. A notice was also served on the Company under Article 25-septies(3) of Legislative Decree no. 231/2001. At the preliminary hearing on 18 December 2014, the Court decided not to prosecute the members of the Board of Directors and the Supervisory Body and the two General Managers, while the other employees of the Company at the date of the incident, as notified above, were formally indicted. Gorizia's Public Prosecutor has challenged the dismissal in the Court of Cassation which, at the end of the hearing held on 20 January 2016, rejected the appeal and upheld the dismissal of the action against the members of the Board of Directors and the Supervisory Body, and the two General Managers. At the hearing held on 14 July 2017, the Company was acquitted; the Public Prosecutor filed an appeal against the judgement.
- In September 2015, notices of conclusion of preliminary investigations into an accident undergone on 24 November 2009 at the Monfalcone shipyard by an employee, resulting in a sprained shoulder that healed after one year, were served on the former Monfalcone shipyard manager and three other employees under investigation for violation of Article 19(f) and Article 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of Article 2087 of the Italian Civil Code (failure to adopt suitable measures to protect workers' health). A notice was also served on the Company, under Article 25-septies(1), (2) and (3) of Legislative Decree no. 231/2001 in relation to the accident of an employee, which reported a distortion to one shoulder healed in one year, which occurred on 24 November 2009 at the Monfalcone shipyard.
- In March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the Company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with

an accident on 29 March 2012 at the Monfalcone yard involving an employee who injured the fifth finger of his left hand, which healed in eight months.

- In June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general of Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health). A notice was also served on the Company under Article 25-septies(3) of Legislative Decree no. 231/2001. The investigation concerned an accident which had occurred on 25 August 2010 at the Monfalcone yard involving the employee of a contractor who had suffered a bruise on his left knee, which had healed after more than 40 days.
- In June 2018, notices of conclusion of preliminary investigation were served in relation to waste management and disposal. This involves a host of persons and companies, including the Chief Executive Officer of the Company, the former manager and two employees of the Palermo shipyard for the offence under Article 452 *quaterdecies* of the Italian Criminal Code ("Activity organised for the illegal traffic in waste"), and the Company for the offence under Article 25 *undecies*(2)(f) of Legislative Decree no. 231/2001 ("Environmental Offences").

Tax position

National fiscal consolidation

Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. participate in the National fiscal consolidation of Cassa depositi e prestiti S.p.A.

Audits and assessments

Fincantieri

During 2017, Fincantieri was subject to tax audits on the 2013 tax period, concluded with the notification of the report on findings.

In 2018, preliminary investigations continued and the resulting notices of assessment were sent.

Further defence activities are under way, and a provision for risks was made for the estimated costs.

Marine Interiors

With reference to the tax audit conducted by the Italian Revenue Agency of Trieste in 2017 on the 2015 tax period, the notices of assessment sent in 2018 were challenged. The same arguments were used by the Italian Revenue Agency of Pordenone to adjust the value of the deed of transfer of the business unit for the purposes of the registration tax. The proceedings to challenge the deed were closed, in first instance, with a ruling in favour of the subsidiary.

Delfi

In September 2018, the Customs Agency started an audit regarding 2014-2016, then extended to 2013, focusing on checking customs and VAT operations. The audit was completed with minor findings.

Fintecna group

In 2018, the risk management model of the Fintecna Group was consolidated, with particular emphasis placed on the scope and depth of the controls so as to better identify and, where necessary, strengthen the monitoring of risks, also in view of the transfer to Fintecna (or to its wholly-owned subsidiaries) of the assets of public companies under liquidation or those of entities dissolved pursuant to the new rules enacted in the 2018 Budget Law[58].

The risk profile of the Fintecna group is mainly linked to the management of liquidation processes and a major pending dispute (operational risk) relating to a large number of companies incorporated over the years.

58 Paragraph 1100 of Italian Law 205 of 27 December 2017.

Operational risks also include those related to the management of environmental remediation work at the sites included in the former EFIM separate asset pool and the properties previously forming part of the former Iged separate asset pool, as well as the risk arising from Ligestra Due's performance of the functions of Liquidator of the companies Cinecittà Luce — including the so-called Separate Liquidation procedures[59] — and Consorzio Bancario Sir in liquidazione.

Considering the complexity and future uncertainty of these situations, the directors — acting on the best available information and on the prudent assessment of the circumstances — periodically update their evaluations of the adequacy of the provisions for liabilities and charges made in the financial statements, which are currently deemed adequate and appropriate to meet the costs that group companies are likely to incur.

The types of **financial risks** to which the Group is exposed are described hereunder.

Liquidity risk: according to assessments conducted by the management, the current financial resources are sufficient to meet the Group's payment obligations. Liquidity commitments are in large part linked to the management of the dispute and the environmental remediation works. Indeed, cash and cash equivalents represent the ideal asset to offset the "provisions for risks and charges" on the liability side of the balance sheet and failure to make appropriate provisions - with particular reference to the aforementioned areas and the consequent erroneous use of liquidity - constitutes a further risk factor for the Group.

Accordingly, as part of their assessments of the provisions for liabilities and charges, the directors also continually update their forecasts on the use of these provisions and take them into account when setting their liquidity management policies. Finally, it is noted that almost all Group cash and cash equivalents are deposited with the Shareholder CdP and that the parties have made Irregular Deposit Agreements, which define the terms and conditions for those deposits. Fintecna's remaining cash and cash equivalents are deposited on a short-term basis with banks meeting the requirements set out in the Guidelines[60] for Treasury Operations issued by the Shareholder CdP and adopted by Fintecna.

Another risk factor - with reference to former Iged separate asset pool - is linked to the difficulty of selling the owned assets, which mainly consist of real estate located in Italy. In this regard, the sale of the highest value property was finalised in the last quarter of 2018.

Credit and counterparty risk: the credit risk is linked to the risk of impairment of the outstanding trade receivables. These receivables mainly comprise positions dating back years, which are often subject to litigation and have been almost entirely written down. In this area, organisational monitoring measures are in place within the parent company Fintecna to ensure the proactive management of the Group's loan portfolio and the mitigation of the related risks.

There is also a counterparty risk linked to the investment of residual short-term liquidity held at banks, given that most of the financial resources available to the Fintecna and its subsidiaries are held by the Shareholder CdP. Available liquidity is managed in accordance with 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: these include risks linked to the majority stake in Fincantieri, over which Fintecna does not exercise any management and control activity. In this regard, the share price remained substantially stable in 2018.

Compliance risk

The main compliance risks in the Fintecna group are essentially linked to reputational risks that might arise in relation to sensitive areas like environmental protection, occupational health and safety, the execution of specific mandates on behalf of the Public Administration (e.g. the Fintecna Project for Central Italy) and the management of liquidation procedures and litigation.

Important in this respect are developments in external regulations that apply to Fintecna and its subsidiaries, as well as changes in the scope of the business activity or in the corporate governance structure and changes at organisational or process level.

59 With regard to the so-called Separate Liquidation procedures, the related assets are not owned by the Fintecna Group.
60 "Guidelines on risks linked to bond transactions, liquidity management and the use of derivatives".

To protect itself against legal compliance risk, the Group has adopted a model to identify the applicable laws and regulations and assesses the risk of violating them, and specific second-level controls to prevent the potential reputational risks deriving from relationships with third parties.

The mapping of regulations that apply to the Company is an ongoing and constantly updated activity. In particular, following the enactment, in May 2018, of the EU regulation on personal data protection (Regulation EU 2016/679) the Group has had to make adjustments and implement new monitoring processes.

Legal disputes

In the financial year ended 31 December 2018, to ensure the optimal development of the defence activity, the Company continued to actively monitor and manage all disputes it is involved in as a consequence of the numerous corporate transactions that originated from companies subsequently merged into Fintecna, or from companies whose disputes were subsequently transferred to the latter. In particular, specific and targeted assessments were conducted on the critical issues underlying the individual disputes so as to prepare the best defence possible for Fintecna.

The number of labour disputes in 2018 was the same as in the previous year, thus substantiating the projection of a fall, compared to previous years, in the number of requests for compensation for biological injury for illnesses arising after a long periods of latency and allegedly attributable to the presence of hazardous substances and the working conditions in the industrial facilities formerly owned by companies now belonging to Fintecna.

The company continued to pursue its primary objective to streamline the litigation case load and limit its negative financial consequences as much as possible, seeking settlements, where possible, in those cases where adequate financial and legal grounds exist.

Case law in this respect, often not favourable to the company's arguments, and the growing sensitivity to "environmental sanitation", applied "retroactively" to industrial sites managed by companies that are predecessors of Fintecna, determined the requirement to set aside large amounts to cover compensation to be awarded to counterparties, both as a result of out-of-court settlements and, in the event of no agreement being reached, in execution of the rulings, which in some cases heavily penalise the company. However, the results achieved so far can be considered, overall, to be economically satisfactory, particularly if compared with the potential that this type of action has to originate substantial costs for the company in the case of negative rulings.

Having regard to the civil/administrative disputes, although the number of pending lawsuits has fallen slightly following the settlement of disputes on conclusion of the related legal proceedings, reaching a settlement is proving to be objectively difficult due to evaluation differences arising with the counterparties.

(number of disputes; %)	31/12/2018	31/12/2017	Change (+/-)	Change (%)
Civil/administrative/tax disputes	101	113	-12	n/s
Employment disputes	431	492	-61	n/s
Total	**532**	**605**	**-73**	**n/s**

SIMEST

With regard to the main risks and uncertainties to which the company is exposed in its investment activity, SIMEST has put in place specific monitoring for managing credit risk, market risk and liquidity risk.

Although SIMEST is not subject to prudent regulatory requirements, it adheres to current banking regulations or the classification scheme adopted by the Basel Committee to identify the risks it needs to manage. This classification, which divides risks in three categories called pillars, is included in the Risk Rules adopted by SIMEST.

Financial risks

Credit risk

With regard to risk monitoring and mitigation, the credit risk is primarily mitigated through the direct commitments of the Italian partners to repurchase SIMEST's equity investments, partially secured by corporate sureties, collateral and bank or insurance guarantees.

(millions of euro; %)	31/12/2018		31/12/2017	
Direct commitments of Italian partners	461	84%	436	83%
Commitments secured by banks and insurance companies	42	8%	48	12%
Commitments secured by collateral	42	8%	31	5%
Total	**545**		**515**	

Market risk

The market risk arises from market transactions in financial instruments, currency and commodities. Price risk and foreign exchange risk is mitigated by contractual clauses which as a rule guarantee that SIMEST will recoup its investment at the historic price paid in Euro for acquisition of the equity stake.

Liquidity risk and interest rate risk

Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments.

Legal disputes

In regard to labour law disputes, two lawsuits are pending in court at 31 December 2018. The total amount of the claims is about 287 thousand euro.

CDP Immobiliare group

The risk management service is managed by the Risk Management function, which reports to the Chief Risk Officer (CRO).

The risks to which the company and its subsidiaries are exposed and the relevant monitoring and minimisation activities are described below.

Financial risks

Market risk

Risks relating to property values

The market risk is the risk of unexpected losses resulting from macroeconomic factors linked to the performance of the property market, that cause property prices to fall.

The market risk has to be assessed in the context of the overall and the specific market, examining the local context and the offering of competitors, taking also into account the underlying right. In measuring and managing the market risk, the value of the property portfolio is monitored by means of six-monthly assessments conducted by Independent Experts.

The Risk Management service carries out second-level controls to identify any mismatches, requesting clarifications in the most significant cases, and to ensure the accuracy of the calculations and the consistent application of the assessment criteria over time.

Interest rate risk

The interest rate risk is the risk of losses resulting from unfavourable changes in interest rates. The negative impact is essentially an increase in financial expenses.

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some subsidiaries, relating to mortgages and floating-rate loans taken out for business development needs, whose remuneration is influenced by money market trends.

The policy for managing such risks for Group companies is focused on reducing the possible impacts of changes in the reference interest rates on financial performance.

Exchange rate risk

The group operates only in Italy; therefore, it is not exposed to exchange rate risk.

Liquidity risk

The liquidity risk is the risk of not being able to meet short-term cash needs, mainly due to factors such as:
- the illiquidity of the real estate market, or inability to disinvest and liquidate real estate assets at a value close to fair value;
- cash flow mismatches due to loss of revenues, higher costs or, more generally, errors in forecasting receipts and payments;
- the illiquidity of financial markets.

The CDP Immobiliare Group made no investments for the management of its liquidity, since such liquidity is of limited amount and is intended to fund short-term needs. Following the review process implemented in previous years in relation to financial counterparties, which aims to reduce risks, the liquidity management policy has remained conservative, also in light of the continual evolution of the Italian banking sector. Therefore, there is no risk linked to the recovery of capital invested in investment instruments or cash deposits.

On the other hand, the liquidity risk linked to the ability to meet commitments arising from financial liabilities is particularly significant within the group on account of its activities and the issues described in the section on market risk.

For joint control companies, liquidity risk is heightened by the critical issues detected in recent years in the structure of many of the partnerships' shareholders, which have experienced difficulties in meeting the companies' financial requirements, and in some cases have expressed the intention of decommitting resources from property investments.

The short and medium-term financial requirements of CDP Immobiliare have been brought to the attention of the Parent Company and arrangements are currently being finalised - as in previous years - for the Shareholder to make available to CDP Immobiliare, on a case-to-case basis and after verifying the activities to which those requirements relate, the resources necessary to meet the Company's needs in 2019, in line with the new lending provided for in the 2019-2021 Group Business Plan. For 2018, the financial support requested amounted to 80.4 million euro.

Credit risk

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the CDP Immobiliare Group.

In view of its operational business management methods, credit risk for the Parent Company consists essentially in the risks linked to its trade receivables from the partnerships.

For each new transaction, the counterparty's financial capacity is analysed also on the basis of information acquired from databases as Cerved and by conducting searches in the Worldcheck and Orbis databases, available at the Parent Company offices.

Operational risks

In the fourth quarter, the Risk Management function conducted a follow-up on the implementation status of the mitigants of the Remediation Plan, which ended in December 2018.

In particular, the follow-up consisted in analysing the procedures issued after the risk assessment and in verifying the status of the regulatory activities envisaged in the Remediation Plan as regards to project management and real estate enhancement. Furthermore, given the importance of remediation issues and the related risks for CDP Immobiliare, the state of the art of the activities carried out was also verified.

Legal disputes

The litigation involving the CDP Immobiliare Group originates primarily from the contribution of a real estate company unit by Fintecna S.p.A. to Fintecna Immobiliare S.r.l., now CDP Immobiliare S.r.l., and the merger through incorporation of Patrimonio dello Stato S.p.A.

The disputes mainly concern management of the real estate assets of CDP Immobiliare and its subsidiaries. More specifically, they consist in repossession actions on illegally occupied property, evictions or lease expiry procedures, actions for verification of title or property rights on real estate, legal actions relating to property purchase and sale agreements, compensation claims for financial damage due to contractual and extra-contractual liability, credit recovery actions for outstanding payments, etc., administrative disputes concerning the cancellation of administrative measures for breach of mandatory requirements and misuse of power and a number of criminal law disputes.

Disputes involving CDP Immobiliare S.r.l.

At 31/12/2018 there were 54 pending disputes, of which 23 brought against the company (5 for cancellation of administrative measures for breach of law or misuse of power, 2 for invalidity of contracts, 5 for extra-contractual liability, 1 for pre-contractual liability for ending negotiations, 8 for contractual liability, 2 for verification of title) and 31 brought by the company (10 for cancellation of administrative measures for breach of law or misuse of power, 11 for repossession of property, 4 for verification of title, 3 for contractual liability, 1 for criminal liability, 1 for establishment of jurisdiction, 1 for payments).

In the period ended 31 December 2018, pending disputes decreased in number compared to the previous year. In fact, in the foregoing period, 19 lawsuits were brought: of these, 13 refer to new disputes (7 against the company and 6 brought by the company), 6 lawsuits were referred to the higher courts (4 against the company and 2 brought by the company) and 24 disputes were decided, 9 in favour of the company, 11 by way of settlement, 3 with repossession of property following enforcement and 1 with an arbitration award against the company.

Having regard to pending disputes, the claims of the counterparties and the related risks are assessed with the support of outside legal consultants and, based on the outcome of the analysis conducted, ad hoc risk provisions have been estimated and set aside for those cases felt likely to generate costs for the company and/or the group.

Disputes involving investee companies

There are 16 pending disputes involving investee companies, of which 7 brought by the investees (1 for cancellation of an administrative measure, 1 for contractual liability, 1 for repossession of property, 3 of a criminal nature and 1 enforcement action relating to payments) and 9 brought against the investees (6 for contractual responsibility, 2 for invalidity of contracts, 1 for cancellation of administrative measures, 1 for verification of title to property).

In the period ended 31 December 2018, pending disputes decreased in number compared to the previous year. In fact, in the foregoing period, 10 new lawsuits were brought, of which, 5 brought by the investees and 5 brought against the investees, and 18 disputes were decided, 10 by way of settlement and 8 with judgments issued. Worthy of special mention is the settlement of the three Alfiere vs. Roma Capitale disputes, joined in a single proceeding.

Having regard to pending disputes, the claims of the counterparties and the related risks are assessed with the support of outside legal consultants and, based on the outcome of the analysis conducted, ad hoc risk provisions have been estimated and set aside for those cases felt likely to generate costs for the company and/or the group.

In addition to the disputes listed above, CDP Immobiliare is involved in 17 tax disputes handled by the company's Administration, Budget and Tax Unit with the assistance of a tax law firm. Of these, 5 relate to State taxes (specifically, registration tax, mortgage tax and cadastral tax) and 12 to local authority claims for municipal property taxes.

With respect to these disputes, ad hoc risk provisions have been made for those cases felt likely to generate losses for the company and/or the group.

(number of disputes; %)	31/12/2018	31/12/2017	Change (+/-)	Change (%)
CDP Immobiliare S.r.l.	54	60	(6)	-10%
Investee companies	16	20	(4)	-20%
Total	**70**	**80**	**(10)**	**-12.5%**

Part F - Consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

Qualitative disclosures

As indicated in the introduction, CDP is subject to "informational" supervision only.

Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information for the Group.

Part G - Business combinations

Section 1 - Business combinations completed during the year

1.1 Business combinations

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Business unit Amalfitana Gas	26/01/2018	20,809	100%		
Business unit AEnergia Reti (Portopalo)	31/01/2018	2,200	100%		
Avvenia The Energy Innovator S.r.l.	15/02/2018	8,400	70%	(300)	(215)
Pentagramma Romagna S.p.A. in liquidazione	23/02/2018	500	100%		(203)
Gruppo Ichnusa	28/02/2018	5	100%	9,895	(1,303)
Seaside	13/03/2018	9,208	100%	3,966	874
Medea	06/04/2018	16,594	100%	4,879	100
TEP Energy Solution	30/05/2018	26,042	100%	8,034	1,194
CPL SUD	31/05/2018	4,740	100%	2,795	(282)
IES Biogas	05/07/2018	5,365	70%	31,049	(3,120)
Cubogas	25/07/2018	12,600	100%	7,085	(698)
Naturgas	30/11/2018	2,568	100%	35	(8)
Fontenergia	30/11/2018	438	100%	429	131
Gruppo EGN	30/11/2018	64,487	60%	1,300	282
Enersi	03/12/2018	1,964	100%	2	(155)
Pentagramma Perugia	31/12/2018	214	100%		(86)

(1) = Cost of transaction
(2) = Percentage of voting rights in the Ordinary Shareholder's Meeting
(3) = Total Group revenues
(4) = Group net Profit (Loss)

Acquisition of the Amalfitana Gas business unit

On 26 January 2018, Italgas completed the acquisition of the Amalfitana Gas business unit related to natural gas distribution in three districts (ATEM) in the Campania and Basilicata regions. The assets acquired from Amalfitana Gas include 12 concessions in the municipalities of Somma Vesuviana, Viggiano, Baronissi, Calvanico, Pellezzano, Fisciano, Siano, Oliveto Citra, Contursi Terme, Montesano sulla Marcellana, Monte San Giacomo and Atena Lucana, and extend for approximately 330 kilometres of network in operation with more than 22,000 end customers. The transaction had a value of 20.8 million euro.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
100. Intangible assets	20,809		20,809
Total acquired assets	**20,809**		**20,809**
Liabilities			
Total liabilities assumed			
Net acquired assets	**20,809**		**20,809**
Cost of business combination	**20,809**		**20,809**

Acquisition of the AEnergia Reti business unit

On 31 January 2018, Italgas completed the acquisition of the AEnergia Reti business unit related to the distribution network serving the municipality of Portopalo di Capopassero (Siracusa). The acquisition of the AEnergia Reti business unit concerned a network, completed, but not yet in operation, which extends for approximately 35 kilometres, with a potential catchment area of approximately 1,400 end customers. The consideration paid was equal to 2.2 million euro.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
100. Intangible assets	2,595		2,595
Total acquired assets	**2,595**		**2,595**
Liabilities			
Total liabilities assumed			
Net acquired assets	**2,595**		**2,595**
Badwill		(395)	(395)
Cost of business combination	**2,595**	**(395)**	**2,200**

Acquisition of Avvenia The Energy Innovator S.r.l.

On 15 February 2018, Terna made an acquisition, for 7 million euro, of 70% of Avvenia The Energy Innovator S.r.l., a NewCo to which the principal assets of Avvenia, a Lazio-based company established in 2001 and leader in the energy efficiency sector and certified as an Energy Service Company (ESCo), have been transferred. The sale agreement also includes a call option on the remaining 30% of the company's shares, exercisable within 24 months of the date of sale of the first stake.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	564		564
90. Property, plant and equipment	97		97
100. Intangible assets	99	17,395	17,494
130. Other assets	3,212		3,212
Total acquired assets	**3,972**	**17,395**	**21,367**
Liabilities			
60. Tax liabilities		5,013	5,013
80. Other liabilities	3		3
90. Staff severance pay	76		76
190. Non-controlling interests (+/-)		4,883	4,883
Total liabilities assumed	**79**	**9,896**	**9,975**
Net acquired assets	**3,893**	**7,499**	**11,392**
Badwill		(2,992)	(2,992)
Cost of business combination	**3,893**	**4,507**	**8,400**

Acquisition of Pentagramma Romagna S.p.A. in liquidazione

On 23 February 2018, the entire share capital of Pentagramma Romagna S.p.A. in liquidazione was acquired after reaching agreements with credit institutions for the discharge of the company from its debt, fully and finally offsetting the credit positions held by these. Even though the company's debt has been discharged, the restructuring procedure will be completed only by mid-2019. Once this procedure is completed, the Company plans to revoke the liquidation status.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	35		35
90. Property, plant and equipment	20,700		20,700
110. Tax assets	8		8
130. Other assets	527		527
Total acquired assets	**21,270**		**21,270**
Liabilities			
10. Financial liabilities measured at amortised cost	41,359	(21,159)	20,200
80. Other liabilities	3,110	(2,290)	820
100. Provisions for risks and charges	1,663	(1,663)	
Total liabilities assumed	**46,132**	**(25,112)**	**21,020**
Net acquired assets	**(24,862)**	**25,112**	**250**
Goodwill		250	250
Cost of business combination	**(24,862)**	**25,362**	**500**

Acquisition of Ichnusa Group and Medea

On 28 February 2018, Italgas completed the acquisition of Ichnusa Gas (subsequently merged into Medea), a holding company that controlled 12 companies that in turn held 12 concessions for the construction and operation of gas distribution networks in 74 municipalities in Sardinia. At the acquisition date, two of the twelve concessions were operating on a provisional basis with the first customers provided with LPG, while the remaining ten refer to networks either under construction or to be constructed, for a total expected investment of over 170 million euro, partly financed with regional grants.

The tables below show the consideration paid for the transactions (Ichnusa Group and Medea respectively), and provides a breakdown of the assets acquired and liabilities assumed at the date of the transactions (amounts in thousands of euro):

Ichnusa Group

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	220		220
90. Property, plant and equipment	76		76
100. Intangible assets	27,447		27,447
110. Tax assets	686		686
130. Other assets	727		727
Total acquired assets	**29,156**		**29,156**
Liabilities			
10. Financial liabilities measured at amortised cost	23,676		23,676
60. Tax liabilities	510		510
80. Other liabilities	4,868		4,868
90. Staff severance pay	6		6
120. Provisions for risks and charges	91		91
Total liabilities assumed	**29,151**		**29,151**
Net acquired assets	**5**		**5**
Cost of business combination	**5**		**5**

Medea

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	3		3
40. Financial assets at amortised cost	89		89
90. Property, plant and equipment	56		56
100. Intangible assets	24,770		24,770
110. Tax assets	429		429
130. Other assets	3,361		3,361
Total acquired assets	**28,708**		**28,708**
Liabilities			
10. Financial liabilities measured at amortised cost	7,214		7,214
60. Tax liabilities	3,986		3,986
80. Other liabilities	2,268		2,268
90. Staff severance pay	202		202
120. Provisions for risks and charges	6		6
Total liabilities assumed	**13,676**		**13,676**
Net acquired assets	**15,032**		**15,032**
Goodwill		1,562	1,562
Cost of business combination	**15,032**	**1,562**	**16,594**

Acquisition of Seaside

On 13 March 2018, Italgas acquired the entire share capital of Seaside, one of the major Italian Energy Service Companies (ESCo), with a cutting-edge offering of digital services, thanks to its expertise in the Big Data, Business Intelligence and Machine Learning sectors. White 1, wholly owned by Seaside, was merged into the latter with accounting and tax effect from 1 January 2018.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	7,473		7,473
70. Equity investments	6		6
90. Property, plant and equipment	638		638
100. Intangible assets	6,742		6,742
110. Tax assets	1,221		1,221
130. Other assets	12,383		12,383
Total acquired assets	**28,463**		**28,463**
Liabilities			
10. Financial liabilities measured at amortised cost	1,017		1,017
60. Tax liabilities	2,330		2,330
80. Other liabilities	17,045		17,045
90. Staff severance pay	38		38
120. Provisions for risks and charges	15		15
Total liabilities assumed	**20,445**		**20,445**
Net acquired assets	**8,018**		**8,018**
Goodwill		1,190	1,190
Cost of business combination	**8,018**	**1,190**	**9,208**

Acquisition of TEP Energy Solution

On 30 May 2018, following the receipt of the antitrust clearance, the acquisition, via the subsidiary Asset Company 4 S.r.l., was completed for a controlling interest, of 82% of the share capital, of TEP Energy Solution (TEP) for a total value of around 21 million euro. A price adjustment mechanism is contractually agreed based on the results of the 2018-2020 financial years, as well as put and call options on non-controlling interests due in 2020. TEP is one of the main Italian companies engaged in the energy efficiency sector, as an Energy Service Company (ESCo), with more than 200 customers among leading national and international companies and 950,000 energy efficiency certificates. At the acquisition date, on the basis of the contractual terms governing the exercise of the put and call options on the non-controlling interests (amounting to 18%), the transaction was accounted for as if Snam had acquired 100% control of TEP, without, however, recognising any non-controlling interests.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	8,293		8,293
70. Equity investments	225		225
90. Property, plant and equipment	448		448
100. Intangible assets	2	21,083	21,085
130. Other assets	5,449		5,449
Total acquired assets	**14,417**	**21,083**	**35,500**
Liabilities			
10. Financial liabilities measured at amortised cost	1,428		1,428
60. Tax liabilities		6,077	6,077
80. Other liabilities	4,580		4,580
90. Staff severance pay	217		217
120. Provisions for risks and charges	223		223
Total liabilities assumed	**6,448**	**6,077**	**12,525**
Net acquired assets	**7,969**	**15,006**	**22,975**
Goodwill		3,067	3,067
Cost of business combination	**7,969**	**18,073**	**26,042**

Acquisition of CPL SUD

On 31 May 2018, Italgas completed the acquisition of a controlling (98%) equity investment from CPL Concordia in the share capital of 6 companies operating in southern Italy, which hold concessions for the construction and management of the gas network in 16 municipalities, of which 4 already in operation. The companies in question are Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti and Siculianagas Reti. The total investment for the construction of the networks was equal to approximately 95 million euro, partly funded with government grants. Works for 32.5 million euro, not considering the grants received, have already been carried out so far. In addition, on 27 November 2018, it acquired the remaining 2% of the share capital of the companies Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti and Siculianagas Reti.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	1,002		1,002
90. Property, plant and equipment	11		11
100. Intangible assets	16,520		16,520
110. Tax assets	894		894
130. Other assets	460		460
Total acquired assets	**18,887**		**18,887**
Liabilities			
10. Financial liabilities measured at amortised cost	12,389		12,389
60. Tax liabilities	23		23
80. Other liabilities	1,715		1,715
90. Staff severance pay	3		3
120. Provisions for risks and charges	17		17
Total liabilities assumed	**14,147**		**14,147**
Net acquired assets	**4,740**		**4,740**
Cost of business combination	**4,740**		**4,740**

Acquisition of IES Biogas

On 5 July 2018, Snam acquired 70% of IES Biogas, one of Italy's leading companies in the design, construction and management of biogas and biomethane plants with a market share of more than 10%, for a price of approximately 4 million euro. Put and call options on non-controlling interests due in 2022 are contractually agreed. This acquisition was completed through the special purpose vehicle Snam4Mobility. At the acquisition date, on the basis of the contractual terms governing the exercise of the put and call options on non-controlling interests (amounting to 30%), the transaction was accounted for as if Snam had acquired 100% control of IES, without, however, recognising any non-controlling interests.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	375		375
70. Equity investments	1		1
90. Property, plant and equipment	318		318
100. Intangible assets	483	1	484
110. Tax assets	510	188	698
130. Other assets	11,305		11,305
Total acquired assets	**12,992**	**189**	**13,181**
Liabilities			
10. Financial liabilities measured at amortised cost	4,321		4,321
60. Tax liabilities	697	5	702
80. Other liabilities	6,275		6,275
90. Staff severance pay	333		333
Total liabilities assumed	**11,626**	**5**	**11,631**
Net acquired assets	**1,366**	**184**	**1,550**
Goodwill		3,815	3,815
Cost of business combination	**1,366**	**3,999**	**5,365**

Acquisition of Cubogas

On 25 July 2018, the business unit operating in the sector of design, development and production of technological solutions for natural gas filling stations for transport of M.T.M., a company of the Westport Fuel Systems group, was acquired through the newly established company Cubogas S.r.l., wholly-owned by Snam4Mobility, following the satisfaction of certain conditions precedent including the conduct of trade union procedures. The value of the transaction was 12.6 million euro, including the price adjustment made at the time of the closing.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
90. Property, plant and equipment	986	99	1,085
100. Intangible assets		976	976
130. Other assets	5,399	281	5,680
Total acquired assets	**6,385**	**1,356**	**7,741**
Liabilities			
60. Tax liabilities		351	351
80. Other liabilities	1,504	100	1,604
90. Staff severance pay	112		112
120. Provisions for risks and charges		6	6
Total liabilities assumed	**1,616**	**457**	**2,073**
Net acquired assets	**4,769**	**899**	**5,668**
Goodwill		6,932	6,932
Cost of business combination	**4,769**	**7,831**	**12,600**

Acquisition of Naturgas

On 30 November 2018, Italgas completed the acquisition of the entire share capital of Naturgas, the company that provides the methane gas distribution services in San Giuseppe Vesuviano (NA), with approximately 2,700 end customers.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	641		641
90. Property, plant and equipment	1		1
100. Intangible assets	1,161		1,161
110. Tax assets	1,186		1,186
130. Other assets	90		90
Total acquired assets	**3,079**		**3,079**
Liabilities			
10. Financial liabilities measured at amortised cost	1		1
60. Tax liabilities	42		42
80. Other liabilities	464		464
90. Staff severance pay	4		4
Total liabilities assumed	**511**		**511**
Net acquired assets	**2,568**		**2,568**
Cost of business combination	**2,568**		**2,568**

Acquisition of Fontenergia

On 30 November 2018, Italgas completed the acquisition of the entire share capital of Fontenergia, a company holding a concession for the distribution service in the Basin 22 of the Sardinia region, with more than 7,000 customers temporarily served with LPG.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	3,105		3,105
90. Property, plant and equipment	207		207
100. Intangible assets	10,570		10,570
110. Tax assets	2,532		2,532
130. Other assets	2,176		2,176
Total acquired assets	**18,590**		**18,590**
Liabilities			
10. Financial liabilities measured at amortised cost	16,485		16,485
60. Tax liabilities	738		738
80. Other liabilities	742		742
90. Staff severance pay	187		187
Total liabilities assumed	**18,152**		**18,152**
Net acquired assets	**438**		**438**
Cost of business combination	**438**		**438**

Acquisition of the EGN Group

On 30 November 2018, Italgas completed the acquisition of a controlling interest, of 60%, of European Gas Network (EGN), a company that manages indirectly, through its subsidiaries EGN Distribuzione, Ischia Gas and Marigliano Gas, approximately 60,000 customers and 37 gas distribution concessions in Sicily, Calabria and Campania. The agreement for the acquisition of EGN provides for a put & call option on the residual 40% equity investment held by the seller, which may be exercised from the 6th month after the closing date of the transaction and at the same price per share set at the closing for the 60% equity investment, less the amount of the dividends distributed by the company.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	2,753		2,753
70. Equity investments	12		12
90. Property, plant and equipment	823		823
100. Intangible assets	74,937		74,937
110. Tax assets	9,643		9,643
130. Other assets	4,628		4,628
Total acquired assets	**92,796**		**92,796**
Liabilities			
10. Financial liabilities measured at amortised cost	40,618		40,618
60. Tax liabilities	1,408		1,408
80. Other liabilities	6,717		6,717
90. Staff severance pay	395		395
120. Provisions for risks and charges	1,518		1,518
Total liabilities assumed	**50,656**		**50,656**
Net acquired assets	**42,140**		**42,140**
Goodwill		22,347	22,347
Cost of business combination	**42,140**	**22,347**	**64,487**

Acquisition of Pentagramma Perugia

At the end of 2018, on 31 December, the spin-off of the investee Pentagramma Perugia S.p.A. has become effective with the transfer of a portion of its assets to a newly-established limited liability company.

As a result of the same spin-off, the subsidiary CDP Immobiliare S.r.l. has become sole shareholder of Pentagramma Perugia.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Assets	Book value	Adjustment	Fair value
40. Financial assets at amortised cost	121		121
90. Property, plant and equipment	790		790
130. Other assets	68		68
Total acquired assets	**979**		**979**
Liabilities			
10. Financial liabilities measured at amortised cost	730		730
80. Other liabilities	35		35
Total liabilities assumed	**765**		**765**
Net acquired assets	**214**		**214**
Cost of business combination	**214**		**214**

Section 2 - Business combinations completed after the end of the year

2.1 Business combinations

After the end of 2018, no business combination transactions were completed.

Section 3 - Retrospective adjustments

No adjustments were made in the current financial year in relation to the business combinations completed in previous financial years.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

The following table shows the remuneration paid in 2018 to members of the management and control bodies and key management personnel of the Parent Company and of wholly-owned subsidiaries.

Directors' and statutory auditors' remuneration

(thousands of euro)	Directors	Board of Auditors	Key management personnel
a) Short-term benefits	13,770	2,669	19,314
b) Post-employment benefits	209		696
c) Other long-term benefits	1,436		4,358
d) Severance benefits	973		
e) share-based payments	1,316		2,690
Total	**17,704**	**2,669**	**27,058**

2. Information on transactions with related parties

Certain transactions among the CDP Group and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

In any event, it should be noted that 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 Group's ordinary operations.

The following table shows assets, liabilities, revenues and costs in respect of the CDP Group's transactions in 2018 with:

- companies subject to significant influence or joint control;
- the Ministry of the Economy and Finance;
- the subsidiaries and direct and indirect affiliates of the Ministry of the Economy and Finance;
- post-employment benefit plans for employees of the CDP Group.

(thousands of euro) Items/Related parties	Ministry of Economy and Finance (MEF)	Associates and joint operations of the CDP Group	Direct and indirect MEF subsidiaries and associates	Others	Total transactions with related parties
Assets					
Financial assets measured at fair value through profit and loss	150,860	156,445	17,421		324,726
Financial assets measured at fair value through other comprehensive income	9,184,904		139,651		9,324,555
Financial assets measured at amortised cost:					
- *loans to banks*			*2,319,527*		*2,319,527*
- *loans to customers*	*235,708,270*	*978,478*	*1,668,779*		*238,355,527*
Other assets	1,062,246	213,549	1,067,363	110	2,343,268
Liabilities					
Financial liabilities measured at amortised cost:					
- *due to banks*					
- *due to customers*	*4,531,996*	*56,223*			*4,588,219*
Other liabilities	57,540	531,943	231,573	7,352	828,408
Off-balance sheet	**1,824,181**	**1,928,363**	**2,786,655**		**6,539,199**
Income statements					
Interest income and similar income	5,840,909	20,837	80,225		5,941,971
Interest expense and similar expense	(5,295)	(254)	(41)		(5,590)
Commission income	308,642	10,289	1,647		320,578
Commission expense	(2,455)	(1,527,073)	(66)		(1,529,594)
Profits (losses) on trading activities		(2,387)			(2,387)
Gains (losses) on disposal or repurchase	(43,685)	63	12		(43,610)
Administrative expenses		(31,657)	(75,142)	(901)	(107,700)
Other operating income (costs)	187,719	917,476	3,243,658	(5,187)	4,343,666

Part I - Share-based payments

Medium/long-term incentive plan of Fincantieri

2016-2018 Performance Share Plan

On 19 May 2017, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium-/long-term management share-based incentive plan called 2016-2018 Performance Share Plan (the "Plan"), as well as the related Regulation. The project was approved by the Board of Directors on 10 November 2016.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 50,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The targets identified for both the first and second cycles of the Plan are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the Company over the long term. The performance targets for the third cycle of the Plan will be identified upon assignment of the related rights by the Board of Directors.

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle will be vested and assigned to the beneficiaries within 31 July 2019, while those accrued in relation to the second and third cycles will be vested and assigned respectively within the 31 July 2020 and 31 July 2021.

The Plan also contemplates a lock-up period in relation to a portion of the shares assigned to the Company's board members or key management personnel.

In the first cycle of the Plan, 9,101,544 Fincantieri S.p.A. shares were assigned to the beneficiaries identified by the Board of Directors on 15 December 2016; in the second cycle of the Plan, 4,170,706 Fincantieri S.p.A. shares were assigned to the beneficiaries identified by the Board of Directors on 25 July 2017; and, in the third and last cycle of the Plan, 3,604,691 shares of Fincantieri S.p.A. were assigned to the beneficiaries identified by the Board of Directors on 22 June 2018. The performance targets consist of two components:
1. a "market based" component (equal to 30% of the total rights assigned) linked to Fincantieri's performance in terms of the TSR associated with the FTSE Italy All Share Index and the Peer group identified by the Company;
2. a "non-market based" component (equal to 70% of the total rights assigned) linked to the achievement of Group EBITDA targets measured against pre-established targets.

The total fair value of the first cycle of the Plan, as determined at the Shareholders' Meeting approval date of the Plan (grant date of the first cycle), was 6,866,205 euro, while the fair value of the second and third cycles of the Plan, as calculated at the assignment dates of 25 July 2017 and 22 June 2018 (grant dates of the second and third cycle), amounted to 3,672,432 euro and 3,963,754 euro respectively.

The "market based" component was calculated according to the Monte Carlo method, under which appropriate assumptions can be applied to define a significant number of alternative scenarios within a given time period. Unlike the "market based" performance target, the "non-market based" component (EBITDA) is immaterial in terms of the fair value estimate but is updated quarterly to take into account expectations in terms of the number of rights accruable based on EBITDA performance measured against the targets established in the Plan. To estimate the number of rights accrued as at 31 December 2018 it has been assumed that the target will be met.

The Shareholders' Meeting of Fincantieri S.p.A. held on 19 May 2017 authorised the Board of Directors to acquire treasury shares to service the Plan for a period of 18 months after the Shareholders' Meeting date. At 31 December 2018, 4,706,890 treasury shares worth 5,277 thousand euro had been purchased by Fincantieri (in line with 31 December 2017).

The features of the Plan, as described above, are described in further detail in the information document prepared by Fincantieri pursuant to article 84-bis of Regulation 11971 issued by Consob on 14 May 1999. The information document has been published on the website "www.fincantieri.it" in the section dedicated to the Shareholders' Meeting held on 19 May 2017.

2019-2021 Performance Share Plan

On 11 May 2018, the Shareholders' Meeting of Fincantieri S.p.A. approved the new 2019-2021 Performance Share Plan (the "Plan") for management and the related Regulation, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 25,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle will be vested and assigned to the beneficiaries within 31 July 2022, while those accrued in relation to the second and third cycles will be vested and assigned respectively within the 31 July 2023 and 31 July 2024.

The Plan also contemplates a lock-up period in relation to a portion of the shares assigned to the Company's board members or key management personnel.

In addition to the EBITDA and TSR parameters, already included in the 2016-2018 Performance Share Plan, the Group has also introduced a further parameter, the Sustainability Index, among the Plan's targets, which measures the achievement of the sustainability targets the Group has set itself to align it with European best practices and the growing expectations of the financial community regarding sustainable development.

The references for testing the achievement of the sustainability target consist of market parameters such as the Carbon Disclosure Project (CDP) and a second rating by an additional agency that assesses the entire basket of sustainability aspects.

The free assignment of the number of rights is delegated to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.

The features of the Plan, as described above, are described in further detail in the information document prepared by Fincantieri pursuant to article 84-bis of Regulation 11971 issued by Consob on 14 May 1999. The information document has been published on the website "www.fincantieri.it" in the section dedicated to the Shareholders' Meeting held on 11 May 2018.

Incentive plans for executives based on Snam shares

2017-2019 long-term performance share plan

On 11 April 2017 the Shareholders' Meeting approved the 2017-2019 long-term performance share plan, giving the powers necessary to implement the Plan to the Board of Directors.

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company's financial performance or who are strategically important in terms of achieving Snam's multi-year objectives. The Plan provides for three cycles of annual assignment of three-yearly targets (so-called Rolling Plan) for the years 2017, 2018 and 2019. At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied.

The maximum number of shares backing the plan is 3,500,000 shares for each year of the Plan. The Plan will end in 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019).

The number of shares vested is subject to meeting the performance targets, which are measured as the average yearly performance against the parameters established for the three-year vesting period, with impact on EBITDA, adjusted net income and sustainability.

2017 award	Vesting period and performance			2020 free share award
	2017	2018	2019	

2018 award	Vesting period and performance			2021 free share award
	2018	2019	2020	

2019 award	Vesting period and performance			2022 free share award
	2019	2020	2021	

At the end of the Plan's vesting period, the beneficiaries will also receive a Dividend Equivalent, consisting in a number of additional shares equivalent to the ordinary and extraordinary dividends distributed by Snam in the vesting period, which would have accrued on the number of shares effectively assigned to the beneficiaries on the basis of their performance and in accordance with the terms and conditions set out in the Plan. The Chief Executive Officer and the other eligible executives will be subject to a lock-up period of two years on 20% of the shares assigned, as recommended in the Corporate Governance Code.

3,692,810 shares have been assigned under the Plan, of which, 1,368,397 shares in relation to 2017 and 2,324,413 shares in relation to 2018. The unit fair value of the shares, which equates to the price of the Snam shares at the grant date, was 3,8548 and 3,5463 euro for the shares granted respectively in 2017 and 2018. The cost of the Long-Term Incentive Plan, amounting to 3 million euro (1 million euro in 2017), is recognised as a labour cost with a balancing entry in equity reserves.

Part L - Consolidated information on operating segments

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 showing separately the contribution given by four sectors to the consolidated Group's results:
- Support for the economy: represented by the Parent Company's financial data;
- International expansion: represented by the SACE group's financial data;
- Other sectors: represented by the financial data of the Companies not subject to management and coordination, except for those included in the previous sector and without their equity investments, which are reported instead under the heading "Companies not subject to management and coordination". The segment therefore includes CDP RETI, Fintecna, CDP Equity, FSI Investimenti, CDP Investimenti SGR, the funds FIV Plus, FIV Extra, FIT, FT1 and FIA2, and CDP Immobiliare[61];
- Companies not subject to management and coordination: represented by the financial data of the companies consolidated line by line (Snam, Terna, Italgas, Fincantieri) and by the financial data deriving from consolidation with the equity method of Eni, Poste Italiane, Saipem, Ansaldo Energia, FSIA, Open Fiber, Kedrion, IQ Made in Italy, Valvitalia, Trevi Finanziaria Industriale, Rocco Forte Hotels, BF, Hotelturist, and the other associates or companies subject to joint control.

The reported financial data were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three segments "Support for the economy", "International expansion" and "Other sectors".

Thus, the contribution of the three segments taken together, for which profit before tax amounts to 2.2 billion euro, is represented by the Parent Company and the companies subject to management and coordination.

This aggregate figure is impacted significantly by the weight of the financial data of the "Support for the economy" segment in terms of Net interest income and Net commission income.

The segment "Companies not subject to management and coordination" reports a profit before tax of 3.5 billion euro. In regard to gross income, there was a decrease in net interest income due to borrowing charges and a significant contribution, even if lower with respect to last year, from the measurement of investee companies with the equity method. This item comprises the positive results of Eni, Poste Italiane and the equity investments held by Snam, while the contribution from Saipem and Ansaldo Energia was negative.

Profit before tax benefits from a significant contribution from the core earnings of the industrial companies recorded under Other net operating income, which offset administrative expenses of 6.9 billion euro and amortisation/depreciation charges for the period of 2 billion euro, related to technical investments and to the effects of the purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the "Support for the economy" segment, in particular under property, plant and equipment and in funding for Companies not subject to management and coordination.

The reclassified income statement figures and the main reclassified balance sheet figures, for 2018 and for the comparison year, shown below, are attributable to the group as a whole. For further details, see also Annex 2.1 "Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group".

61 The segment includes the equity investments of CDP Immobiliare and Fintecna (except for Fincantieri), since they are representative of the company's business.

RECLASSIFIED CONSOLIDATED BALANCE SHEET - 2018

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Loans and cash and cash equivalents	267,406,920	2,463,277	1,040,453	270,910,650	4,349,244	275,259,894
Equity investments		8,361	70,563	78,924	20,316,737	20,395,661
Debt and equity securities and units in collective investment undertakings	66,173,940	3,323,773	657,407	70,155,120	447,561	70,602,681
Property, plant and equipment/technical investments	322,661	74,274	1,426,018	1,822,953	35,837,172	37,660,125
Other assets (including Inventories)	257,673	149,830	105,196	512,699	8,418,807	8,931,506
Funding	336,600,554	1,050,565	1,245,246	338,896,365	28,329,735	367,226,100
- *of which: bonds*	*17,708,840*	*531,564*	*416,443*	*18,656,847*	*18,875,200*	*37,532,047*

RECLASSIFIED CONSOLIDATED BALANCE SHEET - 2017

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total (*)
		International expansion	Other segments			
Loans and cash and cash equivalents	278,453,442	2,916,717	1,633,157	283,003,316	4,001,145	287,004,461
Equity investments		8,010	78,771	86,781	19,682,985	19,769,766
Debt and equity securities and units in collective investment undertakings	53,167,873	2,281,757	185,452	55,635,082	46,666	55,681,748
Property, plant and equipment/technical investments	305,538	99,183	1,385,617	1,790,338	35,388,172	37,178,510
Other assets (including Inventories)	117,489	152,916	122,966	393,371	8,018,123	8,411,494
Funding	334,403,210	1,406,837	1,253,937	337,063,984	26,959,310	364,023,294
- *of which: bonds*	*17,774,419*	*531,545*	*416,283*	*18,722,247*	*19,034,508*	*37,756,755*

(*) Reconcilied.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT - 2018

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Net interest income	**2,373,390**	**221,978**	**(5,671)**	**2,589,697**	**(331,667)**	**2,258,030**
Dividends	1,362,387	7,739	481,732	9,671	2,161	11,832
Gains (losses) on equity investments		351	(9,587)	(9,236)	1,117,490	1,108,254
Net commission income (expense)	84,124	52,419	4,268	140,811	(40,047)	100,764
Other net revenues (costs)	445	1,792	(28,811)	(26,574)	(86,125)	(112,699)
Gross income	**3,820,346**	**284,279**	**441,931**	**2,704,369**	**661,812**	**3,366,181**
Profit (loss) on insurance business		72,521		72,521		72,521
Profit (loss) on banking and insurance operations	**3,820,346**	**356,800**	**441,931**	**2,776,890**	**661,812**	**3,438,702**
Net recoveries (impairment)	(75,693)	(46,214)	(3,625)	(125,532)	(57)	(125,589)
Administrative expenses	(219,351)	(149,479)	(98,942)	(467,772)	(6,943,916)	(7,411,688)
Other net operating income (costs)	2,539	2,624	19,148	24,311	11,895,235	11,919,546
Operating income	**3,527,841**	**163,731**	**358,512**	**2,207,897**	**5,613,074**	**7,820,971**
Net Provisions for risks and charges	(33,780)	12,629	92,654	71,503	(76,335)	(4,832)
Net adjustment to property, plant and equipment and intangible assets	(7,550)	(4,799)	(32,879)	(45,228)	(1,996,810)	(2,042,038)
Other	(4)	3,228	11,876	15,100	3,667	18,767
Income (loss) for the year before tax	**3,486,507**	**174,789**	**430,163**	**2,249,272**	**3,543,596**	**5,792,868**
Income taxes						(1,459,412)
Net income for the year						**4,333,456**

(*) Total of the segments “Support for the economy”, “International expansion” and “Other segments”, net of elimination of dividends.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT - 2017

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total (**)
		International expansion	Other segments			
Net interest income	**1,428,751**	**122,661**	**(5,373)**	**1,546,039**	**(359,621)**	**1,186,418**
Dividends	1,354,721	6,534	641,068	4,831	53	4,884
Gains (losses) on equity investments		56	(11,465)	(11,409)	1,659,042	1,647,633
Net commission income (expense)	118,910	27,760	5,610	152,280	(46,448)	105,832
Other net revenues (costs)	(162,077)	(225,050)	(26,191)	(413,318)	(54,767)	(468,085)
Gross income	**2,740,305**	**(68,039)**	**603,649**	**1,278,423**	**1,198,259**	**2,476,682**
Profit (loss) on insurance business		864,779		864,779		864,779
Profit (loss) on banking and insurance operations	**2,740,305**	**796,740**	**603,649**	**2,143,202**	**1,198,259**	**3,341,461**
Net recoveries (impairment)	74,429	(25,640)	1,388	50,177		50,177
Administrative expenses	(147,177)	(131,542)	(88,316)	(367,035)	(6,475,139)	(6,842,174)
Other net operating income (costs)	24,655	(21,815)	(115,443)	(112,603)	11,234,150	11,121,547
Operating income	**2,692,212**	**617,743**	**401,278**	**1,713,741**	**5,957,270**	**7,671,011**
Net Provisions for risks and charges	83	7,989	33,711	41,783	(116,100)	(74,317)
Net adjustment to property, plant and equipment and intangible assets	(6,902)	(5,077)	(424)	(12,403)	(1,924,336)	(1,936,739)
Other	(396)		1,078	682	(2,205)	(1,523)
Income (loss) for the year before tax	**2,684,997**	**620,655**	**435,643**	**1,743,803**	**3,914,629**	**5,658,432**
Income taxes						(1,196,774)
Net income for the year						**4,461,658**

(*) Total of the segments “Support for the economy”, “International expansion” and “Other segments”, net of elimination of dividends.
(**) Reconcilied

Annexes

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

Company name	Registered office	Investor	% holding	Consolidation method
Parent Company				
Cassa depositi e prestiti S.p.A.	Rome			
Consolidated companies				
ACE Marine LLC	Green Bay - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
African Trade Insurance Company	Nairobi	SACE S.p.A.	4.43%	Equity
Albanian Gas Service Company Sh.a.	Tirana	Snam S.p.A.	25.00%	At cost
Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Ansaldo Energia	Genoa	CDP Equity S.p.A.	59.94%	Equity
Arsenal S.r.l.	Trieste	Fincantieri Oil & Gas S.p.A.	24.00%	Equity
AS Dameco	Skien	Vard Offshore Brevik AS	34.00%	Equity
AS Gasinfrastruktur Beteiligung GmbH	Wien	Snam S.p.A.	40.00%	Equity
Asset Company 2 S.r.l.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Asset Company 4 S.r.l.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Asset Company 5 S.r.l.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Asset Company 6 S.r.l.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Asset Company 7 B.V.	Amsterdam	Snam S.p.A.	100.00%	At cost
Avvenia The Energy Innovator S.r.l.	Rome	Terna Energy Solutions S.r.l.	70.00%	Line-by-line
B.F. S.p.A.	Milan	CDP Equity S.p.A.	21.49%	Equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Baranogas Reti Srl	Concordia sulla Secchia (MO)	Italgas Reti SpA	100.00%	Line-by-line
Bonafous S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Brevik Technology AS	Brevik	Vard Group AS	34.00%	Equity
BUSBAR4F S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	50.00%	Equity
		Fincantieri S.p.A.	10.00%	Equity
Cagliari 89 S.c.ar.l. in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	At cost
Castor Drilling Solution AS	Kristiansand (S)	Seaonics AS	34.13%	Equity
CDP Equity S.p.A.	Milan	CDP S.p.A.	97.13%	Line-by-line
		Fintecna S.p.A.	2.87%	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
CDP Technologies AS	Alesund	Seaonics AS	100.00%	Line-by-line
CDP Technologies Estonia OÜ	Tallinn	CDP Technologies AS	100.00%	Line-by-line
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Line-by-line
		Seaf S.p.A.	15.00%	Line-by-line
Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	Fincantieri S.p.A.	10.93%	Equity
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	Equity
Cinque Cerchi S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	At cost
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	At cost
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	At cost
Consorzio F.S.B.	Marghera (VE)	Fincantieri S.p.A.	58.36%	Equity
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	At cost
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	At cost
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	At cost
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	At cost
Copower S.r.l.	Rome	Tep Energy Solution S.r.l.	51.00%	At cost
Coreso S.A.	Brussels	Terna S.p.A.	15.84%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
CSS Design Limited	British Virgin Islands (GB)	Vard Marine Inc.	31.00%	Equity
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40.00%	Equity
CSSC Fincantieri (Shanghai) Cruise Design Limited	Shanghai	CSSC - Fincantieri Cruise Industry Development Limited	100.00%	Equity
Cubogas S.r.l.	San Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	100.00%	Line-by-line
Difebal S.A.	Montevideo	Terna S.p.A.	100.00%	Line-by-line
DOF Iceman AS	Storebø	Vard Group AS	50.00%	Equity
EGN Distribuzione S.r.l.	Turin	European Gas Network – EGN S.r.l.	100.00%	Line-by-line
Elite S.p.A.	Milan	CDP S.p.A.	15.00%	Equity
ELMED Etudes S.a.r.l.	Tunis	Terna S.p.A.	50.00%	Equity
Enersi Sicilia	San Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Estaleiro Quissamã Ltda	Rio de Janeiro	Vard Group AS	50.50%	Line-by-line
Etihad Ship Building LLC	Abu Dhabi	Fincantieri S.p.A.	35.00%	Equity
European Gas Network - EGN S.r.l.	Turin	Italgas Reti S.p.A.	60.00%	Line-by-line
Europrogetti & Finanza S.r.l. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity
Favaragas Reti S.r.l.	Concordia sulla Secchia (MO)	Italgas Reti S.p.A.	100.00%	Line-by-line
FIA 2	Rome	CDP S.p.A.	100.00%	Line-by-line
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Australia Pty Ltd	Sydney	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Clea Buildings S.c.ar.l.	Verona	Fincantieri Infrastructure S.p.A.	51.00%	Equity
Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro	Fincantieri S.p.A.	80.00%	Line-by-line
		Fincantieri Holding B.V.	20.00%	Line-by-line
Fincantieri Europe S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri India Private Limited	New Delhi	Fincantieri Holding B.V.	99.00%	Line-by-line
		Fincantieri S.p.A.	1.00%	Line-by-line
Fincantieri Infrastructure S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	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	Fincantieri Marine Group Holdings Inc.	100.00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI	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.	71.64%	Line-by-line
Fincantieri Services Middle East LLC	Doha	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Services USA LLC	Miami	Fincantieri USA Inc.	100.00%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Fincantieri Sweden AB	Stockholm	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Washington, DC	Fincantieri S.p.A.	100.00%	Line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
FIT - Fondo Investimenti per il Turismo	Rome	CDP S.p.A.	100.00%	Line-by-line
FT1 - Fondo Turismo 1	Rome	FIT - Fondo Investimenti per il Turismo	100.00%	Line-by-line
FIV Extra	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Plus	Rome	CDP S.p.A.	100.00%	Line-by-line
FMSNA YK	Nagasaki	Fincatieri Marine Systems North America Inc.	100.00%	Line-by-line
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP S.p.A.	43.00%	Equity
Fondo Sviluppo Export	Milan	SACE S.p.A.	100.00%	Line-by-line
Fontenergia 10	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 11	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 15	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 19	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 26	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 27	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 35	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 37	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 4	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 6	Sassari	Medea S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Fontenergia 7	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia 9	Sassari	Medea S.p.A.	100.00%	Line-by-line
Fontenergia S.r.l.	Lanusei	Medea S.p.A.	100.00%	Line-by-line
FSI Investimenti S.p.A.	Milan	CDP Equity S.p.A.	77.12%	Line-by-line
FSI SGR S.p.A.	Milan	CDP S.p.A.	39.00%	Equity
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	70.00%	Equity
Gasrule Insurance D.A.C.	Dublin	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 (MI)	Snam S.p.A.	100.00%	Line-by-line
Grecanica Gas S.r.l.	Turin	Italgas Reti S.p.A.	100.00%	Line-by-line
Gruppo PSC S.p.A.	Maratea (PZ)	Fincantieri S.p.A.	10.00%	Equity
Hotelturist S.p.A.	Padua	CDP Equity S.p.A.	45.90%	Equity
IES Biogas S.r.l.	Pordenone	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	Asset Company 2 S.r.l.	100.00%	Line-by-line
Interconnector (UK) Ltd	London	Snam International B.V.	23.54%	Equity
Interconnector Zeebrugge Terminal S.C./C.V. S.c.r.l.	Brussels	Snam International B.V.	25.00%	Equity
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
Ischia Gas S.r.l.	Turin	European Gas Network - EGN S.r.l.	100.00%	Line-by-line
Ischia Reti Gas S.r.l.	Turin	Italgas Reti S.p.A.	100.00%	Line-by-line
Island Diligence AS	Stålhaugen	Vard Group AS	39.38%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Issel Nord S.r.l.	49.00%	Equity
Issel Nord S.r.l.	Follo (SP)	Delfi S.r.l.	100.00%	Line-by-line
Italgas Acqua S.p.A.	Milan	Italgas S.p.A.	100.00%	Line-by-line
Italgas Reti S.p.A.	Turin	Italgas S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Milan	CDP RETI S.p.A.	26.04%	Line-by-line
		Snam S.p.A.	13.50%	Line-by-line
Kedrion SpA	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Latina Biometano S.r.l.		IES Biogas S.r.l.	32.50%	At cost
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Luxury Interiors Factory S.r.l.	Naples	Marine Interiors S.p.A.	40.00%	Equity
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	62.50%	Equity
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marigliano Gas S.r.l.	Turin	European Gas Network – EGN S.r.l.	100.00%	Line-by-line
Marine Interiors S.p.A.	Trieste	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	Line-by-line
Marinette Marine Corporation	Marinette - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
Medea S.p.A.	Sassari	Italgas Reti S.p.A.	100.00%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Italgas S.p.A.	50.00%	Equity
Møkster Supply AS	Stavanger	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger	Vard Group AS	36.00%	Equity
Monita 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
Naturgas S.r.l.	Turin	Italgas Reti S.p.A.	100.00%	Line-by-line
Olympic Challenger KS	Fosnavåg	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavag	Vard Group AS	29.50%	Equity
Open Fiber S.p.A.	Milan	CDP Equity S.p.A.	50.00%	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. in liquidazione unipersonale	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Pergenova	Genoa	Fincantieri S.p.A.	50.00%	Equity
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity
Progas Metano S.r.l.	Turin	Italgas Reti S.p.A.	100.00%	Line-by-line
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Genova S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost

Company name	Registered office	Investor	% holding	Consolidation method
Quadrifoglio Modena S.p.A in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Verona S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quattror SGR S.p.A.	Milan	CDP S.p.A.	40.00%	Equity
Rem Supply AS	Fosnavag	Vard Group AS	26.66%	Equity
Resia Interconnector S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Rete Verde 17 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rete Verde 18 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rete Verde 19 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rete Verde 20 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Risparmio Holding S.p.A.	Rome	CDP S.p.A.	20.00%	Equity
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23.00%	Equity
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE do Brasil	São Paolo	SACE S.p.A.	100.00%	Line-by-line
SACE Fct	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Saipem S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	12.55%	Equity
Seanergy a Marine Interiors Company S.r.l.	Pordenone	Marine Interiors S.p.A.	85.00%	Line-by-line
Seaonics AS	Alesund	Vard Group AS	56.40%	Line-by-line
Seaonics Polska Sp.zo.o.	Gdansk	Seaonics AS	100.00%	Line-by-line
Seaside S.r.l.	Bologna	Italgas SpA	100.00%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
Senfluga energy infrastructure holdings S.A.	Athens	Snam S.p.A.	60.00%	Equity
Siculianagas Reti S.r.l.	Turin	Italgas Reti S.p.A.	100.00%	Line-by-line
SIMEST S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam International B.V.	Rotterdam	Snam S.p.A.	100.00%	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.	30.37%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Terna Chile S.p.A.	0.01%	Line-by-line
		Terna Plus S.r.l.	99.99%	Line-by-line
SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Napoli S.c.ar.l.	Naples	CDP Immobiliare S.r.l.	25.00%	At cost
Taklift AS	Skien	Vard Group AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	Terna Energy Solutions S.r.l.	70.00%	Line-by-line
TEP Energy Solution Nordest S.r.l.	Udine	TEP Energy Solution S.r.l.	50.00%	At cost
TEP Energy Solution S.r.l.	Rome	Asset Company 4 S.r.l.	100.00%	Line-by-line
Terega Holding S.A.S.	Pau	Snam S.p.A.	40.50%	Equity
Terna Chile S.p.A.	Santiago del Cile	Terna Plus S.r.l.	100.00%	Line-by-line
Terna Crna Gora d.o.o.	Podgorica	Terna S.p.A.	100.00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	Terna S.p.A.	65.00%	Line-by-line
		Terna Rete Italia S.p.A.	5.00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Chile S.p.A.	0.01%	Line-by-line
		Terna Plus S.r.l.	99.99%	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 S.p.A.	Rome	CDP RETI S.p.A.	29.85%	Line-by-line
TES Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Toscana Energia S.p.A.	Florence	Italgas S.p.A.	48.09%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
Trans Adriatic Pipeline AG	Baar	Snam S.p.A.	20.00%	Equity
Trans Austria Gasleitung GmbH	Wien	Snam S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A.	Cesena	FSI Investimenti S.p.A.	16.86%	Equity
Umbria Distribuzione Gas S.p.A.	Terni	Italgas S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Seaf S.p.A.	20.00%	Equity
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	0.50%	Equity
Vard Accommodation AS	Tennfjord	Vard Group AS	100.00%	Line-by-line
Vard Accommodation Tulcea S.r.l.	Tulcea	Vard Electro Tulcea S.r.l.	0.23%	Line-by-line
		Vard Accommodation AS	99.77%	Line-by-line
Vard Aqua Chile SA	Puerto Montt	Vard Aqua Sunndal AS	95.00%	Line-by-line
Vard Aqua Scotland Ltd	Lochgilphead	Vard Aqua Sunndal AS	100.00%	Line-by-line
Vard Aqua Sunndal AS	Sunndalsøra	Vard Group AS	96.42%	Line-by-line
Vard Braila SA	Braila	Vard Group AS	5.88%	Line-by-line
		Vard RO Holding S.r.l.	94.12%	Line-by-line
Vard Contracting AS	Vatne	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	Vard Electro AS	99.50%	Line-by-line
		Vard Electro Tulcea S.r.l.	0.50%	Line-by-line
Vard Electro AS	Sovik	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila S.r.l.	Braila	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Niteroi	Vard Electro AS	99.00%	Line-by-line
		Vard Group AS	1.00%	Line-by-line
Vard Electro Canada Inc.	Vancouver	Vard Electro AS	100.00%	Line-by-line
Vard Electro Italy S.r.l.	Genoa	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea S.r.l.	Tulcea	Vard Electro AS	99.96%	Line-by-line
Vard Engineering Brevik AS	Brevik	Vard Group AS	100.00%	Line-by-line
Vard Engineering Constanta S.r.l.	Costanza	Vard Braila SA	30.00%	Line-by-line
		Vard RO Holding S.r.l.	70.00%	Line-by-line
Vard Engineering Gdansk Sp.Zo.o.	Danzica	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	95.18%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	Houston	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói Ltda	Rio de Janeiro	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	Line-by-line
		Vard Group AS	99.99%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn	Vard Group AS	100.00%	Line-by-line
Vard Piping AS	Tennfjord	Vard Group AS	100.00%	Line-by-line
Vard Promar SA	Recife	Vard Group AS	100.00%	Line-by-line
Vard RO Holding S.r.l.	Tulcea	Vard Group AS	100.00%	Line-by-line
Vard Seaonics Holding AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Ship Repair Braila SA	Braila	Vard Braila SA	100.00%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Ltd	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard RO Holding S.r.l.	99.996%	Line-by-line
		Vard Group As	0.004%	Line-by-line
Vard Vung Tau Ltd	Vung Tau	Vard Singapore Pte Ltd	100.00%	Line-by-line
VBD1 AS	Norway	Vard Group AS	100.00%	Line-by-line
XXI Aprile S.r.l. in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, as amended. (Annual law for the market and competition), on transparency of public funding received or granted, according to which:

- companies that receive subsidies, contributions, paid assignments and economic benefits of any kind from government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries, and from publicly-owned companies, including listed companies and their subsidiaries, are required to publish these amounts in the notes to the financial statements and in the notes to any consolidated financial statements prepared (Article 1, paragraph 125);
- the publication obligations established for government agencies by Article 26 of Legislative Decree 33 of 2013 extend to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, which, in the notes to their annual accounting reports, are required to publish the acts of provision of support, grants, subsidies and financial aid to enterprises, and of economic benefits of any kind to persons and public and private entities (Article 1, paragraph 126).

The complexity of the rules has given rise to many problems of interpretation, to which the most recent response has come from Assonime (Association of Italian Joint Stock Companies) with the publication of Circular no. 5 of 22 February 2019 on “Transparency in the system of public funding: analysis of the rules and interpretation guidance”, in which “guidance is provided for the first fulfilment of the obligations established in Article 1, paragraphs 125 and 126 of Law no. 124/2017, based on a systematic interpretation that takes into account the relationships with other rules in force and adherence to the principle of proportionality”. For the aspects where there is greater uncertainty, the Circular “proposes a possible interpretation in the hope that the competent authorities will soon be able to take a position, in order to ensure the correct and uniform fulfilment of the obligations by the parties concerned”.

In the desire to pursue an agreed interpretation of the rules, and while awaiting official instructions on the methods of compliance, we have therefore followed the guidance provided in the abovementioned circular.

With regard to the objective scope of the rules, we have referred to the definitions provided by the IAS 20, according to which transfers of resources relating to transactions “which cannot be distinguished from the normal trading transactions of the entity” are not government grants. This approach is also confirmed by several interpretations provided by the Italian National Anti-Bribery Authority (ANAC) which in its Resolution no. 59 of 2013, with reference to the procedures for implementing the disclosure obligations introduced by Legislative Decree 33 of 2013, clarifies that the objective scope of application should not include the resources recognised as “consideration for the performance of professional services and for the execution of works, public works, services and supplies”.

It follows, therefore, that the disclosure obligations established by Law 124 of 2017 must be limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

In addition, in view of the scope of Law 124/2017, which forms part of the protection for the market and competition, the required disclosure does not include public aid granted on the basis of a general system, i.e. aid that is available to everyone and therefore does not distort the normal rules of competition. Of relevance in this regard, is the statement in the Assonime Circular that “general measures available to all companies and falling within the general structure of the related system established by the government must certainly be excluded from the publication obligation”. Moreover, “similar considerations also apply to economic benefits that, although they come under the category of selective advantages and therefore of State aid, are received under an aid scheme. In the case of an aid scheme, the advantages are available to all enterprises that fulfil certain conditions, on the basis of predetermined general criteria”.

The disbursements, unless otherwise specified, are recognised on a cash basis.

In accordance with the guidance provided by the Assonime Circular no. 5/2019, the information provided in application of Law no. 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2018 by the subsidiaries of the CDP Group, consolidated on a line-by-line basis, that fall within the subjective scope of application of the law in question, as presented in the respective separate or sub-consolidated financial statements.

Public funding received pursuant to Art. 1, par. 125, Law No. 124/2017

(thousands of euro) Beneficiary	Grantor	Motive	Amount
Fincantieri S.p.A.	MIUR	Non-repayable grant	170
Fincantieri S.p.A.	MISE	Low-interest financing (see footnote 1)	4,509
Fincantieri S.p.A.	MIT	Non-repayable grant	745
Fincantieri S.p.A.	MIT	Non-repayable grant	740
Fincantieri S.p.A.	MIT	Non-repayable grant	596
Fincantieri S.p.A.	MISE	Non-repayable grant	776
Fincantieri S.p.A.	Regione FVG	Non-repayable grant	44
Fincantieri S.p.A.	F.I.L.S.E.	Non-repayable grant	345
Fincantieri S.p.A.	GSE S.p.A.	Capital grant	48
Fincantieri S.p.A.	MIT	Non-repayable grant	748
Fincantieri S.p.A.	Cassa depositi e prestiti S.p.A.	Low-interest financing (see footnote 1)	2,164
CETENA S.p.A.	F.I.L.S.E.	Non-repayable grant	163
CETENA S.p.A.	Regione FVG	Non-repayable grant	24
CETENA S.p.A.	Regione FVG	Non-repayable grant	17
CETENA S.p.A.	MIUR	Non-repayable grant	156
CETENA S.p.A.	MIUR	Non-repayable grant	152
Seastema S.p.A	Regione FVG	Non-repayable grant	159
Italgas Reti S.p.A.	Guardavalle	Grants for installations Law 784/80	241
Italgas Reti S.p.A.	Sorbo San Basile	Grants for installations Law 784/80	52
Italgas Reti S.p.A.	Falciano del Massico	Grants for installations Law 784/80	209
Italgas Reti S.p.A.	Morro d'oro	Grants for installations Law 784/80	14
Italgas Reti S.p.A.	Manoppello	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	60
Italgas Reti S.p.A.	Pettorano sul Gizio	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	237
Italgas Reti S.p.A.	Prezza	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	75
Italgas Reti S.p.A.	San Valentino in Abruzzo Citeriore	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	19
Italgas Reti S.p.A.	Silvi	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	10
Italgas Reti S.p.A.	Bucchianico	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	29
Italgas Reti S.p.A.	Avezzano	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	10
Italgas Reti S.p.A.	Castiglione Messer Raimondo	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	10
Italgas Reti S.p.A.	Turrivalignani	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	1
Italgas Reti S.p.A.	Castilenti	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	8
Italgas Reti S.p.A.	Introdacqua	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	6
Italgas Reti S.p.A.	Pineto	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	2
Italgas Reti S.p.A.	Popoli	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	1
Italgas Reti S.p.A.	Scafa	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	3
Italgas Reti S.p.A.	Lettomanoppello	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	50
Italgas Reti S.p.A.	Elice	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	13
Italgas Reti S.p.A.	Casalincontrada	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	30
Italgas Reti S.p.A.	Bugnara	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	11
Italgas Reti S.p.A.	Catignano	Grants for installations L.R. 3 April 1995, n. 25 e - Regional Law 27/12/2001, n. 84	22

(thousands of euro) Beneficiary	Grantor	Motive	Amount
Terna S.p.A.	Regione Sicilia	Advance payment of grants granted for Terna S.p.A. projects financed with public contributions from the resources of the Regional Operational Programme (ROP) FESR Sicilia 2014 - 2020 - OT4 - Action 4.3.1	14,499
Terna S.p.A.	MISE	Advance payment of grants granted for Terna S.p.A. projects financed with public contributions from the resources of the National Operational Programme (NOP) Enterprise & Competitiveness 2014 - 2020 ERDF - AXIS IV - Investment priority 4d - Action 4.3.1	47,053

(1) The amount shown in the table refers to the capital portion of the loan received during 2018 and characterised by the application of low interest conditions.

Public funding granted pursuant to Art. 1, par. 126, Law No. 124/2017

(thousands of euro) Grantor	Beneficiary	Motive	Amount
Terna S.p.A.	Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro	I edit. Master Biennial in Integrated Management of Safety and Health in the Evolution of the World of Work.	12
Terna S.p.A.	Fondazione Bambino Gesù Onlus	Financial support for housing for children's families	40
Fintecna S.p.A.	Commissario Straordinario del Governo per l'attuazione dell'Agenda Digitale	Spaces granted on free loan (see footnote 3)	10
Fincantieri S.p.A.	Atlantic Council	Liberal contribution	50
Fincantieri S.p.A.	Pallamano Trieste ASD	Liberal contribution	10
Fincantieri S.p.A.	Fondazione Fincantieri Onlus	Liberal contribution	100
Fincantieri S.p.A.	Università degli Studi di Trieste - Dipartimento Universitario Clinico di Scienze mediche. chirurgiche e della salute	Liberal contribution	30
Fincantieri S.p.A.	Comune di Monfalcone- Rette e trasporto scolastico	Donation	45
Fincantieri S.p.A.	Fondazione Teatro Lirico Giuseppe Verdi di Trieste	Donation	35
Fincantieri S.p.A.	Fondazione ricerca Fibrosi Cistica Onlus	Donation	23
Fincantieri S.p.A.	Fondo solidarietà famiglia Lombardo	Liberal contribution	12
Vard Electro Braila S.r.l.	High School - Liceul Tehnologic Henry Coanda	Donations and liberalities	15
Vard Electro Braila S.r.l.	Hospital - Asociatia Daruieste Viata	Donations and liberalities	11
Vard Electro Braila S.r.l.	High School - Colegiul Dobrogean Spiru Haret Tulcea	Donations and liberalities	11
Vard Electro Braila S.r.l.	High School "Anghel Saligny" Braila. Romania	Donations and liberalities	15
Vard Braila SA	Biblioteca Judeteana "Panait Istrati" Braila	Donations in kind	11
FIV Comparto Extra	Videocittà S.r.l.	Spaces granted on free loan	cfr footnote (1)
FIV Comparto Extra	Comune di Diano Castello	Spaces granted on free loan	cfr footnote (1)
FIV Comparto Extra	Human Foundation	Spaces granted on free loan	cfr footnote (1)
FIV Comparto Plus	Comune di Macerata	Spaces granted on free loan	cfr footnote (1)
FIV Comparto Plus	Comune di Milano	Spaces granted on free loan	cfr footnote (1)
CDP S.p.A.	Comune di Genova	Loan instalment deferral "Collapse of Genoa viaduct 2018" (see footnote 2)	16,902
CDP S.p.A.	Comune di Castello d'Argile	Loan instalment deferral "Earthquake 2012" (see footnote 2)	78
CDP S.p.A.	Comune di Crevalcore	Loan instalment deferral "Earthquake 2012" (see footnote 2)	316
CDP S.p.A.	Comune di Galliera	Loan instalment deferral "Earthquake 2012" (see footnote 2)	60
CDP S.p.A.	Comune di Malalbergo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	246
CDP S.p.A.	Comune di Molinella	Loan instalment deferral "Earthquake 2012" (see footnote 2)	1,080
CDP S.p.A.	Comune di Pieve di Cento	Loan instalment deferral "Earthquake 2012" (see footnote 2)	333

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di San Giorgio di Piano	Loan instalment deferral "Earthquake 2012" (see footnote 2)	279
CDP S.p.A.	Comune di San Giovanni in Persiceto	Loan instalment deferral "Earthquake 2012" (see footnote 2)	375
CDP S.p.A.	Comune di San Pietro In Casale	Loan instalment deferral "Earthquake 2012" (see footnote 2)	204
CDP S.p.A.	Provincia di Cremona	Loan instalment deferral "Earthquake 2012" (see footnote 2)	5,939
CDP S.p.A.	Comune di San Daniele Po	Loan instalment deferral "Earthquake 2012" (see footnote 2)	115
CDP S.p.A.	Provincia di Ferrara	Loan instalment deferral "Earthquake 2012" (see footnote 2)	2,285
CDP S.p.A.	Comune di Argenta	Loan instalment deferral "Earthquake 2012" (see footnote 2)	679
CDP S.p.A.	Comune di Cento	Loan instalment deferral "Earthquake 2012" (see footnote 2)	470
CDP S.p.A.	Comune di Vigarano Mainarda	Loan instalment deferral "Earthquake 2012" (see footnote 2)	507
CDP S.p.A.	Provincia di Mantova	Loan instalment deferral "Earthquake 2012" (see footnote 2)	1,240
CDP S.p.A.	Comune di Borgofranco sul Po	Loan instalment deferral "Earthquake 2012" (see footnote 2)	26
CDP S.p.A.	Comune di Gonzaga	Loan instalment deferral "Earthquake 2012" (see footnote 2)	242
CDP S.p.A.	Comune di Moglia	Loan instalment deferral "Earthquake 2012" (see footnote 2)	101
CDP S.p.A.	Comune di Motteggiana	Loan instalment deferral "Earthquake 2012" (see footnote 2)	87
CDP S.p.A.	Comune di Pegognaga	Loan instalment deferral "Earthquake 2012" (see footnote 2)	245
CDP S.p.A.	Comune di Pomponesco	Loan instalment deferral "Earthquake 2012" (see footnote 2)	100
CDP S.p.A.	Comune di Quingentole	Loan instalment deferral "Earthquake 2012" (see footnote 2)	27
CDP S.p.A.	Comune di Rodigo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	358
CDP S.p.A.	Comune di Roncoferraro	Loan instalment deferral "Earthquake 2012" (see footnote 2)	188
CDP S.p.A.	Comune di San Benedetto Po	Loan instalment deferral "Earthquake 2012" (see footnote 2)	111
CDP S.p.A.	Comune di San Giacomo delle Segnate	Loan instalment deferral "Earthquake 2012" (see footnote 2)	99
CDP S.p.A.	Comune di San Giovanni del Dosso	Loan instalment deferral "Earthquake 2012" (see footnote 2)	75
CDP S.p.A.	Comune di Schivenoglia	Loan instalment deferral "Earthquake 2012" (see footnote 2)	70
CDP S.p.A.	Comune di Serravalle a Po	Loan instalment deferral "Earthquake 2012" (see footnote 2)	16
CDP S.p.A.	Comune di Sustinente	Loan instalment deferral "Earthquake 2012" (see footnote 2)	2
CDP S.p.A.	Comune di Villimpenta	Loan instalment deferral "Earthquake 2012" (see footnote 2)	65
CDP S.p.A.	Provincia di Modena	Loan instalment deferral "Earthquake 2012" (see footnote 2)	1,407
CDP S.p.A.	Comune di Bastiglia	Loan instalment deferral "Earthquake 2012" (see footnote 2)	67
CDP S.p.A.	Comune di San Felice sul Panaro	Loan instalment deferral "Earthquake 2012" (see footnote 2)	655
CDP S.p.A.	Comune di Camposanto	Loan instalment deferral "Earthquake 2012" (see footnote 2)	107
CDP S.p.A.	Comune di Cavezzo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	55
CDP S.p.A.	Comune di Finale Emilia	Loan instalment deferral "Earthquake 2012" (see footnote 2)	642
CDP S.p.A.	Comune di Medolla	Loan instalment deferral "Earthquake 2012" (see footnote 2)	266
CDP S.p.A.	Comune di Ravarino	Loan instalment deferral "Earthquake 2012" (see footnote 2)	111
CDP S.p.A.	Comune di San Prospero	Loan instalment deferral "Earthquake 2012" (see footnote 2)	175
CDP S.p.A.	Comune di Boretto	Loan instalment deferral "Earthquake 2012" (see footnote 2)	292
CDP S.p.A.	Comune di Guastalla	Loan instalment deferral "Earthquake 2012" (see footnote 2)	205
CDP S.p.A.	Comune di Luzzara	Loan instalment deferral "Earthquake 2012" (see footnote 2)	124
CDP S.p.A.	Comune di Reggiolo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	155
CDP S.p.A.	Comune di Rio Saliceto	Loan instalment deferral "Earthquake 2012" (see footnote 2)	57
CDP S.p.A.	Provincia di Rovigo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	1,566
CDP S.p.A.	Comune di Bagnolo di Po	Loan instalment deferral "Earthquake 2012" (see footnote 2)	166
CDP S.p.A.	Comune di Bergantino	Loan instalment deferral "Earthquake 2012" (see footnote 2)	400
CDP S.p.A.	Comune di Calto	Loan instalment deferral "Earthquake 2012" (see footnote 2)	47
CDP S.p.A.	Comune di Canaro	Loan instalment deferral "Earthquake 2012" (see footnote 2)	215
CDP S.p.A.	Comune di Castelmassa	Loan instalment deferral "Earthquake 2012" (see footnote 2)	344
CDP S.p.A.	Comune di Ceneselli	Loan instalment deferral "Earthquake 2012" (see footnote 2)	64
CDP S.p.A.	Comune di Ficarolo	Loan instalment deferral "Earthquake 2012" (see footnote 2)	121
CDP S.p.A.	Comune di Fiesso Umbertiano	Loan instalment deferral "Earthquake 2012" (see footnote 2)	189
CDP S.p.A.	Comune di Gaiba	Loan instalment deferral "Earthquake 2012" (see footnote 2)	66
CDP S.p.A.	Comune di Gavello	Loan instalment deferral "Earthquake 2012" (see footnote 2)	101
CDP S.p.A.	Comune di Giacciano con Baruchella	Loan instalment deferral "Earthquake 2012" (see footnote 2)	102
CDP S.p.A.	Comune di Melara	Loan instalment deferral "Earthquake 2012" (see footnote 2)	87

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Occhiobello	Loan instalment deferral "Earthquake 2012" (see footnote 2)	1,235
CDP S.p.A.	Comune di Salara	Loan instalment deferral "Earthquake 2012" (see footnote 2)	45
CDP S.p.A.	Comune di Stienta	Loan instalment deferral "Earthquake 2012" (see footnote 2)	292
CDP S.p.A.	Comune di Trecenta	Loan instalment deferral "Earthquake 2012" (see footnote 2)	390
CDP S.p.A.	Provincia di Ancona	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,606
CDP S.p.A.	Comune di Cerreto d'Esi	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	531
CDP S.p.A.	Comune di Fabriano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,960
CDP S.p.A.	Provincia di Ascoli Piceno	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,201
CDP S.p.A.	Comune di Ascoli Piceno	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,088
CDP S.p.A.	Comune di Acquasanta Terme	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	179
CDP S.p.A.	Comune di Amandola	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	127
CDP S.p.A.	Comune di Appignano del Tronto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	65
CDP S.p.A.	Comune di Arquata del Tronto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	60
CDP S.p.A.	Comune di Belmonte Piceno	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	39
CDP S.p.A.	Comune di Castel di Lama	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	372
CDP S.p.A.	Comune di Castignano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	13
CDP S.p.A.	Comune di Castorano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	108
CDP S.p.A.	Comune di Colli del Tronto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	142
CDP S.p.A.	Comune di Comunanza	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	256
CDP S.p.A.	Comune di Cossignano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	25
CDP S.p.A.	Comune di Falerone	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	142
CDP S.p.A.	Comune di Folignano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	534
CDP S.p.A.	Comune di Force	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	91
CDP S.p.A.	Comune di Maltignano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	5
CDP S.p.A.	Comune di Massa Fermana	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	71
CDP S.p.A.	Comune di Monsampietro Morico	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	52
CDP S.p.A.	Comune di Montappone	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	156
CDP S.p.A.	Comune di Monte Rinaldo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	26
CDP S.p.A.	Comune di Monte Vidon Corrado	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	43
CDP S.p.A.	Comune di Montefalcone Appennino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	25
CDP S.p.A.	Comune di Montefortino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	32
CDP S.p.A.	Comune di Montegallo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	61
CDP S.p.A.	Comune di Montegiorgio	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	346
CDP S.p.A.	Comune di Monteleone di Fermo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	29
CDP S.p.A.	Comune di Montelparo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	84
CDP S.p.A.	Comune di Montemonaco	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	4
CDP S.p.A.	Comune di Offida	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	200
CDP S.p.A.	Comune di Ortezzano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	35
CDP S.p.A.	Comune di Palmiano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	8
CDP S.p.A.	Comune di Roccafluvione	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	55
CDP S.p.A.	Comune di Santa Vittoria in Matenano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	31
CDP S.p.A.	Comune di Montereale	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	86
CDP S.p.A.	Comune di Servigliano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	71
CDP S.p.A.	Comune di Smerillo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	32
CDP S.p.A.	Comune di Venarotta	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	96
CDP S.p.A.	Comune di Cagnano Amiterno	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	40
CDP S.p.A.	Comune di Campotosto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	50
CDP S.p.A.	Comune di Capitignano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	13
CDP S.p.A.	Comune di Pizzoli	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	154
CDP S.p.A.	Provincia di Macerata	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,274
CDP S.p.A.	Comune di Macerata	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	2,156
CDP S.p.A.	Comune di Apiro	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	226
CDP S.p.A.	Comune di Belforte del Chienti	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	102

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Bolognola	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	22
CDP S.p.A.	Comune di Caldarola	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	98
CDP S.p.A.	Comune di Camerino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	657
CDP S.p.A.	Comune di Camporotondo di Fiastrone	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	23
CDP S.p.A.	Comune di Castelraimondo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	610
CDP S.p.A.	Comune di Castelsantangelo sul Nera	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	112
CDP S.p.A.	Comune di Cessapalombo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	45
CDP S.p.A.	Comune di Cingoli	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	958
CDP S.p.A.	Comune di Colmurano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	98
CDP S.p.A.	Comune di Corridonia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	390
CDP S.p.A.	Comune di Esanatoglia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	278
CDP S.p.A.	Comune di Fiastra	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	77
CDP S.p.A.	Comune di Fiuminata	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	154
CDP S.p.A.	Comune di Gagliole	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	68
CDP S.p.A.	Comune di Gualdo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	96
CDP S.p.A.	Comune di Loro Piceno	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	202
CDP S.p.A.	Comune di Matelica	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	880
CDP S.p.A.	Comune di Mogliano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	336
CDP S.p.A.	Comune di Monte Cavallo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	43
CDP S.p.A.	Comune di Monte San Martino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	56
CDP S.p.A.	Comune di Muccia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	38
CDP S.p.A.	Comune di Penna San Giovanni	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	151
CDP S.p.A.	Comune di Petriolo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	87
CDP S.p.A.	Comune di Pieve Torina	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	386
CDP S.p.A.	Comune di Pioraco	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	102
CDP S.p.A.	Comune di Pollenza	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	308
CDP S.p.A.	Comune di Ripe San Ginesio	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	42
CDP S.p.A.	Comune di San Ginesio	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	292
CDP S.p.A.	Comune di San Severino Marche	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	435
CDP S.p.A.	Comune di Sant'angelo in Pontano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	109
CDP S.p.A.	Comune di Sarnano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	400
CDP S.p.A.	Comune di Sefro	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	60
CDP S.p.A.	Comune di Serrapetrona	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	13
CDP S.p.A.	Comune di Serravalle di Chienti	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	94
CDP S.p.A.	Comune di Tolentino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,583
CDP S.p.A.	Comune di Treia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	336
CDP S.p.A.	Comune di Urbisaglia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	244
CDP S.p.A.	Comune di Ussita	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	734
CDP S.p.A.	Comune di Visso	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	175
CDP S.p.A.	Provincia di Pescara	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	2,709
CDP S.p.A.	Comune di Farindola	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	47
CDP S.p.A.	Provincia di Perugia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	4,893
CDP S.p.A.	Comune di Cascia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	160
CDP S.p.A.	Comune di Cerreto di Spoleto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	88
CDP S.p.A.	Comune di Monteleone di Spoleto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	13
CDP S.p.A.	Comune di Norcia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	311
CDP S.p.A.	Comune di Poggiodomo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	28
CDP S.p.A.	Comune di Preci	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	35
CDP S.p.A.	Comune di Sant'anatolia di Narco	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	44
CDP S.p.A.	Comune di Scheggino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	46
CDP S.p.A.	Comune di Spoleto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,350
CDP S.p.A.	Comune di Vallo di Nera	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	7
CDP S.p.A.	Provincia di Rieti	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	988

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Rieti	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,970
CDP S.p.A.	Comune di Leonessa	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	92
CDP S.p.A.	Comune di Accumoli	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	97
CDP S.p.A.	Comune di Amatrice	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	102
CDP S.p.A.	Comune di Antrodoco	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	132
CDP S.p.A.	Comune di Cantalice	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	140
CDP S.p.A.	Comune di Castel Sant'Angelo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	24
CDP S.p.A.	Comune di Cittaducale	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	586
CDP S.p.A.	Comune di Cittareale	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	27
CDP S.p.A.	Comune di Micigliano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	26
CDP S.p.A.	Comune di Poggio Bustone	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	40
CDP S.p.A.	Comune di Posta	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	7
CDP S.p.A.	Comune di Rivodutri	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	42
CDP S.p.A.	Provincia di Teramo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,008
CDP S.p.A.	Comune di Teramo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,771
CDP S.p.A.	Comune di Campli	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	217
CDP S.p.A.	Comune di Castel Castagna	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	27
CDP S.p.A.	Comune di Castelli	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	132
CDP S.p.A.	Comune di Civitella del Tronto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	272
CDP S.p.A.	Comune di Colledara	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	151
CDP S.p.A.	Comune di Cortino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	125
CDP S.p.A.	Comune di Crognaleto	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	223
CDP S.p.A.	Comune di Fano Adriano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	39
CDP S.p.A.	Comune di Isola del Gran Sasso d'Italia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	151
CDP S.p.A.	Comune di Montorio Al Vomano	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	293
CDP S.p.A.	Comune di Pietracamela	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	57
CDP S.p.A.	Comune di Rocca Santa Maria	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	87
CDP S.p.A.	Comune di Torricella Sicura	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	49
CDP S.p.A.	Comune di Tossicia	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	59
CDP S.p.A.	Comune di Valle Castellana	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	113
CDP S.p.A.	Provincia di Terni	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,168
CDP S.p.A.	Comune di Arrone	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	206
CDP S.p.A.	Comune di Montefranco	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	30
CDP S.p.A.	Comune di Polino	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	65
CDP S.p.A.	Provincia di Fermo	Loan instalment deferral "Central Italy Earthquake" (see footnote 2)	1,471
CDP S.p.A.	Comune di Casamicciola Terme	Loan instalment deferral "Ischia Earthquake" (see footnote 2)	619
CDP S.p.A.	Agenda per l'Italia Digitale	Spaces granted on free loan (see footnote 3)	100

(1) For both segments of the Investment Fund for Development (FIV Extra and FIV Plus) the spaces granted on free loan are former barracks characterized by the presence of multiple buildings often without systems and in conditions of abandonment. This building and town planning situation makes it impossible to identify benchmarks, in the real estate markets of reference, for the determination of a reasonable economic consideration. In particular, in the case of the Plus segment, the spaces have been granted on loan for free use for the purpose of building public utility services such as schools and public transport.

(2) In relation to emergencies caused by earthquakes or other calamitous events, CDP has suspended the loan instalments in favour of local authorities, as a result of which debtors have been offered the possibility of deferring payment of the instalments, in terms of principal and interest, at a future date. The benefits shown in the table are therefore represented by the amounts of the instalments due in 2018, in terms of principal and interest, the collection of which has been deferred to the future date.

(3) The valuation is obtained by considering both the portion relating to the concession in use of the spaces and the portion relating to general services (maintenance, cleaning, utilities) attributable to the same.

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group

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 reconciliation statements are shown below.

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

CONSOLIDATED BALANCE SHEET – RECLASSIFIED ASSETS
RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) ASSETS - Balance sheet items	31/12/2018	Cash and cash equivalents and other treasury investments	Loans	Debt securities, equity securities and units in collective investment undertakings	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsureres' share of technical reserves	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets measured at fair value through profit or loss:	4,294								
a) financial assets held for trading	1,036			946		90			
b) financial assets designated at fair value									
c) other financial assets mandatorily measured at fair value	3,258		548	2,710					
30. Financial assets measured at fair value through other comprehensive income	11,583			11,583					
40. Financial assets measured at amortised cost:	330,075								
a) loans to banks	24,825	11,552	12,301	972					
b) loans to customers	305,250	158,809	92,049	54,392					
50. Hedging derivatives	722					722			
60. Fair value change of financial assets in hedged portfolios (+/-)	132								132
70. Equity investments	20,396				20,396				
80. Reinsurers' share of technical reserves	852							852	
90. Property, plant and equipment	37,660						37,660		
100. Intangible assets	8,804						8,804		
110. Tax assets	1,622								1,622
120. Non-current assets and disposal groups held for sale	11								11
130. Other assets	8,931								8,931
Total assets	**425,083**	**170,362**	**104,898**	**70,603**	**20,396**	**812**	**46,464**	**852**	**10,696**

CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) LIABILITIES AND EQUITY - Balance sheet items	31/12/2018	Funding					Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total equity
		Total funding	Postal Funding	Funding from banks	Funding from customers	Bond Funding					
10. Financial liabilities measured at amortised cost:	366,707										
a) due to banks	40,906	40,906	1,317	39,589							
b) due to customers	288,788	288,788	256,723	24,270	7,795						
c) securities issued	37,013	37,013				37,013					
20. Financial liabilities held for trading	82						82				
30. Financial liabilities designated at fair value	519	519				519					
40. Hedging derivatives	826						826				
50. Fair value change of financial liabilities in hedged portfolios	26								26		
60. Tax liabilities	3,597									3,597	
70. Liabilities associated with non-current assets and disposal groups held for sale											
80. Other liabilities	10,960								10,960		
90. Staff severance pay	209									209	
100. Provisions for risks and charges	2,750									2,750	
110. Technical reserves	2,675							2,675			
120. Valuation reserves	480										480
150. Reserves	14,313										14,313
160. Share premium reserve	2,378										2,378
170. Share capital	4,051										4,051
180. Treasury shares	(57)										(57)
190. Non-controlling interests	12,676										12,676
200. Net income (loss) for the year	2,891										2,891
Total liabilities and equity	**425,083**	**367,226**	**258,040**	**63,859**	**7,795**	**37,532**	**908**	**2,675**	**10,986**	**6,556**	**36,732**

CONSOLIDATED INCOME STATEMENT

RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) INCOME STATEMENT - Financial statement items	2018	Net interest income	Gains (losses) on equity investments	Net commission income (expense)	Other net revenues (costs)	Gross income	Profit (loss) on insurance business
10. Interest income and similiar income	8,118	8,118				8,118	
20. Interest expense and similar expense	(4,633)	(4,633)				(4,633)	
40. Commissin income	457	300		157		457	
50. Commissin expense	(1,583)	(1,527)		(56)		(1,583)	
70. Dividends and similar revenues	12		12			12	
80. Profits (losses) on trading activities	19				19	19	
90. Net gain (loss) on hedging activities	(43)				(43)	(43)	
100. Gains (losses) on disposal or repurchase	(28)				(28)	(28)	
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(61)				(61)	(61)	
130. Net adjustments/recoveries for credit risk	(112)						
140. Gains/losses from changes in contrats without derecognition	(2)						
160. Net premium income	203						203
170. Net other income (expense) from insurance operations	(130)						(130)
190. Administrative expenses	(7,412)						
200. Net accruals to the provisions for risks and charges	(17)						
210. Net adjustments to/recoveries on property, plant and equipment	(1,443)						
220. Net adjustments to/recoveries on intangible assets	(599)						
230. Other operating income (costs)	11,920						
250. Gains (losses) on equity investments	1,108		1,108			1,108	
280. Gains (losses) on disposal of investments	18						
300. Income tax for the year on continuing operations	(1,459)						
330. Net income (loss) for the year	**4,333**	**2,258**	**1,120**	**101**	**(113)**	**3,366**	**73**
340. Net income (loss) for the year pertaining to non-controlling interests	1,442						
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,891**						

Profit (loss) on banking and insurance operations	Net recoveries (impairment)	Administrative expenses	Other net operating income (costs)	Operating income	Net provisions for risks and charges	Net adjustments on PPE and intangible assets	Other	Income taxes	Net income (loss) for the year
8,118				8,118					8,118
(4,633)				(4,633)					(4,633)
457				457					457
(1,583)				(1,583)					(1,583)
12				12					12
19				19					19
(43)				(43)					(43)
(28)				(28)					(28)
(61)				(61)					(61)
	(112)			(112)					(112)
	(2)			(2)					(2)
203				203					203
(130)				(130)					(130)
		(7,412)		(7,412)					(7,412)
	(12)			(12)	(5)				(17)
						(1,443)			(1,443)
						(599)			(599)
			11,920	11,920					11,920
1,108				1,108					1,108
							18		18
								(1,459)	(1,459)
3,439	**(126)**	**(7,412)**	**11,920**	**7,821**	**(5)**	**(2,042)**	**18**	**(1,459)**	**4,333**
									1,442
									2,891

Independent Auditor’s Report

Independent auditor’s report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Cassa depositi e prestiti SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cassa depositi e prestiti Group (the “Group”), which comprise the balance sheet as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Cassa depositi e prestiti SpA (the “Company”) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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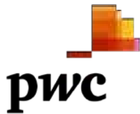
Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of equity investments in the consolidated financial statements	
Notes to the consolidated financial statements Part A: Accounting policies – Part A.2 "The main financial statement items" *Part B: Information on the consolidated Balance Sheet – Section 7 of assets: Equity investments* *Part C: Information on the consolidated Income Statement – Section 17: Gains (Losses) on Equity investments.* The item "Equity investments" at 31 December 2018 showed a balance of Euro 20,396 million equal to about 5 per cent of total consolidated assets. The equity investment portfolio of the Cassa depositi e prestiti Group includes investments in jointly controlled subsidiaries and associates directly or indirectly held by the parent company Cassa depositi e prestiti SpA. If there are indicators that lead to believe that an investment has suffered an impairment loss (impairment indicators), management is required to verify the investment's impairment loss, if any, comparing the book value of the investment with its estimated recoverable amount (impairment test) in accordance with IAS 36. The evaluation of the recoverable amount of equity investments is a complex activity requiring management to make significant estimates mainly regarding the determination of the assumptions and parameters behind the models used in order to estimate the current value of the expected cash flows (value in use) or, alternatively, the fair value less costs to sell.	We focused our audit work on the estimate of the recoverable amount of the equity investments which were considered more significant and showed impairment indicators within the context of the financial statements. Specifically, as part of our audit activities, we performed the following audit procedures, also with the support of PwC network experts: 1 understanding and evaluation of the controls carried out by the Company management in the context of the monitoring of the value of the equity investments, with a specific focus on the controls put in place in the elaboration phase of the impairment tests at the balance sheet date; 2 collection, analysis and understanding of the set of information used by management to support their valuation, including the information reported to the corporate governance bodies; 3 understanding and evaluation of the valuation models used by management; 4 check of the consistency and adequacy of the models used, in order to determine the recoverable amount of the most significant equity investments, considering the specific context, the provisions of the applicable accounting standards, as well as the valuation practices; 5 verification of the reasonableness of the financial parameters adopted for the



purpose of the application of the evaluation method chosen;

6 verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing;

7 independent analyses such as:
   a re-calculation of the valuation parameters and analysis of the reasonability of the results,
   b monitoring of the performance of the stock price, if applicable,
   c collection of additional information and data available in the public domain, which were considered useful in the case;

8 check of the adequacy and exhaustiveness of the disclosures in the notes to the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance 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 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Cassa depositi e prestiti SpA or to cease operations, or have no realistic alternative but to do so.

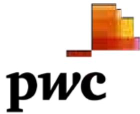
The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.
As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and



significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 25 May 2011, the shareholders of Cassa depositi e prestiti SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.
We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Cassa depositi e prestiti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Cassa depositi e prestiti Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the Cassa depositi e prestiti Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Cassa depositi e prestiti SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Cassa depositi e prestiti SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 19 April 2019

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Certification of the consolidated financial statements

pursuant to article 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Paolo Calcagnini, in his capacity as Manager in charge with preparing the company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2018.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2018 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the *Internal Control - Integrated Framework* model issued by the *Committee of Sponsoring Organisations of the Treadway Commission*, which is a generally accepted framework at international level.

3. In addition, we certify that:
   - 3.1 the consolidated financial statements at 31 December 2018:
     - a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
     - b) correspond to the information in the books and other accounting records;
     - c) give a true and fair view of the performance and financial position of the issuer and of 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 of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 19 April 2019

The Chief Executive Officer

Fabrizio Palermo

The Manager in charge with preparing the company's financial reports

Paolo Calcagnini

4.

Shareholders' resolution

MSC

Shareholders' resolution

The Shareholder's Meeting, held on 23 May 2019 and chaired by Massimo Tononi, approved the separate financial statements for 2018 unanimously and by show of hands, resolves in particular:

"(...) to approve the following allocation of the profit for the year, equal to 2,540,463,436 euro:
- 22,577,172.00 euro as an unavailable earnings reserve pursuant to Article 6 of Legislative Decree 38/2005;
- 1,554,706,859.20 euro as a dividend for shareholders, payable by within 30 days of the date of the Shareholders' Meeting;
- 963,179,404.80 euro as retained earnings."

Summary report

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

(euro)	
Income	2,540,463,436.00
Distributable income*	2,517,886,264.00
Dividend	1,554,706,859.20
Reatained earnings	963,179,404.80
Dividend per share**	4.60

* Income, net of the amount of 22,577,172 euro allocated to unavailable earnings reserve.
** Excluding treasury shares.

Cassa depositi e prestiti S.p.A.

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